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MANAGEMENT OF THE FINANCIAL RESULT AND CAPITAL STRUCTURE OF A COMPANY USING LEASEBACK

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Purpose: Assessment of the impact of using leaseback agreements on the financial result and structure of the company's balance sheet.
Design/methodology/approach: The publication carried out extensive literature research related to the topics discussed. As a result of the analyses and simulations carried out, the impact of the use of leasing on the financial results, capital structure and selected financial indicators of the enterprise was also examined.
Findings: As a result of the conducted research, it was shown that a skilful use of leaseback agreements leads to an improvement in the company's financial liquidity and the shaping of a favourable image of the company in the area of the financial result, balance sheet structure and selected financial indicators.
Practical implications: The discussed solutions can be used in small and large enterprises with problems with financial liquidity, as well as with positive results of basic business activity.
Originality/value: Innovative research related to the enterprise's balance sheet policy implemented using leaseback.

Keywords: balance sheet policy, leasing, depreciation, costs.

Category of the paper: Research paper.

1. Introduction

Financial statements are one of the basic elements on which the overall assessment and opinions on a given enterprise are based from the perspective of external entities, but also the management boards of entities. The image of the company, created in its reports, depends on specific situations, circumstances, exceptional events, and sometimes intuitive knowledge, interpreted by a given financial and accounting service employee in a unique way. This situation justifies the need to maintain some flexibility of accounting regulations. The financial statements should constitute the basic instrument that presents the financial position of the entity. To a large extent their shape depends on the accounting policy applied by the entity.

Documentation related to accounting policy should be in writing and be approved by the head of the unit, who may incur civil law and criminal liability for failure in this respect, resulting in improper quality of the prepared financial statements (Szydełko, 2016).

The manager of an enterprise decides about the choice of the appropriate balance sheet policy. Provisions included in the Accounting Act are not able to regulate all cases occurring in practice. This means that companies can exercise some freedom to achieve their own goals. The more rigorous, detailed and changeable regulations, the smaller the possibilities of implementing the balance sheet policy.

2. The essence and goals of the balance sheet policy

Balance-sheet policy is understood as the whole of lawful decisions, the purpose of which is to shape the results, assets, equity, liabilities and other items disclosed in the financial statements in order to optimally implement economic assumptions. The balance sheet policy expresses the whole (even innovative) activities related to the creation of reporting information corresponding to: qualitative canons included in the balance sheet and particular legal, strategic and/or operational business objectives of the enterprise (Karmińska, 2004).

Balance sheet policy can also be presented as all projects during the financial year and during the preparation of an annual closure aimed at influencing the assessment of the addressee of the balance sheet and inducing them to the desired behaviours. This definition clearly defines the purpose of the balance sheet policy, which is an appropriate assessment of the enterprise by economic entities in its environment and, as a consequence, their respective behaviour. The essence of the balance sheet policy is to include the economic values and to present them in the financial statements, so that they are, in an optimal way for the company implementing the balance sheet policy, coordinated with the whole of economic phenomena, economic and legal situation as well as processes and institutions shaping the exchange relations between economic entities.

The circumstances in which the balance sheet policy is used and the purpose of its application may vary. One of the most common goals of the balance sheet policy is the need to acquire new financial resources to maintain operations at the current level and the possibility of its further continuation. Another common purpose of using this type of instrument is the will to convince future and current investors and trade partners to start or continue cooperation. Another very common goal of the balance sheet policy is to minimize tax burdens. This may apply to one or more tax periods. Reducing tax burdens can be achieved by shifting taxes over time or by avoiding paying taxes. The first method applies to taxes related to the company's income. This means shifting sales revenues to future periods and including as many costs as possible in the current period. The shift in the payment of taxes made in this way is interest-free crediting of the company by the state. In the event of permanent transfers of this kind, the loan period may be extended for an indefinite period in certain circumstances. Another form of transferring taxes over time is to obtain a postponement or dividing tax payments into instalments. The second method involves the application of tax breaks, withdrawal from operations, spreading the balance sheet loss over time, transferring profits to lower taxed regions and undertaking ventures to reduce property taxes. In addition to the indicated goals of the balance sheet policy one should also distinguish:

1. the desire to achieve higher profits and smaller losses,
2. striving to avoid the effects of any tax or financial control,
3. overstating the achievements of employees and managers in order to obtain a higher performance bonus,
4. influencing the results of future business periods,
5. striving to increase the position and attractiveness of the company,
6. effective running of an advertising campaign or satisfaction of owners' ambitions,
7. manipulation of data in the financial statement (Surdykowska, 2005).

