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ACCOUNTING AND MARKETING DIMENSIONS OF INNOVATIONS

ANNA DYHDALEWICZ¹, URSZULA WIDELSKA²

Abstract

Innovations are an important, although imprecise conceptual category. They are perceived differently depending on the accepted scientific perspective. The article verifies the concept of innovation in terms of marketing and accounting. The main aim of the paper is to identify problems and formulate preliminary research hypotheses connected to the integration of the accounting and marketing functions of an enterprise within the context of the assessment of innovative activities conducted by the entity. Additionally, it is the authors' intention to draw attention to similarities and differences that occur between the regulations of the national accounting law and the approach of marketing within this domain. For the purposes of the research it has been hypothesized that the integration of the accounting and marketing functions of an enterprise concerning innovation is limited because of different perceptions of sources and results of innovation within these two fields. Assessments of the innovativeness of the same enterprise from the perspective of marketing and from the perspective of accounting are different. This aim has been realized through the use of scientific description based on the analysis of literature concerned mainly with marketing innovation. The perspective of accounting innovation was also analyzed through a literature study and using a comparison study of chosen accounting regulations contained in the Polish Accounting Act and the International Accounting Standard 38 „Intangible Assets”. In conclusion it should be stated that accounting has not defined the concept of „innovation” nor, for the purposes of financial reporting, has not isolated innovation as an asset. In accounting, assets associated with the concept of innovation include intangible assets and tangible resources in fixed assets. Considering the presented approaches to innovation a distinct relationship on the type of incurred expenditures can be noticed: whether the expenses had been incurred for internally generated assets or for their acquisition. Only acquired resources and costs of completed development and development work in progress are a common part for these concepts. The presented initial stage of research also confirmed that from the perspective of accounting and marketing the assessment of the innovation level of an enterprise is not identical. It is assumed that the integration of the accounting and marketing functions within a company may have a positive effect on the process of information management.

JEL classification: M21, M31, M41

Keywords: innovations, marketing innovations, accounting, intangible assets, research and development costs

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INTRODUCTION

Doubtlessly innovation is still a very important and valid subject for scientific research. In science the area occupied by innovation is very extensive. The number of perspectives available within the subject makes the notion of innovation conceptually unclear, obscure and insubstantial. From the scientific point of view an essential problem is not only the detailed description of individual perspectives but also their comparison and the search for things they may have in common. In this context, the issue of implementing the results of scientific research in economic practice remains valid. Cultivating innovation and fostering development founded upon it is a fundamental challenge for a contemporary business. However, there still remains the question of how innovative a company is when assessed through the prism of various scientific perspectives.

When it comes to the numerous areas connected to innovations, both those concerning science as well as real life practice, the problem of managing them as well as creating full reports containing information related to this subject addressed to stakeholders is becoming more and more important. In recent years, there have been many international publications which consider the numerous aspects of innovation as an area of study and deal with the meaning, typology, models and management of innovation (among others, Carlsson-Wall & Kraus, 2013; Hauschildt, Salomo, Schultz & Kock, 2016; Weil, Le Masson, Weil & Hatchuel, 2010). Managing innovation consists of the right (effective) selection and utilization of appropriate operations as well as concepts directed at the development of innovation also on the basis of modern business models. Achieving this is not possible without coordinating all of the operating areas within the enterprise including marketing and accounting.

This article presents the scope as well as the specific character of innovation from the perspective of accounting and marketing. There is a need to show the differences, possible synergy and dependencies between the marketing and accounting approaches to innovation. The main aim of the paper is to identify problems and formulate preliminary research hypotheses connected to the integration of accounting and marketing functions of an enterprise within the context of the assessment of innovative activities conducted by the entity. Additionally, it is the authors' intention to draw attention to similarities

and differences that occur between the regulations of the national accounting law and the approach of marketing within this domain.

Innovations in marketing and innovations in accounting are perceived by science as different conceptual categories. Marketing innovations complement innovations connected to products and processes. They are essential in gaining a full view of a company's innovational activity. Information regarding expenditures for innovation, excluding the cost of development, are not identified in accounting ledgers or financial reports, which makes it difficult for an enterprise to calculate these outlays and does not account for the needs of analysts (stakeholders) in assessing the innovativeness or competitiveness of the entity. Therefore, it is necessary to search for solutions conducive to the integration of the accounting and marketing approaches to innovation.

It should be highlighted that this article is the result of preliminary research conducted by the authors concerned with the synergy of the accounting and marketing functions of an enterprise in the context of assessing its innovational activity. At this point of the study the following research questions have been formulated:

- 1) What is the conceptual scope of innovation from the perspective of accounting and marketing?
- 2) Is, from the point of view of accounting and marketing, the assessment of an innovational enterprise identical?
- 3) Which parts of the accounting and marketing concepts of innovation are shared?
- 4) What are the visible conceptual shortcomings within the category of innovation from the point of view of accounting and marketing as well as what effect do they have on the development of science and practice?

