



FINANCIAL ACCOUNTING 1

First-Year – Semester 1

Algerian Democratic Popular Republic

Farhat Abbas University, Setif 1

Economics, Commerce & Management Faculty

Basic Education Department

RESUME

This publication is an educational resource designed for first-year students in the basic education department, for the Financial Accounting 1 course. It adheres to the ministerial syllabus and includes theoretical lessons supplemented with practical examples and previous exams. Additionally, it features accounting terms list and a translated version of the Accounts' Nomenclature.

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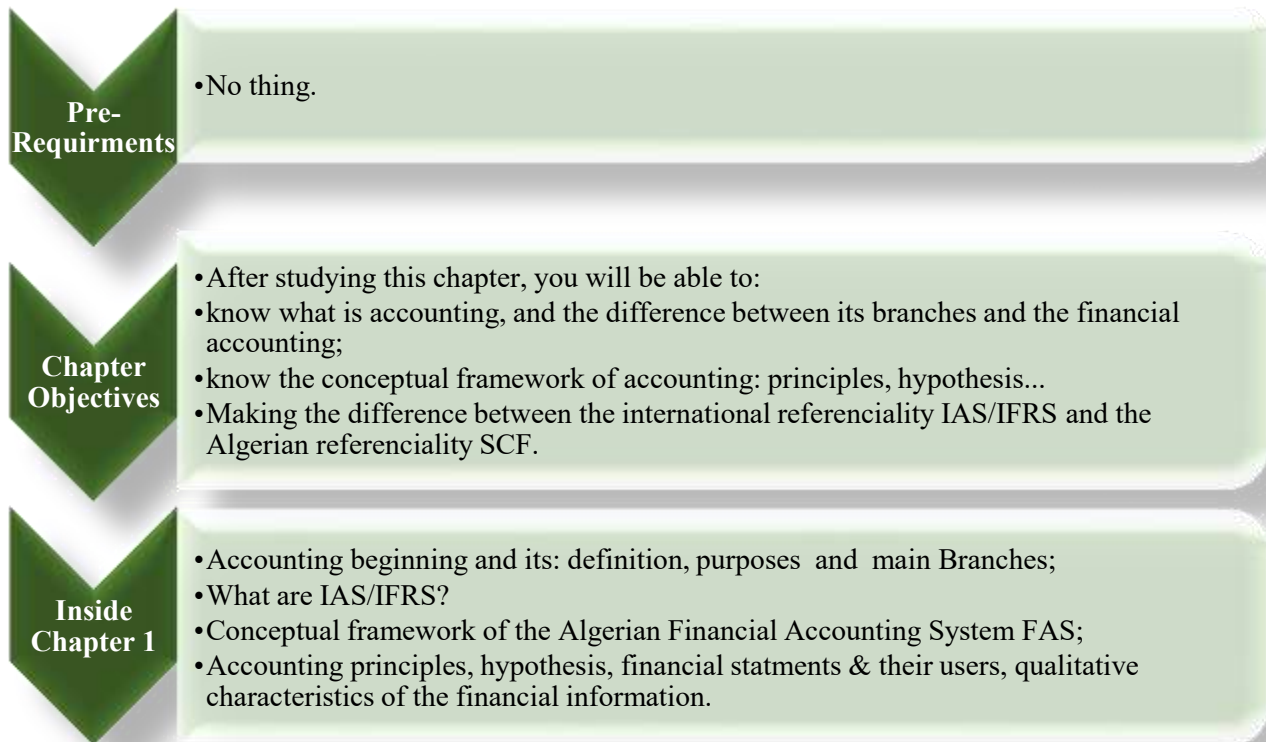
Modul Description

| | | | |
|--------------------------|--|---------------------------------|---|
| MODUL | Financial Accounting | | |
| FACULTY | Economics, Management and Commerce | | |
| DEPARTMENT | First Year - Basic Education | | |
| MODUL TYPE | <div>Annual</div> <div><div>S 1.... Financial Accounting 1</div><div>S 2.... Financial Accounting 2</div></div> | | <div>13</div> <div>Week</div> <div>For each</div> |
| HOURLY VOLUME / W | 2 Lectures (1.5 H*2) | 1 Directed Work Session (1.5 H) | |
| EVALUATION | Final Exam | Continues Control | |
| LEARNING WAY | In Person 100 % | | |
| PRE-REQUIRMENT | Average level in Maths and English | | |
| CONTENT | In coherence with the ministry syllabus, re-setted by the modul committee. | | |
| REFERENCIALITY | <p><i>The Algerian Accounting Financial System</i></p> <p>All the terms, definitions and accounting records are those adopted and approved by the Algerian accounting system, that is why there are some differences with IAS/IFRS.</p> | | |
| OBJECTIVES | <ul style="list-style-type: none">▪ Having a theoretical background about accounting;▪ Analysing transactions, extracting the account and determining the impact of operations on the accounts;▪ knowing the accounting books and how to use each one of them;▪ Preparing the Balance Sheet statement;▪ Taking an overview of the companies' creations and some equity accounts;▪ Learning How to record inventories operations according to the periodic and perpetual inventory method;▪ Dealing with the different operations related to inventories. | | |

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Chapter 01: General Introduction to Accounting



Accounting Beginning نشأة المحاسبة

In Mesopotamia, the “cradle of civilisation”, ancient scribes recorded commerce activities, like trading wheat or wool for ivory or copper, on **thick clay tablets**. The Mesopotamians traded with other ancient peoples, including the Phoenicians, a seafaring civilisation that brought goods from faraway lands, exotic spices, brilliant dyes and precious metals to fertile regions.

In time, **currencies** were created, accounting for trades took a different tint, ancient Greek bankers kept detailed records in **logbooks**, and many other civilisations had their own primitive accounting practices, like Romanian, Egyptians...

In the late fifteenth century, an Italian friar named Luca Pacioli forever changed the face of accounting, in a way that we still use today. Pacioli had a deep understanding of mathematics that led him to the first chair in mathematics at the prestigious university of Perugia in the subject.

In accounting world, Pacioli is still highly revered for his detailed description of **Double-Entry Accounting**, a system that has stood through the centuries. This

description was included in his revolutionary book “Summa de Arithmetica; Geometria, proportioni et proportionalita”. In addition to being a primer in **debits** and **credits**. What are the building blocks that led to modern accounting, this book explains accounting procedures, such as the proper use of ledgers and journals, in detail.

Definition of Accounting تعريف المحاسبة

The American Institute of Certified Public Accountants AICPA (1941) defines accounting as: "the **art** of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are, in *part at least of financial character, and interpreting the results thereof.*"

› A.W. Johnson (1943): "Accounting may be defined as the collection, compilation and systematic **recording** of business transactions in terms of money, the preparation of **financial reports**, the analysis and interpretation of these reports and the use of these reports for the information and **guidance of management.**"

› American Accounting Association AAA (1966) definition: "Accounting refers to the **process** of identifying, measuring and communicating economic information to permit informed judgment and **decisions** by users of the information."

Weygandt, Kieso and Kimmel (2009): "Accounting is an **information system** that identifies, records and communicates the economic events of an organization to interested users".

This definition views accounting as an information system that identifies and records financial transactions, ascertains the results and provides information to the various interested users in the desirable way or according to their needs. Accounting is not a recording procedure. It is an information device or a tool that works to provide information to interested users to rationalize their decision-making.

Purposes of Accounting أهداف المحاسبة

The main purpose of accounting is to keep a permanent record of all **monetary transactions** effected by a person or enterprise during a definite period and ascertainment of results of those transactions at the end of the period. The main objects of accounting are enumerated below:

1. **Proper Recording of Transactions:** The first and foremost object of accounting is to keep a record of monetary transactions in a systematic manner.

2. **Determination of Results:** Every person or company is always interested to know the results of his/its monetary transactions at the end of a definite period. Therefore, ascertainment of result of financial transactions is an important object of accounting.

3. **Ascertainment of Financial Position:** Another object of accounting is the ascertainment of debtors and creditors, assets and liabilities and the overall financial position.
4. **Supplying Financial Information:** Another important object of accounting is to make available all sorts of financial reports and statements to all parties interested in the affairs of the concerned institution as soon as possible after preparing those reports and statements.
5. **Defalcation Prevented:** Another special object of accounting is the prevention of defalcation of money made through fraud by the officials of the institution as well as control of expenditure.

Branches of Accounting فروع المحاسبة

In order to satisfy the needs of different people interested in accounting information, different branches of accounting have been developed. The changing business scenario has given birth to the specialized branches of accounting, the main ones are:

1. **Financial Accounting** (المحاسبة المالية): Financial Accounting is concerned with recording of financial transactions, summarizing and interpreting them and communicating the results. It is original form of accounting that ascertains profits earned or loss suffered during a specific period (generally a year) and ascertains the financial position on the date when the accounting period ends.
2. **Cost Accounting** (محاسبة التكاليف): It is the process of accounting and controlling the cost of a product, operation or function. The purpose of this branch of accounting is to ascertain the cost, to control the cost and to communicate information for decision.
3. **Management Accounting** (المحاسبة الإدارية): It is an accounting for the management i.e. accounting which provides necessary information to the top-level management for discharging its functions. Management accounting covers various areas such as cost accounting, budgetary control, inventory control, statistical methods, internal auditing etc. The purpose of this branch of accounting is to supply all information that management may need in making decisions and to evaluate the impact of its decisions and actions

What are IAS/IFRS? ماهي المعايير المحاسبية الدولية أو المعايير الدولية للتقرير المالي؟

International Accounting Standards (IAS) (المعايير المحاسبية الدولية) are a set of rules for financial statements that were replaced in 2001 by International Financial Reporting Standards (IFRS) (المعايير الدولية للتقرير المالي) and have subsequently been adopted by most major financial markets around the world and more than 100

country. Both sets of standards were issued by the International Accounting Standards Board (IASB), an independent body based in London. IAS/IFRS aim to establish a common accounting language that makes the financial statements coherent and consistent across different industries and countries.

What Is the Algerian Financial Accounting System FAS? (SCF in French)

النظام المحاسبي المالي الجزائري

The Algerian financial accounting system FAS (SCF) was put into work in 2010, by the law N° 07-11, of 25-11-2007, to modernize the Algerian accounting system and put it in convergence with the international financial reporting standards IFRS. That means, the FAS did not adopt the international standards, but it was just inspired by it.

The Framework of the Algerian FAS **الاطار التصوري للنظام المحاسبي المالي الجزائري**

The FAS framework clarifies the following items:

- The financial statements (القوائم المالية) ;
- Hypotheses and accounting principles, the qualitative characteristics and users of financial statements;
- Constituent elements of the financial statements

Definition of Financial Accounting **تعريف المحاسبة المالية**

The Algerian financial accounting system: “The financial accounting is in organization system for the financial information allows for the capture, classification, evaluation, recording of basic numerical data and presentation of statements reflecting a true picture of the financial situation of an entity at the closing date”.

Scope of Application **نطاق التطبيق**

According to article 4 of law N° 07-11, the financial accounting system should be applied by:

- Companies subject to commercial law;
- Cooperatives;
- **Natural persons or legal persons** producers of commercial and non-commercial goods or services, if they practice economic activities with recurrent processes;
- Natural persons or legal persons that are subject to FAS under legal or regulatory provisions.

The Main Financial Statements in FAS

القوائم المالية الرئيسية في النظام المحاسبي المالي

Financial statements are written records that convey the company's activities and its financial performance:

1. **Balance sheet** (الميزانية أو قائمة المركز المالي الصافي): represents the financial situation of the company at the end of the financial period N and N-1.
2. **Income statement** (قائمة جدول حسابات النتائج): measures the realized performance of company in the end of the financial year N and N-1.
3. **Cash flow statement** (قائمة التدفقات النقدية): recaps the movement of cash flow and its equivalents, during the financial period N and N-1.
4. **Statement of changes in equity** (قائمة التغيرات في حقوق المساهمين أو التغيرات في الأموال الخاصة): analyse the movement that affects the different sections of equity during the financial period N and N-1.
5. **Notes to financial statements** (الملاحق): include comparative information in narrative, descriptive and figured form, notably the accounting rules and methods used, and other additional information.

Accounting hypotheses فرضيات المحاسبة

1- **Going Concern** (فرضية الاستمرارية): It is the basic assumption that business will continue for a quite long time, it will go on and on and will not be closed down or stopped for a quite long time. Business is not to be closed at its early stage but should give a long life. This principle helps many investors to invest, many suppliers to give credit, and many workers or employees to give services.

2- **The Accrual Basis** (أساس الاستحقاق): financial accounting records transactions independently of cash usage. Revenue is recorded when it is earned (when a bill is sent), not when it actually arrives (when the bill is paid). Expenses are recorded upon receiving an invoice, not when paying it. Accrual accounting recognizes the impact of a transaction over a period of time.

Accounting Principles المبادئ المحاسبية

The Algerian accounting system is based on 12 principles:

1. **Periodicity** (الدورية): the life of a company is divided into periods of 12 months, for reporting purposes, this is called the financial year or financial period that starts **from 1/1/N to 31/12/N**. As an exception, this period could be less or more than 12 months, in case of creation or cessation of company.
2. **Independence of financial periods** (استقلالية الدورات المالية): the results of a financial period should be totally independent of the results of the previous

one or the following one, that means the imputation of the events and operations that belong only to this financial period.

3. **Accounting entity (الوحدة المحاسبية):** The accounting or financial information of a company is always treated as a **separate** unit or body from the **owner's personal financial** information.
4. **Monetary unit (وحدة النقد):** all financial company transactions or events are recorded in only one **monetary** unit (not cm or kg...); and the **official** monetary unit of the country; which is the Algerian Dinar (not EURO or DOLLAR...)

If a monetary value cannot be given to a transaction, then it cannot be recorded in the books of the company and cannot be included in an accounting financial statement or report; like the competence of employees...

5. **Consistency principle (مبدأ الثبات):** the financial statements should be prepared in the same **way and evaluation methods** for each accounting period, irrespective of whether the period is a month or a year.
6. **Materiality principle (الأهمية النسبية):** the significance, importance or materiality of an amount depends on both the size of business and the importance of the item being considered.
7. **Conservatism principle or prudence principle (مبدأ الحيطة والحذر أو مبدأ التحفظ):** calls for the financial statements to represent the most conservative numbers possible, and requires likely liabilities and expenses to be recorded right away (even if they may not occur) and revenues to be recognized only when they are earned.
8. **Intangibility of the opening balance sheet (عدم المساس بالميزانية الافتتاحية):** the **opening balance sheet** of a financial period must correspond to the **closing balance sheet** of the previous financial period.
9. **Historical Cost Principle (مبدأ التكلفة التاريخية):** recognize the different accounting items by their whole value on the date of acquisition.
10. **The pre-eminence of economic reality over legal appearance or substance over form (تغليب الواقع الاقتصادي على الظاهر القانوني):** the operations must be recorded in accounting and presented in the financial statements in accordance with their nature and economic and financial reality, regardless their legal appearance.
11. **Non-compensation (عدم المقاصة):** compensation between assets and liabilities or costs and revenues is not allowed. Except if the compensation is done on a legal or contractual basis.
12. **Fair image or faithful representation (الصورة الصادقة):** A financial statement should give a fair image of the transactions, in order to reflect the real

financial situation, by giving reliable information concern the financial situation, the performance and the variations in the financial situation.

The Users of Financial Statements مستخدمو القوائم المالية

1. **Investors المستثمرون (potentially محتملين):** are the people who are ready to invest their money in the company. Investors who are looking for business opportunities can only make correct decisions based on high-quality accounting information.
2. **Administration الإدارة :** they need the financial statements in order to set organizational goals; evaluate progress towards organizational goals; to take corrective actions where needed.
3. **Shareholders حملة الأسهم/ owners الملاك:** are the people who invested their money in the company, so, they need to know the result of their investments either profit or loss, and the performance of the company.
4. **Labours العمال :** they care about the accounting information for salary appraisals, bonuses...
5. **Lenders المقرضون :** they use the financial statements to evaluate the creditworthiness and other factors since this helps to guarantee that the loan will be repaid in the future.
6. **Customers الزبائن:** they must have assurance about the continuous supply of materials needed to make products and materials.
7. **Suppliers الموردون :** to study the company's creditworthiness, and make sure the credit will be paid. Also, to choose the suitable payment policy for each dealer.
8. **State and notably tax administration الدولة خصوصا مصلحة الضرائب:** in order to levy tax effectively and accurately, without accounting information, these agencies may miscalculate the revenues generated by the company.
9. **Public الجمهور:** they need information about the financial health of companies, determine the overall impact on the country's economy...

The Qualitative Characteristics of the Financial Information

الخصائص النوعية للمعلومة المالية

1. **Relevance (الملاءمة):** Relevant information is able to influence users' decisions, help them evaluate previous, present, and future events, and confirm or correct their evaluations.
2. **Intelligibility- comprehensibility- understandability (القابلية للفهم):** the financial information should be understood by different users have acceptable knowledge of accounting and business.

3. **Reliability (الموثوقية)** : This is when financial information is free from error, bias, or significant prejudices, and users can trust it to reflect a fair image of the company's financial situation.
4. **Comparability (القابلية للمقارنة)**: the ability to make comparisons between entities at the same time and over time.

Chapter 2: The Balance Sheet

الميزانية أو قائمة المركز المالي

Pre-Requirements

- To be able to study this chapter you need to know:
- The conceptual framework of the Algerian Financial Accounting System FAS (SCF)

Chapter Objectives

- After studying this chapter, you will be able to:
- Distinguish between Assets & Liabilities;
- Prepare the Opening Balance Sheet;
- Find the period result and prepare the Closing Balance Sheet.

Inside Chapter 2

- Balance Sheet & its main components; , Format and functions;
- The period result Acc/12;
- Net Financial Position.

Balance Sheet and Its Main Components

Before presenting the definition of the balance sheet, an overview of its main components, which are assets, liabilities, and owners' equity, will be given.

Assets (الأصول): the resources controlled by the company, and are of economic value, due to past events, intended to produce advantages to the company in the future. Assets control corresponds to the power of obtaining future economic advantages from this asset.

Assets can be classified as either current assets or non-current assets:

- **Current assets (الأصول الجارية):** are cash or assets that the company expects to be converted or changed into cash during the current financial period e.g. goods.

- **Non-current assets (الأصول غير الجارية)**: are assets that the company expects to still use for more than one financial period, and it does not expect to convert them into cash during the current financial period e.g. machines.

Liabilities (الخصوم): are the present obligations (debts) of the company, due to past events, that are expected to result in an outflow of resources. Liability must eventually be discharged or repaid. Liabilities can be classified as either current/short-term or non-current/long-term liabilities:

- **Current liabilities (الخصوم الجارية)** (short-term debts): are the obligations that the company is required to satisfy or pay during the current financial period e.g. stock and service suppliers.
- **Non-current liabilities (الخصوم غير الجارية)** (long-term debts): are obligations that need more than one financial period to be paid e.g. loan

Owners' Equity (الأموال الخاصة): it is mainly constituted by the issued capital, reserves and retained earnings...ext.

The Accounting Equation

Uses (الاستخدامات) = Financing Resources (الموارد)



Assets = Liabilities + Owners' Equity



Debtors (مدينون) = Creditors (دائنون)

Balance Sheet Definition: is a report shows the financial position of a company at a particular date, respecting the accounting equation, using a list of accounts classified as assets on one side, and liabilities + owners' equity on the other side.

The balance sheet is prepared once a year in two copies, their names differ depending on the date of preparation:

1. **The Closing balance sheet (الميزانية الختامية)**: mandatory, prepared on 31/12/N. Shows the result of the current financial period.
2. **The opening balance sheet (الميزانية الافتتاحية)**: not mandatory, prepared on 01/01/N+1. It is the same as the closing balance sheet of the previous financial period N.

Balance Sheet Format

The balance sheet shows accounts belonging to **classes from 1 to 5** in the financial accounting system's accounts **nomenclature**.

Every balance sheet statement should well mention the kind if it is opening or closing, the company name and the date.

In the official format, a colon of **period N-1 amounts** should be shown.

Example 1

Below, is the simple format of a balance sheet:

The Opening Balance Sheet of « Beplast » Company on 1/1/2023

| Ref | Assets | Amounts | Ref | Liabilities | Amounts |
|------|---------------------------------|---------|-----|--------------------------------------|---------|
| | Non-current assets Cla 2 | | | Owners' equity Cla 1 | |
| 2182 | Transport Equipment | 200,000 | 101 | Capital | 500,000 |
| | Current assets Cla 3/4/5 | | | Non-current liabilities Cla 1 | |
| 3.. | stocks/ inventory | 67,000 | 164 | Loan | 100,000 |
| 411 | customers | 20,000 | | Current liabilities Cla 4/5 | |
| 512 | bank | 380,000 | 401 | inventory and services suppliers | 12,000 |
| 53 | fund/cash | 30,000 | 404 | Fixed assets suppliers | 85,000 |
| | Total | 697,000 | | Total | 697,000 |

Functions Of Balance Sheet

A balance sheet performs several important functions:

1. Summarises Assets, Liabilities, and Equity: this statement shows the total value of assets held by the company (business), debts payable to outsiders by the company, and any capital of the owners' equity.
2. Measures the Company Liquidity: a balance sheet summarizes a company's assets, and the claims on these assets indicate the ability of the company to pay its debts.
3. Measures the Company Solvency: the solvency of a company is measured by ascertaining the relationship of total assets to total liabilities. It indicates the company's ability to meet all its short-term and long-term debts.

The Period Result Acc/12 (نتيجة الدورة)

The result means realizing **profit** or **loss** after 12 months of activity. It is a part of **equity**, and it is calculated as follows:

$$\text{Result} = \sum \text{assets} - \sum (\text{equity} + \text{liabilities})$$

In case of positive difference → **profit** → recorded in account N° 120.

In case of negative difference → **loss** → recorded in account N° 129 and between brackets () or using the minus sign -.

Example 2

On 1/1/2022, the balance sheet of “Light” company includes the following items: lands 200,000 AD; truck for transporting goods 120,000AD; goods 35,000AD; machines 198,000AD; loan 200,000AD; inventory suppliers 30,000AD; capital 600,000 AD; customers 25,000 AD; reserves 40,000AD; bank 262,000AD; cash??

Required: Prepare the opening balance sheet.

Solution

The Opening Balance Sheet Of “Light” Company On 1/1/2022

| Ref | Assets | Amounts | Ref | Liabilities | Amounts |
|------|---------------------------|----------------|-----|----------------------------------|----------------|
| | Non-current assets | | | Owners' equity | |
| 211 | Lands | 200,000 | 101 | Capital | 600,000 |
| 2154 | Industrial Equipment | 198,000 | 106 | Reserves | 40,000 |
| 2182 | Transport Equipment | 120,000 | 164 | Non-current liabilities | |
| | Current assets | | | Loan | 200,000 |
| 30 | Goods | 35,000 | 401 | Current liabilities | |
| 411 | Customers | 25,000 | | Inventory and services suppliers | 30,000 |
| 512 | Bank | 262,000 | | | |
| 53 | Cash | 30,000 | | | |
| | Total | 870,000 | | Total | 870,000 |

The accounting equation: assets = liabilities + equity

Lands + machines + vehicles + goods + customers + bank + cash = capital + reserves + loan + inventory suppliers → Cash= 30,000.

Example 3

After a year of activity, the company assets and liabilities on 31/12/2022 were:

Office furniture 100,000AD; computers 100,000AD; lands 200,000AD; raw materials 10,000AD; semi-final product 45,000AD; machines 178,000AD; fixed assets suppliers 70000AD, vehicles 90000AD, capital 600000AD, software 55,000AD; loan 160,000AD; reserves 40,000AD; bank 100,000AD; cash 15,000AD.

Required: Prepare the closing balance sheet on 31/12/2022.