Achieving these goals should make it possible to confront the actual state of the company with the expected state, detect its strengths and weaknesses, as well as identify emerging opportunities and threats in the context of the constantly changing economic environment, which should translate into the competitive and development opportunities for the company. The purpose of the balance sheet policy stems mainly from the fact that the main task of the balance sheet is not to outline the most accurate real state, but to satisfy the information needs of different recipients, thus requesting a true and reliable picture can only exist within the limits of various information interests, which means that they need to be balanced. Objective and reliable information about the property, capital and financial situation of an enterprise is a condition for effective and efficient management of it. Therefore, the company's image in the financial report should take into account the needs of the user of the report. The user interprets the financial report in a correct manner only when they receive the information they expect.

2.1. Instruments of the balance sheet policy

The scope of the balance sheet policy is limited by law. These provisions have a twofold character. First of all, these are absolutely mandatory regulations, formulating specific orders and prohibitions regarding accounting principles. Their observance is a condition for a reliable reflection of the property and capital situation in the enterprise. Secondly, these are the norms that allow the selection of specific accounting procedures. They appear when, in relation to a specific factual situation, one can accept at least two different, strictly determined solutions, which are mutually exclusive, and the enterprise decides about their choice. The rights of choice in accounting are the basis for the separation of types of balance sheet instruments. Most often, these instruments are divided into instruments: material, formal and temporary instruments (Kamiński, 2011).

Material instruments undertake affecting the value of assets and liabilities, income and expenses, profits and losses. This may be, for example, delays in the procurement of materials and goods (which results in higher liquidity). Especially with respect to phenomena that occur uniquely, the right to an individual financial statement allows to influence the content of such statements. This right should be considered as one of the most commonly used instruments of the material balance sheet policy, whose impact on the financial statements is enhanced by temporary or formal means associated with real economic processes. The method of material balance sheet policy is the method of valuation of the assets and liabilities of an enterprise. The carrying amount of an enterprise is the value of its assets less its liabilities, also known as the net book value. Formal instruments give the right to choose a variant of the profit and loss account, distribute profit or cover the net loss. Temporary instruments play an important role in the balance sheet policy due to the fact that the selection of instruments starts from the selection of the balance sheet date and moment, which does not have to coincide with the calendar year. This choice is of great importance, inter alia, because in certain cases the right of option can only be exercised before the balance sheet date; this applies in particular to material balance sheet policy. The use of balance sheet policy instruments after the balance sheet date is then not possible, as it would be a breach of the principle of continuity. This means that the effect of these undertakings in accordance with the accounting principles will not be included in the books and financial statements of the financial year. Economic units, operating under similar economic conditions, but using material, formal and time tools, can achieve different financial results, depending on the adopted balance sheet policy.

Table 1.
Instruments of the balance sheet policy

No.	Accounting instruments	Types of balance sheet policy	
		conservative	**aggressive**
1	revenue recognition	after the end of the sale	at the point of the sale
2	depreciation method	accelerated depreciation (shorter period)	line method (longer depreciation period)
3	inventory valuation	LIFO (assuming rising prices)	FIFO (assuming rising prices)
4	goodwill depreciation	shorter period than possible	for the longest possible period
5	warranty reserves	high amount	low amount
6	estimate of "bad" debts	high amount	low amount

Adapted from: “Oszustwa księgowe. Teoria i praktyka.” by M. Kutera, A. Hołda, S. Surdykowska. Warszawa 2006, p. 36.