For the purposes of the research it has been hypothesized that the integration of the accounting and marketing functions of an enterprise concerning innovation is limited because of different perceptions of sources and results of innovation within these two fields. Assessments of the innovativeness of the same enterprise from the perspective of marketing and from the perspective of accounting are different. The aim has been realized through the use of scientific description based on the analysis of literature concerned mainly with marketing innovation. The perspective of accounting innovation was also analyzed through a literature study and using a comparison study of chosen accounting

regulations contained in the Polish Accounting Act and the International Accounting Standard 38 “Intangible Assets”.

MARKETING AND INNOVATION

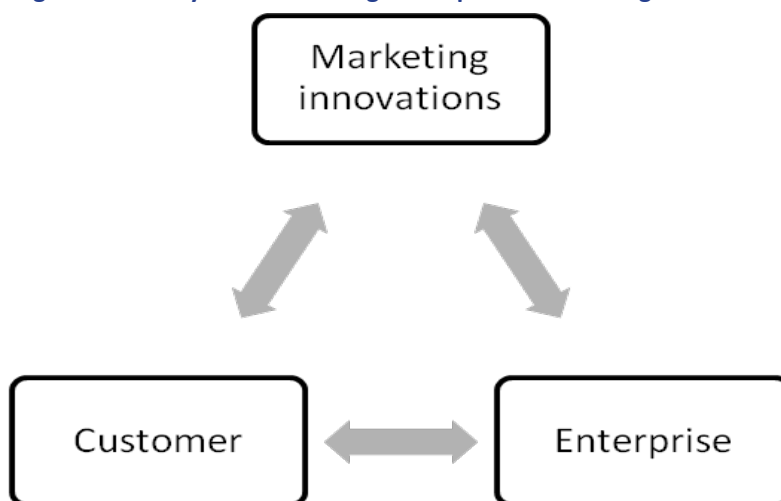
Based upon developing long-term customer relationships, innovation is the foundation of the modern marketing concept. In accepting this point of view innovation must be defined as anything that people perceive as new regardless of the objective novelty of the given idea or product (Roggers, 1995). Through the assumption of this point of view we are inclined to combine innovation with the introduction of a new product, or changing an existing one, technology or process. One should keep in mind that innovation is becoming an integral part of the functioning and development of every organization. Since clear integration of innovative functions with other functions of the enterprise can be observed, the process of identification and isolation of marketing innovations within the sphere of innovative activity of a company becomes difficult.

Marketing innovation is not a uniform conceptual category and defining it should be done through the use of various perspectives. The most common approach is to treat marketing innovations as activities and processes improving the marketing tool mix (Ferreira de Lara, 2014). This attitude is confirmed in the methodology of the Oslo Manual according to which marketing innovations include changes to the product (that do not affect its function), introduction of new distribution channels, new promotional methods and new pricing schemes to

improve communication with the consumer (Podręcznik Oslo, 2005; Ilić, 2014). A different definition of marketing innovation describes it as the use of a new marketing method encompassing significant changes in the way the product looks, is packaged, positioned, promoted, changes in the pricing policy or the business model resulting from the enterprise’s new marketing strategy (Wziątek-Kubiak, Balcerowicz, 2009). Marketing innovations cannot be fully separated from technological innovations. (Gochhait, 2014). In accepting this attitude, it should be stressed that the contemporary concept of innovation in marketing is not only limited to the improvement of tools or processes. Innovation has become the fundamental premise in building lasting relationships with customers (Toma, 2014). According to the notion of relationship marketing innovations are judged from the point of view of customers – providing them with new values through new products, technologies, ideas, means and systems in a way that aims to increase the consumers’ level of satisfaction and loyalty (Dobiegała-Korona, 2010). Development of innovation, therefore, can be determined not only by knowledge about customers but foremost through the use of the knowledge which they possess (Mikuła, 2006). Within the concept of marketing customers are not only the recipients and direct users of the products but also become creators of new ideas about products and technologies (Mahr, 2014). Management of relationships with the customer (CRM) is more often replaced with management of consumer knowledge (CKM) (Mroziewski, 2008).

