

## THE IMPACT OF BUSINESS ENTITIES' FINANCIAL PERFORMANCE ON PUBLIC REVENUES

### O IMPACTO DO DESEMPENHO FINANCEIRO DAS ENTIDADES EMPRESARIAIS SOBRE AS RECEITAS PÚBLICAS

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#### Abstract

The main objective of business activity is to generate profit, and this aspect significantly influences a company's tax liability. Among other responsibilities, a business entity is also obliged to maintain accurate accounting records, which serve as the basis for calculating corporate income tax. In the Slovak Republic, accounting results are presented in the financial statements. These consist of the balance sheet, the profit and loss statement, and the notes, all of which are publicly accessible online in the Register of Financial Statements. Additionally, the financial statements are a mandatory attachment to the corporate income tax return. The aim of the article is to highlight the relationship between companies' financial performance and its impact on the state's tax revenues. For illustration, authors provide an analysis of the profit and loss statement of a specific heavy industry entity, along with a comparison of data for the accounting periods from 2020 to 2023.

**Keywords:** Public Revenues. Corporate Income Tax. Revenues. Profit and Loss Statement. Profit before Tax. Profit After Tax.

#### Resumo

*O principal objetivo da atividade empresarial é gerar lucro, e esse aspecto influencia significativamente a obrigação tributária de uma empresa. Entre outras responsabilidades, uma entidade empresarial também é obrigada a manter registros contábeis precisos, que servem de base para o cálculo do imposto de renda corporativo. Na República Eslovaca, os resultados contábeis são apresentados nas demonstrações financeiras. Estas consistem no balanço patrimonial, na demonstração do resultado do exercício e nas notas explicativas, todas de acesso público online no Registro de Demonstrações Financeiras. Além disso, as demonstrações financeiras são um anexo obrigatório à declaração do imposto de renda corporativo. O objetivo deste artigo é destacar a relação entre o desempenho financeiro das empresas e seu impacto na arrecadação tributária do Estado. Para ilustrar, os autores apresentam uma análise da demonstração do resultado do exercício de uma empresa específica do setor industrial pesado, juntamente com uma comparação dos dados dos períodos contábeis de 2020 a 2023.*

**Palavras-chave:** *Receitas Públicas. Imposto de Renda Corporativo. Receitas. Demonstração de Resultados. Lucro Antes dos Impostos. Lucro Após os Impostos.*



## 1 INTRODUCTION

Fiscal policy represents an effective tool for influencing a country's economic development.

It is based on two main instruments: public revenues and public expenditures. This article focuses on public revenues from the perspective of their collection from the business sector, i.e., from economic entities. The volume of these revenues depends on various factors, primarily on the financial management and performance of the business sector.