Solution

The Closing Balance Sheet Of “Light” Company on 31/12/2022.

| Ref | Assets | Amounts | Ref | Liabilities | Amounts |
|------|---------------------------|----------------|------------|--------------------------------|----------------|
| | Non-current assets | | | Owners' equity | |
| 204 | Software | 55,000 | 101 | Capital | 600,000 |
| 211 | lands | 200,000 | 106 | Reserves | 40,000 |
| 2154 | Industrial Equipment | 178,000 | 120 | Result | 23,000 |
| 2182 | transport equipment | 90,000 | 164 | Non-current liabilities | |
| 2183 | office furniture | 100,000 | | Loan | 160,000 |
| 2184 | computer equipment | 100,000 | 404 | Current liabilities | |
| | Current assets | | | Fixed assets suppliers | 70,000 |
| 31 | Raw materials | 10,000 | | | |
| 33 | Semi-Final products | 45,000 | | | |
| 512 | Bank | 100,000 | | | |
| 53 | Cash | 15,000 | | | |
| | Total | 893,000 | | Total | 893,000 |

Period Result = Assets- (equity +liabilities) → Period result = 23 000.

Example 4

Suppose the fixed assets suppliers' amount is 95,000AD, the rest of the items stay as they are.

Required: Calculate the result.

Solution

| Ref | Assets | Amounts | Ref | Liabilities | Amounts |
|------|---------------------------|----------------|------------|--------------------------------|----------------|
| | Non-current assets | | | Owners' equity | |
| 204 | Software | 55,000 | 101 | Capital | 600,000 |
| 211 | Lands | 200,000 | 106 | Reserves | 40,000 |
| 2154 | Industrial Equipment | 178,000 | 129 | Result | (2,000) |
| 2182 | Transport Equipment | 90,000 | | Non-current liabilities | |
| 2183 | Office Furniture | 100,000 | 164 | Loan | 160,000 |
| 2184 | Computer Equipment | 100,000 | | Current liabilities | |
| | Current assets | | 404 | Fixed assets suppliers | 95,000 |
| 31 | Raw materials | 10,000 | | | |
| 33 | Semi-final product | 45,000 | | | |
| 512 | Bank | 100,000 | | | |
| 53 | Cash | 15,000 | | | |
| | Total | 893,000 | | Total | 893,000 |

Period Result= Assets- (equity +liabilities) → Period result= - 2 000.

Net Financial Position المركز المالي الصافي

It is the net accounting value for the company wealth on a particular date, or, the real company wealth. Its equation is:

NFP= total assets-total debts or NFP=equity -+ result

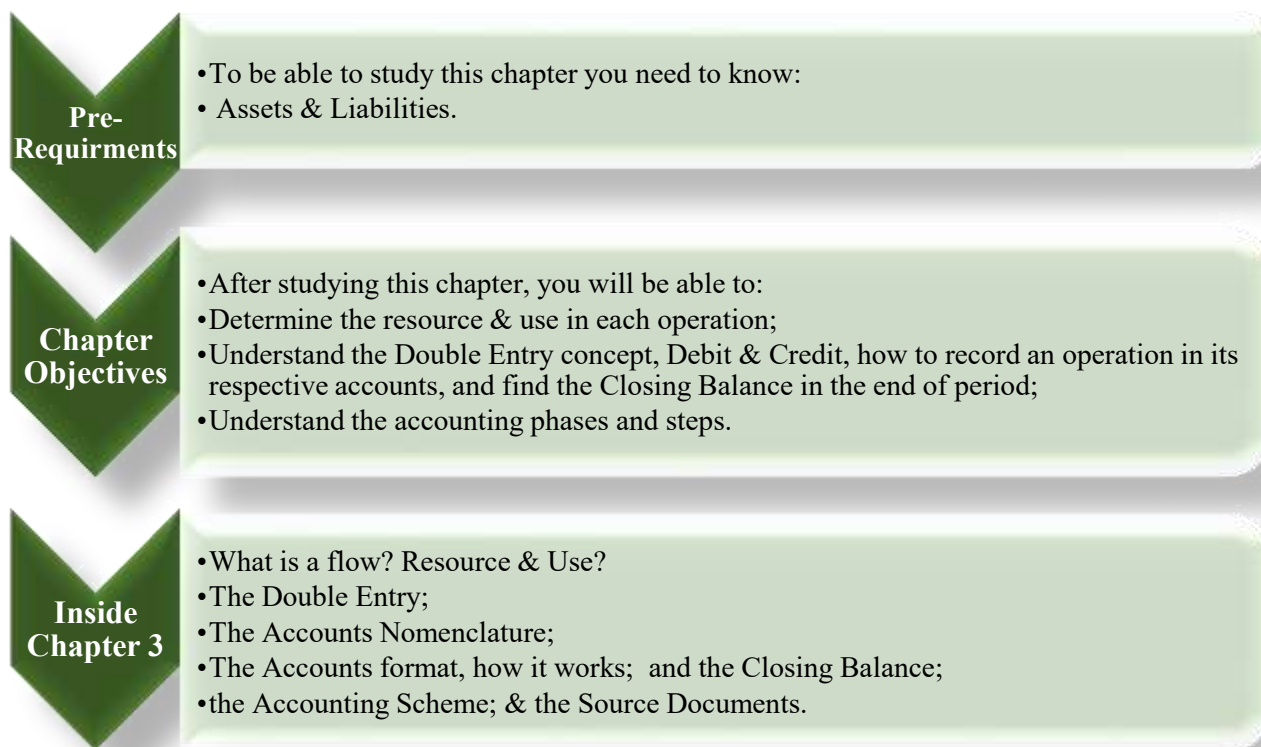
Example 5

Calculate the net financial position of “Light” company.

Solution: NFP= 893,000 - 255,000 → NFP= 638,000.

Or NFP= 640,000 - 2000 → NFP= 638,000.

Chapter 3: The Account الحساب



What is a Flow التدفق ؟

It is going from one place to another in a steady stream, typically in large numbers, e.g. information flow, economic flow, and substance flow....

Economic Flows

Accounting cares about economic flows that reflect the creation, transformation, exchange and transfer or extinction of economic value. They involve changes in the volume, composition or value of a company's assets and liabilities. There are two criteria to classify economic flow:

By **nature**, we can distinguish two kinds of flows:

- **Real or material flow:** the movement of goods and services.
- **Financial flow:** the way in which money moves between different parts of an economy through spending, borrowing, etc., or the amounts that are moved.

According to **dealers**, we have:

- **Internal Flow:** the movement of value inside the company like moving raw materials from store to workshop.
- **External Flow:** the movement of value between the company and a dealer, like moving goods from the store to another company through a selling operation.

Example 1

Classify the flows happening in the following operations by nature and dealers.

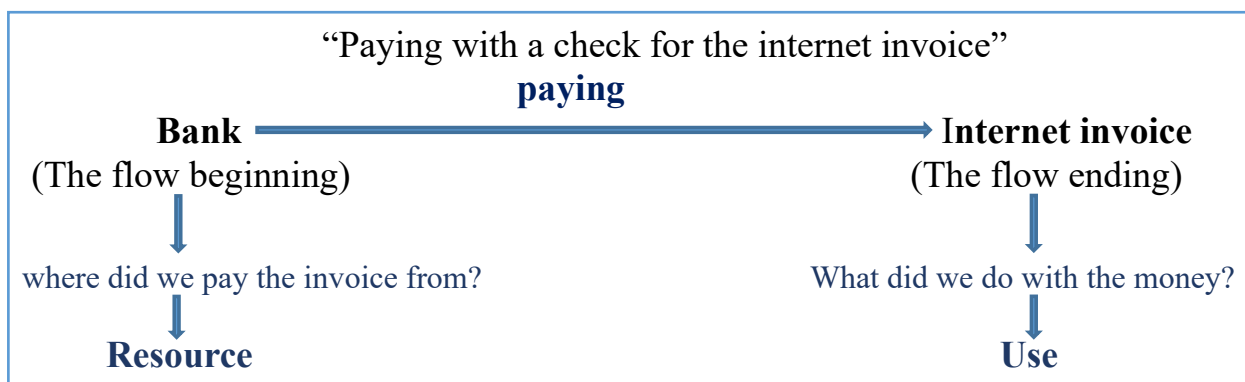
1. Purchasing in cash for a computer by 30,000AD;
2. Purchasing on credit 15,000AD of goods;
3. Paying with a check 50,000AD for the inventory's supplier;
4. Getting a loan of 300,000AD, put in the bank account;
5. Transferring 600 units of semi-final products from the warehouse to the workshop, the value of these products is 67,000AD;
6. Selling goods 50,000AD on credit.

Solution

| Operation N° | Material flow | Financial flow | Internal flow | External flow |
|--------------|---------------|----------------|---------------|---------------|
| 1 | *** | *** | | *** |
| 2 | *** | | | *** |
| 3 | | *** | | *** |
| 4 | | *** | | *** |
| 5 | *** | | *** | |
| 6 | *** | | | *** |

Resource and Use


The beginning of the flow is a **resource** and the end is a **use**; e.g. for the following operation:





Example 2


Using the same operations as example 1, mention the use and resource in each one.


Solution: here, we the accounts that represent the resource & use.


- 1) Cash  computer
resource **use**

- 2) Inventories suppliers (Debts)  goods
resource **use**

- 3) Bank  inventories suppliers
resource **use**

- 4) Loan  Bank
resource **use**

- 5) Semi-final products  final products
resource **use**

- 6) sales of goods  customer (rights)
resource **use**

What is the Double Entry (القيد المزدوج)?

Double entry is a bookkeeping and accounting method, which states that every financial transaction has equal and opposite effects in at least two different accounts. It is used to satisfy the accounting equation:

$$\text{Assets} = \text{Liabilities} + \text{Equity}.$$

Double-entry accounting describes how a bookkeeper records company transactions, every transaction is a **flow** that produces a debit (مدین) which is a **use** in one account and a credit (دائن) means **resource** in the other. Together, they represent money flowing into and out of the company.

The Accounts Nomenclature (مدونة الحسابات)

Each item in accounting has an account and account number. All these items and their numbers are put in one list called “nomenclature of accounts”; divided into 7 classes, each class contains a group of accounts that are common in some characteristics:

| | |
|--|---------------------------------------|
| Class 1 Capital Accounts | Class 4 Third Parties Accounts |
| Class 2 Fixed Assets Accounts | Class 5 Financial Accounts |
| Class 3 Inventories Accounts and Products in Progress | Class 6 Expenses Accounts |
| Class 7 Revenues Accounts (Revenues) | |

- [The balance sheet shows **only** the classes from 1 to 5.
- [The income statement contains **only** the accounts of classes 6 and 7.

The Account Format

The account is a table of two main sides or halves, the left-hand half is known as the debit (Dr) side and the right-hand half is the credit (Cr) side. Each half part is further divided into: (1) Date (2) Particulars (3) Amounts, as follows:

| Date | Particulars | Amounts | Date | Particulars | Amounts |
|------|-------------|---------|------|-------------|---------|
| | | | | | |

The format T is the simple form of the account, it is used a lot in teaching. Acronyms "Dr" and "Cr" are put on the top left and right-hand corners:

| | | |
|-------|-------|----|
| Dr | Acc / | Cr |
| <hr/> | | |
| | | |

How Do the Accounts Work?

The recording of the financial transactions and events in the accounts is based on the double entry method, debits and credits:

1. The debit aspect of all the concerned transactions is recorded on the debit side, while the credit aspect is on the credit side, according to date. The sum of every debit and its corresponding credit should always be equal.
2. Revenues (CLASS 7), liabilities (CLASS 1/4/5) and equity (CLASS 1) accounts increase on the credit side. Whereas asset (CLASS 2/3/4/5) and expenses (CLASS 6) accounts increase on the debit side.

| Debtors | | | |
|-----------|--------------------------|-----------|--|
| Dr | Acc / Assets | Cr | |
| + | | - | |
| | | | |
| Dr | Acc / Expenses | Cr | |
| + | | - | |
| | | | |
| Creditors | | | |
| Dr | Acc / Liabilities | Cr | |
| - | | + | |
| | | | |
| Dr | Acc / Revenues | Cr | |
| - | | + | |
| | | | |

Example 3

Record the following transactions depending on the double-entry method.

Solution

1) Getting a loan of 600,000AD, has been put in the bank.

Resource: loan

Use: bank

| Dr | Acc / 164 | Cr |
|----|-----------|----|
| - | | + |
| | 600,000 | |

| Dr | Acc / 512 | Cr |
|---------|-----------|----|
| + | | - |
| 600,000 | | |

2) Purchasing on credit goods 45,000AD.

Resource: inventories supplier

Use: goods

| Dr | Acc / 401 | Cr |
|----|-----------|----|
| - | | + |
| | 45,000 | |

| Dr | Acc / 30 | Cr |
|--------|----------|----|
| + | | - |
| 45,000 | | |

3) Paying in cash 7,000AD of the electricity invoice.

Resource: cash

Use: Non-stored purchases

| Dr | Acc / 512 | Cr |
|----|-----------|----|
| + | | - |
| | 7,000 | |

| Dr | Acc / 607 | Cr |
|-------|-----------|----|
| + | | - |
| 7,000 | | |

4) Selling goods 67,000AD on credit.

Resource: sale of goods

Use: customers

| Dr | Acc / 700 | Cr |
|----|-----------|----|
| — | | + |
| | 67,000 | |

| Dr | Acc / 411 | Cr |
|--------|-----------|----|
| + | | — |
| 67,000 | | |

5) Paying with a check 100,000AD for the fixed assets supplier.

Resource: bank

Use: fixed assets suppliers

| Dr | Acc / 512 | Cr |
|----|-----------|----|
| + | | — |
| | 100,000 | |

| Dr | Acc / 404 | Cr |
|---------|-----------|----|
| — | | + |
| 100,000 | | |

Example 4

The company “Lotus” has done the following operations:

- 1) Putting 100,000 AD in the bank;
- 2) Getting a loan of 300,000AD used to purchase houseware.
- 3) Paying in cash 6,000AD of electricity invoice;
- 4) The client “House of Light” company has paid the rights of “Lotus” 160,000AD with a check;
- 5) Paying with a check of 3,000AD as lawyer remuneration.

Required: record the transactions that have an impact on the bank account.

Solution

| Dr | Acc / 512 | Cr |
|-------------|-----------|-------------|
| + | | — |
| 100,000 (1) | | 300,000 (2) |
| 300,000 (2) | | 3,000 (5) |
| 160,000 (4) | | |

*For operation 2; getting a loan and purchasing a warehouse; is divided to two operations:

First: getting the money of the loan and putting it in the bank automatically;

Second: taking the money from the bank to purchase a warehouse.

Finding the Closing Balance

1. The difference in the total of the two sides represents the **balance الرصيد**. The excess of the debit side over the credit side indicates a **debit balance**, while an excess of the credit side over the debit side indicates a **credit balance**. If the total of the two sides is equal there will be no balance.
2. Usually, balance is drawn at the year's end and recorded on the **deficit side** to make the two sides equal. This balance is known as **the closing balance**.
3. The closing balance of the current year will be the opening balance of the next year.

Example 5

We continue with example 3 of “Lotus” company.

Required: find the closing balance of the bank account on 31/12.

Solution

| Dr | Acc / 512 | Cr |
|-------------|-----------|----------------------|
| + | | — |
| 100,000 (1) | | 300,000(2) |
| 300,000(2) | | 3,000 (5) |
| 160,000 (4) | | Dr.B= 257,000 |
| 560,000 | | 560,000 |

The Accounting Scheme

The Opening Balance Sheet

| Ref | Assets | Amounts | Ref | Liabilities | Amounts |
|-----|--------------------|---------|-----|-------------------------|---------|
| | Non-current Assets | | | Owners' equity | |
| 20. | .... |  | 10. | ..... |  |
| 21. | .... |  |  | Non-current Liabilities | |
| 22. | .... |  | 4/5 | ..... |  |
| | Current Assets | | | Current Liabilities | |
| 3 . | ..... |  | 4/5 | ..... |  |
| 4/5 | ..... |  |  |  |  |
| | Total | *** | | Total | *** |



Financial events or operations



Journal

| Dr Acc | Cr Acc | particulars | Dr Amounts | Cr Amounts |
|--------|--------|----------------------------|------------|------------|
| × | × | _____ date _____ | *** | *** |
| | × | Acc/..... | | |
| | | (particular) Acc/.... | | |

Ledger Book

| + | - |
|-------|-------|
| | |
| | |
| | **** |

| - | + |
|-------|-------|
| | |
| | |
| *** | |

Trial Balance

| Ref | Acc Name | Amounts | | Balance | |
|---------|----------|---------|----|---------|-------|
| | | Dr | Cr | Dr | Cr |
| Class 1 |  |  |  |  | ..... |
| Class 2 |  |  |  | ..... |  |
| . | | | | | |
| . | | | | | |
| Class 7 | | | | | |
| | Total | ■ | ■ | ■ | ■ |

Cliquez ou appuyez ici pour entrer du texte.

Financial Statements



Users.



Decision-Making



The accountant's work during period N starts by preparing the opening balance sheet which is the closing balance sheet of the previous period.

then, he notices all the financial events and operations that happen in the company, collects the source documents, and records them in the **journal** (اليومية) in a chronological way, day by day in sort of **accounting entries** (القيود المحاسبية).

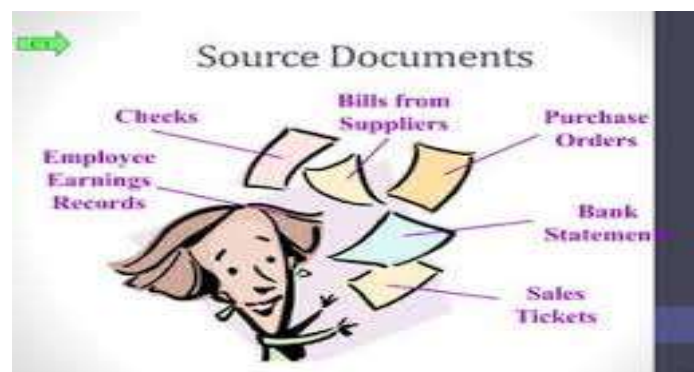
After this, the accountant posts the entries to the **ledger book** (دفتر الأستاذ أو دفتر الكبير) that shows the **accounts** with all the detailed movements that happen in it.

the ledger book will be summarised in the **trial balance** (ميزان المراجعة) that shows only the **closing balance** (الرصيد النهائي) and the total amounts on each side of an account.

This trial balance is used in preparing the **financial statements**.

The Source Documents in Accounting أوراق الإثبات

A source document is an original document that contains the details of a business transaction. A source document captures the key information about a transaction, such as the names of the parties involved, amounts paid (if any), the date, and the substance of the transaction. Source documents are frequently identified with a unique number so that they can be differentiated in the accounting system.



Examples of the main common source documents:

Receipts الإيصالات: The vendor may provide a receipt following consumer payment of the invoice.

When paying in cash, it's a good practice to have a receipt as confirmation of payment. When purchasing goods from a store or an online retailer, receipts are typically automatically issued.

Checks الشيك : A check is a unique banknote that serves as the customer's payment's representation of cash.

The person who is an authorised signatory of the bank account from which the check is issued must sign the check. Each check has a unique number that needs to be entered into the accounting software.

Sales and Purchase Invoices فواتير الشراء والبيع: The seller will produce a paper outlining all the specifics of the sale when an item is sold. If the vendor does not require payment in full before shipping the goods, they will specify their payment terms, or how long the buyer has to pay, on their invoice.

Contracts العقود : Are legal documents that prove an agreement between two parties or more, and determine the rights and obligations.

Example About How to Fulfil a Check

In Algeria, checks are fulfilled in **Arabic** or **French**. In **DINAR**, not **CENT**...

In our local language, we use the cent as a monetary unit, so we say **Five Hundred Twenty Thousand 520,000**. To convert it to Dinar, we omit 00 (Two zeros), and it becomes **Five Thousand Two Hundred Algerian Dinar 5200AD**.

The image shows a French check from ALGERIE POSTE. The check number is 3245101. The amount is 5200,00 DA (Dinars). The check is payable to 'moi mêm' (myself) and is dated 30.08.2014 in Boumerdes. The check is signed by M. HOCINE. The account number (RIB) is 3245101. The check is annotated with Arabic text and arrows pointing to specific fields: 'Amount in Letters' points to 'cinq milles deux cents dinars', 'Amount in Numbers' points to '5200,00', 'Name of Check Owner' points to 'moi mêm', 'Place & Date' points to 'Boumerdes Le 30.08.2014', and 'RIB' points to the account number '3245101'.

Chapter 4: The Accounting Books

الدفاتر المحاسبية

Pre- Requirments

- To be able to study this chapter you need to know:
- Assets & Liabilities, Expenses & Revenues;
- The Account, Double Entry, Debit & Credit;

Chapter Objectives

- After studying this chapter, you will be able to:
- Record the operations in the Journal;
- Post them to the Ledger Book and find the closing balance;
- Prepare the Trial Balance and use it to prepare the closing balance sheet.

Inside Chapter 4

- The accounting books: Journal, Ledger Book, Inventory Book;
- The Journal: purpose and format;
- The Ledger Book: form, posting, difference between Journal & Ledger book;
- Trial Balance and preparing the financial statements (Blance Sheet).

The Accounting Books in The Algerian Accounting System

According to the Algerian commercial law in articles 09 to 18, and the Algerian financial accounting system in articles 20 and 21 of law 07-11, the companies are obliged to keep the following accounting books:

The Journal, The Ledger Book, The Inventory Book.

The accounting books' pages should be numbered and marked by the court president.

The Algerian law has insisted on the obligation of the existence of source documents (invoice, order, receipt, contracts...) for each accounting record. Both accounting books and source documents should be kept in the company for 10 years.

The Journal دفتر اليومية

An accounting journal is an **obligatory book**, used for a chronological detailed account of all the company's financial transactions. It's also known as the Book of Original Entry, as it's the first place where transactions are recorded. The entries in an accounting journal are used to create the general ledger which is then used to create the company's financial statements.

The Journal entries are usually recorded using the double-entry method of bookkeeping. Each transaction is recorded in two columns, debit and credit.

Following are the three steps for completing journal entries of a company:

1. Identify the financial transactions that affect your business.
2. Analyse how the transaction changed the accounting equation, whether it has increased or decreased and by how much.
3. Use debits and credits to record the changes in the general journal. Ideally, the debited accounts are listed before credited accounts and every journal entry is accompanied by the transaction title, date and description.

What Is the Purpose of a Journal Entry?

The purpose of a journal entry is to physically or digitally record every company transaction properly and accurately. If a transaction affects multiple accounts, the journal entry will detail this information as well.

Format of Journal

Note: The opening balance sheet on 1/1/N is considered the first operation, and it should be recorded in the journal as a first record that represents the beginning of activity for the current period.

The Opening Balance Sheet

| Ref | Assets | Amounts | Ref | Liabilities | Amounts |
|-----|--------------------|---------|-----|-------------------------|---------|
| | Non-current Assets | | | Owners' equity | |
| 20. | .... |  | 10. | ..... |  |
| 21. | .... |  |  | Non-current Liabilities | |
| 22. | .... |  |  | ..... |  |
| | Current Assets | | 4/5 | Current Liabilities | |
| 3 . | ..... |  | 4/5 | ..... |  |
| 4/5 | .... |  |  | ..... |  |
| | Total | *** | | Total | *** |

Opening the journal

| Dr Ref | Cr Ref | particulars | Dr Amounts | Cr Amounts |
|--------|--------|-------------------|------------|------------|
| × | | _____ 1/1/N _____ | | |
| × | | Acc/..... | ** | |
| × | | Acc/..... | ** | |
| × | | Acc/..... | ** | |
| | × | Acc/.... | | *** |
| | × | Acc/..... | | *** |
| | × | Acc/..... | | *** |
| | | (particular) | | |
| × | | _____ Date _____ | | |
| | × | Acc/ | ** | |
| | | Acc/ | | *** |
| | | (.....) | | |

Example 1

Here is the opening balance sheet of company “BEPLAST” on 1/1/2022:

| Ref | Assets | Amounts | Ref | Liabilities | Amounts |
|------|-----------------------|---------|-----|----------------------------------|---------|
| | Fixed assets | | | Owners' equity | |
| 2182 | Transport equipment | 200 000 | 101 | Capital | 500 000 |
| | Current assets | | | Non-current liabilities | |
| 30 | goods | 67 000 | 164 | Loan | 100 000 |
| 411 | customers | 20 000 | | Current liabilities | |
| 512 | bank | 380 000 | | | |
| 53 | fund/cash | 30 000 | 401 | Inventories & services suppliers | 12 000 |
| | | | 404 | | 85 000 |

| | | | | | |
|--|-------|---------|--|---------------------------|---------|
| | | | | Fixed assets suppliers | |
| | Total | 697.000 | | Total | 697.000 |

During the year, the company has done the following operations:

1. Purchasing in cash computer with 30,000AD;
2. Paying with a check all the debts of the inventories and services suppliers;
3. The customer paid 10,000AD with a check;
4. Selling all the goods with 78,000Ad: 50,000AD in cash, and the rest is on credit;
5. Receiving the electricity invoice of 6,000AD, not paid yet;
6. Paying in cash 40,000AD for the fixed assets suppliers;
7. Paying in cash the electricity invoice.
8. The customer paid in cash all what he owes us.