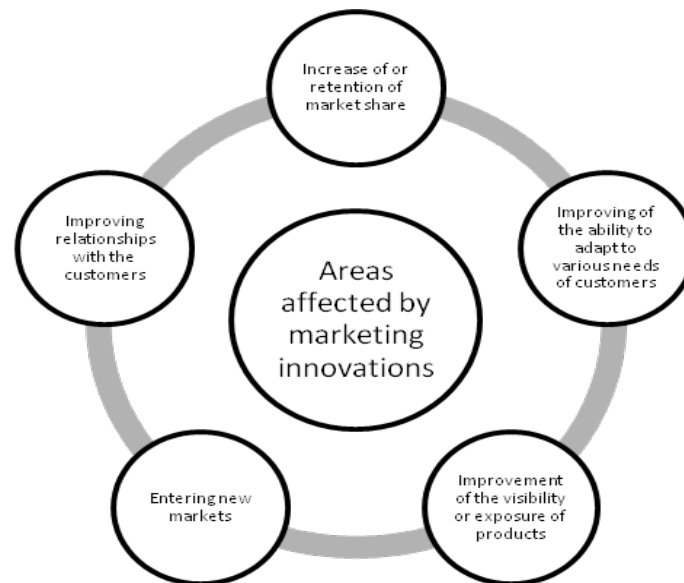
Generalizing to a certain degree it can be said that the source and, at the same time, the recipient of

Figure 1: Basic system illustrating the impact of marketing innovations



Source: Author's design

Figure 2: Areas affected by marketing innovations



Source: Own work based on Podręcznik Oslo (2005)

marketing innovation is the consumer. Focusing on the needs of the customer is an essential requirement in achieving the marketing goals of the enterprise (compare Bojewska, 2012) (see Figure 1). Accepting this perspective facilitates the identification of marketing innovations and makes distinguishing them from other types of innovation possible. Areas impacted by marketing innovations concern the consumer, and as such, also those activities affecting their behavior, increasing their purchasing power or improving the enterprise's relationship with them (see Figure 2). Marketing innovations designed to affect demand, the markets or competition in their reach also influence product innovations (Podręcznik Oslo, 2005).

Marketing innovations may also be discussed in the context of developing competitive advantage affected also by the correct choice of marketing methods and tools connected with achieving customer satisfaction (Chlipała, 2005). Increase in competitive advantage is the result of a unique set of skills presented by the entity. The ability of an enterprise to absorb innovation contributes to the development of a positive image and determines the effectiveness of positioning of the company's offer (compare Rostami, 2015). Development of competitive advantage goes beyond the boundaries of traditional marketing in which the needs and requirements of the customer, as well as the improvement of the process of delivering customer satisfaction compared to the competition, are the most crucial. This modern approach depends on a certain isolation of the enterprise by creating a new market space, a unique "intellectual property". This

concept is defined as the innovation of value and consists of focusing simultaneously on innovation and on value, allowing both the consumers as well as the enterprise to gain greater benefits (Wójcik-Augustyniak, 2009).

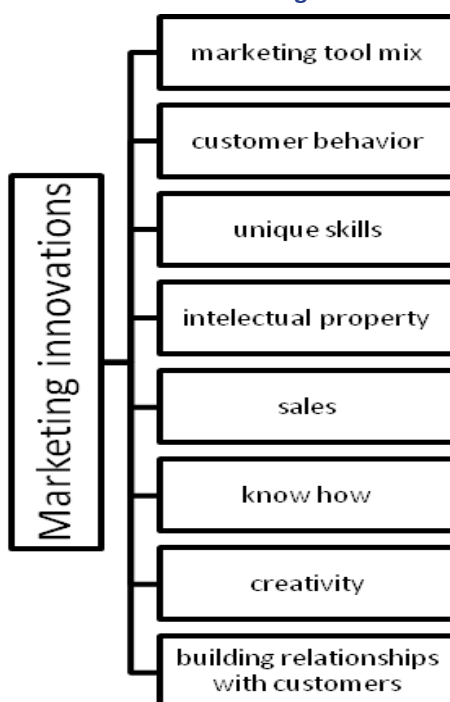
As presented in Illustration B, the areas in which marketing innovations function are very broad making the process of their clear definition difficult (see Figure 3). However, it is possible to categorize them by considering the sphere of their application within the enterprise. Accepting these criteria, the following types of marketing innovations may be distinguished (compare Szymański, 2013):

- a) innovations within the area of the product,
- b) innovations within the area of distribution,
- c) innovations within the area of pricing policy,
- d) innovations within the area of promotion.

It should be highlighted that marketing innovations determine the strategy of the enterprise. In implementing this classification, it should be clearly emphasized that, in reality, it is the consumer who finally evaluates and verifies those activities connected with marketing innovation.