## 2 TAX AS A COMPONENT OF DIRECT PUBLIC REVENUES

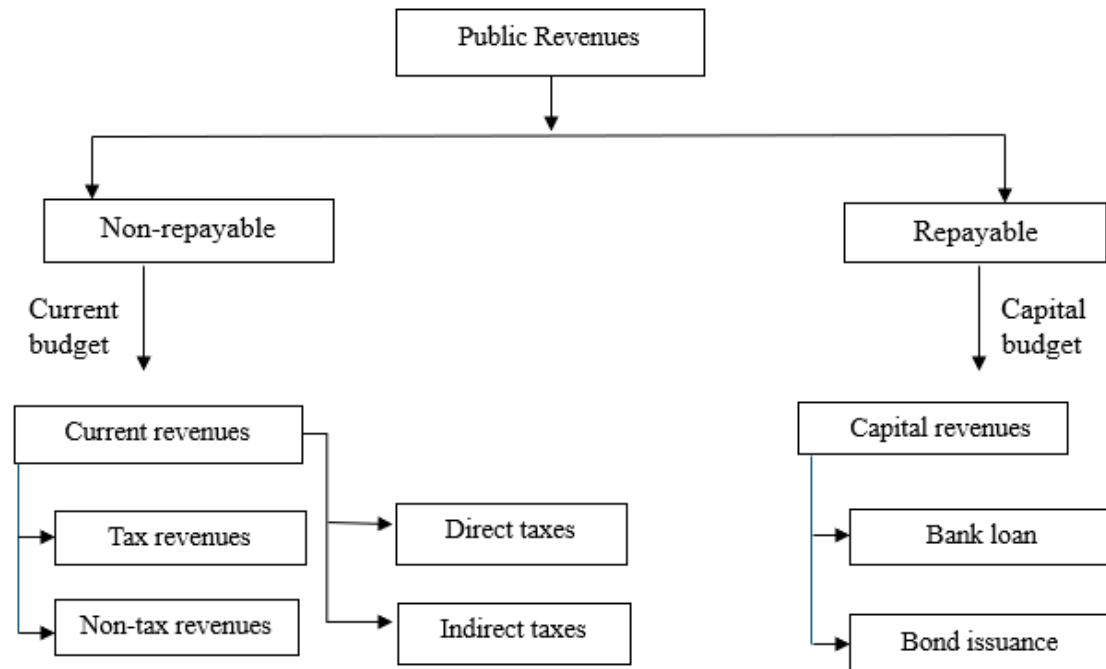
Public revenues are a tool of state policy and represent a key source for covering public expenditures (Sivák et al., 2015). They have a specific structure, and this article was focused on non-repayable revenues—namely tax revenues—where the state performs an allocative function and corrects market failures. Naturally, the state fulfills multiple roles here, including the redistribution of income and wealth (Samuelson & Nordhaus, 2013). Public revenues are generated through the activities of private sector entities within the economic process, where the rules of distribution are set by the state (Chaliuk et al., 2021b). The majority of these revenues are obtained through taxation—these are tax revenues and constitute the dominant source of public income.

The classification of public revenues is shown in Figure 1.

**Figure 1**

*Classification of Public Revenues in the Slovak Republic*

Source: Medved', J., Nemeč, Juraj, *Public Finance*, p. 169



A tax is a mandatory payment established by law, paid by individuals and business entities in a specified amount and by a specified deadline.

The corporate income tax has a significant impact on the economic stability of Slovakia and the development of the business environment. It represents a key source of revenue for the state budget, which finances important public services such as healthcare, education, and infrastructure, thereby influencing the quality of life for the entire society. Proper design and implementation of this tax are therefore socially important, as it contributes to a fair tax burden on business entities and supports the country's economic growth (Tawiah & Gyapong, 2021). The relevance and importance of this area stem mainly from legislative changes effective from 2025, which introduce progressive tax rates and a minimum tax.

Corporate income tax is one of the key direct taxes in the Slovak tax system. Its primary legislative framework is Act No. 595/2003 Coll. on Income Tax, as amended, which came into effect on January 1, 2004, and has since undergone several modifications. This law clearly defines which types of income are taxable, how the tax

base is determined, and which entities (taxpayers) are required to pay corporate income tax in Slovakia. The law distinguishes between legal entities established for business purposes (e.g., limited liability companies or joint-stock companies) and those established for non-business purposes (e.g., non-profit organizations or civic associations).

From the perspective of income tax, it is not decisive whether a legal entity makes a profit or not, but whether it achieves taxable income as defined by the law (Wijekoon et al, 2022). The tax liability of a legal entity depends on its relationship to the territory of the Slovak Republic—if it has its registered office or place of effective management in Slovakia, it is liable to tax on all its income, regardless of whether it comes from domestic or foreign sources. The corporate tax policy is an important factor influencing the company's economic stability and long-term competitiveness. Provisions of Act No. 595/2003 Coll. also establish the legal framework for so-called residency status: if a legal entity has its registered office or place of effective management in Slovakia, it is considered a taxpayer with unlimited tax liability and is taxed on worldwide income.

Corporate income tax in Slovakia operates in compliance with the harmonization rules of the European Union, which require mutual cooperation among member states to prevent double taxation, tax evasion, and distortion of competition (Cheben et al., 2021). For this reason, the above law also refers to various international treaties on the avoidance of double taxation.

The valid regulation is supplemented by implementing regulations and methodological guidelines issued by the Financial Administration of the Slovak Republic, which specify procedures for taxing various forms of income, asset depreciation, and the application of tax expenses. Given the importance of this tax for the state budget as well as for the business sector, the legislator regularly amends the relevant provisions in response to changing economic conditions and priorities. In practice, corporate income tax continuously responds to the need to balance public revenues and support the business environment. In its basic understanding, a legal entity is considered a taxpayer if it achieves taxable income within the territory of the Slovak Republic.

