

RELEVANCE OF INTERNET INFORMATION SOURCES ON BUSINESS FOR MANAGEMENT PROCESSES

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Abstract

Nowadays, quality of on-line information resources on businesses and their availability play an important role in managerial decision-makings, in order to ensure their compliance and flexibility. Internet as an on-line instrument of communication has greatly accelerated managerial decision-making regarding to the implementation of business processes. The aim of the paper is to analyze on-line sources of information available for managerial decision-making in Slovakia. The information the manager needs for their decision-making should be judged in terms of timeliness, reliability, relevance, completeness and clarity. An important feature of business information for external users, which may be managers of business partners or competing businesses, is their comparability. In the field of financial information in the Slovak Republic, the comparability is ensured by the legislation for the preparation and disclosure/presentation/reporting of the financial statements and annual reports of the enterprises in the Register of Financial Statements.

Keywords: *Information Sources, Register of Financial Statements, Annual Report, Financial Statements, Internet*

JEL Classification: *M40, M41, M10, M15*

1 Introduction

Business information available freely on the Internet in the current times of market economy and world globalization is of an increasing importance, which is reflected, inter alia, in the current process of European integration (MacGregor,

2012). It is not merely about finding out the existence or non-existence of a business entity, but rather about learning of its financial situation and economic potential, as well as other plans and strategies of the company and its approach towards corporate social responsibility (MacGregor, 2017). These questions are relevant not only as a focus of an economic research, but also serve as a basis for management economic decision making processes. This article deals with electronic resources available freely for everyone related to companies operating in the Slovak Republic. This includes, in particular, core business data, statutory financial reporting and financial statements, annual reports, as well as data analyzed from these primary sources through derived financial business indicators. In order to assess the relevance of this information, it is important to consider their readability, availability, and user-friendliness, which improves their applicability in the assessment of the economic situation of businesses (Turečková, 2015; Parajka, 2016). Information obtained from electronic sources helps to optimize R&D processes and improve their competitiveness. (Bočková, 2015).

2 Data and Methods

The aim of the paper is to analyze on-line sources of information available for managerial decision-making in Slovakia. Provision of financial and non-financial business information is assessed based on the legislation applicable to accounting entities and their statutory reporting duties and obligations. Based on the data and information disclosed in the Register of Financial Statements and other available Internet sources, we identify the nature of the information on business entities operating in the Slovak Republic, its form, and availability for all parties. Based on the statistical analysis of the Finstat database (Finstat, 2018), which obtains, updates, and subsequently handles information on business entities from the Register of Financial Statements, we compare the number of documents disclosed by accounting entities by their respective type for the accounting periods ending in 2012 and 2013 with the accounting periods ending in 2014, 2015, 2016, and 2017.

3 Results and Discussion

3.1 Accounting Entity General Information Available Freely on the Internet

Primary information on businesses registered in the Commercial Register of the Ministry of Justice of the Slovak Republic can be obtained from the website: <http://orsr.sk/> (CR of the SR, 2018). Search criteria include the business name,

identification number, headquarters, file number, legal form, names of shareholders, as well as other advanced search strings. It is possible to display the records by the time of their last update indicating any and all changes thereto with the respective date. In case of natural persons, entities with an assigned Company's ID ("IČO") with a business license can be searched in the Trade Register on the website <http://zivnostenskyregister.vyhľadajsi.sk/> (ZR SR, 2018). In the Trade Register, it is possible to use the following search criteria: name, operation's address (municipality, street, number), and business name, IČO. Business entities can also be found in the list of debtors kept by the Social Security Insurance Company <http://www.socpoist.sk/zoznam-dlznikov-emw/487s> (Social Security Insurance Company, 2018) or Health Insurance Companies <http://www.dovera.sk/overenia/dlznici/najvacsi-dlznici> (Dôvera, 2018), <http://www.union.sk/zoznam-neplaticov-pravnicke-osoby> (Union, 2018), <http://www.vszp.sk/platitelia/platenie-poistneho/zoznam-dlznikov.html> (VŠZP, 2018), or in other lists of companies suspected and blocked, whose VAT authorization has been terminated or suspended pursuant to the Vat Act for VAT unpaid thereunder http://edane.drsr.sk/report/ds_dphz.zi (eDane, 2018), or list of tax debtors (legal and natural persons) <https://www.financnasprava.sk/sk/elektronicke-sluzby/verejne-sluzby/zoznamy/zoznam-danovych-dlznikov> (Financial Administration, 2018). Search criteria in these list includes the birth number or IČO.