Regardless of the diversity of approaches to defining innovation, it can be noted that individual authors identify it mainly with creativity, uniqueness of solutions or higher usefulness determined by its application in real life (Brdulak & Gołębiowski, 2003; Tarapata, 2014). However, it is without a doubt that innovation should be considered one of the most important elements shaping the development of an enterprise. It influences the level

Figure 3: Areas in which marketing innovations function



Source: Author's design

of modernization, is a basic source in the accumulation of unique skills and determines the direction as well as the speed at which the company develops. Therefore, it can be ascertained that the innovativeness of marketing activity is a key characteristic in the development of an enterprise and that this process is strongly connected with creative problem solving, and the use of newly available technology and know-how. Innovations are also conducive to the exchange of knowledge and experience which is especially significant in applied marketing. Marketing plays an important role in the innovational development of businesses (Griffin, 2013). It is important today to systematically strengthen the abilities of enterprises to continually search for and practically apply the results of new studies, research and development work, concepts or ideas (Stawiarska, 2010). Science and technology are closely integrated with the economy and the use of knowledge carries over into practical applications (Janczewska, 2008).

In referring to the problems concerning marketing innovation a clear distinction must be made between this concept and innovation of marketing or, the marketing support for the entire innovation process, starting with the conception of an idea to its implementation and commercialization regardless of the character of innovation. Marketing innovations encompassing the conceptual range of the product itself as well as its

promotion and distribution fall into a completely different category (see Figure 4) (Wojtkiewicz, 2013).

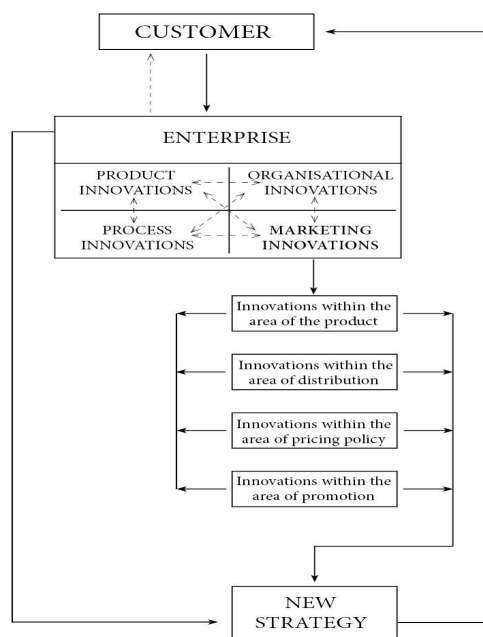
ACCOUNTING AND INNOVATION

The term “innovation” is both a multi-disciplinary and an inter-disciplinary category. Innovation is generally identified with the generation of something new (Duraj & Papiernik-Wojdera, 2010). In publications dealing with accounting there are attempts at defining the place of innovation in accounting. The application of the process of introducing innovative solutions in various areas of an enterprise into accounting comes down to identifying them, measuring them reliably and assigning them to relevant positions in the financial statement (Turek, 2013; Piotrowska, 2015).

Innovations play an important role in the assets of every economic entity, however, as stressed by J. Turyna and J. Rak (Turyna & Rak, 2006, 232) “Up to now, accounting has not defined the notion of innovation and does not treat it as a separate part of financial assets recognized in the financial balance sheet”. This attitude is the result of at least two reasons:

- 1) Difficulties in defining the category of innovation – innovation is generally described as a novelty, the introduction of something new or something that has

Figure 4: Marketing innovations in an enterprise



Source: Author's design

been improved in some area (Boniecki & Grabowski, 2007) which hinders its precise definition since the identification of this category for accounting aims cannot be general in character;

2) Problems connected with measuring and valuing resulting from attempting to assign a monetary value to objects or processes included in the category of innovation.

The notion of innovation from the perspective of accounting is associated with a group of resources which are, according to Polish accounting law and international regulations described in the International Financial Reporting Standards (IFRS), intangible assets. Innovations can also be material in character therefore some elements of tangible fixed assets (such as new machinery or technical devices) are also included as elements of innovation. Table 1 presents intangible assets which are pro-innovative in character and which, according to the national balance sheet law, are presented in the balance sheet.

The definition of intangible assets assumed by the Accounting Act (Ustawa z 29 września o rachunkowości) is narrower than that of the International Accounting Standard 38 - Intangible assets (IAS 38 – Intangible Assets). According to the Accounting Act intangible and legal assets encompass acquired property rights and other elements treated as such, which can be used economically, with a forecasted economic life longer than one year

and intended to fulfill the needs of the entity itself. Typical examples include: licenses, concessions, rights to inventions, patents, trademarks, models, designs and know-how. According to IAS 38 “an element of intangible assets must be a non-financial identifiable element of assets which is not physical in nature”, (MSR 38 Aktywa niematerialne, 2011, pg. A1024). This definition is more general and does not include the condition of acquiring or using this element of intangible assets for the needs of the entity. IAS 38 also cites examples of intangible assets and these include: patents, licenses, customer databases, relations with customers or suppliers, marketing rights, customer loyalty and market share. However, not all presented items fulfill the criteria of the definition of intangible assets (MSR 38 Aktywa niematerialne, 2011).