### 3 OPERATION OF THE ENTERPRISE IN FINANCIAL STATEMENTS FROM THE PERSPECTIVE OF INCOME TAX DETERMINATION

Every business that keeps accounts under the double-entry or single-entry accounting system is required to comply with the Accounting Act. An accounting entity that uses the double-entry accounting system and is subject to mandatory audit must prepare, along with the financial statements, an annual report and a cash flow statement for the accounting period (Pavic, 2020).

The financial statement can be a regular (classic) financial statement, which is usually prepared as of December 31 for the calendar year. An extraordinary financial statement arises under certain circumstances that require such a statement. An interim financial statement is used mainly in banking and securities.

According to the Accounting Act, an accounting entity records accounts either in the double-entry accounting system or in the single-entry accounting system. The subject of accounting includes recording facts about:

- a) the status and movement of assets,
- b) the status and movement of liabilities,
- c) the difference between assets and liabilities,
- d) revenues,
- e) expenses,
- f) income,
- g) expenditures,
- h) the financial result of the accounting entity. (Act No. 431/2003 Coll. on Accounting)

Double-entry accounting, also known as financial accounting, is designed to culminate in the calculation of the financial result – the operating result (Šlosárová & Blahušiaková, 2020). This result is not identical to the tax base, and when determining the tax liability, the operating result must be adjusted to the tax base.

The most important financial statements according to Slovak legal regulations are: the balance sheet, the profit and loss statement, and the notes.

The Accounting Act recognizes size categories of enterprises: micro, small, and large accounting entities. Part of the triple-statement system is also the cash flow

statement (Zalai, 2016). The CASH FLOW statement or cash flows can be defined as the difference between the income and expenses of an enterprise over a certain period. These include all financial resources coming into the enterprise – revenues (sales, interest, investments, rental income, etc.). Expenses are the financial resources the enterprise must spend to ensure its operation.

The balance sheet provides a current overview of the company's assets at the time of the financial statement; it is a financial expression of the company's assets (Ručková, 2021). It tracks three basic pieces of information:

- **Assets of the company** – specifically the assets of the enterprise, their commitment, valuation, depreciation, turnover rate, and composition;
- **Sources of financing** – financial sources used to acquire the assets, including own funds, borrowed funds, and the level of indebtedness.

The structure of the profit and loss statement provides information on individual costs and revenues, the operating result before tax, payable and deferred tax liabilities, as well as the operating result after tax (Kotulič et al., 2018). Individual lines in the profit and loss statement form result items. These result items are divided into revenue and expense items (Šoljaková & Fibírová, 2010).

In the Slovak Republic, the structure of the operating result is a stepwise arrangement of individual result items. It is an accounting profit and loss statement of items shown in Table 1 (abridged form).

**Table 1**

*Profit and Loss Statement*

Net turnover – (part of accounting class 6 according to the Accounting Act)
Total revenues from operating activities – (sales of goods, services, own products)
Total expenses from operating activities
Operating profit/loss
Added value – (the difference between sales revenues and direct production costs)
Total revenues from financial activities
Total expenses from financial activities
Financial profit/loss
Profit/loss for the accounting period before tax
Profit/loss for the accounting period after tax

Source: own processing based on the profit and loss statement

The profit and loss statement shows the current accounting period and the immediately preceding period.

### **3.1 The enterprise as an independent organizational unit**

An enterprise is an independent organizational unit that has legal personality and economic autonomy. According to applicable legal and accounting regulations, it accounts using the double-entry bookkeeping system. The financial result (profit or loss) arises from the difference between accumulated expenses and revenues; this result is monitored in the profit and loss account No. 710. Expenses are recorded in accounting class five on the left side of the statement, and revenues are recorded in accounting class six on the right side. These result accounts do not have an opening or closing balance.

The profit and loss statement is the main financial report of the enterprise, providing data on the enterprise's financial performance over a specific period. It offers a comprehensive overview of the company's profit or loss, expenses, and revenues. It allows us to track the profitability of the enterprise compared to previous periods. Management uses this statement to monitor the company's performance with the goal of faster and more accurate financial management.