3.2 Financial Statements and Annual Reports Published in the Register of Financial Statements

Business entities have statutory duty to disclose economic information in the form of financial statements and annual reports on the website <http://www.registeruz.sk/cruz-public/domain/accountingentity/simplesearch> (RFS, 2018). It is possible to search for information in the Register of Financial Statements of the Ministry of Finance of the Slovak Republic (hereinafter the "RFS") by the name, accounting entity, IČO, Tax ID ("DÍČ"). The RFS can be searched for a particular accounting entity and criteria selected, such as specific search strings of characters contained in the name, the number of employees, legal form, accounting year, type of the financial statement (regular, extraordinary), region, district, address of the establishment, accounting entities with consolidated financial statements only, accounting entities still valid by the date selected, or any combination thereof. The information available is in the form as it is submitted to the Financial Administration of the SR as part of the tax return for the income tax, as well as other supplementary documentation and amendments. (Pakšiová et al., 2016) Financial statements and other documents published in the RFS are submitted to the Financial Administration (in case of private sector entities) or through the

Treasury (in case of public sector entities). Neither the RFS nor the Ministry of Finance of the SR accept financial statements or other documents directly. The RFS was established on 1 January 2014, and - pursuant to Section 23 (2) of the Accounting Act - it reports information on accounting entities produced by 31 December 2013 and later. It is possible to search and display financial statements available on the RFS and other documents listed therein, and it is possible to save and print financial statements and other documents.

The RFS was introduced to improve and simplify the business environment and reduce the administrative burden (Parajka, 2012). At the same time, it is aimed at improving the availability and quality of information on accounting entities. It was established by Act 431/2002 Coll., Accounting, as amended, and it serves the function of public administration information system, operated by DataCenter under the authority of the Ministry of Finance of the Slovak Republic.

Effective from 1 January 2014, the system of reporting financial statements, annual reports, and audit reports to the RFS has changed. Since 1 January 2014, accounting entities no longer report the balance sheet and profit and loss statement in the Business Journal as before the introduction of the RFS. Unlike the legislation effective until 31 December 2013, the RFS also includes annual reports, and the accounting entities were relieved of the duty to report interim financial statements. The RFS is an information system of the public administration containing financial statements, audit reports, and annual reports pursuant to Section 23 to 23d of the Accounting Act, as amended. The RFS is divided into public and non-public section. The public section contains financial statements of companies, cooperatives, state-owned enterprises, state administrations and agencies, IFRS entities, and other accounting entities selected. The non-public section includes financial statements of other accounting entities, such as natural persons and non-profit organizations, which have no such reporting statutory obligation. Information reporting in the RFS is free of any charges.

Incomplete financial statements are listed in the RFS for the period of 2009 - 2012. (Pakšiová, R., 2016) Previous data was added to the RFS from the following sources: The Treasury Information System and Central Consolidation System submitted individual and consolidated government accounts in structured form; DataCenter submitted data from the financial statements of cities and municipalities and their subordinate organizations in structured form; the Financial Directorate of the SR submitted scans of financial statements of entities; financial statements of IFRS entities were added from the Business Journal. This information cannot be considered complete. Notes to financial statements were not submitted during 2009-2012, and thus they are not included in the public section of the RFS,

except for accounting entities that submitted their financial statements in a written form (provided that they were scanned and assigned properly).

Accounting entities currently do not submit any documents directly to the RFS. Documents are submitted to the RFS pursuant to Section 23b of the Accounting Act, as follows:

1. Documents produced in a paper form are submitted to the tax authority and there converted to an electronic form and subsequently forwarded to the RFS;
2. Documents produced in an electronic form are submitted via the Financial Administration portal (www.financnasprava.sk);
3. Public administration entities submit documents through the Treasury system.