In most cases, in practice there are internal relationships between the forms of balance sheet policy. Changes in the valuation of balance sheet items - constituting material instruments of the balance sheet policy, affecting the company's financial result affect at the same time the structure of the financial statements and the report of the unit on the financial year (formal and temporary instruments of the balance sheet policy). The reported profit plays a big role in the balance sheet policy not only because it is an indicator of the company's profitability, obtained as a result of the trade balance policy, but also because it is a starting point for determining the taxable base of the entity, i.e. conducting the tax balance policy. The internal dependence is also reflected in the fact that it is not possible under the balance policy to demonstrate low profit (for example to reduce income tax, maintain a property) and at the same time to present a favourable financial situation, creditworthiness and company's development. Fixed assets are characterized by a gradual loss of value, caused by their consumption. An indication of a decrease in the initial value due to consumption are depreciation write-offs. They are made in the same amount as amortization write-offs, which are the cost of consuming fixed assets, but are not an expense. Consumption of fixed assets is determined using percentage or amount rates, the amount of which depends on:

1. initial value,
2. the expected period of use,
3. depreciation method adopted.

Depreciation is one of the most frequently used instrument of balance sheet policy. Depreciation is also a source of self-financing of the company. The company recognizes depreciation as a cost, but there is no real cash outflow associated with this cost. Therefore, it is defined as a special cost, not constituting a cash flow. However, it has a direct impact on the cash flow balance because, being the tax deductible cost, it lowers the tax base through deduction and thus affects the amount of income tax. The sum by which the expenses decrease due to the reduction of the tax base is called the "tax shield". The tax shield is understood as saving on tax payments resulting from the recognition of depreciation write-offs to tax deductible costs. Shaping depreciation through the financial system means that there are two types of relationships between the amount of amortization write-offs and the company's profit as well as between the amount of write-offs and the actual consumption of property, plant and equipment. Increased amortization, on the one hand, reduces profit, but on the other hand it causes a smaller outflow of cash; reduced depreciation affects the increase of profit and greater outflow of cash. Increasing tax payments increase the real outflow of cash from the enterprise (Iwin- Garzyńska, 2005).

When depreciation is lower than the actual consumption, part of the profits actually not achieved affects a better picture of the company's finances than in reality. Here, there is a distribution of cash for income tax, dividends, etc. from profit that has not actually been obtained but has been manipulated. In the opposite situation, when depreciation is higher than the actual consumption, the profit is reduced and then tax revenues decrease and the shareholders are misled as to the financial situation of the company. Depreciation included in the accounting books results from the selection of an enterprise, and thus can be determined taking into account the rates set out in the tax regulations. Then, the accounting depreciation will be consistent with the tax depreciation. If, however, the enterprise unit accepts rates that deviate from the rates included in the tax regulations, the accounting depreciation will differ from the tax depreciation.

The adopted rules regarding depreciation of fixed assets may turn out to be mismatched to their actual consumption and real market value during their operation. One of the ways to include in the financial statements a much higher value of fixed assets than actually recognized is the use of leaseback. Ways of using this instrument of balance sheet policy will be presented in the further part of this study. Specialists believe that almost every item in the report can be overwhelmed. And although in the long run it is not possible to manipulate the result, it is beneficial and profitable in the short term. However, one should always be careful not to breach the applicable balance sheet law. A breach of the overriding accounting principles may lead to adulteration of accounting records, and the fraudulent accountancy created on the basis of improperly conducted accounting will give wrong information to its recipients (Wiśniewska, 2005).