The output of the enterprise's activities are products or services, which are valued as revenues over a specific period. Based on the expenses incurred relative to the revenues, we speak of the enterprise's profitability, where revenues exceed expenses. The difference between revenues and expenses represents the profit for the enterprise.

The profit and loss statement is a report where expenses and revenues are accounted for, and the difference between accumulated revenues and expenses determines the enterprise's financial result. A simplified general example of the profit and loss statement is shown in Table 2, illustrating the transformation of expenses and revenues into the financial result.

**Table 2***Simplified Profit and Loss Statement*

<b>Expense side</b>	<b>Revenue side</b>
50 – Consumed purchases	60 – Revenues from own products and goods sold
51 – Services	61 – Changes in internal inventory
52 – Personal expenses	62 – Activation
53 – Taxes and fees	64 – Other revenues from economic activities
54 – Other operating expenses	65 – Settlements of items from economic activities
55 – Depreciation and provisions for long-term assets	--
56 – Financial expenses	66- Financial revenues
59 – Income taxes and transfer accounts	--

Source: Based on the Chart of Accounts Framework for Entrepreneurs.

### 3.2 Revenues of the enterprise

Revenues are the most important economic indicator of an enterprise. The company's entire production and financial health depend on the fulfillment of its revenue goals. Total revenues consist of the following components:

- a) Revenues from operating activities
- b) Revenues from financial activities and other revenues from operations
- c) Revenues from extraordinary activities

The **structure of revenues** indicates where the revenues originate.

Each revenue structure is influenced by:

- the **industry** in which the enterprise operates,
- the **size of the company**,
- **geographical scope** – diversification of revenues, which generally implies higher revenues than for companies operating in a single market.

**Revenue analysis** provides an overview of the company's revenues by product type. It helps identify which product sells best and which marketing campaign was the most successful. Analyzing revenues can increase profitability, primarily by optimizing costs and increasing the production volume of profitable products.

#### 4 ANALYSIS OF THE REVENUE STRUCTURE IN THE ENTERPRISE

The most common methods of revenue structure analysis are:

- a) **Horizontal Analysis** – compares the shares of individual types of revenues over different time periods.
- b) **Vertical Analysis** – expresses the shares of individual types of revenues as percentages of total revenues in a given period.
- c) **Trend Analysis** – monitors the development of individual types of revenues over time; it is similar to horizontal analysis.

Revenue generation depends on the **type of economic activity** or **services provided** by the company. The **majority of revenues** usually come from sales, which are influenced by the **volume of production, pricing, sales channels, accounts receivable turnover, marketing**, and other factors.

In **manufacturing companies**, the main source of income is revenue from the sale of their **own products, goods, or services**. Sales increase the company's assets and, from an accounting perspective, increase the revenue in the **profit and loss statement**.

**Revenue generation is a basic prerequisite for business development and survival.** Business revenues are the financial resources that reflect all the company's activities for sold products or services.

From a **strategic perspective**, in order to increase revenues, it is necessary to:

- reassess production volume,
- acquire new customers,
- and **increase product value**.

**Revenue can also be increased** by reducing **production and distribution costs**. Constant innovation of products is necessary to **remain more attractive than the competition**.

**Process automation efficiency** also contributes to higher revenues.

The **main factors influencing revenue generation** are:

- **product and service quality** and
- **availability** – the customer must receive a quality product and, if expectations are met, they will return.

Autors applied the formula:

$$TR = p \times Q \quad (1)$$

where:

- **TR** = total revenue from sold products,
- **p** = selling price per unit,
- **Q** = quantity of units sold.

This equation suggests two ways to increase revenue:

- by **raising prices** (assuming quality improvement),
- by **increasing production volume**, which raises sales and demonstrates a **growing trend in revenue** (quantitative turnover growth).

**Purchase price of goods + trade margin = selling price.**

The **difference between the purchase and selling price** represents revenues; in this case, **trade margins make up the enterprise's revenues.**

By **increasing revenue volume** and assuming **stable costs**, the enterprise moves toward **higher profit.**

This reflects a **direct proportionality** between revenues and business results. If revenues increase, so does the profit; if revenues decrease, profit also falls.