Required: Record the company operations in the journal according to the **periodic inventory method**.

Solution

| Dr Ref | Cr Ref | Particulars | Dr Amounts | Cr Amounts |
|--------|--------|---|------------|------------|
| | | ————— 1/1/2022 ————— | | |
| 2182 | | Acc/ Transport Equipment | 200,000 | |
| 30 | | Acc/ Goods | 67,000 | |
| 411 | | Acc/ Customer | 20,000 | |
| 512 | | Acc/ Bank | 380,000 | |
| 53 | | Acc/ Cash | 30,000 | |
| | 101 | Acc/ Capital | | 500,000 |
| | 164 | Acc/ Loan | | 100,000 |
| | 401 | Acc/ Inventories And S Suppliers | | 12,000 |
| | 404 | Acc/ Fixed Assets Suppliers | | 85,000 |
| | | (proving the opening balance sheet) | | |
| | | ————— (1) ————— | | |
| 2183 | | Acc/Computer Equipment | 30,000 | |
| | 53 | Acc/Cash | | 30,000 |
| | | (purchasing computer in cash) | | |
| | | ————— (2) ————— | | |
| 401 | | Acc/Inventories And Services Suppliers | 12,000 | |
| | 512 | Acc/Bank | | 12,000 |

| | | | | |
|-----------|-----|---|------------------|----------------|
| | | (paying the i & s suppliers with a check) | | |
| 512 | 411 | <div> <div>_____ (3) _____</div> <div>Acc/Bank</div> <div>Acc/Customer</div> <div>(the customer paid with a check)</div> </div> | 10,000 | 10,000 |
| 411 53 | 700 | <div> <div>_____ (4) _____</div> <div>Acc/Customer</div> <div>Acc/Cash</div> <div>Acc/Sales Goods</div> <div>(selling goods in cash & on credit)</div> </div> | 28,000 50,000 | 78,000 |
| 607 | 401 | <div> <div>_____ (5) _____</div> <div>Acc/Non-Stocked Purchases</div> <div>Acc/I&S Supplier</div> <div>(Receiving The Electricity Invoice)</div> </div> | 6,000 | 6,000 |
| 404 | 53 | <div> <div>_____ (6) _____</div> <div>Acc/ Fixed Assets Suppliers</div> <div>Acc/Cash</div> <div>(paying a part of the fixed assets suppliers debt)</div> </div> | 40,000 | 40,000 |
| 401 | 53 | <div> <div>_____ (7) _____</div> <div>Acc/ Inventories& Services Supplier</div> <div>Acc/Cash</div> <div>(paying the electricity invoice)</div> </div> | 6,000 | 6,000 |
| 53 | 411 | <div> <div>_____ (8) _____</div> <div>Acc/Cash</div> <div>Acc/Customer</div> <div>(the customer paid us)</div> </div> | 38,000 | 38,000 |
| | | Total | 917,000 | 917,000 |

The Ledger Book دفتر الأستاذ أو الدفتر الكبير

The ledger is an **obligatory** book containing a condensed and classified record of all the pecuniary transactions of the company generally brought, transferred or posted from the books of original entry.

The Ledger is called the king of all books of accounts because all entries from the books of original entry must be posted to the various accounts in the ledger. It should be noted that a journal contains a chronological record while a ledger contains a classified record of all transactions.

Form of Ledger

One account usually occupies one page in the ledger. But if the account is big, it may extend to two or more pages. The pages of the ledger are vertically divided into two halves.

Method of Posting ترحيل الحسابات

The act of separately transferring each entry from the journal to the respective account in the ledger is called posting. Posting consists of:

1. Recording the relevant amount on the left-hand side of the account which according to the journal is to be debited.
2. Recording the amount on the right-hand side of the account which, according to the journal, is to be credited.

Difference between Ledger and Journal

The journal and the ledger are the most important books of the double-entry system of accounting. Following are the points of difference between these two types of books:

- The journal is the book of the first entry (original entry); the ledger is the book of the second entry. It is the goal that all the entries in the journal find their ultimate destination.
- The journal is the book of chronological record; the ledger is the book for the analytical record.
- The journal, as a book of source entry, ordinarily has greater weight as legal evidence than the ledger.
- The unit of classification of data within the journal is the transaction; the unit of classification of data within the ledger is the account.
- The process of recording in the journal is called **journalising**; the process of recording in the ledger is called **posting**.

Example 2

Continue to example 1, post the operations from the journal to the ledger book, and find the closing balance.

Solution

Assets

| Dr | Acc / 2182 | Cr |
|--------------|------------|----|
| + | | - |
| 200,000(1/1) | Dr.B= | |
| | 200,000 | |
| 200,000 | 200,000 | |

| Dr | Acc / 30 | Cr |
|-------------|----------|----|
| + | | - |
| 67,000(1/1) | Dr.B= | |
| | 67,000 | |
| 67,000 | 67,000 | |

| Dr | Acc / 411 | Cr |
|-------------|-----------|----|
| + | | - |
| 20,000(1/1) | 10,000(3) | |
| 28,000(4) | 38,000(8) | |
| | Dr.B= | |
| | 000 | |
| 48,000 | 48,000 | |

| Dr | Acc / 512 | Cr |
|--------------|-----------|----|
| + | | - |
| 380,000(1/1) | 12,000(2) | |
| 10,000(3) | Dr.B= | |
| | 378,000 | |
| 390,000 | 390,000 | |

| Dr | Acc / 53 | Cr |
|-------------|-----------|----|
| + | | - |
| 30,000(1/1) | 30,000(1) | |
| 50,000(4) | 40,000(6) | |
| 38,000(8) | 6,000(7) | |
| | Dr.B= | |
| | 42,000 | |
| 118,000 | 118,000 | |

| Dr | Acc / 21 | Cr |
|------------|----------|----|
| + | | - |
| 30,000 (1) | Dr.B= | |
| | 30,000 | |
| 30,000 | 30,000 | |

Liabilities

| Dr | Acc / 101 | Cr |
|---------|--------------|----|
| - | | + |
| Cr.B= | 500,000(1/1) | |
| 500,000 | | |
| 500,000 | 500,000 | |

| Dr | Acc / 164 | Cr |
|---------|--------------|----|
| - | | + |
| Cr.B= | 100,000(1/1) | |
| 100,000 | | |
| 100,000 | 100,000 | |

| Dr | Acc / 401 | Cr |
|--------------|-------------|----|
| — | | + |
| 12,000(2) | 12,000(1/1) | |
| 6,000(7) | 6,000(5) | |
| Cr.B= 000 | | |
| 18,000 | 18,000 | |

| Dr | Acc / 404 | Cr |
|-----------------|-------------|----|
| — | | + |
| 40,000(6) | 85,000(1/1) | |
| Cr.B= 45,000 | | |
| 85,000 | 85,000 | |

Revenues

| Dr | Acc / 700 | Cr |
|-----------------|-----------|----|
| — | | + |
| Cr.B= 78,000 | 78,000(4) | |
| 78,000 | 78,000 | |

Expenses

| Dr | Acc / 607 | Cr |
|----------|----------------|----|
| + | | — |
| 6,000(5) | Dr.B= 6,000 | |
| 6,000 | 6,000 | |

The Inventory Book دفتر الجرد

It is an obligatory book that includes the **closing balance sheet** and **income statement** on 31/Dec, of each financial period.

The Trial Balance ميزان المراجعة

The trial balance sheet is not a book, but a facultative document in the form of a table which is necessary, that contains all the period accounts recorded in the ledger book (**from class 1 to class 7**), used as a reviewing tool for company operations, in order to ensure the correctness of transfer, balance and record.

Trial Balance Format

The Trial Balance of Company on 31/12/ N

| Ref | Acc Name | Amounts | | Balance | |
|---------|--------------|---------|----|---------|----|
| | | Dr | Cr | Dr | Cr |
| Class 1 | | | | | |
| . | | | | | |
| . | | | | | |
| . | | | | | |
| . | | | | | |
| . | | | | | |
| . | | | | | |
| Class 7 | | | | | |
| | Total | * | * | ** | ** |

$\sum \text{Dr.Amounts} = \sum \text{Cr.Amounts} = \sum \text{Amounts in the journal}$

$\sum \text{Dr.Balance} = \sum \text{Cr.Balance}$

Example 3

Continue to example 2. Prepare the trial balance of the company “BEPLAST”.

Solution

The Trial Balance of “BEPLAST” Company on 31/12/ 2022.

| Ref | Acc Name | Amounts | | Balance | |
|------|---------------------------------|---------|---------|---------|---------|
| | | Dr | Cr | Dr | Cr |
| 101 | Capital | 000 | 500,000 | | 500,000 |
| 164 | Loan | 000 | 100,000 | | 100,000 |
| 2182 | Transport equipment | 200,000 | 000 | 200,000 | |
| 21 | Computer equipment | 30,000 | 000 | 30,000 | |
| 30 | Goods | 67,000 | 000 | 67,000 | |
| 401 | Inventories & Service Suppliers | 18,000 | 18,000 | | 000 |
| 404 | Fixed assets suppliers | 40,000 | 85,000 | | 45,000 |
| 411 | Customer | 48,000 | 48,000 | 000 | |

| | | | | | |
|-----|----------------------|----------------|----------------|----------------|----------------|
| 512 | Bank | 390,000 | 12,000 | 378,000 | |
| 53 | Cash | 118,000 | 76,000 | 42,000 | |
| 607 | Non-stored purchases | 6,000 | 000 | 6,000 | |
| 700 | Sales of goods | 000 | 78,000 | | 78,000 |
| | Total | 917,000 | 917,000 | 723,000 | 723,000 |

Preparing the financial statements

To prepare the financial statement, we use the **balances** in the trial balance, it means for each account, we use its balance shown in the trial balance statement e.g. the 404/Fixes Assets Suppliers' closing balance is 45,000AD. So, we put 45,000AD in the balance sheet, and so on.

Example 4

Continue to example 3; Prepare the closing balance sheet knowing that the goods value in 31/12 is 50,000AD.

Solution

The Closing Balance Sheet Of "BEPLAST" Company On 31/12/2022

| Ref | Assets | Amounts | Ref | Liabilities | Amounts |
|------|-----------------------|----------------|-----|--------------------------------|----------------|
| | Fixed assets | | | Owners' equity | |
| 2182 | Transport equipment | 200 000 | 101 | Capital | 500 000 |
| | | | 120 | Result | 72 000 |
| 2183 | Computer Equipment | 30 000 | | Non-current liabilities | |
| | Current assets | | 164 | Loan | 100 000 |
| 30 | goods | 67 000 | | Current liabilities | |
| 512 | bank | 378 000 | | | 45 000 |
| 53 | fund/cash | 42 000 | 404 | Fixed assets suppliers | |
| | Total | 717.000 | | Total | 717.000 |

Chapter 5: Equity Accounts

حسابات رؤوس الأموال

Pre-Requirements

- To be able to study this chapter you need to know:
- Liabilities.

Chapter Objectives

- After studying this chapter, you will be able to:
- Run the exploiter acc/ 108 and the adjustment of result of the individual company;
- Record the creation of a collective company in case of **Request Capital In One Go**;
- Allocate the result of period N of a collective company.

Inside Chapter 5

- The Individual Company: Exploitation Funds Acc/101, Exploiter Acc/108, the end of period N, and the beginning of period N+1;
- The Collective Company: Creation, Reserves Acc/106, Retained Earning Acc/11; Result Acc/12.

In the Algerian financial accounting system, the equity accounts are in class 1: acc 10 / acc 11/ acc 12.

Equity is the company's proper resources that belong to its owners; it includes:

- a) The contributions made by the owners that are shown in the account “capital” (acc/10.);
- b) Previous benefits non-distributed and put as reserves (acc/106), the period result (acc/12..) and **retained earnings (acc/11) حساب الترحيل من جديد**.

Account **10** has **subaccounts** that differentiate depending on the company's kind, whether it is an individual company or a collective company.

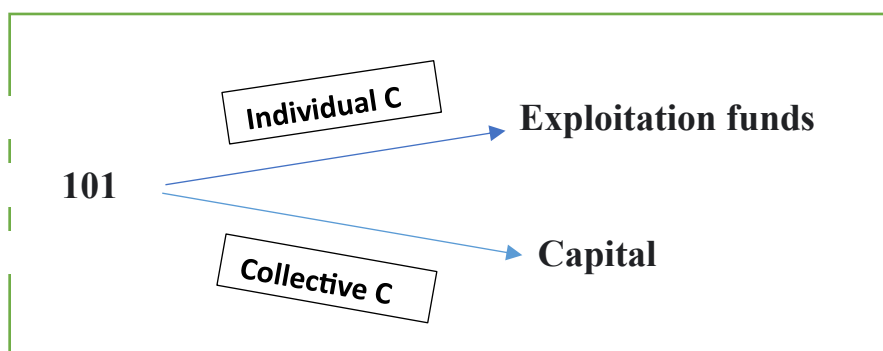
The Individual Company

An individual company is a company that is owned by only one person, we call him **Exploiter**.

The accounts used in the case of the individual company are: 101 / 108.

101 / Exploitation Funds أموال الاستغلال

This account represents the owners' money invested in this company, but in the case of an individual company it is called "Exploitation funds", and in the collective company, it is called "capital".



101 Exploitation funds is a creditor account, that can be influenced (increases and decreases) by:

| Dr | Acc / 101 | Cr |
|---|-----------|--|
| — | | + |
| <ul style="list-style-type: none"> • Dr.Balance of Acc/108(Dec 31/N) • Dr.B of result Acc/129 (loss in 1/1/N+1) | | <ul style="list-style-type: none"> • Owner contributions • Cr.Balance of Acc/108(Dec 31/N) • Cr.B of result Acc/120 (profit in 1/1/N+1) |
| total | | total |

108 / Exploiter Account حساب المستغل

The relationship between the owner and his company is represented in the accounts 101 and 108:

101 represents the **contributions of the owner** to create his company and start his activity.

Account 108 represents all the **operations** that happened between the owner and his company **during the period** for his private use. These operations are one of **withdrawals** or **payments**, recorded in the **Dr** or **Cr** of account 108.

| Dr | Acc / 108 | Cr |
|--------------------|-----------|-----------------|
| — | | + |
| withdrawals | | payments |
| total | | total |

Example 1

Record in the Journal the following operations that occurred between the exploiter and his company:

1. The exploiter paid his fine for a traffic violation of 4,000AD from the company cash;
2. The exploiter paid the company Inventories & service supplier 12,000AD from **his** own money;
3. The exploiter purchased a printer of 18,000AD for his own use, from **his** bank account;
4. The exploiter waived his personal computer 30,000AD for the company;
5. The exploiter paid his house furniture 45,000AD from the company bank account.
6. The exploiter paid the insurance of **his** own car 4000AD, and the company's truck 10000AD, from **his** own money.
7. The exploiter received two electricity invoices: one for his house 7000 AD; and the second for the company 18000AD.

Solution

| Dr Ref | Cr Ref | Particulars | Dr Amounts | Cr Amounts |
|--------|--------|---|------------|------------|
| 108 | 53 | <div> <div>_____ (1) _____</div> <div>Acc/ Exploiter</div> <div>Acc/cash</div> <div>(paying the exploiter fine in cash)</div> </div> | 4,000 | 4,000 |
| 401 | 108 | <div> <div>_____ (2) _____</div> <div>Acc/inventories and Services supplier</div> <div>Acc/ Exploiter</div> <div>(paying the I & S supplier the exploiter account)</div> </div> | 12,000 | 12,000 |
| 218 | 108 | <div> <div>_____ (4) _____</div> <div>Acc/computer equipment</div> <div>Acc/exploiter</div> <div>(having a computer by exploiter account)</div> </div> | 30,000 | 30,000 |
| 108 | 512 | <div> <div>_____ (5) _____</div> <div>Acc/exploiter</div> <div>Acc/bank</div> <div>(paying the exploiter furniture by bank)</div> </div> | 45,000 | 45,000 |
| 616 | 108 | <div> <div>_____ (6) _____</div> <div>Insurance expenses</div> <div>Acc/exploiter</div> <div>(paying the truck insurance from the exploiter's money)</div> </div> | 10000 | 10000 |
| 607 | 401 | <div> <div>_____ (7) _____</div> <div>Acc/Purchases non-stored</div> <div>Acc/ Inventories & service suppliers</div> <div>(receiving the electricity invoice)</div> </div> | 18000 | 18000 |

Note: operation 3 could not be recorded in the company journal, because it has no relationship with the company, it is for the exploiter with his own money, which means the company accounts have not been affected by the operation.

The End of Period N

Account 108 does not appear in the balance sheet, it is just an intermediate account that must be closed on 31/12/N; by transferring its balance to acc/101 as follows:

1) In case of 108 closing balance is **debtor**:

| | | | | |
|-----|-----|---|-------|-------|
| 101 | 108 | <u>31/12/ N</u> Acc/ Exploitation funds Acc/exploiter (transferring the balance of 108 to 101) | ***** | ***** |
|-----|-----|---|-------|-------|

2) In case of 108 closing balance is **creditor**:

| | | | | |
|-----|-----|---|-------|-------|
| 108 | 101 | <u>31/12/ N</u> Acc/ exploiter Acc/Exploitation funds (transferring the balance of 108 to 101) | ***** | ***** |
|-----|-----|---|-------|-------|

The Beginning of the Period N+1

Account 12 must be closed in N+1, by transferring its balance to 101/exploitation funds as follows:

1) In case of profit Acc/120

| | | | | |
|-----|-----|---|-------|-----------|
| ×× | ××× | <u>1/1/N+1</u> Acc/ Assets Acc/ Liabilities Acc/ Result (Cr) (the opening balance sheet) | ***** | *** ** |
| 120 | 101 | <u>1/1/N+1</u> Acc/Result Acc/exploitation funds (transferring the balance of Acc/12 to 101) | ** | ** |

2) In case of loss Acc/129

| | | | | |
|----|-----|---|-----------|-------|
| ×× | ××× | <u>1/1/N+1</u> Acc/ Assets Acc/ Result (Dr) Acc/ Liabilities | *** ** | ***** |
|----|-----|---|-----------|-------|

| | | | | |
|-----|-----|---|----|----|
| | | (the opening balance sheet) | | |
| 101 | 129 | <div style="text-align: center;">_____ 1/1/N+1 _____</div> Acc/ exploitation funds <div style="text-align: center;">Acc/Result</div> (transferring the balance of Acc/12 to 101) | ** | ** |

In the journal, the amount of Acc/ 129 is recorded in the **Dr** side because it is a **Dr balance**, but in the balance sheet, it is put in the liabilities side, equity, but between brackets (**).

Example 2

Here is the opening balance sheet of the individual company “Nature Sweeties” on 1/1/2022:

| Ref | Assets | Amounts | Ref | Liabilities | Amounts |
|-------|---------------------------|---------|-----|----------------------------------|---------|
| | Non-current assets | | | Owners' equity | |
| 21315 | C. buildings | 400 000 | 101 | Capital | 600 000 |
| 2154 | Industrial Equipment | 78 000 | | Non-current liabilities | |
| 2182 | Transport Equipment | 385 000 | 164 | Loan | 340 000 |
| 21 | Computer Equipment | 13 000 | | Current liabilities | |
| | Current assets | | 401 | Inventory and services suppliers | 18 000 |
| 31 | Raw materials | 12 000 | 404 | Fixed assets suppliers | 20 000 |
| 512 | Bank | 60,000 | | | |
| 53 | Cash | 30,000 | | | |
| | Total | 978 000 | | Total | 978 000 |

The exploiter has done the following operations with his company:

1. Paying his traffic violation 5,000AD with his own money.
2. Paying in cash his car insurance 19,000AD;
3. Receiving the water invoice of: company 5,000AD; and house 2,000AD;
4. Paying the company internet expenses 5,000AD, with his own money;
5. He waived his computer 10,000AD to the company;
6. Paying the water invoices of company 5,000AD; and house 2,000AD, both with company cash;
7. Paying with a check 10,000AD to the fixed assets suppliers;

8. Paying from his own money 10,000AD to the fixed assets suppliers;

Required

1. record the necessary entries in the journal for the period N. (transferring balance, case debtor, case creditor)
2. Assuming that the result is
 - a) profit of 40,000AD; record the necessary entries for the period N+1.
 - b) loss of 18,000AD; record the necessary entries for the period N+1.

Solution

- 1) Recording the operations in the journal

| Dr Ref | Cr Ref | Particulars | Dr Amounts | Cr Amounts |
|-----------|-----------|--|---------------|---------------|
| | | —————1/1/2022 ————— | | |
| 21315 | | Acc/ C. buildings | 400 000 | |
| 2154 | | Acc/Machines | 78 000 | |
| 2182 | | Acc/Transport Equipment | 385 000 | |
| 21 | | Acc/Computer Equipment | 13 000 | |
| 31 | | Acc/Raw materials | 12 000 | |
| 512 | | Acc/ bank | 60,000 | |
| 53 | | Acc/cash | 30,000 | |
| | 101 | Acc/ Capital | | 600 000 |
| | 164 | Acc/ Loan | | 340 000 |
| | 401 | Acc/ Inventories and S suppliers | | 18 000 |
| | 404 | Acc/ Fixed assets supplier (the opening balance sheet) | | 20 000 |
| | | —————(2) ————— | | |
| 108 | 53 | Acc/exploiter account | 19,000 | |
| | | Acc/cash | | 19,000 |
| | | (paying in cash for the exploiter's car insurance) | | |
| | | —————(3) ————— | | |
| 607 | 401 | Acc/ non stored purchases | 5,000 | |
| | | Acc/ I&S suppliers | | 5,000 |
| | | (receiving water invoice) | | |
| | | —————(4) ————— | | |
| 626 | 108 | Acc/internet expenses | 5,000 | |
| | | Acc/Exploiter account | | 5,000 |
| | | (paying internet with the exploiter) | | |

| | | | | |
|------------|-----|--|------------------|------------------|
| 2183 | 108 | <p>—————(5)—————</p> <p>Acc/computer equipment Acc/ Exploiter account (exploiter waived his computer)</p> | 10,000 | 10,000 |
| 108 401 | 53 | <p>—————(6)—————</p> <p>Acc/ Exploiter account Acc/I&S suppliers Acc/ cash (paying in cash the water invoices for both house &company)</p> | 2,000 5,000 | 7,000 |
| 404 | 512 | <p>—————(7)—————</p> <p>Acc/ fixed assets supplier Acc/bank (paying a part of the fixed assets supplier debt)</p> | 10,000 | 10,000 |
| 404 | 108 | <p>—————(8)—————</p> <p>Acc/ fixed assets supplier Acc/ Exploiter account (paying the electricity invoice)</p> | 10,000 | 10,000 |
| 108 | 101 | <p>—————31/12/ N—————</p> <p>Acc/ exploiter Acc/Exploitation funds (transferring the credit balance of 108 to 101)</p> | 4,000** | 4,000 |
| | | Total | 1,048,000 | 1,048,000 |

** Calculating the Acc/108 balance on 31/12/2022:

| Dr | Acc / 108 | Cr |
|---------------|-----------|---------------|
| — | | + |
| 19,000 (3) | | 5000 (4) |
| 2,000 (6) | | 10,000 (5) |
| Cr.B= 4,000 | | 10,000(8) |
| 25,000 | | 25,000 |

Case 2) Assuming that Acc/108 closing balance is a **debtor** with 12,000AD

| | | | | |
|-----|-----|--|--------|--------|
| 101 | 108 | <div>31/12/N+1</div> <div>Acc/ Exploitation funds</div> <div>Acc/exploiter</div> <div>(transferring the debit balance of 108 to 101)</div> | 12,000 | 12,000 |
|-----|-----|--|--------|--------|

2) On 1/1/2023, Transferring the result acc/12 to Acc/101

a) Profit 40,000AD

| | | | | |
|-----|-----|---|--------|---------------|
| × | × | <div>1/1/N+1</div> <div>Acc/ Assets</div> <div>Acc/ Liabilities</div> <div>Acc/ Result</div> <div>(the opening balance sheet)</div> | ***** | *** 40,000 |
| 120 | 101 | <div>1/1/N+1</div> <div>Acc/Result</div> <div>Acc/exploitation funds</div> <div>(transferring the balance of Acc/12 to 101)</div> | 40,000 | 40,000 |

b) Loss 18,000AD

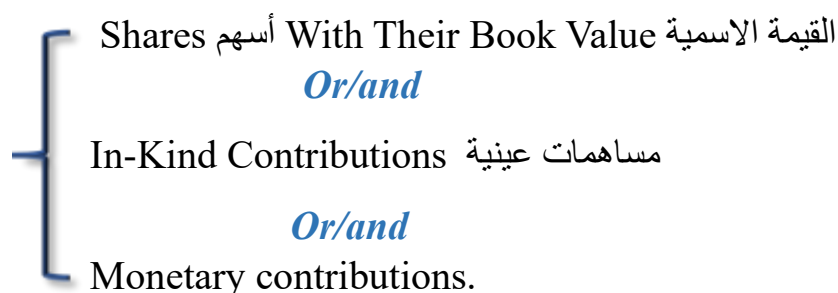
| | | | | |
|-----|-----|---|---------------|--------|
| × | × | <div>1/1/N+1</div> <div>Acc/ Assets</div> <div>Acc/ Result</div> <div>Acc/ Liabilities</div> <div>(the opening balance sheet)</div> | *** 18,000 | ***** |
| 101 | 129 | <div>1/1/N+1</div> <div>Acc/ exploitation funds</div> <div>Acc/Result</div> <div>(transferring the balance of Acc/12 to 101)</div> | 18,000 | 18,000 |

The Collective Company

The collective company is owned by more than one owner. The owners, in this case, are called **partners** according to the Algerian financial accounting system.