2.2. The essence and types of leasing

Leasing should be included in external sources of financial power for business operations with external capital. Under the ordinary term of leasing, it is understood that the lessee is able to use a particular good at a relevant fee. This understanding of leasing is close to the terms of tenancy and lease. Often these concepts are confused or mistakenly regarded as identical by entrepreneurs. What differs is the civil-legal nature of lease and rental/leasing agreements (Hanisz and Rembalis, 2006). According to traditional assumptions, the enterprise completes the material property components necessary to run business, resigning from acquiring them for the benefit of renting, ensuring the right of use. It is basically a source of financing for an enterprise with separate ownership, included in long-term liabilities or off-balance sheet liabilities. Leasing is a specific form of financing the investment activity, consisting in the use of non-current tangible assets by the enterprise in exchange for periodic (usually monthly) fees. It allows the use of investment goods without the need to acquire them, which is important especially for newly-established entities and those who do not have adequate capital. Taking into account the needs of the enterprise, it is worth noting that the most common subject of leasing are transport means. According to J. Grzywacz's own research, the structure of leasing in Poland in 2011 was as follows:

1. 36% means of road transport (excluding passenger cars),
2. 25% machines and industrial equipment,
3. 19% passenger cars,
4. 14% real estate (net value),
5. 3% computers and office equipment,
6. 2.5% ships, planes, rolling stock,
7. 0.5% other (Grzywacz, 2012).

Under the leasing agreement, as defined in the Civil Code, the financing party undertakes, in the scope of its business, to acquire an item from the designated vendor, under the terms of an agreement, and give it to the lessee while using and collecting benefits for a fixed period, and the lessee undertakes to pay the financing party, in agreed instalments. a monetary remuneration equal to at least the price or remuneration for the purchase incurred by the financing party. The definition of a leasing contract specified for tax purposes is more precise than the definition adopted in the Civil Code. In this case, a leasing contract specifies an agreement named in the Civil Code, as well as any other contract under which one of the parties, hereinafter referred to as the financing party, grants the other party for use or use and collection of benefits under the conditions specified in the contract, some assets, hereinafter referred to as depreciable fixed assets or intangible assets as well as land. In practice and economic theory, it is indicated that the most commonly used division of leasing contracts is the division based on the legal nature of the contract, i.e. the division into financial and operational leasing. Financial leasing, also called capital or investment, is combined with a long-term lease agreement, concluded for a period similar in principle to the period of economic use of the object for a specified fee. This fee includes depreciation and cash benefit to the lessor related to handling costs and profit. The contract may include an option entitling the lessee to purchase the property after the completion of the contract. Financial leasing in terms of tax and financial consequences is similar to investment loan. In a financial lease, the user can only make depreciation charges in a fixed amount resulting from tax regulations, regardless of the actual amount of leasing fees in a given tax year, hence it shows the value of the leased asset in the balance sheet. The operating costs of a given device, the risk of its aging, are borne by the lessee himself.

In the case of operational leasing, contracts are concluded for shorter periods and entitle the lessee to return the leased item to the lessor, who may lease it to another lessee. In this case, the company has to make a decision and assess whether it is more profitable to purchase the object for own use, or only temporarily use it for a certain fee. Operating leases lead to an increase in the current tax deductible costs, and thus a reduction in the tax base due to the lease instalment costs incurred (Gorczyńska and Znanecka, 2006).

Operational leasing will occur when the contract is concluded for a definite period, constituting at least 40% of the normative depreciation period (in the case of movables or property rights), or at least 10 years (in the case of real estate) and when the sum of fees set in the contract, reduced by due tax on goods and services, will correspond at least to the initial value of the leased asset (Wielgórka and Chudzicki, 2009).

Due to the number of parties, one can also distinguish direct leasing (when the producer or sales company rents property also to users), and indirect leasing (in which there is an additional partner, e.g. a financial institution that acquires certain property only for the purpose of renting it to the lessee). In Poland, indirect leasing is the most common, and in many cases, there are possibilities of financing these transactions by producers of leased objects. Currently, indirect leasing is the dominant form of the leasing transaction. In an indirect leasing transaction, there are three entities: the lessor, the lessee and the seller of the leased asset. Between them, one tripartite agreement may be concluded, or – which is more often the case – two bilateral agreements are concluded. Leases with full coverage of costs occur most often in financial leasing agreements. That is important in this respect are the costs of acquisition of the leased asset, interest on the loan, if the asset was financed on its basis, costs related to maintaining the leased asset in the state of operational readiness and cumulative gain of the supplier. Leasing may also take the form of an incomplete reimbursement of costs incurred by the supplier. Such a situation occurs most frequently in operating lease agreements. Then the subject of the lease must be subject to multiple lease agreements to cover the investment expenses incurred by the supplier for its purchase. Full leasing occurs in situations where the costs of maintenance of the leased asset in the state of economic suitability, costs of its repairs, insurance and service are borne by the lessor. However, when this obligation rests with the lessee, we deal with pure leasing, also known as net leasing (Okręglicka, 2004).