In a **model heavy industry manufacturing company**, various **analyses for the years 2020–2023** were conducted.

The results are presented in the Table 3 below.

#### 4.1 Ad a / profit and loss statement – horizontal analysis

**Table 3**

*Horizontal Analysis of the Profit and Loss Statement*

Revenues	Year 2020	Year 2021	Difference	Year 2022	Difference	Year 2023	Difference
<i>Revenues from Economic activity</i>	1.302.921	2.276.829	973.908	2.948.875	672.046	2.320.235	628.640
<i>Sales revenues from Goods</i>	12.463	59.194	46.731	13.512	<b>-45.682</b>	4.893	<b>-8.619</b>
<i>Sales Revenue from Own Production</i>	1.216.247	2.091.352	875.105	2.784.901	693.549	2.198.995	585.906

<i>Sales Revenue from Services</i>	34.741	65.559	30.818	98.222	32.663	106.931	8.709
<i>Sales Revenue from Long-term Tangible Assets and Materials</i>	0	0	0	22.802	22.802	415	22.387
<i>Other Revenues</i>	64.301	60.724	3.577	29.438	31.286	9.001	20.437
<i>Total Expenses</i>	1.273.515	2.189.790	916.275	2.939.235	749.445	2.240.696	698.539
<i>Expenses Incurred for Procurement of Goods</i>	6.620	51.236	44.616	7.405	43.831	4.059	3.346
<i>Material Consumption</i>	772.585	1.663.646	891.061	2.322.468	658.822	1.591.521	730.947
<i>Services</i>	67.164	78.250	11.086	98.403	20.153	110.986	12.583
<i>Wage Costs</i>	217.038	228.902	11.864	274.348	45.446	350.495	76.147
<i>Social Insurance</i>	76.039	80.378	4.339	96.593	16.215	122.942	26.349
<i>Social Expenses</i>	11.456	11.727	271	14.025	2.298	18.601	4.576
<i>Taxes and Fees</i>	4.577	4.627	50	4.684	57	5.300	616
<i>Depreciation and Amortization</i>	115.350	61.410	53.940	18.683	42.727	26.744	8.061
<i>Other Expenses</i>	3.142	3.614	472	695	2.919	2.560	1.865
<i>Allowances for Receivables</i>	456	0	456	101.931	101.931	7.488	94.443

Source: based on the profit and loss statement of a specific company  
Data are presented in euros

**Horizontal analysis of the profit and loss statement** is a financial analysis tool that allows us to track changes in items over time. Here, we compared the same items over the observed periods. In the Table 3, authors observed revenues highlighted in red figures for 2022 compared to 2021. This negative result was caused by the Covid-19 pandemic. Sales revenue from goods amounted to €45,682, other revenues €31,286. The positive aspect is that although the company reduced total revenues, it also reduced total costs. Mainly in 2022, was observed a significant increase in costs, caused by rising material prices. This indicator increased in all manufacturing companies that process structural steel.

Every revenue that the company achieves is based on the accuracy of the company's cost calculation. Revenues themselves represent the valuation of the entire

transformation process of the company and their subsequent reflection in financial resources. Currently, a cost calculation formula adapted by each company to its own needs is used for the structure of revenues.

#### 4.2 Ad b / profit and loss statement - vertical analysis

**Table 4**

*Vertical analysis of revenues*

<b>Revenues</b>	<b>Year 2021</b>	<b>%</b>	<b>Year 2022</b>	<b>%</b>	<b>Year 2023</b>	<b>%</b>
<i>Revenues from economic activity – total</i>	2.276.829 €	100	2.948.875 €	100	2.320.235 €	100
<i>Sales revenue from goods</i>	59.194 €	2,599	13.512 €	0,458	4.893 €	0,210
<i>Sales revenue from own products</i>	209.352 €	91,853	2.784.901 €	94,44	2.198.995 €	94,774
<i>Sales revenue from services</i>	65.559 €	2,879	98.222 €	3,330	106.931 €	4,608
<i>Sales revenue from intangible assets, tangible assets, and materials</i>	0	0	22.802 €	0,773	415 €	0,017
<i>Other revenues from economic activity</i>	60.724 €	2,667	29.438 €	0,998	9.001 €	0,387

Source: Based on the profit and loss statement of a specific company

The revenue structure in Table 4 expresses the breakdown of individual revenues as a percentage of the company's total revenues. According to this breakdown, it was found that the main revenues in the company are generated by sales of own products: in 2021, this accounted for 91.85%, and in 2022 and 2023 for 94%, representing an increase in revenues compared to 2021 by 2.921%.