The entity has the right to recognize these resources as assets if the possibility to identify them and control them exists. The elements of intangible assets are disclosed in the balance sheet if the entity fulfills the condition that these will generate economic benefits in the future and a purchasing value or the cost of production of such an element of assets can be reliably established (Mindermann & Brösel, 2009; Widelska & Dyhdalewicz, 2016). Expenditures which do not meet these conditions are recognized as company expenses the moment they are incurred. Intangible assets belong to a very diverse group of fixed assets of a company and at the same time, because of problems with defining them, the

uncertainty as to their value and the estimation of their periods of utilization, constitute one of the more difficult areas in accounting. According to Zéghal, D., Maaloul A. (2011), the valuation of intangible assets within an accounting framework raises several problems relating to their identification, measurement, and control. These problems imply that the traditional accounting model, which is based on tangible assets, historical costs, and accounting conservatism, is incapable of fully evaluating the new economy companies.

Both the national Accounting Act as well as the directives of the IAS 38 prohibit expressing as assets elements internally generated by the entity with the single exception of the cost of development work. According to the Accounting Act, and in contrast to IAS 38, this position may not include expenditures made while the developmental work is still in progress. Costs of developmental work in progress are classified as active other accruals which makes identifying and relating them to the innovative activities of the business on the basis of the financial report difficult. This also means that in practice, many entities adhering to the national accounting law omit in their balance sheets intangible assets produced by the company (also defined as “hidden”, “unmeasurable”, and “invisible” assets) (Szczepankiewicz, 2012) but which are also sources of process, organizational and marketing innovation. This especially applies to such intangible assets as: technical knowledge or that concerning the market, customer data bases, computer software, unique skills and expertise of employees, quality of the organizational structure and know-how. Currently these are elements, which may have been accumulated by the business over many years, which influence the growing gap between the company’s goodwill and its market value (Bąk, 2011). It is therefore problematic to prove that these elements fulfill the criteria contained in the definition of an element of an intangible asset, as well as criteria concerned with expressing them in financial reports. Ordinarily they cannot be individually identified (isolated, or sold by themselves) and it is not possible for the entity to prove their exclusiveness of use and control of future economic benefits connected to them. It is also not possible to reliably and objectively determine the cost of their development, to separate these costs from current running expenditures of the entity or to assess the risk in investing in hidden assets, all of which excludes them from being expressed in the balance

sheet. These elements have a primary significance in the valuation of goodwill of the company during its sale, but are only disclosed as “goodwill”, however, in the process of taking over or merging of entities in the assets of the acquiring company, and cannot be expressed in the assets of the company which has internally generated them (Szczepankiewicz, 2012). In practice, many businesses disclose information concerning assets (both intangible as well as tangible) which influence the competitiveness and innovativeness of the company in the additional descriptive elements of yearly reports, for example, in the management commentary on the company’s operations.

Innovation also requires expenditures for research and development directed at knowledge expansion. This activity can lead to the creation of assets which are physical (for example, a prototype), however, this element is secondary to an intangible asset signifying the knowledge gained through the process (MSR 38 Aktywa niematerialne, 2011). Both accounting systems, the national Accountancy Act and the International Financial Reporting Standards, foresee that only the cost of development work but not any element of intangible assets created as part of research and development may be included in the balance sheet as an intangible asset. The cost of research is expressed directly in the costs at the moment of its incurrence and presented in the profit and loss account (Cieślak, 2011; Kabalski, 2014; Mindermann & Brösel, 2009). The manner of presentation of costs of development activities for reporting does not facilitate the acquisition of useful information concerning them for decision making. According to the Accounting Act only the costs of successfully completed development work are an element of intangible assets. If the result of such work has been confirmed as a failure the costs connected with it are expressed in the cost of the current period. This may cause the need to write off at one time significant amounts which have been expanded over many years for the development of the company. Doubts also arise concerning the direct transfer into costs expenditures for development regardless of their effect. Problematic as well is the qualification of research and development, which given the interpenetration of the two may lead to attempts to manipulate financial results (Kozak, 2012; Głowacka, 2015).