Another division of leasing transactions is the division into pure leasing and full leasing. Pure leasing is a lease in which all fees related to maintaining the leased asset in the correct condition are borne by the lessee. In the case of full leasing, all fees related to the maintenance of the leased asset are charged to the lessor. Leasing dynamic development is caused primarily by the advantages that arise for the parties to the contract. The advantages of leasing include:

1. the possibility to finance all investment expenditures,
2. relatively low charges with initial capital expenditures – the entrepreneur does not usually have to pay advances towards future lease payments or secure a specific sum of the leasing company's receivables. They remain the owner of the leased property for the whole duration of the contract, which protects their interests,
3. tax benefits – they result from the possibility of reducing the income constituting the basis for calculating income tax. This, of course, affects the reduction of the cost of leasing, despite quite restrictive regulations in this respect,
4. impact on extending credit opportunities – signing a leasing agreement does not cause the company to increase the debt ratio, even if the creditworthiness is lower, it is possible to use the lease, and with regard to the loan it would be much more difficult,
5. the possibility of reducing the total investment costs – sometimes it may turn out that the total sum of all leasing instalments is lower than the purchase costs on the market of a given good, e.g. when the leased asset still has a high value at the time the leasing contract expires. The owner may then compensate for part of the costs incurred by selling this item through its further sharing,
6. balance sheet benefits – the leasing operation is not entered into the balance sheet of the company as a liability, therefore it does not reduce the creditworthiness. This is important when the entrepreneur considers the possibility of obtaining additional sources of financing,
7. payment of tax on goods and services in instalments, not as a one-off payment as in other forms of financing,

8. simpler procedures for testing leasing capacity than in the case of a credit,
9. access to modern technologies - leasing makes it possible to exchange equipment for a new, more modernized one.

Leasing also has disadvantages, including:

1. nominal costs of transactions are higher due to refinancing of most leasing subjects with a bank loan, which means that a leasing transaction must be obtained by a bank and leasing company,
2. problems with the interpretation of leasing,
3. negative consequences of default by the recipient – in particular delays in the payment of subsequent instalments. In such a case, the user, except for the risk of losing the leased item, may be charged with additional costs, in the amount of, for example, several subsequent instalments,
4. the inability to use things due to, for example, damage to it or even loss does not release the user from the obligation to pay the fees resulting from the repayment schedule,
5. no possibility to terminate the lease agreement without paying all costs, both capital and interest,
6. difficulties in obtaining leasing of untypical fixed assets,
7. the risk of losing the leased asset in the event of insolvency of the leasing company,
8. additional fees not included in the loan financing, for example for the insurance of a fixed asset without the intermediary of the lessor, for providing information on the use of the leased vehicle.

In general, leasing is a good way to finance small and medium-sized enterprises, because it does not require specialized security or equity. It is known that the lack of these two elements is a characteristic feature of this sector of enterprises in Poland, which significantly reduces the chance of obtaining credit support from banks. It can therefore be considered that leasing is an easier source of financing than a loan, but it cannot be decided in any case without a thorough analysis of which form is more advantageous (Grzywacz, 2012).

From the point of view of the Civil Code, a leasing contract may be concluded for a definite period, arbitrarily agreed by the parties. At the same time, the structure of the leasing contract in the Civil Code defines the effects of the ownership transfer of the leased asset by the financing party to the user after the end of the contract – these provisions, however, apply only to the free transfer of ownership. Moreover, the regulations do not require any sale to take place. Thus, from a legal point of view, it is possible and practical to conclude a leasing agreement that does not provide for the transfer of ownership of the leased asset to the lessee at all.