The main accounts used in the collective company are: 101/ 106../ 11/ 12.

101/ Capital: it is called also the **issued capital** رأس المال الصادر, represents the contributions of owners in sort of:



Capital = number of shares × book value for one share

| Dr | Acc / 101 | Cr |
|--|-----------|--|
| – | | + |
| <ul style="list-style-type: none"> • Reduce of capital • Covering previous periods loses | | <ul style="list-style-type: none"> • Owners contributions • Raise of capital • Transferring reserves to capital |
| Total | | Total |

The Creation of Collective Company

The accounting treatment of the creation of a collective company has two steps assuming **request capital in one go** طلب رأس المال دفعة واحدة:

- 1) **The promise to contribute** الوعد بالمساهمة: the company creation date is the signing contracts date, generally, there is no payment for contributions on this date, but they will be paid at later, at a specified date. The promised contributions should be recorded in accounting on the creation date, by using a temporary account **456/ owners, operations related to capital** as follows

| | | | | |
|-----|-----|--|-------|-------|
| 456 | | _____creation date_____ | | |
| | | Acc/ partners, operations related to capital | ***** | |
| | 101 | Acc/ Capital (the promise to contribute) | | ***** |

- 2) **Fulfilling the promise** الوفاء بالوعد: it means paying the contributions. In accounting, by cancelling the acc/456, and replacing it with the real contributions of partners which can be in-kind contributions or in cash contributions.

| | | | | |
|---------|-----|--|-------|-------|
| 2/3/4/5 | 456 | _____ payment date _____ Acc/Assets Acc/partners, operations related to capital (the payment of contributions) | ***** | ***** |
|---------|-----|--|-------|-------|

Example 3

On 13/03/2021; the company “RadioMed” was established, with a capital of 1,400,000AD, the three partners' A, B and C shares were:

| | |
|---|--------------------------------------|
| A | Cash 300,000AD |
| B | Buildings 300,000AD Car 150,000AD |
| C | Cash 400,000AD Goods 250,000AD |

The partners agreed to pay all the shares on 20/04/2021. All the cash was put in the bank.

On 30/04/2021, the company paid with a check the following expenses related to its establishment: notary fees 18,000AD, contract expenses 15,000AD, advertising 5,000AD.

Required: record the operations in the journal.

Solution

| Dr Ref | Cr Ref | Particulars | Dr Amounts | Cr Amounts |
|--------|--------|--|------------|------------|
| 456.1 | | _____ 13/03/2021 _____ Acc/partner A, operations related to capital | 300,000 | |
| 456.2 | | Acc/partner B, operations related to capital | 450,000 | |
| 456.3 | | Acc/partner C, operations related to capital | 650,000 | |
| | 101 | Acc/ Capital (the promise to contribute) | | 1,400,000 |
| 213 | | _____ 20/04/2021 _____ Acc/buildings | 300,000 | |
| 2182 | | Acc/ transport equipment | 150,000 | |
| 30 | | Acc/ goods | 250,000 | |
| 512 | | Acc/ bank | 700,000 | |

| | | | | |
|---------------------|-------|---|---|---------|
| | 456.1 | Acc/partner A, operations related to capital | | 300,000 |
| | 456.2 | Acc/partner B, operations related to capital | | 450,000 |
| | 456.3 | Acc/partner C, operations related to capital (the payment of contributions) | | 650,000 |
| 6226 6227 623 | 512 | <div style="text-align: center;"> <u>30/04/2021</u> </div> Acc/fees expenses Acc/ contract expenses Acc/advertising Acc/bank (paying the establishing expenses with check) | 18,000 15,000 5,000 38,000 | |

Note: In case of paying all the contributions on the date of signing the contract, the contributions should be recorded first in 456 to prove the part of each partner, then proving the payment.

Acc/455 partners-current account is equivalent to Acc/108 in the individual company; this means all the partner's withdrawals and payments are recorded there. A sub-account opened for each partner e.g.: 4551 for partner A, 4552 for partner B...

| Dr | Acc / 455 | Cr |
|--------------------|-----------|-----------------|
| — | | + |
| withdrawals | | payments |
| total | | total |

Example 4

Continuing with example 3, the partners have done the following operations:

1. The partner C has paid his house internet 2,000AD from the company cash fund;
2. The partner B has bought a computer 35,000AD for the company;

| | | | | |
|-------|-------|---|--------|--------|
| 455.3 | 53 | (1) Acc/partners, current account Acc/bank (paying in cash the internet of partner C) | 2,000 | 2,000 |
| 2183 | 455.2 | (2) Acc/computer equipment Acc/partners, current account (partner B bought a computer) | 35,000 | 35,000 |

The Reserves Acc/106 الاحتياطات

Are part of profit not distributed, to support the financial stability, develop the company, and face any unexpected losses or circumstances.

*Reserves are calculated from the net result after covering the previous losses.

| Dr | Acc / 106 | Cr |
|--------------------------|-----------|-----------------------------|
| - | | + |
| • Raising capital | | • Net profit after taxation |
| • Distributing dividends | | |
| • Covering losses | | |
| Total | | Total |

In the Algerian accounting system, there are four types of reserves:

- Legal reserves Acc/1061** : احتياطات قانونية : that are set up according to law, 5% of result without exceeding 10% of capital.
- Statutory reserves Acc/1063** : احتياطات تأسيسية : are set up according to the founding contract of the company.
- Ordinary reserves Acc/1064** : احتياطات عادية : out of the legal and statutory reserves, the company board can set up an ordinary reserve in order to support its financial position more and more.
- Regulated reserves Acc/1068** : احتياطات نظامية : are set up according to taxation law, in order to benefit some reductions.

| | | | | |
|-----|-------|--|-------|-------|
| 120 | 106.. | _____ decision date _____ Acc/ result Acc/ reserves (setting up reserves) | ***** | ***** |
|-----|-------|--|-------|-------|

Retained Earnings Acc/11

Is a part of the result (profit or loss) without taking decisions about it yet, to be taken later. Acc/11 has two sub-accounts:



1) Acc/110 (Cr) in case of profit

| | | | | |
|-----|-----|--|-----|-----|
| 120 | 110 | _____ decision date _____ Acc/ result Acc/ retained earnings (balancing of the account 120) | *** | *** |
|-----|-----|--|-----|-----|

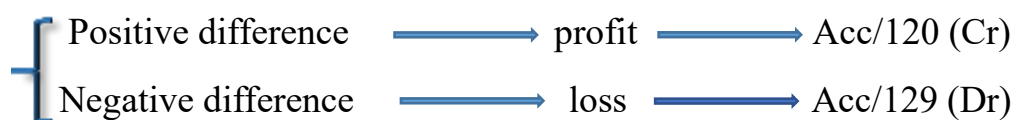
2) Acc/ 119 (Dr) in case of loss

| | | | | |
|-----|-----|--|-------|-------|
| 119 | 129 | _____ decision date _____ Acc/ retained earnings Acc/ result (balancing of the account 129) | ***** | ***** |
|-----|-----|--|-------|-------|

Note: The accounts **106** and **11** are opened in **N+1** after the company board decides how to use the result **acc/12** of period **N**.

The Result Acc/12

Is a part of equity that represents the difference between assets and liabilities in the balance sheet, or revenues and expenses in the income statement. Acc/12 has two sub-accounts used to record the negative and positive difference:



* In N+1, the Acc 12 must be closed. The realised profit is allocated according to the administration board's decisions, like setting up reserves of different kinds, distributing dividends, ...

* The **result allocating** تخصيص النتيجة made from the **net result after covering the previous losses**.

Example 5

Here is the opening balance sheet of the collective company “El-Fakher الفاخر” on 1/1/2022

| Ref | Assets | Amounts | Ref | Liabilities | Amounts |
|------|-----------------------|----------------|-----|--------------------------------|----------------|
| 2182 | Fixed assets | | 101 | Owners' equity | |
| | Transport equipment | 200 000 | 120 | Capital | 500 000 |
| | Current assets | | | Result | 17 000 |
| 30 | goods | 67 000 | | Non-current liabilities | |
| 512 | bank | 380 000 | 164 | Loan | 100 000 |
| 53 | fund/cash | 30 000 | | Current liabilities | |
| | | | 404 | Fixed assets suppliers | 60 000 |
| | Total | 677.000 | | Total | 677.000 |

On 12/03/2023 The company board decided to set up: legal reserves of 5% of the result, distributing 9,000AD as dividends for partners, the rest they have not decided about yet.

On 24/05/ 2023, the dividends are paid with a check.

Required: Record the suitable entries.

Solution

| Dr Ref | Cr Ref | Particulars | Dr Amounts | Cr Amounts |
|--------|--------|-----------------------------|------------|------------|
| | | ————— 1/1/2023 ————— | | |
| 2182 | | Acc/ transport equipment | 200 000 | |
| 30 | | Acc/ goods | 67 000 | |
| 512 | | Acc/ bank | 380 000 | |
| 53 | | Acc/cash | 30 000 | |
| | 101 | Acc/ Capital | | 500 000 |
| | 120 | Acc/ result | | 17 000 |
| | 164 | Acc/ loan | | 100 000 |
| | 404 | Acc/ fixed assets suppliers | | 60 000 |
| | | (the opening balance sheet) | | |
| | | ————— 12/03/2023 ————— | | |
| 120 | | Acc/result | 17 000 | |
| | 1064 | Acc/legal reserves | | 850 |

| | | | | |
|-----|-----|---|-------|-------|
| | 457 | Acc/partners, dividends To be paid | | 9 000 |
| | 110 | Acc/retained earnings (allotting the result) | | 7150 |
| 457 | 512 | ————— 24/05/2023 ————— Acc/ partners, dividends to be paid Acc/bank (paying dividends) | 9 000 | 9 000 |

Assuming that the result was a loss of 20 000AD, record the suitable entries.

| Dr Ref | Cr Ref | Particulars | Dr Amounts | Cr Amounts |
|----------------|-----------|--|---------------|---------------|
| 2/3/4/5 129 | 1/4/5 | ————— 1/1/2023 ————— Acc/ Assets Acc/ result Acc/liabilities (the opening balance sheet) | *** 20 000 | **** |
| 119 | 129 | ————— 12/03/2023 ————— Acc/ retained earnings Acc/result (transferring the result to Acc/11) | 20 000 | 20 000 |

Example 6

Here is the opening balance sheet of the collective company “Nadhafa” on 1/1/2022:

| Ref | Assets | Amounts | Ref | Liabilities | Amounts |
|-------|----------------------|------------------|-----|--------------------|------------------|
| 21315 | Commercial buildings | 450,000 | 101 | Capital | 1,000,000 |
| 2182 | Transport equipment | 120,000 | 119 | Retained earnings | (20,000) |
| 30 | Goods | 200,000 | 120 | result | 50,000 |
| 411 | Customers | 80,000 | 164 | Loan | 240,000 |
| 512 | bank | 450,000 | 401 | I&S Supplier “Ali” | 30,000 |
| | TOTAL | 1,300,000 | | TOTAL | 1,300,000 |

On 22/02/2022 The company board decided to set up: legal reserves 5% of the result, covering the loss of previous years (Acc/119), and distributing 15,000AD as dividends for partners, the rest they had not decided about yet.

On 24 /05/2022, the dividends are paid with a check.

Required: Record the suitable entries.

Solution

| Dr Acc | Cr Acc | Particulars | Dr Amounts | Cr Amounts |
|-----------|-----------|--|---------------|---------------|
| | | ————— 1/1/2023 ————— | | |
| 21315 | | Acc/ C buildings | 450,000 | |
| 2182 | | Acc/ transport equipment | 120,000 | |
| 30 | | Acc/ goods | 200,000 | |
| 411 | | Acc/ customer | 80,000 | |
| 512 | | Acc/ bank | 450,000 | |
| 119 | | Acc/ retained earnings | 20,000 | |
| | 101 | Acc/ Capital | | 1,000,000 |
| | 120 | Acc/ result | | 50,000 |
| | 164 | Acc/ loan | | 240,000 |
| | 401 | Acc/ inventories& Services suppliers (the opening balance sheet) | | 30,000 |
| | | ————— 12/03/2023 ————— | | |
| 120 | | Acc/result | 50,000 | |
| | 1064 | Acc/legal reserves | | 1500 |
| | 119 | Acc/ retained earnings | | 20,000 |
| | 457 | Acc/partners, dividends | | 15,000 |
| | | To be paid | | |
| | 110 | Acc/retained earnings (allotting the result) | | 13,500 |
| | | ————— 24/05/2023 ————— | | |
| 457 | | Acc/ partners, dividends to be paid | 15 000 | |
| | 512 | Acc/bank (paying dividends) | | 15 000 |

Chapter 6: Inventories/ Stocks المخزونات

Pre- Requirments

- To be able to study this chapter you need to know: The journal.

Chapter Objectives

- After studying this chapter, you will be able to:
- Calculate the VAT and the purchasing cost;
- Distinguish between perpetual and periodic inventory methods;
- Record the inventories purchasing, selling and producing entries, the entering to the store entry, and the taking out of store entry;

Inside Chapter 6

- Inventories & their kinds;
- The Value Added Tax VAT;
- The Perpetual Inventory method: purchasing, production & selling;
- The Periodic Inventory method.

Inventories and Their Kinds المخزونات وأنواعها

inventories are the current assets that when they are consumed, an economic benefit is provided for the company. Typically, inventories in the financial accounting system are classified in class 3. Inventories have different kinds:

- **Acc/30 goods** that are purchased to be sold as it is, without any changes;
- **Acc/31 raw materials** that are purchased to be used in the manufacturing operation.
- **Acc/32 Other supplies** that are not related directly to the manufacturing operation, but they are needed for the company functions and for its different activities:
 - * **Acc/321 consumable material**
 - * **Acc/322 consumable supplies**
 - * **Acc/326 Packaging**
- **Acc/33 products in progress** refers to items in production and includes raw materials or components, labour, overhead and packing materials.

- **Acc/351 Intermediate products (semi-final products)** that are achieved at a certain stage and are destined for another transformation phase.
- **Acc/355 Final products** that achieved the final stage of the making process and are ready to sell.
- **Acc/358 Residual products** consisting of manufacturing waste and scraps.
- **Acc/36 Removable parts** as well as those recovered from installations and dismantled equipment that could be used in future installations or destined to sell.
- **Acc/37 inventories outside** that are controlled by the company but they have been not held yet in the closing of the financial year.

The Value Added Tax VAT الرسم على القيمة المضافة

It is a consumption tax because it is borne ultimately by the final consumer; this makes it not charge to the company but neutral. It is applied to all commercial activities involving the production, distribution of goods and the provision of services bought and sold in the country, thus, goods sold for export or services abroad are not subject to VAT.

According to Algerian law, the ordinary value-added tax rate is 19%, and the reduced one is 9%. Value-added tax is a **refundable** tax قابلة للاسترجاع, applied in case of selling as well as in purchasing. It is recorded in the **Acc/ 445 state tax on turnover** رسوم على رقم الأعمال:

{ In purchasing → **Acc/4456 State-refundable tax (Dr)**
 { In selling → **Acc/4457 Received tax on sales (Cr)**

For Purchasing

| | | | | |
|-------------|-----|--|-----------|-------|
| 38.. | | _____purchasing date_____ | *** | |
| | | Acc/purchases of goods, raw materials... | | |
| 4456 | | Acc/ State-refundable tax | ** | |
| | 4/5 | Acc/Accounts payable “on credit, in cash, with check...” (Purchasing inventories with....) | | ***** |

****** is 19% or 9% of the total purchasing cost of all the purchases.

VAT is a refundable tax that is why; it is not involved in the purchasing cost, and it is recorded separately in the **Acc/4456** State-refundable tax.

Example 1

The company “Rahik رحيق” for honey, has done the following operations:

- 1) Purchasing cash raw materials 50,000AD;
- 2) Purchasing raw materials 50,000AD: 50% in cash, and 50% on credit;
- 3) Purchasing in cash raw materials 50,000AD and paying the following expenses in cash: transport 5000AD, discharging 2000AD;
- 4) Purchasing: raw materials 50,000AD in cash; goods 30,000AD on credit.

Required: record the operations in the journal according to the periodic inventory method; VAT 19%.

Solution

| | | | | |
|--------------------|-----------|--|-------------------------------|------------------------|
| 381 4456 | 53 | <p>(1)</p> <p>Acc/purchases of raw material Acc/ State-refundable tax Acc/cash (Purchasing inventories in cash)</p> | 50,000 9,500 | 59,000 |
| 381 4456 | 53 401 | <p>(2)</p> <p>Acc/purchases of raw material Acc/ State-refundable tax Acc/cash Acc/S&S supplier (Purchasing inventories in cash & on credit)</p> | 50,000 9,500 | 29,750* 29,750 |
| 381 4456 | 53 | <p>(3)</p> <p>Acc/purchases of raw material Acc/ State-refundable tax Acc/cash (Purchasing inventories in cash)</p> | 57,000 10,830** | 67,830 |
| 380 381 4456 | 401 53 | <p>(4)</p> <p>Acc/purchases of goods Acc/purchases of raw material Acc/ State-refundable tax Acc/ S&S suppliers Acc/cash (Purchasing inventories with....)</p> | 30,000 50,000 15,200*** | 35,700*** 59,700*** |

(2)* 29,750= (50,000 + 9,500) 0.19

$$(3)** 10,850 = (50,000 + 5,000 + 2,000) 0.19$$

$$(4)*** 15,200 = (50,000 + 30,000) 0.19$$

$$59,500 = 50,000 \times 1.19 \leftrightarrow 50,000 + (50,000 \times 0.19)$$

$$35,700 = 30,000 + (30,000 \times 0.19)$$

For Selling

| | | | | |
|-----|-------------|--|-----|------------|
| 4/5 | | _____ Selling Date _____ | | |
| | 70. | Acc/ Accounts receivable (on credit, cash, with check...) | *** | |
| | | Acc/sales of goods or Final products or intermediate product or... | | ***** |
| | 4457 | Acc/ Received tax on sales | | *** |
| | | (Selling inventories with....) | | |

******* is 19% or 9% of the total amount of all sales.

Example 2

The company “Rahik رحيق” for honey, has done the following operations:

- 1) Selling goods 40,000AD on credit;
- 2) Selling: goods 40,000AD in cash, raw materials 30,000AD 50% in cash & 50% on credit.

Required: record the operations in the journal according to the periodic inventory method.

Solution

| | | | | |
|-----|------|---|----------|-----------|
| 411 | | _____ (1) _____ | | |
| | 4457 | Acc/customer | 47,600 | |
| | | Acc/ Received tax on sales | | 7,600 |
| | 700 | Acc/sales of goods (selling goods in cash) | | 40,000 |
| 411 | | _____ (2) _____ | | |
| 53 | | Acc/ customer | 17,850* | |
| | 4457 | Acc/cash | 65,450** | |
| | | Acc/ Received tax on sales | | 13,300*** |

| | | | | |
|--|-----|--|--|--------|
| | 700 | Acc/sales of goods (selling goods & raw materials in cash & on credit) | | 70,000 |
|--|-----|--|--|--------|

$$*17,850 = 15,000 \times 1.19 \leftrightarrow 15,000 + (15,000 \times 0.19)$$

$$**65,450 = (40,000 + 15,000) 1.19$$

$$\leftrightarrow 65,450 = (40,000 + 15,000) + [(40,000 + 15,000) 0.19]$$

$$***13,300 = 70,000 \times 0.19$$

Inventories Accounting Records

The inventories accounting works with two main categories: **purchased inventories** and **produced inventories**.

There are two methods for accounting records of inventories: **periodic inventory method** and **perpetual inventory method**:

- **Periodic inventory method:** the company determines the amount of inventory at the end of the period, by physical count. As an accounting method, periodic inventory takes inventory at the beginning of a period, adds new inventory purchases during the period and deducts ending inventory to derive the cost of goods sold COGD.
The periodic inventory method does not show the movement and changes that happened on the inventories stored in the warehouse during the period, which means this method does not show the influence of stock operations on accounts 30, 31, 32... only the purchasing and the selling entries should be recorded.
- **Perpetual inventory method:** keeps updated COGS, by recording the inventory changes in real-time which provides a highly detailed view of these changes, with immediate reporting of the amount of inventory on stock, and it accurately reflects the level of goods on hand.

Recording the Operations of Inventories According to the Perpetual Inventory Method تسجيل العمليات الخاصة بالمخزون وفق أسلوب الجرد الدائم

Inventories are in two categories: purchases & products. The accounting of these two categories differs in selling and purchasing operations.

Case Of Purchased Inventories

The stock purchases of the company are: **goods/ raw materials/ other supplies**.

The accounting records according to this method involve two entries; the purchasing or selling entry (invoice) + the **entering** or **taking** inventories **out** of the warehouse.

In purchasing: using the intermediate account 38 during the period; and closing it in the end. This account **never appears in the balance sheet**. The purchases should be recorded with their purchasing cost.

Purchasing cost = purchasing price + all the expenses related to the purchasing process (transport, charging, discharging...) + Non-refundable fees

Then balancing it with the accounts of inventories in the warehouse 30/31/32/...

| | | | | |
|-----------------------------|---------------------|---|--|-------|
| 380 381 382.. 4456 | 4/5 | <p>_____ purchasing date _____</p> <p>Acc/purchases of goods, Acc/purchases of raw materials Acc/purchases of other supplies Acc/ State-refundable tax Acc/Accounts payable “on credit, in cash, with check...” (Purchasing inventories with....)</p> | <p>*** *** *** ***</p> <p>} ↓</p> <p>Purchasing cost</p> | ***** |
| 30 31 32 | 380 381 382.. | <p>_____receiving date _____</p> <p>Acc/goods Acc/raw materials Acc/ other supplies Acc/purchases of goods Acc/purchases of raw materials Acc/purchases of other supplies (entering the inventories to the warehouse)</p> | <p>*** *** ***</p> <p>***** ***** *****</p> <p>↓</p> <p>Purchasing cost</p> | |

Example 3

The company has done the following operations in 2021:

- 1) On 12/04, purchasing in cash goods 30,000AD, transport expenses 5,000AD; the goods are received on 15/04/2021.
- 2) On 20/04, purchasing packaging 56,000AD, discharging 3,000AD; the discharging expenses paid in cash, the packaging on credit; the receiving of purchases was on the same day.