In conclusion, it should be stated that accounting has not defined the concept of

“innovation” nor, for the purposes of financial

Table 1: Examples of intangible assets according to the national accounting law connected to innovation which may be disclosed in the balance sheet of an entity

Element	Characteristics
Group one: Legal assets	
Acquired property rights, especially:	Entering into the financial statement property rights acquired through purchasing (acquisition may have the form of documented purchase, contribution in kind or a gift). No possibility to include elements internally generated by the entity. Initial value is the purchase price.
- Know-how	Unpatented and undisclosed to public knowledge essential technical and technological information or principles of organization and management. Know-how as knowledge which can (but does not have to) be technological in character and is transferred through the use of know-how agreements. Features of acquired know-how: practical information which is at the same time secret (is not generally known), significant (important and useful in the production of goods stipulated in the agreement), identified (described in a manner which makes it possible to ascertain whether it fulfills the criteria of secrecy and significance). Acquired by way of purchase or through obtaining a license.
- Rights to: inventions, patents, trademarks, utility models and designs, licenses	Obtaining appropriate rights to use intangible assets (licenses), acquisition of rights to new and useful technical solutions (utility models, trademarks protected under the law for a period of 10 years, and industrial designs legally protected for a period of 25 years from the date of registration at the patent office); Acquisition of the right for commercial use of an invention, technology or product.
Group two: Intangible assets	
Assets internally generated by the entity:	Intangible assets may not include intangible elements produced or created by the entity. The only exception to this rule are costs of completed development work conducted by the entity for its own needs and incurred prior to the initiation of production or implementation of new technology. The accepted initial value is the product cost.
- Costs of completed developmental work	Expenditures for successfully completed development work incurred prior to the start of production or implementation of the new technology. These are capitalized in the balance sheet if the following conditions are met: <ul style="list-style-type: none"> - the new product or production technology are clearly defined while the cost of pertaining development work is reliably determined; - the technical applicability of the new product or technology has been confirmed, appropriately documented and on the basis of this criterion the business entity has reached a decision to manufacture these products or to apply the technology; - within the estimation of the entity the costs of development work will be covered by the profits from the sale of these products or the use of this technology. The Accounting Act does not specify the scope of the development work, or the type and character of expenditures made for this, nor does it define the concept or range of research work. Therefore, the solutions presented by the IAS 38 “Intangible Assets” should be applied in practice. Outlays for research are applied directly to the financial result.

Source: Own work based on (Ustawa z 29 września 1994; Horosz, 2011)

reporting, has not isolated innovation as an asset. Innovation is identified with acquired intangible assets as well as fixed tangible resources. In the context of balance sheet law only a part of costs connected with innovative elements of assets is expressed in the balance sheet. A significant portion of intangible assets generated by the company does not fulfill the criteria established by the national Accounting Act or by the International Financial Reporting Standards. Among balance sheet intangible assets, of great importance for the innovational activity of a company are expenditures on the creation of new or improved products or technology. Only the costs of development work may be capitalized after they fulfill the conditions defined by the Accounting Act or IAS 38. Justified would be including the expenditures for research and development as intangible assets. Capitalization of these costs after they fulfilled the conditions necessary to include them as assets would make determination of all outlays for innovation possible.

RELATIONSHIPS BETWEEN ACCOUNTING AND MARKETING CONCEPTS OF INNOVATION

The analysis of accounting and marketing approaches to innovation confirmed that within the contemporary economy innovation is an important element of market success of an enterprise and results in the creation of new products as well as qualitative changes within the areas of technology, management or marketing, all of which contribute to the improvement of the economic effectiveness of business activity. The innovation process is long-lasting and requires varied expenditures connected to the implementation of innovations within the enterprise, including (Turek, 2013):

a) acquisition from external sources of various forms of knowledge (patents, inventions, technical services connected to the implementation of product and process innovations, know-how),

b) acquisition of software connected to the implementation of process and product innovations,

c) acquisition and installation of machines and technical devices, means of transport, accessories, expenditures for the construction of an expansion of buildings used for the implementation of product and process innovations,

d) obtaining from outside sources the results of or

conducting by the entity of research and development work connected with designing new or significantly improved products (product innovations) or processes (process innovations),

e) outlays connected with preparing the implementation of an innovation into the economic process (such as opinions, feasibility studies, preparation activities),

f) expenditures for marketing activity connected with preliminary market analysis or advertising of a new product (Comporek, 2014).

As a result of successful implementations new material assets defined as innovational tangible assets are created, however, not all expenditures named above are considered to be intangible assets. The analysis of the national accounting law made it possible to isolate the following asset components used to assess the innovational activity of an enterprise: acquisition from external sources of knowledge and technologies, as well as successfully completed development work conducted for the benefit of the entity. Research which is meant to develop knowledge does not fulfill the condition stipulating that its implementation must be certain to generate gains, therefore, expenditures connected with it must be declared at the time of their incurrence.