It should be noted that the fees payable in connection with the use (or use and collection of benefits) of the subject of the contract are significant to the sum of the fees required under the lease contract based on the civil law. The purchase value of this item should not be added after the end of the contract. It is a completely separate transaction, and the payment connected with it does not mean that the user may use the item anymore. This issue is regulated differently by the tax law, which directly predicts that the value of the lease purchase is added to the sum of fees incurred during the lease agreement period.

In contrast to renting and leasing, the lease provisions impose a compulsory repayment of the subject of the lease by the lessee, which is one of the elements that differentiate the leasing contract from other contracts involving granting things for use or use and collection of benefits for the other party.

2.3. The use of leaseback in shaping the balance sheet and financial result of the company

In addition to the aforementioned divisions, a leaseback is increasingly being offered to leasing companies. The essence of transactions concluded as part of a leaseback is the linking of the lease agreement with the sale agreement preceding it. The lessee sells the investment funds they have acquired to the leasing company, with the reservation of the right of its further use under the terms and conditions set out in the leasing contract. The leaseback agreement itself can be in the form of both operating and financial leasing. It should be noted that leaseback is more a form of financing current business activities than financing investments.

Thanks to the leaseback, the company can freeze the invested funds without having to resign from the already made investments. This is done through the analysis of fixed assets and obtaining money from this property. This must be done without detriment to the current and future operation of the company. By assigning fixed assets in the property, which the economic entity will continue to exploit, it may use a leaseback service. Leaseback serves as a loan, because it increases the company's cash resources. Leaseback is mainly used by enterprises that experience a lack of financial liquidity at a particular moment, have no financial means to continually pay for the continuity of economic processes and are also unable to obtain funds from other sources. Thanks to the sale of such a means of production, including real estate, the leasing company obtains immediate access to cash. Through leaseback, they can still use the subject of the lease and the question of ownership is in this case a secondary matter. Leaseback not only improves financial liquidity, it also organizes the balance sheet structure in the company, making it easier to take loans in the future.

In the case of leaseback, the object of which is real estate, it releases significant funds previously invested in the property. The main advantage of this solution is the fact that the customer receives a receivable from the sale of real estate, and the property itself is still in their possession. Thanks to this, they can get the proceeds from the sale to invest in accordance with their needs, and lease instalments pay off from the proceeds from lease agreements that they concluded with the users of the property. Using the formula of ready to use operating lease, where the entire leasing instalment including capital and interest is at the expense of the user, they can, within 10 years (the minimum term of the contract for operating lease of real estate) depreciate the value of the property in 54%, while in the traditional formula financed by equity or credit amortized value will be only 25 percent.

After the contract expires, the leased item may be legally transferred from the financing party to the lessee, at a price different from the market one (however not lower than the so-called hypothetical net value), or the leased object may be returned for further use to the beneficiary. An additional benefit in a reverse-lease transaction may be the realignment of the value of a fixed asset as a result of selling it at the market price, rather than the accounting one, which may be beneficial to the company when the real estate prices rise. Leaseback can be used in this situation as one of the ways to increase the value of the company. It is not without significance that leaseback causes that the entity, thanks to the revenue from the sale of the subject of the contract, increases its current assets and maintains the possibility of using previously sold fixed assets or intangible assets. Therefore, the leaseback agreement increases the financial liquidity of the seller/beneficial owner and additionally provides the entity with the possibility to derive tax benefits from leasing. However, it should be remembered that the advantage of leasing consisting in payment of VAT along with leasing instalments and not in full when purchasing a fixed asset, in this case means an additional transaction burden which is irrelevant for the company's performance only to deterioration of liquidity. The balance sheet effects of leaseback transactions using depreciated fixed assets are presented in tables 3 and 4. Table 2 presents the company's balance sheet before the leaseback transaction.

Table 2.
Company balance before the leaseback transaction

Assets	PLN	Liabilities	PLN
Lasting assets	2,000	Equity capital	1,300
		Long-term liabilities	200
Rotary assets	1,000	Short-term liabilities	1,500
Assets in total	**3,000**	**Liabilities in total**	**3,000**
Current liquidity indicator		0.67	
General debt indicator		57%	
Golden balance rule		0.65	
Golden balance rule (liberal approach)		0.75	
Book value of a company		1,300	

Source: Own study.