- 3) On 24/04, purchasing cleaning materials 45,000AD, stored in the warehouse, 50% in cash, 50% on credit, their transport expenses 4,000AD, charging 2,000AD, discharging 2,000AD, all the expenses paid in cash and the receiving is on the same date.

Required: record the operations in the journal according to the perpetual inventory method. VAT applied is 19%.

Solution

| | | | | |
|-------------|-----------|--|------------------|------------------|
| 380 4456 | 53 | <p>————— 04/12/2021 —————</p> <p>Acc/purchases of goods Acc/ State-refundable tax Acc/cash (Purchasing goods in cash)</p> | 35,000 6,650 | 41,650 |
| 30 | 380 | <p>————— 04/15/2021 —————</p> <p>Acc/ goods Acc/purchases of goods (entering the purchases into the warehouse)</p> | 35,000 | 35,000 |
| 382 4456 | 401 53 | <p>————— 04/20/2021 —————</p> <p>Acc/purchases of other supplies Acc/ State-refundable tax Acc/S&S supplier Acc/ cash (Purchasing other supplies on credit, discharging in cash)</p> | 59,000 11,210 | 67,210 3,000 |
| 326 | 382 | <p>————— 04/20/2021 —————</p> <p>Acc/packaging Acc/purchases of other supplies (entering the purchases into the warehouse)</p> | 59,000 | 59,000 |
| 382 4456 | 53 | <p>————— 04/24/2021 —————</p> <p>Acc/ Purchasing other supplies Acc/ State-refundable tax Acc/S&S supplier Acc/ cash (Purchasing goods in cash)</p> | 53,000 10,070 | 31,535 31,535 |
| 321 | 382 | <p>————— 04/24/2021 —————</p> <p>Acc/consumable materials Acc/ Purchasing Other supplies</p> | 53,000 | 53,000 |

| | | | | |
|--|--|---|--|--|
| | | (entering the purchases into the warehouse) | | |
|--|--|---|--|--|

In selling: using the revenues account 70 for the first entry and the accounts of consumed purchases 60 for the taking out entry.

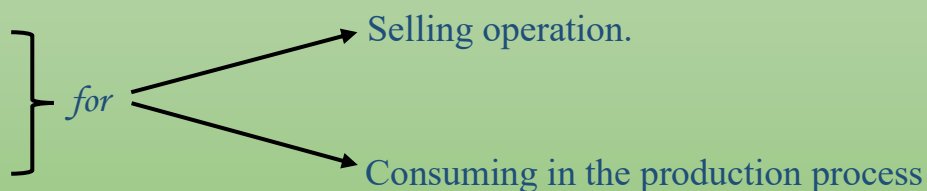
| | | | | |
|-------------------|----------------|---|----------------|--|
| 4/5 | 4457 70. | <p>———— Selling Date ————</p> <p>Acc/Accounts receivable (on credit, cash, with check...)</p> <p>Acc/ Received tax on sales</p> <p>Acc/sales of goods or Final products or intermediate products or (Selling inventories with....)</p> | *** | <p>**</p> <p>****</p> <p>↓</p> <p>Selling Price</p> |
| 600 601 602 | 30 31 32 | <p>———— Delivery Date ————</p> <p>Acc/Sold goods purchases</p> <p>Acc/Consumed raw materials</p> <p>Acc/Consumed other supplies</p> <p>Acc/ goods</p> <p>Acc/ raw materials</p> <p>Acc/ other supplies</p> <p>(taking the sales out of the warehouse)</p> | ** ** ** | <p>**</p> <p>**</p> <p>**</p> <p>↓</p> <p>Purchasing Cost</p> |

Note:

Use the same

Taking out

Entry



Example 4

Relying on example one, record the following operations according to perpetual inventory: (selling and delivering happened on the same day)

- 1) Selling all the goods with a check 50,000AD.

- 2) Selling 50% of packaging in cash with 47,000AD.
- 3) Selling all the cleaning materials on credit 30,000AD.
- 4) Selling 145 kg of raw materials with 60,000AD, 50% bank, and 50% in cash, the cost of these raw materials is 150AD/Kg.

VAT applied is 19%.

Solution

| | | | | |
|-----|-------------|--|--------|-----------------|
| 512 | 4457 700 | (1) Acc/bank Acc/ Received tax on sales Acc/sales of goods (selling goods with check) | 59,500 | 9,500 50,000 |
| 600 | 30 | (1) Acc/ consumed goods Acc/ goods (taking the goods out from the warehouse) | 35,000 | 35,000 |
| 53 | 4457 708 | (2) Acc/cash Acc/ Received tax on sales Acc/product of following activity (selling packaging in cash) | 55,930 | 8,930 47,000 |
| 326 | 382 | (2) Acc/packaging Acc/purchases of other supplies (tacking the sales out of the warehouse) | 29,500 | 29,500 |
| 411 | 4457 708 | (3) Acc/ customer Acc/ Received tax on sales Acc/products of the following activities (selling other supplies on credit) | 35,700 | 5,700 30,000 |
| 602 | 321 | (3) Acc/consumable materials Acc/ consumed materials | 53,000 | 53,000 |

| | | | | |
|-----------|-------------|--|------------------|------------------|
| | | (tacking the sales out of the warehouse) | | |
| 512 53 | 4457 700 | <div style="text-align: center;"> <div style="border-top: 1px solid black; width: 100%;"></div> (3) </div> Acc/bank Acc/ cash <div style="text-align: right; padding-right: 20px;"> Acc/ Received tax on sales Acc/ sales of goods (selling raw materials) </div> | 35,700 35,700 | 11,400 60,000 |
| 601 | 31 | <div style="text-align: center;"> <div style="border-top: 1px solid black; width: 100%;"></div> (3) </div> Acc/ Consumed raw materials Acc/ raw materials (taking the raw materials out of the warehouse) | 21,750 | 21,750 |

Case of Production

The inventories in this category are: final products, semi-final products, residuals and works in progress.

The accounting records for this category are **generally** based on the perpetual inventory method for the production step and the selling step.

For Production

In this step, the **first** entry is concerned with recording the **production cost** that shows the consumptions of material and the other expenses needed in the production process, using the class 6 accounts.

The **second** entry is for the **entering of the products in the warehouse**, using the account **724 (Cr) products stock changes** تغيرات مخزون المنتجات .

| | | | | |
|---------------------|---------------------|--|--|-------|
| 60.. 631 6... | 30/31/ 32 4/5 | <div style="text-align: center;"> <div style="border-top: 1px solid black; width: 100%;"></div> Production Date </div> Acc/ consumed goods, raw material Acc/ employee salaries&wages Acc/ expenses <div style="text-align: right; padding-right: 20px;"> Acc/goods, raw materials, other supplies Acc/Accounts payable “on credit, cash, with check...” </div> | <div style="text-align: center;"> <div style="background-color: green; color: black; padding: 2px;">***</div> <div style="background-color: green; color: black; padding: 2px;">***</div> <div style="background-color: green; color: black; padding: 2px;">***</div> <div style="font-size: 2em; margin: 5px 0;">↓</div> Purchasing Costs </div> | ***** |
| | | (recording the production costs) | | |

| | | | | |
|-------------------|-----|---|---|-------|
| 351 355 358 | 724 | <p>_____ Entering Date _____</p> <p>Acc/intermediate products</p> <p>Acc/final products</p> <p>Acc/ residual</p> <p>Acc/ products stock changes</p> <p>(entering the products to the warehouse)</p> | <p>*** **** *****</p> <p>↓</p> <p>Production Costs</p> | ***** |
|-------------------|-----|---|---|-------|

Example 5

The company has produced the following products:

1. 150 units of intermediate products that needed 150 kg of raw material A, which cost 200AD/Kg, and 40 Hours of work by 35AD/H paid in cash.
2. 150 units of final product required: 150 units of intermediate product, 30 Kg of raw materials B that cost 250 AD/Kg, 25 Hours of work 50AD/H paid by bank.

Solution

| | | | | |
|-------------------|------------------|---|--------------------------|--------------------------|
| 601 631 | 31 53 | <p>_____ (1) _____</p> <p>Acc/ consumed raw materials*</p> <p>Acc/ employee salaries</p> <p>Acc/ raw materials</p> <p>Acc/ cash</p> <p>(production cost of 150 units of intermediate products)</p> | 30,000 1,400 | 30,000 1,400 |
| 351 | 724 | <p>_____ (1) _____</p> <p>Acc/Intermediate products</p> <p>Acc/ product stock changes</p> <p>(entering the intermediate products to the warehouse 209,33AD/U)</p> | 31,400 | 31,400 |
| 601 631 724 | 31 351 512 | <p>_____ (2) _____</p> <p>Acc/ consumed raw materials</p> <p>Acc/ employee salaries</p> <p>Acc/ product stock changes</p> <p>Acc/ raw materials</p> <p>Acc/intermediate Products</p> <p>Acc/bank</p> <p>(production cost of 150 units of final product 267,67AD/U)</p> | 7,500 1,250 31,400 | 7,500 31,400 1,250 |
| 355 | | <p>_____ (2) _____</p> <p>Acc/final products (267,67AD/U)</p> | 40,150 | |

| | | | | |
|--|-----|---|--|--------|
| | 724 | Acc/ product stock changes (entering the final products to the warehouse(267,67AD/U) | | 40,150 |
|--|-----|---|--|--------|

For Selling

The first entry, recording the selling operation using the class 7 accounts 701/702...

The record of this entry using the selling price.

The second entry, recording taking the products out of the warehouse, using the account 724 (Dr). **This entry should be recorded with the production cost**, not the selling price.

| | | | | |
|-----|----------------------------------|--|-------|---|
| 4/5 | | <p>—————Selling Date—————</p> <p>Acc/Accounts receivable (on credit, cash, with check...)</p> <p>4457</p> <p>701/702/..</p> <p>Acc/ Received tax on sales</p> <p>Acc/sales of final products, or</p> <p>Final products or intermediate product or.</p> <p>(Selling products with.....)</p> | *** | <p>**</p> <p>*****</p> <p>↓</p> <p>Selling Price</p> |
| 724 | <p>351</p> <p>355</p> <p>358</p> | <p>—————Delivery Date—————</p> <p>Acc/ products stock changes</p> <p>Acc/intermediate products</p> <p>Acc/final products</p> <p>Acc/ residual</p> <p>(Taking the products out of the warehouse)</p> | ***** | <p>***</p> <p>*****</p> <p>*****</p> <p>↓</p> <p>Production Cost</p> |

Example 6

According to the previous example, the company has sold:

- 1) 35 units of intermediate products with 200AD/ unit, on credit.
- 2) 135 units of Final products 45,000AD with a check.

VAT applied is 19%.

Solution

| | | | | |
|-----|-------------|---|---------|-----------------|
| 411 | 4457 | <div> <div>(1)</div> <div>Acc/ customer</div> <div>Acc/ Received tax on sales</div> <div>Acc/ sales of intermediate products</div> <div>(selling 35 units of intermediate products with check)</div> </div> | 8,330 | 1,330 7,000 |
| 724 | 351 | <div> <div>(1)</div> <div>Acc/product stock changes</div> <div>Acc/ intermediate products</div> <div>(taking the intermediate products out of the warehouse)</div> </div> | 7326.55 | 7326.55 |
| 512 | 701 4457 | <div> <div>(2)</div> <div>Acc/bank</div> <div>Acc/ sales of final products</div> <div>Acc/ Received tax on sales</div> <div>(selling 135 units of the final products from the warehouse)</div> </div> | 53,550 | 45,000 8,550 |
| 724 | 355 | <div> <div>(2)</div> <div>Acc/product stock changes</div> <div>Acc/ final products</div> <div>(taking the final products out the from the warehouse)</div> </div> | 29,070 | 29,070 |

Recording the Operations of Inventories According to the Periodic Inventory Method

تسجيل العمليات الخاصة بالمخزون وفق أسلوب الجرد الدوري

On 1/1/N (Step 1): Recording the opening balance sheet entry

The first entry that should be recorded in the journal is the opening balance sheet entry.

During the period (Step 2): Recording the purchasing and selling entries only

Purchasing: recording only **one entry** which is the **purchasing entry**, **the entering of purchases to the warehouse does not be recorded.**

| | | | | |
|-----|--|--|-----|--|
| 380 | | <div> <div>—purchasing date—</div> <div>Acc/purchases of goods,</div> <div>Acc/purchases of raw materials</div> </div> | *** | |
| 381 | | | *** | |

CHAPTER 7: OPERATIONS RELATED TO INVENTORIES:

FOREIGN CURRENCIES, RETURNS & ADVANCES

العملات الأجنبية، المردودات، التسبيقات

Pre- Requirments

- To be able to study this chapter you need to know:
- Inventories/ Stocks;
- VAT

Chapter Objectives

- After studying this chapter, you will be able to:
- Record operations with foreign currencies;
- Treat the returns of purchases and sales;
- Record the advances on inventories.

Inside Chapter 7

- Dealing with foreign currencies;
- Returns of purchases & sales according to the perpetual and periodic inventory methods;
- Advances on inventories.

Dealing With Foreign Currencies التعامل بالعملات الأجنبية

While dealing with companies that are out of Algeria, the transactions are carried out in hard currency, but the Algerian companies are obliged according to the principle of monetary unit to record the transactions with the national currency “**Algerian DINAR**” by converting the amount from hard currency to DINAR using the exchange rate.

Knowing that the exchange rate changes constantly, it may happen that the amount recorded on the transaction date differs from the amount recorded on the payment or receiving date. That generates exchange profit Acc/ 766 (Cr) or exchange loss Acc/ 666 (Dr).

Example 1

- 1) On 23/02/2023; the company purchased raw material from foreign company with 2,000€ on credit (1€=224AD), customs fees 13,000AD in cash.
- 2) The purchases are received on 28/02/2023.
- 3) On 02/03/2023; the company paid with a check the purchases:

Case 1) Exchange rate is 1€=230AD.

Case 2) Exchange rate is 1€=210AD.

Required: record the previous operations in the journal.

Solution

| | | | | |
|------------|------------|---|-------------------|-------------------|
| 381 | 401 53 | <p>————— 23/02/2023 —————</p> <p>Acc/purchases of raw materials Acc/ S&S supplier Acc/ cash (purchasing raw materials with 1€=224AD)</p> | 461,000* | 448,000 13,000 |
| 31 | 381 | <p>————— 28/02/2023 —————</p> <p>Acc/raw materials Acc/ purchases of raw material (entering the purchases into the warehouse)</p> | 461,000 | 461,000 |
| 401 666 | 512 | <p>————— 02/03/2023 —————</p> <p>Case 1</p> <p>Acc/S&S suppliers Acc/ exchange loss Acc/ bank (paying the purchases with 1€=230AD)</p> | 448,000 12,000 | 460,000 |
| 401 | 512 766 | <p>————— 02/03/2023 —————</p> <p>Case 2</p> <p>Acc/S&S suppliers Acc/ bank Acc/exchange profit</p> | 448,000 | 420,000 28,000 |

| | | | | |
|--|--|--------------------------------------|--|--|
| | | (paying the purchases with 1€=210AD) | | |
|--|--|--------------------------------------|--|--|

*461,000=448,000+13,000. Customs fees are involved in the purchasing cost.

Returns of Purchases & Sales مردودات المشتريات والمبيعات

The sales return is an item that was sold to a customer but was later returned to the company, the purchases return is an item that was purchased from a supplier and was turned to him later. These returns can be due to various reasons such as the item being defective; the customers are not satisfied with the item...

In case of return, the accountant draws up a **return invoice** and records the operation in the journal by using the **reverse entry method** طريقة عكس القيد.

According To the Perpetual Inventory

Using the reverse entry method for both entries of purchasing and entering to the warehouse, or selling and taking out of the warehouse.

For purchasing

| | | | | |
|-------|-------|---|-------|-------|
| | | <u>Purchasing Date</u> | | |
| 380 | | Acc/purchases of goods, | *** | |
| 381 | | Acc/purchases of raw materials | *** | |
| 382.. | | Acc/purchases of other supplies | *** | |
| 4456 | | Acc/ State-refundable tax | *** | |
| | 4/5 | Acc/payable accounts | | ***** |
| | | (Purchasing inventories with....) | | |
| | | <u>Receiving Date</u> | | |
| 30 | | Acc/goods | *** | |
| 31 | | Acc/raw materials | *** | |
| 32 | | Acc/ other supplies | *** | |
| | 380 | Acc/purchases of goods | | ***** |
| | 381 | Acc/purchases of raw materials | | ***** |
| | 382.. | Acc/purchases of other supplies | | ***** |
| | | (entering the inventories to the warehouse) | | |
| | | <u>Returning Date</u> | | |
| 4/5 | | Acc/receivable accounts | ***** | |
| | 380 | Acc/purchases of goods | | ***** |
| | 381 | Acc/purchases of raw | | ***** |

| | | | | |
|-----|-------|---|-----|-------|
| | 382.. | materials | | *** |
| | 4456 | Acc/purchases of other supplies | | ** |
| | | Acc/ State-refundable tax | | |
| | | (Returns of purchases) | | |
| 380 | | ————— Delivery Date ————— | | |
| 381 | | Acc/ purchases goods | *** | |
| 382 | | Acc/ purchases raw materials | *** | |
| | | Acc/ purchases other supplies | *** | |
| | 30 | Acc/ goods | | ***** |
| | 31 | Acc/ raw materials | | ***** |
| | 32.. | Acc/other supplies | | ***** |
| | | (taking the returns out of the warehouse) | | |

For Selling

| | | | | |
|------|------|---|-------|-------|
| 4/5 | | ————— Selling Date ————— | | |
| | 4457 | Acc/receivables accounts (on credit, cash, with check...) | *** | |
| | 70. | Acc/ Received tax on sales | | ** |
| | | Acc/sales of goods / | | ***** |
| | | Final products / intermediate product or | | |
| | | (Selling inventories with....) | | |
| 600 | | ————— Delivery Date ————— | | |
| 601 | | Acc/Sold goods purchases | ** | |
| 602 | | Acc/Consumed raw materials | ** | |
| | | Acc/Consumed other supplies | ** | |
| | 30 | Acc/ goods | | ** |
| | 31 | Acc/ raw materials | | ** |
| | 32 | Acc/ other supplies | | ** |
| | | (taking the sales out of the warehouse) | | |
| 4457 | | ————— Returning Date ————— | | |
| 70. | | Acc/ Received tax on sales | *** | |
| | | Acc/sales of goods/ Final products/ intermediate product or | ***** | |
| | 4/5 | Acc/payable accounts (on credit, cash, with check...) | | ***** |
| | | (returns of sales) | | |
| 30 | | ————— Receiving Date ————— | | |
| 31 | | Acc/ goods | ** | |
| | | Acc/ raw materials | ** | |

| | | | | |
|----|-----|---|----|----|
| 32 | | Acc/ other supplies | ** | |
| | 600 | Acc/Sold goods purchases | | ** |
| | 601 | Acc/Consumed raw materials | | ** |
| | 602 | Acc/Consumed other supplies | | ** |
| | | (entering the returns into the warehouse) | | |

Example 2

On 23/04/2023, the company did the following operations:

- 1) Purchasing in cash goods 50,000AD.
- 2) Purchasing on credit 120kg of raw materials 32 AD/kg.
- 3) Selling 50% of goods with 34,000AD by bank to customer “Monthir منذر”.
- 4) Returning 23kg of raw materials (opr 2) to the supplier because it was damaged.
- 5) The customer “Monthir منذر” has turned back all the goods (opr 3), because it was a wrong item.

The VAT applied is 19%.

Required: record the operations in the journals of: company, supplier and customer, according to the perpetual inventory method.

Solution

The company journal

| | | | | |
|------|-----|---|--------|---------|
| 380 | | (1) | | |
| 4456 | | Acc/purchases of goods | 50,000 | |
| | 53 | Acc/ State-refundable tax | 9,500 | |
| | | Acc/cash | | 59,500 |
| | | (Purchasing goods in cash) | | |
| 30 | | (1) | | |
| | 380 | Acc/ goods | 50,000 | |
| | | Acc/purchases of goods | | 50,000 |
| | | (entering the purchases into the warehouse) | | |
| 381 | | (2) | | |
| 4456 | | Acc/purchases of raw materials | 3,840 | |
| | 401 | Acc/ State-refundable tax | 729.6 | |
| | | Acc/S&S supplier | | 4,569.6 |
| | | (Purchasing raw materials on credit) | | |

| | | | | |
|-------------|-------------|--|-----------------|-----------------|
| 31 | 381 | <p>————— (2) —————</p> <p>Acc/ raw materials</p> <p>Acc/purchases of raw materials</p> <p>(entering the purchases into the warehouse)</p> | 3,840 | 3,840 |
| 512 | 4457 700 | <p>————— (3) —————</p> <p>Acc/bank</p> <p>Acc/ Received tax on sales</p> <p>Acc/sales of goods</p> <p>(selling goods with check)</p> | 40,460 | 6,460 34,000 |
| 600 | 30 | <p>————— (3) —————</p> <p>Acc/ consumed goods</p> <p>Acc/ goods</p> <p>(taking the goods out from the warehouse)</p> | 25,000 | 25,000 |
| 401 | 381 4456 | <p>————— (4) —————</p> <p>Acc/S&S suppliers</p> <p>Acc/purchases of raw materials</p> <p>Acc/ State-refundable tax</p> <p>(turning back 23Kg of raw materials)</p> | 875.84 | 736 139.84 |
| 381 | 31 | <p>————— (4) —————</p> <p>Acc/ purchases of raw materials</p> <p>Acc/raw materials</p> <p>(taking the returns out of the warehouse)</p> | 736 | 736 |
| 4457 700 | 512 | <p>————— (5) —————</p> <p>Acc/ Received tax on sales</p> <p>Acc/sales of goods</p> <p>Acc/bank</p> <p>(the customer turned back the goods)</p> | 6,460 34,000 | 40,460 |
| 30 | 600 | <p>————— (5) —————</p> <p>Acc/ goods</p> <p>Acc/ consumed goods</p> <p>(entering the returns into the warehouse)</p> | 25,000 | 25,000 |

The supplier journal

| | | | | |
|------|------|---|---------|--------|
| 53 | | (1) | | |
| | 4457 | Acc/cash | 59,500 | |
| | 700 | Acc/ Received tax on sales | | 9,500 |
| | | Acc/sales of goods | | 50,000 |
| | | (selling goods in cash) | | |
| 600 | | (1) | | |
| | 30 | Acc/ consumed goods | 35,000* | |
| | | Acc/ goods | | 35,000 |
| | | (taking the goods out from the warehouse) | | |
| 411 | | (2) | | |
| | 4457 | Acc/customer | 4,569.6 | |
| | 700 | Acc/ Received tax on sales | | 729.6 |
| | | Acc/sales of goods | | 3,840 |
| | | (selling goods on credit) | | |
| 600 | | (2) | | |
| | 30 | Acc/ consumed goods | 3,000* | |
| | | Acc/ goods | | 3,000 |
| | | (taking the goods out from the warehouse) | | |
| 4457 | | (4) | | |
| 700 | | Acc/ Received tax on sales | 736 | |
| | 411 | Acc/sales of goods | 139.84 | |
| | | Acc/customer | | 875.84 |
| | | (the customer turns back the purchases (opr 3)) | | |
| 30 | | (4) | | |
| | 600 | Acc/ goods | 3,000 | |
| | | Acc/ consumed goods | | 3,000 |
| | | (entering the returns into the warehouse) | | |

*The inventories taking out cost is by default

The customer journal

| | | | | |
|------|----|---------------------------|--------|--------|
| 380 | | (3) | | |
| 4456 | | Acc/purchases of goods | 34,000 | |
| | | Acc/ State-refundable tax | 6,460 | |
| | 53 | Acc/cash | | 40,460 |

| | | | | |
|-----|-------------|--|--------|-----------------|
| | | (Purchasing goods in cash) | | |
| 30 | 380 | (3) Acc/ goods Acc/purchases of goods (entering the purchases into the warehouse) | 34,000 | 34,000 |
| 53 | 380 4456 | (5) Acc/cash Acc/purchases of goods Acc/ State-refundable tax (turning the goods of (opr 2) to the supplier) | 40,460 | 34,000 6,460 |
| 380 | 30 | (5) Acc/ purchases of goods Acc/ goods (taking the returns out of the warehouse) | 34,000 | 34,000 |

According to the Periodic Inventory Method

Using the reverse entry method for the entry of purchasing or selling entry only, and **do not record the entering entry or the taking out entry at all.**

Example 3

Using the same data of example 1; record the operations according to the periodic inventory method.