Thus far, a single standard definition for the notion of innovation has not been developed. Marketing innovations, categorized as non-technological innovations, must consider the changing demands of the consumer, their way of thinking and buying habits. Marketing innovations include: loyalty programs, introduction of new sales channels, new information tools, new forms of advertising, new ways of selling to individual customers, non-standard forms of marketing communication, changes of product form or design, new structuring of price discounts. Marketing innovations aim for improved sales, better identification of the company on a given market, access to new markets and making communication with the consumer easier. The dynamic growth of electronic communication tools and methods makes recognition of whether something really is unique and at the same time innovative extremely difficult. Changes in marketing methods can be assumed to be innovations if they are a part of a new marketing strategy of an enterprise (Pilarczyk, 2011). From the accounting perspective, expenditures connected with marketing innovations are often continuous and dynamic in character as well as concerning innovative assets created by the entity itself

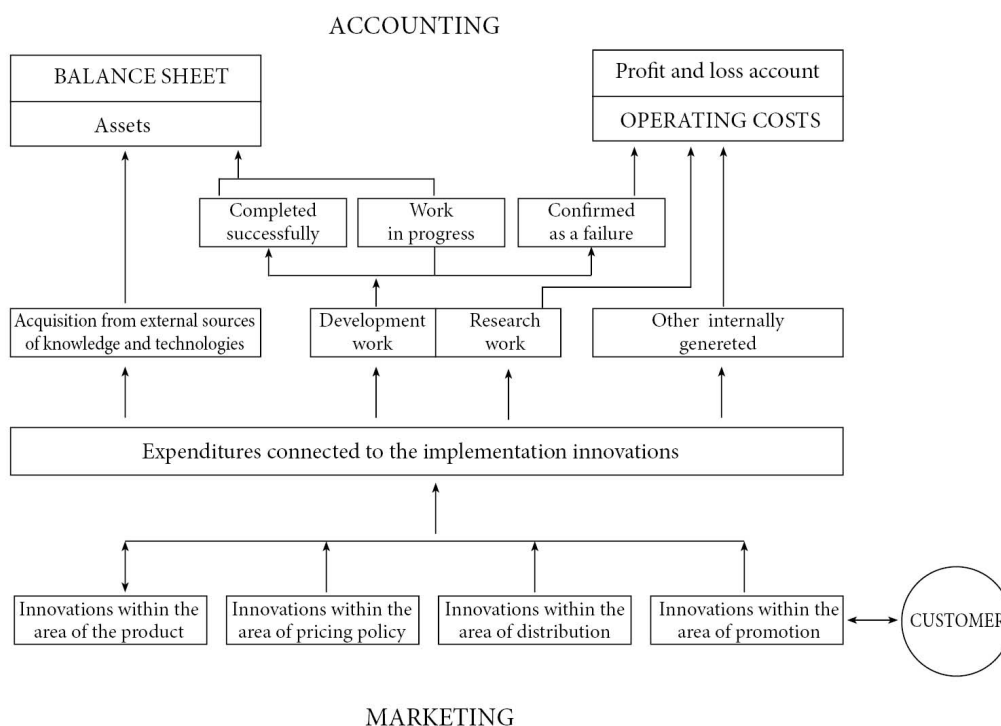
which means that they must be declared as a cost and the enterprise cannot identify them as an intangible asset. According to the Accounting Act only innovative property rights acquired from external sources as well as marketing innovations related to product development activity successfully completed with the implementation of the innovation, fulfill the criteria of the definition of an element of an intangible asset and the criteria concerned with recognizing them in the balance sheet.

The above stated assumption created common ground where connecting points within the accounting and marketing approaches to innovation may be found (see Figure 5).

The dimension of innovation in marketing and accounting takes into consideration two differing perspectives which makes the process of analysis difficult, but on the other hand, points to the need to improve the integration between the marketing and accounting functions. In marketing the consumer is the main recipient of innovation as well as the one who verifies its success. However, in accounting, innovation is perceived only within the categories of money expended on it and its measurable effects within the boundaries established

by the law. Attempts to unify these two functions and approaches confirmed the need for the integration of these two functions both in economic practice as well as in science. Using only available tools for the assessment of the innovativeness of an enterprise within accounting and marketing, the resulting picture of the entity being appraised would be incomplete and untrue. The statements made above have allowed us to conclude that accounting law has not defined the concept of innovation in the same way as marketing. In the opinion of the authors the problems connected with innovation in accounting and marketing require further detailed scientific study and analysis. The role of innovation in creating profits and generating value is unquestioned. However, one of the most debatable problems in accounting is the lack of a possibility of capitalizing expenditures for elements of intangible assets created by the entity. It also seems that innovations should become the subject of greater interest for those institutions who deal with the standardization of accounting solutions which will enhance the scope of reported information dealing with innovation within financial reporting.