As a result of the sale of fixed assets (Table 3), the company achieved a profit of PLN 1,000 from this sale. The operation increased equity as well as current assets (cash). Worth noting is the increase in the liquidity ratio, to the value generally recognized as a reference value. The debt ratio has fallen to the level considered acceptable by the majority of banks when assessing creditworthiness. The golden balance rules are respected even though their value was earlier below the requirements of these classic methods of assessing the relationship between fixed assets and equity. The increase in the value of the enterprise is also significant. All this was obtained through one leasing transaction. Such a situation occurs when an economic entity is not obliged to disclose leasing transactions in the balance sheet, and the transaction is an off-balance sheet liability. In the calculations the influence of taxes: income and goods and services on this transaction was omitted.

Table 3.
Company balance after a leaseback transaction without being shown in Assets Liabilities

Assets	PLN	Liabilities	PLN
fixed assets	2,000	equity capital	2,300
current assets	2,000	long-term liabilities	200
		short-term liabilities	1,500
Assets in total	**4,000**	**Liabilities in total**	**4,000**
current liquidity indicator		1.33	
general debt indicator		43%	
golden balance rule		1.15	
golden balance rule (liberal approach)		1.25	
book value of a company		2,300	

Source: Own study.

In a situation when an enterprise must disclose a lease transaction in the balance sheet, this part of the financial report will have the form presented in table 4. As in the previous case, equity (net profit) and current assets increased, in addition to long-term liabilities and non-current assets. As a result, the balance sheet total increased. The liquidity ratio is at the appropriate level (1.33), the debt increased in relation to the previous situation but decreased in relation to the initial one. The golden balance rule is met only in liberal terms. The book value of the enterprise is again PLN 2,300. In this case, the leasing transaction contributed to a significant improvement in the balance sheet position of the entity in relation to the initial situation. However, it is slightly worse in relation to the case in which the company does not have to disclose this transaction in the balance sheet. Nevertheless, the possibilities of obtaining additional financing, e.g. with a bank loan, are much higher than in the case presented in table No. 2.

Table 4.
Company balance after a leaseback transaction, with its disclosure in long-term liabilities Assets Liabilities

Assets	PLN	Liabilities	PLN
Fixed assets	2,000	equity capital	2,300
current assets	2,000	long-term liabilities	200
		short-term liabilities	1,500
Assets in total	**4,000**	**Liabilities in total**	**4,000**
current liquidity indicator		1.33	
general debt indicator		43%	
golden balance rule		1.15	
golden balance rule (liberal approach)		1.25	
book value of a company		2,300	

Source: Own study.

Such operations make sense, especially when the market value of fixed assets is much higher than the book value. Such a situation is not very rare, for example a 5-year-old passenger car has a zero book value, while its market value fluctuates in the range of 20%-30% of initial value. In this situation, the leasing transaction orders the real property and capital position of the company.

3. Summary

Leasing is a dynamically developing form of investment financing; it is also characterized by high efficiency and sets modern directions for financing business operations. It also brings benefits in the tax sphere resulting from the possibility of including leasing instalments in tax deductible costs. In addition to these advantages, one of the types of leasing (leaseback) can be used as an instrument of the balance sheet policy, thanks to which the company improves its profits, financial liquidity and, above all, organizes the economic and capital structure of the enterprise. The increase in the book value of the company is also significant. However, it should be noted that the leasing used as an instrument of balance sheet policy must be applied within the binding legal rules. Their breach will not be a balance sheet policy but falsifying the image of the enterprise. Such a situation may take place when the object of leaseback has a much higher value in the transaction than the market value. In this case, the management of the entity must take special care to avoid distorting the balance sheet situation of the enterprise. The application of the balance sheet policy, not only in the case of the use of leaseback, is therefore a great art, the use of which depends on the efficiency of the management.

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