The statutory duty to submit and disclose information is deemed complied with the moment they are submitted to the Financial Administration (in writing, electronically). Public agencies shall submit their financial documents via the Treasury system to comply therewith.

Accounting entities have no longer duty to submit documents directly to the Commercial Register, because this is done automatically since the integration of the information systems. The following documents of entities registered in the Commercial Register - pursuant to Section 3 of Act 530/2003 Coll., Commercial Register - are forwarded from the RFS to the Commercial Register:

- General purpose financial statement and extraordinary financial statement, consolidated financial statement;
- Annual report;
- Audit report; and
- Financial statements date of approval notification.

Individual financial statements, individual annual report, consolidated financial statements, and consolidated annual report of entities pursuant to the Accounting Act shall be submitted to the RFS (pursuant to Section 23 (1) of the Accounting Act). Financial statements for 2013 and others are added to the RFS from the following two sources (RFS, 2018):

- Financial statements and documents related thereto are added to the RFS by the Financial Administration;
- Financial statements of public agencies are added from the public administration information systems (Treasury information system, Central Consolidation System, DataCenter information systems).

It is possible to fill the system with several types of data thanks to its design. In case of double-entry accounting system, the following information is available in the RFS (RFS, 2018):

- If submitted in writing, scan of the Balance Sheet, Profit and Loss Statement, and Notes;
- If submitted electronically, Balance Sheet, Profit and Loss Statement, and Notes displayed electronically;
- Structured data from the Balance Sheet and Profit and Loss Statement;
- Additional documents in electronic form (audit report, financial statements approval notification, annual report).

3.3 Statutory Reporting

Business entities, cooperatives, state-owned enterprises, and non-profit organizations shall submit documents to the tax office or electronically to the Financial Administration of the SR pursuant to Act 563/2009 Coll., Tax Administration (Tax Code), as amended.

Full compliance requires to submit complete and accurate forms as provided. Documents are submitted to the RFS electronically or in paper form. VAT payers shall communicate electronically with the Financial Administration since 2014. Since 1 January 2018, the statutory electronic communication was extended to all legal persons registered in the Commercial Register, which will apply to all natural persons from 1 July 2018. Electronic communication also applies to all documents submitted and published subsequently in the RFS. For this purpose, it is required to obtain access to authorized eServices. Specific application and authorization information can be found at <https://www.financnasprava.sk/sk/elektronicke-sluzby>. PDF is the preferred format of any and all electronic communication.

Documents of non-standardized structure (consolidated financial statements, annual reports, audit reports, summary financial statements, selected statements, and documents produced in a foreign language) shall be submitted to the RFS electronically as an attachment to the standard submission.

Accounting entities have the duty to produce financial reports within six months of the accounting period, unless otherwise provided for in applicable legislation. Accounting entities subject to the Accounting Act (or specific regulation) shall have their accounts reviewed by an auditor. Accounting entities subject to the auditor's review shall produce an annual report. Financial statements shall be protected and kept in the company's archive. Financial statements and annual reports shall be kept for a period of 10 years following the year to which they relate pursuant to applicable legislation.

Under Section 23a (4) of Act 431/2002 Coll., Accounting, as amended (2018), accounting entities shall submit unauthorized financial statements to the RFS and subsequently the notification of authorization, if applicable and within 15 days thereof. In case of no changes between the unauthorized and authorized version of the financial statements, the accounting entity does not need to resubmit it. The same period of 15 days for an entity applies to the storage of revised and newly approved financial statements prepared after the opening of the accounting records by which the entity replaces the already submitted and approved financial statements. Notification of authorization shall be submitted electronically via electronic mailbox of the Financial Administration of the SR (hereinafter the "FA") with an attachment indicating the date of authorization thereof. The process of submission of authorization is the same as the process of submission of other documents (via electronic mailbox of the FA).

In the case of public accounting entities, the duty is deemed complied with by submitting documents through the Treasury system pursuant to Act 291/2002 Coll., Treasury, as amended.