Figure 5: Relations between accounting and marketing approach of innovation



Source: Author's design

CONCLUSIONS

Research conducted on the problems connected with innovation from the perspective of accounting and marketing has been a source of valuable insight. Our observations include:

1) The approach to innovation is different from the view point of accounting and marketing, therefore the evaluation of the innovative character of a company is not identical.

2) In accounting, assets associated with the concept of innovation include intangible assets and tangible resources in fixed assets.

3) Considering the presented approaches to innovation a distinct relationship on the type of incurred expenditures can be noticed: whether the expenses had been incurred for internally generated assets or for their acquisition. Only acquired resources and costs of completed development and development work in progress are a common part for these concepts.

4) The fact that applicable accounting law does not keep up with the solutions of business practice should be considered as a fault since it does not allow for the presentation of many important internally generated intangible assets vital for gaining a competitive advantage in the market, which are a source of innovation and have a huge impact on the valuation of goodwill during the sale of the entity.

5) From the accounting perspective, a change in the scope of disclosures can be proposed by adding into the current balance sheet models a position of innovation within intangible assets and tangible fixed assets. However, this creates some questions: what is innovation and what characteristics should it have?, which changes deserve to be called innovation, how long should an asset be disclosed as an innovation and when should it be expected to change its classification to a group of assets that do not meet the definition of innovation, how to accurately determine its value, loss of value and revenues generated through its use? There are also doubts as to whether companies will prepare reliable reporting information or if they will be able to resist the temptation of creating a more favorable image of innovation than is warranted.

6) Accounting compared to marketing as a result of innovation – the resource – recognizes only a part of outlays on innovation and these include acquired

intangibles (e.g. buying knowledge from external sources, the purchase of software, development work, acquired patents, brand names, trademarks, licenses). Partial outlays become costs as they are incurred.

7) It is impossible to establish expenditures as part of all research and development on the basis of the balance sheet. The disclosures relate only to completed development work and development work in progress (as other accruals) is recognized as a different balance sheet item. Expenditures on research are directly charged to the financial result which hinders proper assessment of the total expenditures for the implementation of innovative activities.

Our analysis confirmed the need for further research on the integration of an enterprise's accounting and marketing functions concerning innovation. Two completely different perspectives of innovation have been presented, perspectives which make it impossible to optimize the process of actual assessment of the level of the innovativeness of an enterprise. From the marketing view point the category of innovation often becomes indescribable. Adopting the consumer's perspective allows the acceptance of innovation as anything that facilitates meeting the customer's needs better than the competition. This approach makes clear classification of marketing innovations, which because of their character "infiltrate" into the group of product and organizational innovations, impossible. The presented initial stage of research also confirmed that from the perspective of accounting and marketing the assessment of the innovation level of an enterprise is not identical. It is assumed that the integration of the accounting and marketing functions within a company may have a positive effect on the process of information management.

During the analysis, conceptual shortcomings within the category of innovation from the perspective of accounting and marketing have been observed. A reliable assessment of the innovativeness of an enterprise should take into consideration both approaches. Current tools available in accounting and marketing forces management to conduct two completely different determinations. This state of things challenges science with the aim of finding elements facilitating integration and synergy of these two very important functions of an enterprise, especially within the field of innovation.

In practice the two varying perspectives of looking at innovation by accounting and marketing cause the

disintegration of operations and information reporting oriented at the process of creating innovation. This is a barrier in effective managing of those factors within the enterprise and results in limiting growth and the economic development of the business. This mainly concerns the limitations connected to the process of decision making related to the introduction of new products, expansion of the company's offer or the modernization of sales systems as well as the presentation of full information about incurred expenses and final effects or the assessment of the innovativeness of the enterprise. The problem of reducing the informational asymmetry between management and other stakeholders is a challenge to accounting. Accounting as an information system should be a system which is both open and connected to other information systems of the enterprise. The provisions of accounting law as well as the type of innovation and the stages of its realization determine the way these expenditures are expressed in financial reporting. Full

information which has been properly modified to reflect the type of innovation is necessary to facilitate the correct management of innovations as well as the assessment of the realization of processes and effects of innovation. Within this article, we have proposed a new approach to the issue of innovation. We have focused, therefore, not on innovation itself but on its conceptual diversity which hinders the real and effective assessment of innovation by the people managing the company as well as potential investors. In economic practice this could result in extending the time needed for decision making, limiting the ability of investors to take risks in granting financial support to the company as well as reducing the tendency of enterprises to grow on the basis of innovation. The differences in the approach toward innovation from the perspectives of accounting and marketing may limit access to external sources of financing facilitating sustained operation and the efficient process of implementing innovations on the market.

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