Solution

The company journal

| | | | | |
|-------------|-----|--|-----------------|---------|
| 380 4456 | 53 | (1) Acc/purchases of goods Acc/ State-refundable tax Acc/cash (Purchasing goods in cash) | 50,000 9,500 | 59,500 |
| 381 4456 | 401 | (2) Acc/purchases of raw materials Acc/ State-refundable tax Acc/S&S supplier (Purchasing raw materials on credit) | 3,840 729.6 | 4,569.6 |
| | | (3) | | |

| | | | | |
|------|------|---|--------|--------|
| 512 | 4457 | Acc/bank | 40,460 | |
| | 700 | Acc/ Received tax on sales | | 6,460 |
| | | Acc/sales of goods (selling goods with check) | | 34,000 |
| 401 | 381 | ————— (4) ————— Acc/S&S suppliers | 875.84 | 736 |
| | 4456 | Acc/purchases of raw materials | | 139.84 |
| | | Acc/ State-refundable tax (turning back 23Kg of raw materials) | | |
| 4457 | | ————— (5) ————— Acc/ Received tax on sales | 6,460 | |
| 700 | 512 | Acc/sales of goods | 34,000 | |
| | | Acc/bank (the customer turned back the goods) | | 40,460 |

The supplier journal

| | | | | |
|------|------|---|---------|--------|
| 53 | 4457 | ————— (1) ————— Acc/cash | 59,500 | |
| | 700 | Acc/ Received tax on sales | | 9,500 |
| | | Acc/sales of goods (selling goods in cash) | | 50,000 |
| 411 | 4457 | ————— (2) ————— Acc/customer | 4,569.6 | 729.6 |
| | 700 | Acc/ Received tax on sales | | 3,840 |
| | | Acc/sales of goods (selling goods on credit) | | |
| 4457 | | ————— (4) ————— Acc/ Received tax on sales | 736 | |
| 700 | 411 | Acc/sales of goods | 139.84 | |
| | | Acc/customer (the customer turns back the purchases (opr 3)) | | 875.84 |

The customer journal

| | | | | |
|-------------|-------------|---|-----------------|-----------------|
| 380 4456 | 53 | <div> <div>(3)</div> <div> <div>Acc/purchases of goods</div> <div>Acc/ State-refundable tax</div> <div>Acc/cash</div> <div>(Purchasing goods in cash)</div> </div> </div> | 34,000 6,460 | 40,460 |
| 53 | 380 4456 | <div> <div>(5)</div> <div> <div>Acc/cash</div> <div>Acc/purchases of goods</div> <div>Acc/ State-refundable tax</div> <div>(turning the goods of (opr 2) to supplier)</div> </div> </div> | 40,460 | 34,000 6,460 |

Advances On Inventories

The advance on inventories is a **part** of the amount due for payment paid with the purchasing order. To record an advance in accounting, there are two cases:

Case of purchasing: paying the advance on purchasing operation is recorded in **Acc/4090 advances paid to supplier (Dr)**, as follows:

| | | | | |
|------|-----|---|-----|-----|
| 4090 | 4/5 | <div> <div>advance date</div> <div> <div>Acc/ advances paid to the supplier</div> <div>Acc/payable</div> <div>accounts</div> <div>(paying advance for purchasing)</div> </div> </div> | *** | *** |
|------|-----|---|-----|-----|

After getting the invoice of purchasing, the Acc/ 4090 should be **closed** by recording it in the (Cr) side; as following:

| | | | | |
|--------------|-------------|---|-----------|-----------|
| 38.. 4456 | 4/5 4090 | <div> <div>invoice date</div> <div> <div>Acc/purchases</div> <div>Acc/ State-refundable tax</div> <div>Acc/payable</div> <div>accounts</div> <div>Acc/ advances paid to supplier</div> <div>(Purchasing inventories with advance)</div> </div> </div> | *** ** | **** * |
|--------------|-------------|---|-----------|-----------|

Example 4

The company has done the following operations:

- 1) Sending an order to purchase 30Kg of raw materials by 57,000AD, accompanied with check of 33,000AD as an advance.
- 2) Receiving the invoice of opr 1 and the purchases, paid in cash.
- 3) Sending an order to purchase 50,000AD of goods, accompanied by a check of 17,000AD as an advance.
- 4) Receiving the invoice of opr 3. (The purchases have not received yet)

Required: Record the operations in the journal according to the perpetual inventory method.

Solution

| | | | | |
|-------------|-------------|---|------------------|------------------|
| 4090 | 53 | <div> <div>(1)</div> <div> <div>Acc/ paid advances to suppliers</div> <div>Acc/bank</div> </div> <div>(paying advance on purchases)</div> </div> | 33,000 | 33,000 |
| 381 4456 | 4090 53 | <div> <div>(2)</div> <div> <div>Acc/purchases of raw materials</div> <div>Acc/ State-refundable tax</div> </div> <div> <div>Acc/paid advances to supplier</div> <div>Acc/cash</div> </div> <div>(purchasing raw materials in cash &with advance)</div> </div> | 57,000 10,830 | 33,000 34,830 |
| 30 | 380 | <div> <div>(2)</div> <div> <div>Acc/ goods</div> <div>Acc/purchases of goods</div> </div> <div>(entering the purchases into the warehouse)</div> </div> | 57,000 | 57,000 |
| 4090 | 53 | <div> <div>(3)</div> <div> <div>Acc/ paid advances to supplier</div> <div>Acc/bank</div> </div> <div>(paying an advance on purchases)</div> </div> | 17,000 | 17,000 |
| 380 4456 | 401 4090 | <div> <div>(3)</div> <div> <div>Acc/purchases of goods</div> <div>Acc/ State-refundable tax</div> </div> <div> <div>Acc/S&S suppliers</div> <div>Acc/paid advances to supplier</div> </div> </div> | 50,000 9,500 | 42,500 17,000 |

| | | | | |
|--|--|--|--|--|
| | | (Purchasing goods with advance, and on credit) | | |
|--|--|--|--|--|

Case of selling: receiving an advance on selling operation is recorded in **Acc/4190 received advances from customer (Cr)**, as follows:

| | | | | |
|-----|------|---|-----|-----|
| 4/5 | 4190 | _____ advance date _____ Acc/ receivable accounts Acc/received advances from customer (receiving advance for sales) | *** | *** |
|-----|------|---|-----|-----|

After preparing the invoice of sales, the Acc/ 4190 should be **closed** by recording it in the (Dr) side; as following:

| | | | | |
|------|--------------|---|-----------|-----------|
| 4/5 | | _____ invoice date _____ Acc/receivable accounts Acc/received advance from customer Acc/sales Acc/ Received tax on sales (selling inventories with advance) | ** *** | *** ** |
| 4190 | 70.. 4457 | | | |

Example 5

Record the operations of example 4 on the supplier journal according to the perpetual inventory method.

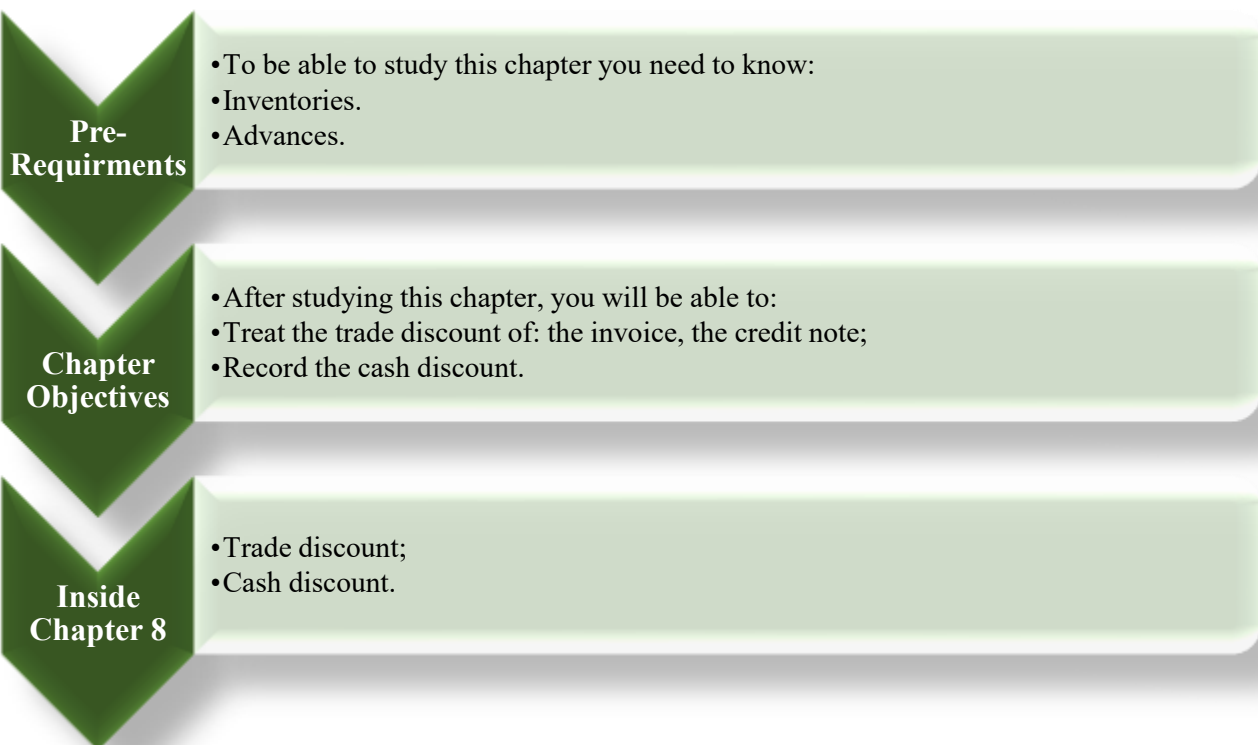
Solution

| | | | | |
|------|------|---|------------------|------------------|
| 512 | 4109 | _____ (1) _____ Acc/bank Acc/received advances from customer (receiving advance for sales) | 33,000 | 33,000 |
| 4190 | | _____ (2) _____ Acc/received advance from customer Acc/cash Acc/ Received tax on sales Acc/sales of goods (selling goods in cash) | 33,000 34,830 | 10,830 57,000 |
| 53 | 4457 | | | |
| | 700 | | | |
| 600 | | _____ (2) _____ Acc/consumed goods | 40,000* | |

CHAPTER 8: OPERATIONS RELATED TO INVENTORIES:

TRADE DISCOUNT & CASH DISCOUNT

التخفيض التجاري والتخفيض المالي



Seller tends to use discounts to build relationship with customers and incentivize them to make purchases. There are two kinds of discounts: trade discount and cash discount.

A trade discount is a reduction allowed on a product as a reduction to the retail price. It is an amount by which a manufacturer or wholesaler reduces the **price of a product out of tax** when he sells it to a reseller, in order to **increase purchasing power, improve reputation and boost sales**.

A cash discount is known also as an early payment discount, sales discount or purchase deal. A cash discount is a discount that a seller offers to incentivize

customers to pay bills before the due date. That led to **motivating customers to make payments and increase the cash flows.**

According to the Algerian financial accounting system:

| | | |
|----------------|---|---|
| Trade discount | → | should not be recorded with exception* |
| Cash discount | → | must be recorded |

Trade Discount Recording

The trade discount is mentioned in the invoice but it won't be recorded in the journal, **except, if the trade discount is given after the invoice**, this time a new invoice must be prepared to prove this new discount called a "credit note", and the record of this trade discount in the journal is **mandatory**, using **Acc/609 (Cr) received trade discounts** for customer and **Acc/709 (Dr) trade discount granted** for supplier.

The Credit Note's Trade Discount Recording For Customer

| | | | | |
|-----|------------|---|-----|----|
| 4/5 | | _____ invoice date _____ Acc/receivable accounts | *** | |
| | 609 | Acc/ received trade discounts | | * |
| | 4456 | Acc/ State-refundable tax | | ** |
| | | (Receiving the credit note of a second discount for the operation) | | |

The Credit Note's Trade Discount Recording For supplier

| | | | | |
|------------|-----|--|-----------|------|
| 4457 | | _____ invoice date _____ Acc/ Received tax on sales | *** | |
| 709 | | Acc/trade discount granted | ** | |
| | 411 | Acc/ customer | | **** |
| | | (granting a trade discount in credit note) | | |

****The trade discount is a reduction from the selling price before VAT.**

Example 1

- 1) On 23/02/2023, the company “X” purchased goods from supplier “Ali” on credit, as follows:

Goods56,000 AD

Trade discount10,000AD

46,000AD

VAT 19%8,740 AD

The amount payable**54,750 AD**

- 2) On 01/03/2023, the company obtained 15,000AD as a second discount due to a defect in products recorded in a credit note.

Required: record the operations in the company’s journal and supplier, according to the periodic inventory method.

Solution**The Company Journal**

| 23/02/2022 | | | | |
|------------|------|---|--------|--------|
| 380 | | Acc/purchases of goods | 46,000 | |
| 4456 | 401 | Acc/ State-refundable tax | 8,740 | |
| | | Acc/S&S Supplier | | 54,740 |
| | | (purchasing goods on credit) | | |
| 01/03/2023 | | | | |
| 401 | | Acc/ S&S Supplier | 17,850 | |
| | 609 | Acc/ received trade discounts | | 15,000 |
| | 4456 | Acc/ State-refundable tax | | 2,850 |
| | | (receiving a credit note about a second trade discount) | | |

The Supplier

| 23/02/2022 | | | | |
|------------|------|----------------------------|--------|--------|
| 411 | | Acc/customer | 54,740 | |
| | 4457 | Acc/ Received tax on sales | | 8,740 |
| | 700 | Acc/ sales of goods | | 46,000 |
| | | (selling goods on credit) | | |
| 01/03/2023 | | | | |

| | | | | |
|------|-----|--|--------|--------|
| 4457 | | Acc/ Received tax on sales | 15,000 | |
| 709 | | Acc/trade discount granted | 2,850 | |
| | 411 | Acc/ customer (granting trade discount) | | 17,850 |

The Cash Discount Recording

The cash discount is recorded in the **Acc/ 668 other financial charges** for the seller because he reduced the selling price in order to get early payment, and in the **Acc/ 768 other financial products** for the customer, considering it as revenues resulting from this purchasing operation.

For customer

| | | | | |
|------|-----|--|-----|-----|
| 38.. | | _____ date _____ | | |
| 4456 | | Acc/purchases | ** | |
| | 401 | Acc/ State-refundable tax | *** | |
| | 768 | Acc/S&S Supplier | | *** |
| | | Acc/ other financial products (purchasing goods on credit) | | *** |

For supplier

| | | | | |
|-----|------|--|----|-----|
| 411 | | _____ date _____ | | |
| 668 | | Acc/ customer | ** | |
| | 70. | Acc/ other financial charges | ** | |
| | 4457 | Acc/ sales | | *** |
| | | Acc/ Received tax on sales (selling goods on credit) | | ** |

Example 2

- 1) On 02/01/2023, the supplier “Islam” sold goods for the company “Zojajiat” with cash discount of 2%, as follows:

Goods29,000 AD

Cash discount 2%580 AD

28,420AD

VAT 19%5,400 AD

The amount payable**33,820 AD**

Required: Record the operation in the journals of the supplier Islam and the customer according to the periodic inventory method.

Solution

The Supplier Journal

| | | | | |
|-----|------|------------------------------|--------|--------|
| 411 | | ————— 02/01/2023 ————— | | |
| 668 | | Acc/ customer | 33,820 | |
| | 700 | Acc/ other financial charges | 580 | |
| | 4457 | Acc/ sales of goods | | 29,000 |
| | | Acc/ Received tax on sales | | 5,400 |
| | | (selling goods on credit) | | |

The Customer Journal

| | | | | |
|------|-----|-------------------------------|--------|--------|
| 380 | | ————— 02/01/2023 ————— | | |
| 4456 | | Acc/purchases of goods | 29,000 | |
| | 401 | Acc/ State-refundable tax | 5,400 | |
| | 768 | Acc/S&S Supplier | | 33,820 |
| | | Acc/ other financial products | | 580 |
| | | (purchasing goods on credit) | | |

Example 3

- 1) On 01/08/2023, the “Aridj أريج” company purchased goods from supplier “Akram” on credit, as follows:

Goods38,000 AD

Trade discount10,000 AD

28,000 AD

Cash discount 3%.....840 AD

27,160 AD

VAT 19%5,160.4 AD

The amount payable ...**32,320.4 AD**

- 2) On 03/08/2023, the company obtained 2% as a second trade discount due to a defect in products, recorded in the credit note.

Required: record the operations in the journals of company and supplier, according to the periodic inventory method.

Solution**The Company Journal**

| | | | | |
|-------------|-------------|--|-------------------|-----------------|
| 380 4456 | 401 768 | <u>01/08/2023</u> Acc/purchases of goods Acc/ State-refundable tax Acc/S&S Supplier Acc/ other financial products (purchasing goods on credit) | 28,000 5,160.4 | 32,320.4 840 |
| 401 | 609 4456 | <u>03/08/2023</u> Acc/ S&S Supplier Acc/ received trade discounts Acc/ State-refundable tax (receiving a credit note about a second trade discount) | 646.41 | 543.2 103.21 |

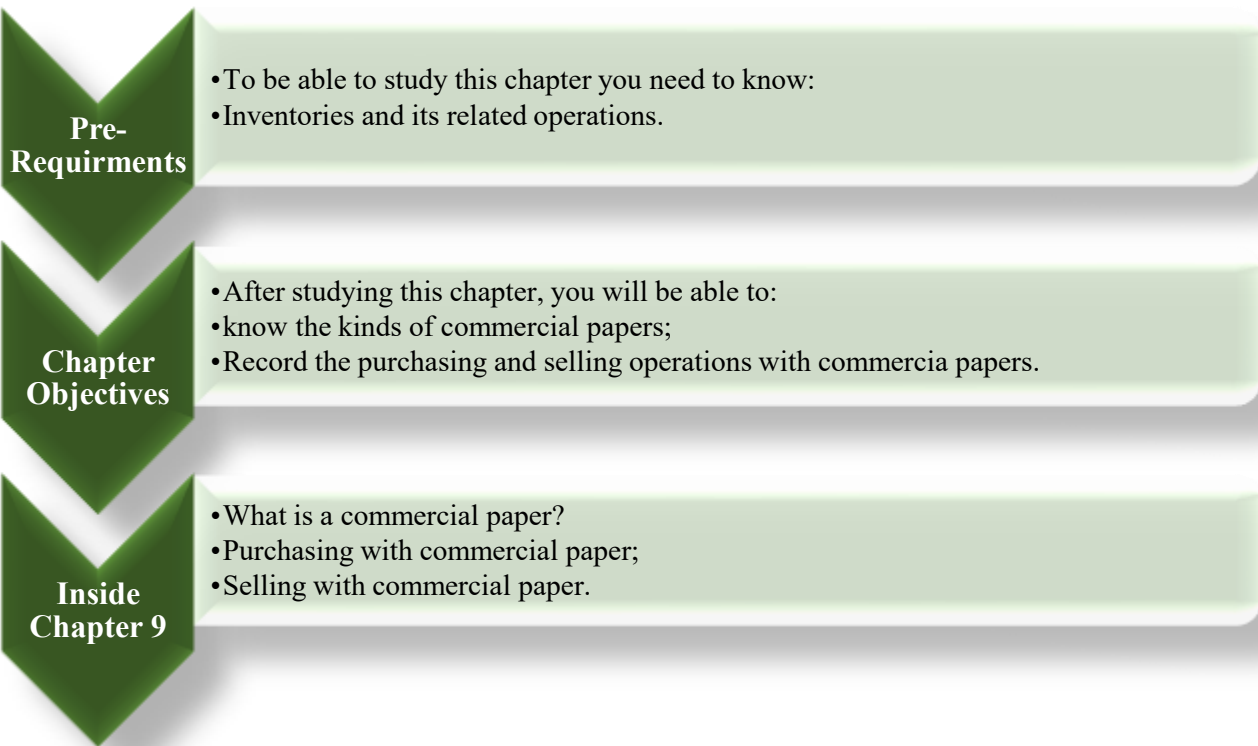
$$543.2 = 27,160 \times 0.02$$

The Supplier Journal

| | | | | |
|-------------|-------------|---|-----------------|-------------------|
| 411 668 | 700 4457 | <u>01/08/2023</u> Acc/ customer Acc/ other financial charges Acc/ sales of goods Acc/ Received tax on sales (selling goods with trade & cash discount) | 32,320.4 840 | 28,000 5,160.4 |
| 4457 709 | 411 | <u>03/08/2023</u> Acc/ Received tax on sales Acc/trade discount granted Acc/ customer (granting trade discount) | 103.21 543.2 | 646.21 |

CHAPTER 9: COMMERCIAL PAPER

الأوراق التجارية



What is a Commercial Paper?

Commercial paper is a negotiable instrument, that comes in the form of unsecured, short-term debt. Companies to finance their payrolls, payables, and inventories commonly issue it. Maturities on commercial paper are written on it.

There are two main types of commercial papers: promissory notes and drafts.

Promissory note السند الإذني أو السند لأمر: it is written by the borrower as evidence of the promise to repay the due amount to the lender by a certain date.

Draft الكمبيالة أو السفتجة: is a written agreement between three parties, the bank (the drawer), the payer (the drawee) and the payee. The bank takes its fees about paying the draft. Generally, drafts are used while dealing with foreign countries, so the payer puts the draft in the bank, which will turn it to the payee with his currency, and the bank takes its fee percentage.

Purchasing With Commercial Paper

The commercial paper is used in case of **purchasing on credit**, using the acc/ 403 suppliers- notes payable and **closing** the acc/ 401 when the commercial paper is written. As following:

| | | | | |
|--------------|-----|--|---------|-----|
| 38.. 4456 | 401 | <p>_____purchasing date_____</p> <p>Acc/purchases inventories</p> <p>Acc/ State-refundable tax</p> <p>Acc/S&S supplier</p> <p>(Purchasing inventories on credit)</p> | ** * | *** |
| 401 | 403 | <p>_____ C. paper date _____</p> <p>Acc/ S&S suppliers</p> <p>Acc/suppliers- notes payable</p> <p>(Purchasing inventories on credit)</p> | *** | *** |

When the commercial paper is paid on its due date, account 403 is balanced. As following:

| | | | | |
|-----|-----|---|-----|-----|
| 403 | 5.. | <p>_____ paying date _____</p> <p>Acc/suppliers- notes payable</p> <p>Acc/cash & its equivalents</p> <p>(paying the commercial paper)</p> | *** | *** |
|-----|-----|---|-----|-----|

Example 1

The company has done the following operations:

- 1) On 13/01/2023, purchasing goods 60,000AD, on credit;
- 2) On 23/01/2023, writing a promissory note for the operation 1.
- 3) On 05/02/2023, paying the note with a check.

Required: Record the operations according to the perpetual inventory method (purchases have not been received yet).

Solution

| | | | | |
|-------------|-----|---|------------------|--------|
| 381 4456 | 401 | <p>_____ Jan/13/2023_____</p> <p>Acc/purchases goods</p> <p>Acc/ State-refundable tax</p> <p>Acc/S&S supplier</p> <p>(Purchasing inventories on credit)</p> | 60,000 11,400 | 71,400 |
| | | _____ Jan/23/2023_____ | | |

| | | | | |
|-----|-----|--|--------|--------|
| 401 | 403 | Acc/ S&S suppliers Acc/suppliers- notes payable (writing the promissory note) | 71,400 | 71,400 |
| 403 | 512 | _____ Feb/05/2023 _____ Acc/suppliers- notes payable Acc/bank (paying the note) | 71,400 | 71,400 |

Selling With Commercial Paper

The commercial paper is used in the case of **selling on credit**, using the acc/ 413 customers- notes receivable and **closing** the acc/ 411 when the commercial paper is written. As following:

| | | | | |
|------|-------------|---|-----|------------|
| 411 | 4457 70. | _____ selling date _____ Acc/customer Acc/ Received tax on sales Acc/sales (Selling inventories on credit) | *** | ** **** |
| 4130 | 411 | _____ C. paper date _____ Acc/ customers- notes receivable Acc/customer (writing the commercial paper) | *** | *** |

When the commercial paper is paid on its due date, account 4130 is balanced. As following:

| | | | | |
|-----|------|--|-----|-----|
| 5.. | 4130 | _____ C. paper date _____ Acc/cash & its equivalents Acc/ customers- notes receivable (collection of commercial paper) | *** | *** |
|-----|------|--|-----|-----|

Example 2

Record the operations of example 1 in the supplier's journal (sales have not been sent yet), according to the perpetual inventory method.