- a) The main revenues of the company consist of:
- a) 94% from sales of own products — the primary core products are fired products, steel columns, and machine parts, which are manufactured based on orders and attached project documentation.

- b) b) 0.21% from sales of goods — these sales are secured by small entrepreneurs or households purchasing selected goods and materials.
- c) c) 4.60% from sales of services — these are services provided by the company to its customers at a symbolic price related to the transport of goods, products, and materials.
- d) 0.07% from sales of long-term tangible assets.

## 5 THE IMPACT OF REVENUES ON THE COMPANY'S FINANCIAL PERFORMANCE

Company revenues are among the most important economic indicators for any business (Lisý, 2016). When revenues exceed costs, the company generates a profit; otherwise, it incurs a loss. For this reason, companies strive to achieve the highest possible revenues, which have a significant impact on the company's financial and economic stability and directly influence its profitability.

Revenues ensure the reproduction of production factors, cover the company's costs, taxes, fees, and other obligations to the state. Revenue generation is the most important activity of a company because it guarantees survival, development, and improvement of the financial result. Sales represent the quickest attainable revenues in a company, with revenue occurring at the moment a product is sold or a service is provided. Revenues reflect the value of the entire transformation process within the company and translate into financial resources necessary for ongoing operations.

Revenues represent the most important source of financial resources in the company. Their amount and growth directly affect the company's profitability. Revenues not only cover costs but also enable business growth and investment (Chaliuk et al., 2021a; Chaliuk et al., 2023). These investments allow the company to acquire long-term assets, modernize technologies, and increase production efficiency, which helps reduce costs and further increase revenues.

The main factors influencing revenues in a manufacturing company are:

- a) **Product demand** – the fundamental prerequisite is to have a stable market and customers for whom the products are made.
- b) **Product prices** – price is a sensitive indicator that affects sales and total revenues.

- c) **Production capacity** – revenue growth can be achieved by increasing the product price or production volume, while knowing the production capacity limits is essential.
- d) **Marketing and sales** – effective marketing strategies and sales activities support revenue growth and the company's overall competitiveness.

Therefore, revenues are a key indicator that supports a company's stability, development, competitiveness, and employment.

**Table 5**

*Financial Results for the Period 2020-2023*

<b>Year</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<i>Total revenues</i>	1.302.921	2.276.829	2.948.875	2.320.235
<i>Total expenses</i>	1.273.515	2.183.790	2.939.235	2.240.696
<i>Operating Profit/Loss</i>	29.406 €	93.039	9.640	79.539

Source: Based on the profit and loss statement of a specific company. Data are in Euros.

The operating profit reflects the functioning of the company. It shows revenues minus expenses from the company's economic activity = operating profit.

The profit before tax is the gross profit. It is the difference between the company's revenues and expenses, which must be justified to the tax office to prevent unauthorized tax evasion. Authors referred to add-back items such as representation expenses, contractual penalties, and late payment interest. These are non-deductible expenses that are added back to the tax base. Deductible items belong to tax expenses and reduce the tax base, for example, the difference between tax and accounting depreciation, or the cancellation of a reserve that was non-deductible in the previous period.

The profit for the accounting period includes the results from operating activities, financial activities, add-back and deductible items, and the final result.

**Table 6**

*Total profit for the period 2020-2023*

<b>Year</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<i>Operating profit</i>	29.406	93.039	9.640	79.539
<i>Financial profit</i>	-10.493	-9.289	-13.765	-20.398

<i>Total profit</i>	18.913	83.750	- 4.125	59.141
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Source: Based on the profit and loss statement of a specific company. Data are in euros.

From the above Table 6, it follows that the result for the year 2022 is in the red. The other years of the observed period show positive results. The highest gross profit was recorded by the organization in 2021.