IFRS entities shall publish the following information on their websites for a period of at least one year pursuant to Section 17a of the Accounting Act:

- Notification of financial statements submission to the RFS;
- Complete financial statements in the same extent and deadline as submitted to the RFS (Section 23d (5) of the Accounting Act).

Annual reports - individual and consolidated - shall be submitted to the RFS no later than one year after the end of the accounting period to which they relate (Section 23a (7) of the Accounting Act). First financial statements were submitted to the RFS related to the accounting period ending on 31 December 2013 and later. Annual report, as well as the audit report and other documents, shall be submitted by all entities (except for public agencies) electronically via the FA portal.

Since the disclosure of business information is ensured by the FA and entrepreneurs are required by the Accounting Act (2018) to observe the deadlines, content and scope of the information provided, in the event of non-compliance, they commit an administrative offense which is liable to a fine of up to 2% of the total assets declared:

- in the balance sheet prepared for the reviewed accounting period in the valuation adjusted for correction items, but not more than 1 mil. euros,
- in the statement of assets and liabilities compiled for the reviewed accounting period, up to 1 mil. euros.

In 2018 the FA is, pursuant to the amendment of the tax regulation, going to create an objective, independent and legal evaluation model of tax subjects built on approximately 40 criteria including specific tax regimes for reliable tax subjects via the tax reliability index. It will distinguish between reliable, less reliable and unreliable legal persons.

3.4 Statistical Analysis of the Number of Submissions During 2012-2017

Several private Slovak companies are engaged in the analysis of the number of submissions of financial statements. It can be said that they all get information from electronic information available freely and from the RFS in particular. Most of them provide their services via Internet. These analyzes are mostly accessible by paying a subscription, which is either valid for a limited period of time or for a limited number of analyzes. Some of them publish free partial analyses and statistics either by certain criteria or for specific entities, including several financial health indicators, either numerically or graphically, for one or several accounting periods. For example, Finstat publishes free analyzes on its website at <https://www.finstat.sk>, where users can filter and search for several criteria, such as year, area, revenue, earnings, assets, income tax due, or date of publication. Finstat publishes free graphs (at least for a period of 7 years) with the indicators of the financial health of any entities, such as the progress of profits, revenues, other earnings, assets, equity, total debt, gross margin in the last year, and taxable income, displayed in a user-friendly interface, which helps to search for and display useful business information. See Table 1 for authorized on-line sources, content and frequency of information updates published on <https://finstat.sk/>.

Table 1 Sources and information updates in Finstat database

Data sources	Content of monitored information	Update
RFS	economic results and financial situation of businesses	daily
COMMERCIAL REGISTER	changes in places of establishment, statutes and other changes in businesses	daily
BUSINESS JOURNAL	bankrupts, restructuralsations, liquidations, auctions...	daily
BANKRUPT REGISTER	Information on bankrupts and restructuralsations	daily
TRADE REGISTER	changes in places of establishment, line of business and cancellation	monthly

Data sources	Content of monitored information	Update
REGISTER OF PUBLIC SECTOR PARTNERS	end users of benefits, changes in registration	weekly
FINANCIAL ADMINISTRATION	monitoring of debts to the tax office	monthly
	change of VAT payment status	twice a week
SOCIAL SECURITY INSURANCE COMPANY	debts, arrears	twice a week
GENERAL HEALTH INSURANCE COMPANY	debts, arrears	weekly
UNION INSURANCE COMPANY	debts, arrears	weekly
DÔVERA INSURANCE COMPANY	debts, arrears	daily
JUDICIAL DECISIONS	bank drafts	weekly
INSOLVENCY REGISTER	insolvency proceedings of Czech businesses	daily
CZECH STATISTICAL OFFICE	number of employees, CZ NACE, Business ID, place of establishment...	once a month

Source: Finstat, 2018.

Based on the analysis of Finstat data (Finstat, 2018), which obtains, updates, and subsequently handles information on business entities from the RFS, Table 2 shows the number of documents disclosed by accounting entities by their respective type for the accounting periods ending in 2012 and 2013 with the accounting periods ending in 2014, 2015, 2016, and 2017, taking into account that some accounting entities report for a calendar year and other for an economic year.