Solution

| | | | | |
|------|------|---|--------|--------|
| 411 | 4457 | <div> <div>(1)</div> <div>Acc/customer</div> <div>Acc/ Received tax on sales</div> <div>Acc/sales of goods (selling goods on credit)</div> </div> | 71,400 | 11,400 |
| | 700 | | | 60,000 |
| 4130 | 411 | <div> <div>Jan/23/2023</div> <div>Acc/ customers- notes receivable</div> <div>Acc/customer (writing the commercial paper)</div> </div> | 71,400 | 71,400 |
| 512 | 4130 | <div> <div>Feb/05/2023</div> <div>Acc/bank</div> <div>Acc/ customers- notes receivable</div> <div>(collection of commercial paper)</div> </div> | 71,400 | 71,400 |

Example 3

The company has done the following operations:

- 1) Purchasing with draft raw materials, the purchases are received but the invoice not yet:

Raw materials.....70,000

-Trade discount 2%.....1400

Trade net.....68,600

-Cash discount 3%.....2058

Cash net.....66542

+VAT 19%.....12643

Total79,185

+Deposit.....35,000

Due amount.....114,185AD

- 2) Receiving the invoice of operation 1;
- 3) Returning the packaging, recovering the deposit and paying the purchases with check;

- 4) Selling with promissory note all the raw materials purchased in operation 1, sales & invoice are sent in the same day:

| | |
|-------------------------|------------------|
| Raw materials..... | 170,000 |
| -Trade discount 3%..... | 5100 |
| Trade net..... | 164,900 |
| +VAT 19%..... | 31,331 |
| Total | 196,231 |
| +Deposit..... | 60,000 |
| Due amount..... | 256,231AD |

- 5) Receiving packaging and refunding 25,000 of deposit;
 6) The customer paid with check all what he owes the company.

Required: Record the operations according to the perpetual inventory method.

Solution

| | | | | |
|---------------------|-----------------|--|----------------------------|----------------------|
| 31 | 381 | <p>————— (1) —————</p> <p>Acc/raw materials</p> <p>Acc/purchases of raw materials</p> <p>Entering the purchases to the store</p> | 68,600 | 68,600 |
| 381 4456 4096 | 403 768 | <p>————— (2) —————</p> <p>Acc/purchases goods</p> <p>Acc/ State-refundable tax</p> <p>Acc/deposit on packaging— suppliers' receivables</p> <p>Acc/suppliers- notes payable</p> <p>Acc/ other financial products</p> <p>(Purchasing inventories with draft)</p> | 68,600 12,643 35,000 | 114,185 2058 |
| 403 | 4096 512 | <p>————— (3) —————</p> <p>Acc/suppliers-notes payable</p> <p>Acc/ deposit on packaging— suppliers' receivables</p> <p>Acc/ bank</p> <p>(Paying the supplier)</p> | 114,185 | 35,000 79,185 |
| 4130 | 4457 | <p>————— (4) —————</p> <p>Acc/ customers- notes receivable</p> <p>Acc/ Received tax on sales</p> | 256,231 | 31,331 |

| | | | | |
|------|------|---|---------|---------|
| | 4196 | Acc/deposit on packaging- customers payable | | 60,000 |
| | 700 | Acc/sales of goods (selling raw materials with promissory note) | | 164,900 |
| 601 | | ————— (4) ————— | | |
| | 31 | Acc/ consumed raw materials | 68,600 | |
| | | Acc/ raw materials (taking the raw materials out of store) | | 68,600 |
| 4190 | | ————— (5) ————— | | |
| | 4130 | Acc/ deposit on packaging- customers payable | 60,000 | |
| | 708 | Acc/ customers- notes receivable | | 25,000 |
| | | Acc/ products of following activities (returning the deposit partially) | | 35,000 |
| 512 | | ————— (6) ————— | | |
| | 4130 | Acc/bank | 231,231 | |
| | | Acc/ customers- notes receivable (receiving the amount from customer) | | 231,231 |

CHAPTER 10: ACCOUNTING FOR RETURNABLE PACKAGING

محاسبة الأغلفة القابلة للاسترجاع

Pre-Requirements

- To be able to study this chapter you need to know:
- Inventories;
- Operations related to inventories.

Chapter Objectives

- After studying this chapter, you will be able to:
- Distinguish between consumable packaging (class 3) & returnable packaging (class 2);
- Record the deposit on returnable packaging; receiving and paying;
- Refund the deposit according to the recovered packaging case.

Inside Chapter 10

- Packaging kinds, and purchasing returnable packaging;
- Taking deposit on returnable packaging,
- Recovering the returnable packaging and refunding the deposit:
- Case 1: packaging in good conditions / Case 2: packaging in bad conditions.

Packaging Kinds

Packaging in accounting are two kinds:

Packaging materials الأغلفة القابلة للاستهلاك: are materials that will be used in packing the goods sold to customers during the period. Packaging materials are reported as **current assets – stocks or inventory**, in the Algerian accounting system it is recorded in **Acc/326 packaging**.

Returnable Packaging الأغلفة القابلة للاسترجاع: -reusable packaging- is intended for repeat use for the same purpose for many periods. It could be racks, pallets, bottles, hand-held containers, or bulk containers that move products safely and efficiently

throughout the supply chain. This kind of packaging is considered as **fixed asset**, **Acc/ 2186 Returnable Packaging**.

| | | | | |
|------|-----|-----------------------------------|-----|------|
| 2186 | | _____purchasing date_____ | | |
| 4456 | | Acc/ returnable packaging | *** | |
| | 4/5 | Acc/ State-refundable tax | * | |
| | | Acc/payable | | **** |
| | | account | | |
| | | (Purchasing returnable packaging) | | |

Deposits on Returnable Packaging (Returnable Containers)

أمانة على الأغلفة القابلة للاسترجاع

In some industries, companies that distribute their products in returnable packaging collect deposits for each packaging delivered and have an obligation to refund this deposit entirely or partially when the packaging is returned by the customer, depending on the situation of returns. This means, in case of damage or misuse of packaging, the supplier can cover his loss from the deposit he took.

Taking Deposit for Sending Returnable Packaging

The supplier takes a deposit from the customer as a guarantee that the latter will return the returnable packaging in which he received his purchases. Using **Acc/ 4096 deposit on packaging – suppliers' receivables (Dr)** in the customer's journal.

Using the **Acc/4196 deposit on packaging- customers payable (Cr)** in the supplier's journal.

The customer's journal

| | | | | |
|------|-----|--|-----|-------|
| 380 | | _____purchasing date_____ | | |
| 4096 | | Acc/purchases of goods | *** | |
| 4456 | | Acc/deposit on packaging– suppliers' receivables | ** | |
| | 4/5 | Acc/ State-refundable tax | ** | |
| | | Acc/payable | | ***** |
| | | accounts | | |
| | | (Purchasing goods with deposit) | | |

The supplier's journal

| | | | | |
|-----|------|------------------------------|-------|------|
| 4/5 | | _____ selling date _____ | | |
| | 4196 | Acc/receivable accounts | ***** | |
| | | Acc/deposit on | | ** |
| | | packaging- customers | | |
| | | payable | | |
| | 4457 | Acc/ Received tax on | | ** |
| | | sales | | |
| | 700 | Acc/sales of goods | | **** |
| | | (selling goods with deposit) | | |

Example 1

The company “Opta” has done the following operations during 2023:

- 1) Sending an order to purchase goods 60,000AD accompanied with check 35,000AD as an advance;
- 2) Receiving the invoice and the Purchases of operation 1:

Goods 60,000 AD
 _ Trade discount 2% 1,200 AD -----> (60000. 0.02)
 Trade net58,800 AD
 _ Cash discount 3%..... 1,764 AD -----> (58,800 . 0.03)
 Cash net57,036 AD
 +VAT 19%.....10,837 AD -----> (57,036. 0.19)
 Total67,873 AD
 _ Advance35,000 AD
 Amount payable32,873 AD
 +Deposit on packaging.....20,000AD
 Total amount payable.....**52,873 AD**

Required: Record the previous operations in the journal of the company and supplier, according to the perpetual inventory method.

Solution**The company journal**

| | | | | |
|------|------|---|--------|--------|
| 4090 | 53 | <div>(1)</div> <div>Acc/ paid advances to supplier</div> <div>Acc/bank</div> <div>(paying advance on purchases)</div> | 35,000 | 35,000 |
| 380 | | <div>(2)</div> <div>Acc/purchases of goods</div> | 58,800 | |
| 4096 | | Acc/deposit on packaging– suppliers' receivables | 20,000 | |
| 4456 | | Acc/ State-refundable tax | 10,837 | |
| | 4090 | Acc/ paid advances to supplier | | 35,000 |
| | 401 | Acc/S&S supplier | | 52,873 |
| | 768 | Acc/ other financial products | | 1,764 |
| | | (Purchasing goods with deposit) | | |
| 30 | 380 | <div>(2)</div> <div>Acc/ goods</div> <div>Acc/purchases of goods</div> <div>(entering the purchases into the store)</div> | 58,800 | 58,800 |

The Supplier's Journal

| | | | | |
|------|------|--|--------|--------|
| 512 | 4109 | <div>(1)</div> <div>Acc/bank</div> <div>Acc/received advances from customer</div> <div>(receiving advance for sales)</div> | 35,000 | 35,000 |
| 411 | | <div>(2)</div> <div>Acc/ customer</div> | 52,873 | |
| 4190 | | Acc/ received advances from Customers | 35,000 | |
| 668 | | Acc/ other financial charges | 1,764 | |
| | 4196 | Acc/deposit on packaging- customers payable | | 20,000 |
| | 4457 | Acc/ Received tax on sales | | 10,837 |
| | 700 | Acc/sales of goods | | 58,800 |
| | | (selling goods with deposit) | | |
| | | (2) | | |

| | | | | |
|-----|----|--|---------|--------|
| 600 | 30 | Acc/ consumed goods Acc/ goods (taking the goods out from store) | 37,000* | 37,000 |
|-----|----|--|---------|--------|

* Purchasing cost of the supplier **by default**.

Recovering The Returnable Packaging and Refunding the Deposit

When the customer returns the returnable packaging to the supplier, there are two cases: returning them safe and in good condition or, returning them with damages and in bad condition.

Case 1: Returnable Packaging in Good Condition

That time, the supplier has to refund the deposit to the customer, and for the accounting records, both of customer and supplier use the reverse entry to cancel the deposit.

For customer

| | | | | |
|-----|------|---|-----|-----|
| 4/5 | 4096 | _____ returning date _____ Acc/received accounts Acc/ deposit on packaging– suppliers’ receivables (recovering the deposit from supplier) | *** | *** |
|-----|------|---|-----|-----|

For supplier

| | | | | |
|------|-----|--|-----|-----|
| 4196 | 4/5 | _____ returning date _____ Acc/ deposit on packaging- customers payable Acc/payable accounts (returning the deposit to customer) | *** | *** |
|------|-----|--|-----|-----|

Example 2

Continuing from example 1, the company “Opta” returned the returnable packaging to the supplier in good condition.

Required: Record the operation in the journal of the company and supplier.

Solution**The Company Journal**

| | | | | |
|-----|------|---|--------|--------|
| 401 | 4096 | _____ returning date _____ Acc/received accounts Acc/ deposit on packaging– suppliers’ receivables (recovering the deposit from supplier) | 20,000 | 20,000 |
|-----|------|---|--------|--------|

The supplier Journal

| | | | | |
|------|-----|--|--------|--------|
| 4196 | 411 | _____ returning date _____ Acc/ deposit on packaging- customers payable Acc/payable accounts (returning the deposit to customer) | 20,000 | 20,000 |
|------|-----|--|--------|--------|

Case 2: Returnable Packaging in Bad Condition

When the customer returns the returnable packaging in bad condition, the supplier has the right **to not refund** the deposit entirely or partially, in this case, the amount kept by the supplier should be recorded as revenues in the acc/708, and for the customer is recorded in Acc/ 608 **purchasing related expenses**

For customer

| | | | | |
|------------|------|---|---------|-----|
| 4/5 608 | 4096 | _____ returning date _____ Acc/received accounts Acc/ purchasing related expenses Acc/ deposit on packaging– suppliers’ receivables (recovering partially the deposit from supplier) | ** * | *** |
|------------|------|---|---------|-----|

For supplier

| | | | | |
|------|------------|---|-----|---------|
| 4196 | 4/5 708 | _____ returning date _____ Acc/ deposit on packaging- customers payable Acc/payable accounts Acc/ products of following activities | *** | ** * |
|------|------------|---|-----|---------|

| | | | | |
|--|--|---|--|--|
| | | (returning partially the deposit to customer) | | |
|--|--|---|--|--|

Example 3

Continuing with example 1, the company “Opta” returned the returnable packaging incomplete, some of them have been broken. The supplier decided to return only 3,000AD of the paid deposit.

Required: Record the operation in the company and the supplier journals.

Solution

The Company Journal

| | | | | |
|-----|------|---|--------|--------|
| 401 | | _____ returning date _____ | | |
| 608 | | Acc/received accounts | 3,000 | |
| | 4096 | Acc/ related purchasing expenses | 17,000 | |
| | | Acc/ deposit on packaging– suppliers’ receivables | | 20,000 |
| | | (recovering partially the deposit from supplier) | | |

The Supplier Journal

| | | | | |
|------|-----|---|--------|--------|
| 4196 | | _____ returning date _____ | | |
| | | Acc/ deposit on packaging-customers payable | 20,000 | |
| | 411 | Acc/payable accounts | | 3,000 |
| | 708 | Acc/product of following activities | | 17,000 |
| | | (returning partially the deposit to customer) | | |

PREVIOUS EXAMS
Dr. Chahrazed Belhamel

| | | |
|--------------------------------------|--|---|
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Exercise 1: (8 pts)

In 1/1/2022, Mr. Mohamed established his commercial and industrial company "El-Nasr النصر" by allocating: industrial buildings 2,000,000AD ; industrial equipment 420,000AD ; consumable packaging 80,000AD, money in the bank 1,000,000AD. During the period, the company has done the following operations:

- Purchasing with check: goods350,000
Cash discount..... - 20,000
VAT 19%.....+62,700
392,700AD
- Putting Mohamed personal car 120,000AD at the disposal of El-Nasr Company.
(وضع سيارته الخاصة تحت تصرف المؤسسة)
- Receiving electricity invoices of both: El-Nasr Company 30,000AD and Mohamed house 10,000AD.
- Selling for customer Mansor with commercial paper:
All the consumable packaging..... 100,000AD
VAT19%+19,000AD
119,000AD
- Paying the electricity invoices of operation 3 with check.
- Purchasing with check, some supplies 190,000AD, for Mohamed personal use.

Required:

- Record all the operations in the journal of El-Nasr Company according to the **periodic inventory method**.
- Record the closing of Acc/108 Exploiter in Dec 31st, 2022.
- Assuming the result of 2022 was profit 360,000AD, record the necessary entries in 2023.

Exercise 2: (12 pts)

In March 10th, 2022, Mr. Khaled and Mr. Ismail agreed to establish "El-Aqusa الأقصى" company, with capital of 2,000,000AD (2000 share × 1000 AD). The contributions are:

| partner | Contribution nature | Contribution value |
|---------|--------------------------------------|--------------------|
| Khaled | Industrial building | 500,000 |
| | Industrial equipment | 200,000 |
| | Money | 300,000 |
| Ismail | Raw materials "A" (5000Kg × 150AD) | 750,000 |
| | Consumable packaging (2500 U × 40AD) | 100,000 |
| | money | 150,000 |

In April 01st, 2022, the partners paid the contributions, and the money was put in the bank.

During the period 2022, the company has done the following operations:

| | | |
|--------------------------------------|--|---|
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|--------------------------------------|--|---|

- 1) Purchasing on credit: raw materials "B".....110,000
Trade discount.....- 10,000
100,000
VAT 19%+ 19,000
119,000AD
- 2) Producing 1000U of final products, **each unit** required: 160AD employee wages paid with check and 2Kg raw material "A", 01 consumable packaging. All the final product has been put in the store.
- 3) Receiving an advance from the customer Omar 50,000AD with check.
- 4) Returning all the purchases of operation 01 because of non-conformity with specifications.
- 5) Selling cash to customer Omar: final products (400U. 700AD).....280,000
VAT19%.....+ 53,200
333,200
Deposit+ 20,000
Advance- 50,000
303,200AD
- 6) Purchasing on credit goods from Europe by 1000 € (1€=200AD). Both of invoice and purchases are received.
- 7) The customer returned the packaging of operation 5, and the company refunded him only 15,000AD of deposit because of delay.
- 8) Paying with check the purchases of operation 6 (1€=220AD).

Required:

- Record the operations in the journal of company according the **perpetual inventory method**.
- Assuming the result of 2022 was profit 300,000AD. In Feb 10th, 2023, the general assembly for partners decided to: set up legal reserves ????, ordinary reserves 20,000AD, distributing 200,000AD as dividends, and for the rest of amount, the decision will be taken in the next general assembly. Record the necessary entries.
- In Feb 20th, 2023, the company paid the dividends for partners with check.

List of accounts

| | | |
|----------------------------|--------------------------------|---|
| 101 exploitation fund | 355 final products | 4191 customer, advance received |
| 101 capital /108 exploiter | 380 purchases of goods | |
| 1061 legal reserves | 381 // of Raw materials | 4196 customer, deposit received |
| 1068 ordinary reserves | 382 // of other supplies | |
| 110 retained earnings | 401 stock & service supplier | 4456 VAT on purchases |
| 120 result (profit) | 403 supplier: notes payable | 4457 VAT on sales |
| 21311 industrial buildings | 4091 supplier: advance paid | 456 partners, operations related to capital |
| 2154 industrial equipment | 4096 deposit paid | 457 partners, dividends to pay |
| 2182 transport equipment | 411 customer | |
| 30 goods / 31 raw material | 413 customer: notes receivable | 512 bank |
| 326 consumable packaging | | |

| | | |
|--------------------------------------|--|---|
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|--------------------------------------|--|---|

Exercise 1: (12 pts)

On March/25/2023, "El-thicka التكة" company was established by 3 partners, with capital of 2,000,000AD. The contributions are:

| partner | Contribution nature | Contribution value |
|---------|------------------------|--------------------|
| 1 | lands | 450,000 |
| | Industrial building | 350,000 |
| | Industrial equipment | 200,000 |
| 2 | goods (1000Kg × 100AD) | 100,000 |
| | money | 400,000 |
| 3 | Transport equipment | 150,000 |
| | Customers "Amin" | 50,000 |
| | money | 300,000 |

In April/5/2023, the partners paid the contributions, and the money was put in the bank.

During the period 2023, the company has done the following operations:

- Sending an order to purchase raw materials, and paying an advance of 30,000AD with check.
- Purchasing with check: raw materials "B" 150,000
Cash discount..... - 7,500
142,500
VAT 19% + 27,075
Advance - 30,000
139,575AD
- Producing 500U of semi-final products, **each unit** required: 200AD employee wages paid with check and 1Kg raw material. All the semi-final products have been put in the store.
- Partner 1 paid the telephone invoice for the company 20,000AD with his own money.
- Selling on credit to customer ALI:
Goods (200U . 250AD)..... 50,000AD
Semi-final products (150U. 500AD)..... 75,000
VAT19%..... + 23,750
148,750
- Customer Ali has returned 50U of goods (opr 5).

Required:

- Record the operations in the journal of company according the **perpetual inventory method**.
- Assuming the result of 2023 was profit 250,000AD. In Feb/15/ 2024, the general assembly for partners decided to: set up legal reserves ????, distributing 40% as dividends, and for the rest of amount, the decision will be taken in the next general assembly. Record the necessary entries.
- In March/20/2024, the company paid the dividends for partners with check.

Exercise 2: (8 pts)

On Jun/12/2023, Mr. Mohamed established his commercial company, by allocating: commercial buildings 250,000AD; transport equipment 150,000AD; goods 120,000AD, and money in the bank 280,000AD.

During this period, the company has done the following operations:

- 1) Putting 150,000AD in the company cash fund from his own money.
- 2) Purchasing with commercial paper:

| | |
|-----------------------------|----------|
| Goods (2000U . 200AD) | 400,000 |
| trade discount..... | - 40,000 |
| | 360,000 |
| VAT 19%..... | +68,400 |
| | 428,400 |

Deposit of returnable packaging..... + 20,000

Due amount **448,400AD**

- 3) Paying with check the following expenses: electricity invoice of company 25,000AD, electricity invoice of house 15,000AD.
- 4) Purchasing a computer for his house 80,000AD on credit.
- 5) Returning the returnable packaging of opr 2, and recovering cash only 15,000AD from the deposit because of delay.
- 6) Paying the computer of opr 4 from the cash fund of company.

Required:

- 1) Record all the operations in the journal of Company according to the **periodic inventory method**, and the necessary entries in **Dec/31/2023**.
- 2) Assuming the result of 2023 was loss of 90,000AD, record the necessary entries in 2024.

List of accounts

| | | |
|--------------------------------|---|--------------------------------------|
| 101 exploitation fund/ Capital | 401 stock & service supplier | 457 partners, dividends to pay |
| 108 exploiter | 403 supplier: notes payable | 512 bank/53 cash fund |
| 1061 legal reserves | 4091 supplier: advance paid | 601 raw materials consumed |
| 1068 ordinary reserves | 4096 deposit paid | 607 non-stored purchases |
| 110 retained earnings | 411 customer | 6136 loss on returnable packaging |
| 120 result (profit) | 413 customer: notes receivable | 631 employee wages |
| 129 result (loss) | 4196 customer, deposit received | 668 cash discount given |
| 211 lands | 4456 VAT on purchases | 700 sales of goods |
| 21311 industrial buildings | 4457 VAT on sales | 702 sales of semi-final products |
| 21315 commercial building | 455 partners, current account | 7086 profits on returnable packaging |
| 2154 industrial equipment | 456 partners, operations related to capital | 724 changes in products stock |
| 2182 transport equipment | 600 goods sold | 768 cash discount received |
| 2183 office equipment | | |
| 30 goods / 31 raw material | | |
| 351 semi-final products | | |
| 381 // of Raw materials | | |

| | | |
|--------------------------------------|--|---|
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|--------------------------------------|--|---|

Q1: what does the “Accrual Basis” hypothesis mean? Give an example. (1pts)

Q2: what are the obligatory accounting books in the Algerian financial accounting system? (1pts)

Exercise 1: (5 pts)

On 7/10/2023, trader **Yahia** established his commercial & industrial business with a capital of 2,000,000 AD; by allocating: industrial buildings 800,000AD; industrial equipment 500,000AD; transport equipment 200,000AD; goods 100,000AD, raw materials 50,000AD; and money in the bank 350,000AD.

During this period, the company has done the following operations:

- 1) Paying the maintenance invoices for: the company buildings 50,000AD, and Yahia house 20,000AD, both from **his own money**.
- 2) Receiving electricity invoices of: the Company 20,000AD, and Yahia house 10,000AD.
- 3) Purchasing with check:

| | |
|------------------------------------|-----------------|
| Goods..... | 35,000 |
| Cleaning materials (storable)..... | 15,000 |
| VAT 19%..... | +9,500 |
| | 59,500AD |
- 4) Paying the electricity invoices of operation 2 with a check.

Required:

- 1) Record all the operations in the journal of Yahia Company according to the **Periodic Inventory Method**.
- 2) Assuming the result of 2023 was a loss of 20,000AD, record the necessary entries.

Exercise 2: (13 pts)

On 10/5/2023, Mr. Mohamed and Mr. Omar agreed to establish “El-Quods القدس” company, with a capital of 2,000,000AD (2000 shares × 1000 AD). The contributions are:

| partner | Contribution nature | Contribution value |
|---------|--------------------------------|--------------------|
| Mohamed | Industrial building | 400,000 |
| | Industrial equipment | 250,000 |
| | Money | 150,000 |
| Omar | Transport equipment | 200,000 |
| | Raw materials (2000Kg × 200AD) | 400,000 |
| | money | 600,000 |

On 15/06/ 2023, the partners paid the contributions, and the money was put in the bank.