The profit for the accounting period after taxation consists of the profit for the accounting period before taxation adjusted by add-back and deductible items according to applicable legislation. The resulting figure serves as the tax base. If the tax base is positive, the company may apply a loss from previous periods. From the tax base, the tax liability is deducted to arrive at the profit after taxation.

In summary, the profit for the accounting period after taxation is composed of the profit before taxation adjusted by add-back and deductible items according to the current legislation. In case of a positive tax base, the company can utilize previous losses (Hong et al., 2019).

## 5.1 Reporting

Controlling is an integrative management tool that supports the decision-making of corporate management (Gozora, 2017). Its informational and coordination functions are based on a well-functioning information system, systematically and purposefully built on managerial accounting (Gurčík, 2018). It supports effective communication among organizational subsystems of the enterprise as a system.

The basic function of controlling is reporting. It represents comprehensive indicators and consolidated information from individual business entities, thus enabling the linking of information toward the state — its operation in the field of fiscal policy.

The main source for financial reporting is corporate accounting (Bartošová et al., 2020), (Fetisová, 2020). It is called the company's accounting information system, which informs about the economic and financial health of the enterprise. The financial reporting information goes into the financial depth and forecasts of the company (Štangová et al., 2014).

The model used for the analysis of the enterprise's functioning, by Virág and Hajdu is based on accounting data of selected enterprises (Hajdu & Virág, 2001). This model allows us to determine whether the enterprise is prospering or facing bankruptcy and prognostically functions for the calculation of public revenues to the state budget.

The mathematical expression of the model is as follows:

$$L = 1.3566x_1 - 1.63397x_2 + 3.66384x_3 + 0.03366x_4 \quad (2)$$

where:

$x_1$  = current liquidity

$x_2$  = cash flow / debts

$x_3$  = current assets / total assets

$x_4$  = cash flow / total assets

The threshold and dividing value between prospering and bankrupt enterprises is 2.61612. It was found that the analyzed company is in a safe zone and bankruptcy is not imminent.

**Table 7**

*Model by Virág a Hajdu*

Year	2020	2021	2022	2023
<i>Financial assets / short-term liabilities</i>	0,90	0,98	0,99	1,58
<i>Cash flow/debts</i>	1,84	0,52	0,39	0,46
<i>Current assets / assets</i>	0,47	0,65	0,62	0,56
<i>Cash flow/ assets</i>	0,02	0,09	0,06	0,06
<i>Assets + debts</i>	3,23	2,24	2,06	2,66
<i>Coefficient</i>	10,54	2,58	2,60	2,48
<i>Recalculated value of company prosperity</i>	34,04	5,77	5,35	6,59

Source: Based on the profit and loss statement of a specific company

## 6 CONCLUSION

In monitoring the financial result, there is a direct proportionality between the amount of income tax and the level of revenues, as well as the calculated profit. An

increase in revenues impacts all company indicators up to the final financial result. By deducting costs from revenues and subtracting various deductible items, it is possible to use the V&H method to predict the organization's operational status and estimate the tax forecast, i.e., the flow of financial resources into the state's public budget.

Reporting is gaining increasing importance in forecasting the operation of business entities (Miah et al., 2021). It optimizes the prediction of public revenues and enables better fulfillment of the needs and functioning of the state's fiscal policy. The state's fiscal policy is related to the revenue side of the state budget. Based on authors analysis, the planned tax revenues of the state budget for 2025 amount to €22,452,482,000, of which revenues from corporate income tax represent €5,033,907,000. In practice, this means that 22.42% of the state budget revenues come from corporate income tax.

The state's effort is to secure an increase in revenues to the state budget from corporate income taxpayers both through submitted tax returns and through conducted tax audits. According to information from the Slovak Financial Administration as of March 31, 2025, an additional corporate income tax of €24,830,018 was assessed through tax audits conducted on 203 corporate income taxpayers.

For this reason, authors emphasize the importance of efficient functioning and financial health of small and medium-sized enterprises, as their prosperity has a direct impact on the revenues of the state budget.

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### Authors' Contribution

All authors contributed equally to the development of this article.

### Data availability

All datasets relevant to this study's findings are fully available within the article.

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