Table 2 Number of Submissions Year-to-Year Comparison

Year	2012	2013	2014	2015	2016	2017 (Submitted by 27/2/18)
General Purpose Financial Statements	148 796	184 623	209 732	210 257	215 221	10 481
Extraordinary Financial Statements	1 590	451	3 411	4 559	3 669	2 038
Individual Annual Reports	78	7 419	9 205	9 589	9 410	108

Year	2012	2013	2014	2015	2016	2017 (Submitted by 27/2/18)
Consolidated Annual Reports	1	895	905	933	874	0
Total Number of Submissions	150 465	193 388	223 253	224 405	229 174	12 627

Source: Finstat, 2018.

From the statistical analysis, we can observe a significant increase in the number of submissions since the amendment to the Accounting Act establishing the RFS. This can be attributed to the change in the method of reporting of balance sheets and profit and loss statements in the Commercial Register since 1 January 2014 (i.e. for 2013), when accounting entities were relieved of this duty, and thanks to the integration of the information system, this information is submitted by the Financial Administration or Treasury, in case of public agencies respectively, once they are received in the RFS.

4 Conclusion

Internet, as a publicly available worldwide system of interconnected networks, which facilitates rapid data exchange throughout the world, has great potential for flexible decision making in today's fast-paced world. Thanks to its almost-unlimited reach and extent, it became an essential means of social communication and information gathering in all areas of application. Company managers and executives, as well as any other entrepreneurs with specific needs, are browsing the Internet for any information related to the business and use it in their decision making processes. Reporting of quality financial and non-financial business information has a growing importance and time becomes the essence of management, especially in today's dynamically changing business environment. The credibility and availability of relevant and sound information is a prerequisite for making good and accurate decisions not only for the managers, but also for any users of information that rely on information sources available publicly. Resources should be judged from the point of view of the relevance of the compiler, providers and their authorizations. Risks for on-line information users are identified in taking late or incorrect decisions dependent on relevancy, completeness, correctness and timeliness of information, therefore it is necessary to focus on authorized sources, such as information provided by public institutions and official registers. The biggest risks of authorized online information sources on businesses may be seen

in a time interval between the occurrence of a given matter and its publication on the Internet. Not only all taken-over and subsequently published information always have this time interval in its primary sources, but there is also always a certain degree of uncertainty, error, incorrectness or misrepresentation in its using, that can sometimes be caused unwillingly, e.g. due to the technology setting of big amount of various data processing to unify and consolidate the analysis outputs. Therefore, it would be useful to confirm this information in a trustworthy first source before the final managerial decision is made, especially if it is a significant one for the business. Trustworthy sources include those that are provided on the basis of verifiable facts, such as the list of debtors of state institutions, Financial Administration, Social Security Insurance Company, and Health Insurance Companies. Often, however, they are not updated immediately, and sometimes it takes time for a debtor to be deleted legitimately.

The availability of financial and non-financial information of accounting entities has increased since the introduction of the RFS in 2014, when the accounting entities - instead of reporting directly - submit their documents to the Financial Administration or Treasury, in case of public agencies respectively. As regard the credibility of this information and given its nature, the financial statements in particular - which is the basis for calculating taxable income base and the income tax of both legal and natural persons - are subject to full review and audit system of the Financial Administration. In the case of non-compliance with the disclosure obligation, or the content and extent of the information provided, enterprises may commit an administrative offense for which a fine may be imposed by tax administrators, which may in some cases amount to up to 1 million euros. In 2018 the Financial Administration is, pursuant to the amendment of the tax regulation, going to create an objective, independent and legal evaluation model of tax subjects built on approximately 40 criteria including specific tax regimes for reliable tax subjects via the tax reliability index. It will distinguish between reliable, less reliable and unreliable legal persons.

Based on the statistical analysis, we can conclude that business information on the Internet has growing importance in recent years with several shortcomings related to its process of updating that need to be addressed. When gathering and evaluating information from the Internet, it is important to choose the right sources credible and sound, because not all information on the Internet is true.

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