During the period 2023, the company has done the following operations:

| | | |
|--------------------------------------|--|---|
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|--------------------------------------|--|---|

- 1) Purchasing with a **check**:
raw materials (4000kg × 200AD)800,000
Consumable packaging (2000U × 100AD).....200,000
VAT 19%.....+ 190,000
1,190,000AD
- 2) Purchasing **on credit**, a car from Europe by 10,000 € (1€=145AD).
- 3) Producing 1000U of semi-final products, **each unit** required: 100AD employee wages paid with check and 2Kg raw materials. All the semi-final products have been put in the store.
- 4) Returning 2000kg of raw materials to the supplier, and receiving its money with a check.
- 5) Purchasing with a **commercial paper**:
goods (1000U × 80AD)80,000
transport expenses20,000
VAT19%.....+ 19,000
119,000AD
- 6) Producing 500U of final products, **each unit** required:01U of semi-final products, 50AD employee wages paid with a check and 01 U of consumable packaging. All the final products have been put in the store.
- 7) Selling with a **commercial paper** for customer Ibrahim:
Goods (500U× 140AD)70,000
final products (200U× 800AD)160,000
VAT19%.....+ 43,700
273,700AD
- 8) Paying with a **check** the car of operation 2 (1€=140AD).

Required:

- 1) Record the operations in the company journal according to the **perpetual inventory method**.
- 2) Assuming the result of 2023 was a profit of 200,000AD. On 01/04/2024, the general assembly for partners decided to: set up legal reserves???? (calculate them), distributing 100,000AD as dividends. Record the necessary entries.
- 3) On 15/04/ 2024, the company paid the dividends for partners with a check.

Nomenclature:

101 exploitation fund/ 101 capital / 108 exploiter/ 1061 legal reserves/110 retained earnings (profit)/119 retained earnings (loss)/ 120 result-profit/ 129 result-loss/21311 industrial buildings/ 2154 industrial equipment/ 2182 transport equipment/30 goods / 31 raw material/ 326 consumable packaging/ 351 semi-final products/ 355 final products/380 purchases of goods/ 381 purchases of Raw materials/ 382 purchases of other supplies/ 401 stock &service supplier / 403 supplier: notes payable/ 404 fixed assets supplier/ 411 customer/ 413customer: notes receivable/4456 VAT on purchases/4457 VAT on sales/456 partners, operations related to capital/ 457 partners, dividends to pay/ 512 bank/ 600 consumed goods/ 601consumed raw materials/ 602consumedother supplies/ 607Non-storable purchases/ 615 maintenance expenses/ 631 employee wages /666 exchange loss/ 700 sales of goods/ 701 sales of final products/ 724products` stock changes/ 766 exchange profit

| | | |
|---|--|---|
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|---|--|---|

Exercise 1: (15 pts)

On 25/01/2024, "Nafaa" Company was established with a capital of AD 15,000,000. The nature and contribution of each partner were as follows:

| Partner | Nature of Contribution | Value of Contribution (AD) |
|----------------|-----------------------------------|----------------------------|
| First Partner | Industrial Buildings | 6,000,000 |
| | Industrial Equipment | 3,000,000 |
| Second Partner | Rights from "Shams Eddine" Client | 2,000,000 |
| | Money | 4,000,000 |

On 25/02/2024, all the partners paid their contributions, and the monetary ones were put into the company's bank account.

During the period 2024, the company has done the following operations:

- Purchasing a van from a Chinese supplier for \$30,000. (1\$ = AD 140)
- Sending a purchase order for raw materials, accompanied by a cheque as an advance of AD 15,000.
- The first partner has paid the company's electricity and gas invoice, amounting to AD 10,000, utilising his personal money.
- Purchasing Raw materials :

| | |
|--------------------------------|------------------|
| Raw materials (600kg × 150AD) | 90,000 AD |
| +VAT (19%) | 17,100 AD |
| -Advance | 15,000AD |
| Amount paid with cheque | 92,100 AD |

- Producing 200U of final products, requiring for each: 1kg of raw material withdrawn from the store, 200AD employee wages paid with cheque. All the products are put in the store.
- The second partner put its outstanding receivables from "Shams Eddine" (حقوقه المستلمة من عند الزبون شمس الدين) into the company's bank account.
- Selling final products for "Nadji" with commercial bill:

| | |
|------------------------------|------------------|
| Final products (75U × 500AD) | 37,500 AD |
| +VAT (19%) | 7,125 AD |
| Due amount | 44,625 AD |

- Paying the Chinese supplier with a cheque. (1\$ = AD 130)
- Customer Nadji has returned 50U of final products (opr 7).

Required:

- Record the operations in the company's journal according to the perpetual inventory method.

| | | |
|---|--|---|
| FIRST YEAR- BASIC EDUCATION 2024/2025 | MODUL: FINANCIAL ACCOUNTING 1, RESIT-EXAM Time: 1h30mn | FACULTY OF ECONOMICS, COMMERCE & MANAGEMENT SCIENCES, Setif 1 |
|---|--|---|

- Assuming the 2024 result was a profit of 100,000AD, and the general assembly held on 10/05/2025 decided to: set legal reserves ?????, distribute 40,000AD as dividends, and for the rest, no decision has been taken yet.
- On 30/06/2025, paying the dividends with cheque, record the necessary entries in 2025.

Exercise 2: (5 pts)

On 01/01/ 2024, Mr. "Mohamed" started his commercial activity with the following assets:

- Commercial Buildings AD 125,000/ Transport Equipment AD 75,000/ goods AD 60,000 / Bank AD 140,000.

During the period, Mohamed conducted the following operations:

- Putting AD 75,000 from his own money in the cash fund.
- Paying the following expenses by cheque: Electricity and gas bill for the shop AD 12,500/ Electricity and gas bill for his home AD 7,500.
- Purchasing a computer for his home for AD 40,000 on credit.
- Paying for the computer (Opr 3) from the shop's cash.

Required:

- Record the operations in the journal using the perpetual inventory method.
- Record the appropriate journal entries on 31/12/ 2024.

Accounts List

| | | |
|--------------------------------|---|----------------------------------|
| 101 exploitation fund/ Capital | 381 purchases of Raw materials | 457 partners, dividends to pay |
| 108 exploiter | 401 stock & service supplier | 512 bank/53 cash fund |
| 1061 legal reserves | 403 supplier: notes payable | 600 goods sold |
| 1068 ordinary reserves | 4091 supplier: advance paid | 601 raw materials consumed |
| 110 retained earnings | 4096 deposit paid | 607 non-stored purchases |
| 120 result (profit) | 411 customer | 631 employee wages |
| 129 result (loss) | 413 customer: notes receivable | 666 exchange rate loss |
| 211 lands | 4196 customer, deposit received | 668 cash discount given |
| 21311 industrial buildings | 4456 VAT on purchases | 700 sales of goods |
| 21315 commercial building | 4457 VAT on sales | 701 sales of final products |
| 2154 industrial equipment | 455 partners, current account | 702 sales of semi-final products |
| 2182 transport equipment | 456 partners, operations related to capital | 724 changes in products stock |
| 2183 office equipment | | 766 exchange rate profit |
| 30 goods / 31 raw material | | 768 cash discount received |
| 351 semi-final products | | |
| 355 final products | | |

| | | |
|--------------------------------------|--|---|
| FIRST YEAR COMMUN TRUNK 2024/2025 | MODUL: FINANCIAL ACCOUNTING 1, Normal Session. Time :1h30mn | FACULTY OF ECONOMICS, COMMERCE AND MANAGEMENT SCIENCES, Setif 1 |
|--------------------------------------|--|---|

Q1: what does the “independence of accounting periods” principle mean? Give an example. (1pts)

Q2: in accounting, where do we use the Acc 108? (1pts)

Exercise 1: (5 pts)

On 12/02/2023, trader ALI established his commercial business with a capital of 3,000,000 AD by allocating lands 700,000 AD, buildings 600,000 AD, transport equipment 900,000 AD, and goods 300,000 AD. The rest of the money was put in the bank.

During this period, the company has done the following operations:

1. Paying his father's treatment expenses 500,000AD with a check;
2. Putting 800,000AD in the bank, from his own money;
3. Paying his OMRA *عمرة* expenses 700,000A D from his own money;
4. Purchasing cleaning materials (storable) 12,000AD with a check.

Required:

- 1) Record all the operations in the company journal according to the Periodic Inventory Method.
- 2) Assuming the result of 2023 was a profit of 30,000AD, record the necessary entries.

Exercise 2: (13 pts)

On 21/4/2023, Mr. Rida and Mr. Hani agreed to establish “El-Atlas *الأطلس*” company, with a capital of 4,000,000AD (4000 shares × 1000 AD). The contributions are:

| partner | Contribution nature | Contribution value |
|---------|--------------------------------|--------------------|
| Rida | administrative building | 1,100,000 |
| | Industrial equipment | 900,000 |
| Hani | lands | 700,000 |
| | Raw materials (4000Kg × 300AD) | 1200,000 |
| | money | 100,000 |

On 15/04/ 2023, the partners paid the contributions, and the money was put in the bank.

During the period 2023, the company has done the following operations:

| | | |
|--------------------------------------|--|---|
| FIRST YEAR COMMUN TRUNK 2024/2025 | MODUL: FINANCIAL ACCOUNTING 1, Normal Session. Time :1h30mn | FACULTY OF ECONOMICS, COMMERCE AND MANAGEMENT SCIENCES, Setif 1 |
|--------------------------------------|--|---|

- 1) Purchasing on credit, a van from Europe by 20,000 € (1€=150AD).
- 2) Purchasing with a commercial paper:

| | |
|---|--------------------|
| Good (4000kg × 200AD)..... | 800,000 |
| Consumable packaging (2000U × 100AD)..... | 200,000 |
| VAT 19%..... | + 190,000 |
| | 1,190,000AD |
- 3) Producing 500U of final products, each unit required: 100AD employee wages paid with check and 1Kg raw material. All the final products have been put in the store.
- 4) Receiving the electricity invoice of 300,000AD.
- 5) Purchasing with a commercial paper:

| | |
|--------------|------------------|
| Machine..... | 100,000 |
| VAT19%..... | + 19,000 |
| | 119,000AD |
- 6) Paying the electricity invoice (Opr 4) with a check.
- 7) Paying with a check to the van of operation 1 (1€=170AD).
- 8) Selling with a commercial paper for customer Ibrahim:

| | |
|------------------------------------|------------------|
| Goods (500U× 300AD) | 150,000 |
| final products (200U× 700AD) | 140,000 |
| VAT19%..... | + 55,100 |
| | 345,100AD |

Required:

- 1) Record the operations in the company journal according to the perpetual inventory method.
- 2) Assuming the result of 2023 was a profit of 400,000AD. On 01/04/2024, the general assembly for partners decided to set up: legal reserves???? (calculate them), ordinary reserves 15,000AD, distributing 200,000AD as dividends. Record the necessary entries.
- 3) On 15/04/ 2024, the company paid the dividends for partners with a check.

Nomenclature:

101 exploitation fund/ 101 capital/ 108 exploiter/ 1061 legal reserves/1068 ordinary reserves/110 retained earnings (profit)/119 retained earnings (loss)/ 120 result-profit/ 129 result-loss/211 lands/21315 administrative &commercial buildings/ 2154 industrial equipment/ 2182 transport equipment/30 goods / 31 raw material/ 326 consumable packaging/ 351 semi-final products/ 355 final products/380 purchases of goods/ 381 purchases of Raw materials/ 382 purchases of other supplies/ 401 stock &service supplier / 403 supplier: notes payable/ 404 fixed assets supplier/405fixed assets supplier-note payable/ 411 customer/ 413customer: notes receivable/4456 VAT on purchases/4457 VAT on sales/456 partners, operations related to capital/ 457 partners, dividends to pay/ 512 bank/ 600 consumed goods/ 601consumed raw materials/ 602consumedother supplies/ 607Non-storable purchases/ 615 maintenance expenses/ 631 employee wages /666 exchange loss/ 700 sales of goods/ 701 sales of final products/ 724products' stock changes/ 766 exchange profit

Accounting Terms

مصطلحات محاسبية

| Term in English | المصطلح بالعربية |
|---|---|
| Account | الحساب |
| Accounting | المحاسبة |
| Accounting Hypotheses | الفرضيات المحاسبية |
| Accounting Principles | المبادئ المحاسبية |
| Accounting Record | التسجيل المحاسبي |
| Accounting Unit | الوحدة المحاسبية |
| Accounts Nomenclature | مدونة الحسابات |
| Accual Basis | أساس الاستحقاق |
| Advances | التسييلات |
| Assets | الأصول |
| Balance Sheet | الميزانية أو قائمة المركز المالي الصافي |
| Balancing | التوازن |
| Balancing | ترصيد (الحسابات) |
| Bookkeeping | مسك الحسابات |
| Capital | رأس المال |
| Cash Discount | التخفيض المالي |
| Cash Flow Statement | قائمة التدفقات النقدية |
| Closing Balance | الرصيد النهائي |
| Closing Balance Sheet | الميزانية الختامية |
| Collective Company | شركة جماعية |
| Commercial Paper | الأوراق التجارية |
| Comparability | القابلية للمقارنة |
| Comprehensibility | القابلية للفهم |
| Conservatism Principle | مبدأ الحيطة والحذر أو مبدأ التحفظ |
| Consistency Principle | مبدأ الثبات |
| Credit | دائن |
| Credit Note | فاتورة التخفيض |
| Current Assets | الأصول المتداولة |
| Current Liabilities/ Short-Term Liabilities | الخصوم المتداولة/ الخصوم قصيرة الأجل |
| Customers | الزبائن |
| Debit | مدين |
| Deposit | أمانة (على الأغلفة) |
| Dividends | توزيعات الأرباح |
| Double Entry | القيد المزدوج |
| Economic Flow | التدفق الاقتصادي |
| Entering To The Warehouse Or Store | إدخال إلى المخزن |

| | |
|--|--|
| Exchange Rate | سعر الصرف |
| Exploitations Funds | أموال الاستغلال |
| Exploiter | حساب المستغل |
| Fair Image | الصورة الصادقة |
| Financial Accounting | المحاسبة المالية |
| Financial Accounting System | النظام المحاسبي المالي |
| Financial Statements | القوائم المالية |
| Financial Statements Users | مستخدمو القوائم المالية |
| Fixed Assets | الأصول الثابتة |
| Fixed Assets' Suppliers | موردو الأصول الثابتة |
| Foreign Currencies | العملات الأجنبية |
| Going Concern | الاستمرارية |
| Historical Cost | التكلفة التاريخية |
| Income Statement | جدول حسابات النتائج أو قائمة الدخل |
| Independence Of Financial Periods | استقلالية الدورات |
| Individual Company | شركة فردية |
| In-Kind Contributions | مساهمات عينية |
| Intangibility Of The Opening Balance Sheet | مبدأ عدم المساس بالميزانية الافتتاحية |
| International Accounting Standards IAS | المعايير الدولية للمحاسبة |
| International Financial Reporting Standards IFRS | المعايير الدولية للتقرير المالي |
| Inventories & Services Suppliers | موردو المخزونات والخدمات |
| Inventories / Stocks | المخزونات |
| Journal | اليومية |
| Ledger Book | دفتر الأستاذ |
| Liabilities | الخصوم |
| Loss | الخسارة |
| Materiality | الأهمية النسبية |
| Monetary Contributions | مساهمات نقدية |
| Monitary Unit | وحدة النقد |
| Net Financial Position | المركز المالي الصافي |
| Non Compansation | عدم المقاصة |
| Non-Current Liabilities/ Long-Term Liabilities | الخصوم غير الجارية/ الخصوم طويلة الأجل |
| Notes To Financial Statements | الملاحق |
| Opening Balance Sheet | الميزانية الافتتاحية |
| Owners' Equity | الأموال الخاصة/ حقوق الملاك |
| Partners' Contributions | مساهمات الشركاء |
| Period Result | نتيجة الدورة |
| Periodic Inventory Method | أسلوب الجرد النهائي أو الدوري |

| | |
|--|--|
| Periodicity | الدورية |
| Perpetual Inventory Method | أسلوب الجرد الدائم أو المستمر |
| Posting | الترحيل إلى دفتر الأستاذ |
| Pre-Eminence Of Economic Reality Over Legal Appearance | تغليب الواقع الاقتصادي على الظاهر القانوني |
| Profit | الربح |
| Purchasing | شراء |
| Qualitative Characteristics Of Financial Information | الخصائص النوعية للمعلومة المالية |
| Recovering The Returnable Packaging | استرجاع الأغلفة |
| Refunding The Deposit | إرجاع الأمانة |
| Relevance | الملاءمة |
| Reliability | الموثوقية |
| Reserves | الاحتياطات |
| Result Allocating | تخصيص النتيجة |
| Retained Earnings | حساب الترحيل من جديد |
| Returnable Packaging | أغلفة قابلة للاسترجاع |
| Returs | المردودات |
| Reverse Entry Method | طريقة عكس القيد |
| Selling | بيع |
| Statement Of Changing In Equity | قائمة التغيرات في حقوق المساهمين أو قائمة التغيرات في الأموال الخاصة |
| Taking Out Of The Warehouse/Store | إخراج من المخزن |
| Trade Discount | التخفيض التجاري |
| Trial Balance | ميزان المراجعة |
| Value Added Tax | الرسم على القيمة المضافة |

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Nomenclature of Accounts مدونة الحسابات

Note: the translation to English is the researcher's own effort, because the official versions of nomenclature are in Arabic and French only.

المجموعة الأولى: رؤوس الأموال

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- فارق التقييم 104 Valuation gap
- فارق إعادة التقييم 105 Revaluation gap
- الاحتياطيات 106 Reserves
- الاحتياطيات القانونية 1061 Legal Reserves
- الاحتياطيات النظامية أو التعاقدية 1063 Statutory or Contractual Reserves
- الاحتياطيات المنظمة 1064 Regulated Reserves
- الاحتياطيات الأخرى (الاختيارية) 1068 Other Reserves (Optional/Discretionary)
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- 269 عمليات الدفع المستحقة عن سندات المساهمة Outstanding Payments on Investment Securities - غير المسددة
- 27 -التثبيطات المالية الأخرى Other Financial Assets
- 271 السندات المثبتة الأخرى غير السندات المثبتة Other Fixed Securities Excluding Portfolio Securities
- 273 -السندات المثبتة التابعة لنشاط المحفظة Portfolio Securities
- 274 القروض والحقوق المترتبة على عقد الإيجار - التمويل Loans and Rights under Finance Leases
- 275 -الودائع والكفالات المدفوعة Deposits and Guarantees Paid
- 276 -الحقوق الأخرى المثبتة Other Fixed Rights/Assets
- 279 عمليات الدفع المستحقة عن السندات المثبتة غير المسددة Outstanding Payments on Fixed Securities
- 28 -إهلاك التثبيطات Depreciation of Fixed Assets
- 29 -خسائر القيمة عن التثبيطات Impairment Losses on Fixed Assets

المجموعة الثالثة: المخزونات

Class 3: Inventories

- 30 -المخزونات من البضائع goods Inventory
- 31 -المواد الأولية واللوازم Raw Materials and Supplies
- 32 -التموينات الأخرى Other Supplies
- 321 -المواد القابلة للاستهلاك Consumable Materials
- 322 -اللوازم القابلة للاستهلاك Consumable Supplies

- 326 -الأغلفة المستهلكة Consumable Packaging
- 33 -السلع قيد الإنجاز Goods in Progress
- 331 -المنتجات قيد الإنجاز Products in Progress
- 335 -الأشغال قيد الإنجاز Work in Progress (Services/Projects)
- 34 -الخدمات قيد الإنجاز Services in Progress
- 341 -الدراسات قيد الإنجاز Studies in Progress
- 345 -الخدمات قيد الإنجاز (قيد التقديم) Services in Progress
- 35 -المخزونات من المنتجات Products Inventory
- 351 -المنتجات الوسيطة Intermediate Products
- 355 -المنتجات المصنعة Manufactured Products (Final products)
- 358 -بقايا المنتجات والمواد المسترجعة Residual Products and Recovered Materials
- 36 -المخزونات المتأتية من التثبيتات Inventories from Fixed Assets (e.g., spare parts)
- 37 -المخزونات لدى الغير (قيد الاستلام) Inventories Held by Third Parties (Goods in Transit)
- 38 -المشتريات المخزنة Stored Purchases
- 380 -مشتريات البضاعة المخزنة Stored goods Purchases
- 381 -مشتريات المواد الأولية المخزنة Stored Raw Material Purchases
- 382 -مشتريات التموينات الأخرى المخزنة Stored Other Supplies Purchases
- 39 -خسائر القيمة عن المخزونات وقيد التنفيذ Impairment Losses on Inventories and Work in Progress

المجموعة الرابعة: حسابات الغير

Class 4: Third-Party Accounts

- 40 -الموردون والحسابات المرتبطة بهم Suppliers and Related Accounts
- 401 -موردو المخزونات والخدمات Inventories and Services Suppliers

- 403 Suppliers - Notes Payable -موردون-أوراق الدفع
- 404 Fixed Assets Suppliers -موردو التثبيتات
- 405 Fixed Assets Suppliers - Notes Payable -موردو التثبيتات-أوراق الدفع
- 408 Suppliers - Invoices to be Received -موردون-فواتير قيد الاستلام
- 409 Debit Suppliers (Suppliers with Credit Balances) -الموردون المدينون
- 4091 Debit Suppliers - Advances and Payments on Orders -الموردون المدينون-التسبيقات والمدفوعات -على الطلبات
- 4096 Debit Suppliers - Deposits on Returnable Packaging -الموردون المدينون-حقوق على الأغلفة (أمانة -مدفوعة)
- 4097 Debit Suppliers - Other Credits -الموردون المدينون-حقوق أخرى
- 4098 Debit Suppliers - Discounts, Rebates, and Allowances Receivable -الموردون المدينون- تخفيضات، حسومات، وتتنزيلات واجب الحصول عليها
- 41 Customers and Related Accounts -الزبائن والحسابات المرتبطة بهم
- 411 Customers -الزبائن
- 413 Customers - Notes Receivable -الزبائن-أوراق القبض
- 416 Doubtful Customers (Allowance for Bad Debts) -الزبائن المشكوك فيهم
- 417 Receivables for Work or Services in Progress -حقوق عن أشغال أو خدمات قيد الإنجاز
- 418 Customers - Invoices to be Issued -الزبائن -فواتير قيد التحرير
- 419 Credit Customers (Customers with Credit Balances) -الزبائن الدائنون
- 4191 Credit Customers - Advances and Installments Received on Orders -الزبائن الدائنون-تسبيقات وأقساط مستلمة على الطلبات
- 4196 Credit Customers - Deposits on Returnable Packaging -الزبائن الدائنون-ديون على الأغلفة (أمانة -محصلة)

- 4197 Credit - الزبائن الدائنون-ديون أخرى Customers - Other Credits
- 4198 Credit Customers - الزبائن الدائنون - تخفيضات، حسومات و-تتزيلات الواجب منحها Discounts, Rebates, and Allowances to be Granted
- 42 -العاملون والحسابات المرتبطة بهم Employees and Related Accounts
- 421 -العاملون - الأجور المستحقة الدفع Employees - Salaries Payable
- 422 Social Service - أموال الخدمات الاجتماعية Funds
- 423 Employee - مشاركة الأجراء في النتيجة Participation in Profits
- 425 -العاملون - تسبيقات ومدفوعات ممنوحة Employees - Advances and Payments Granted
- 426 Employees - العاملون - الودائع المستلمة Deposits Received
- 427 -العاملون - الإعتراضات على الأجور Employees - Salary Garnishments
- 428 -العاملون - الأعباء الواجب دفعها والنواتج Employees - Expenses Payable and Revenues Receivable
- 43 -الهيئات الاجتماعية والحسابات المرتبطة بها Social Security Organizations and Related Accounts
- 431 Social Security - الضمان الاجتماعي
- 432 Other Social Security Organizations - الهيئات الاجتماعية الأخرى
- 438 -الهيئات الاجتماعية - الأعباء الواجب دفعها Social Security Organizations - Expenses Payable and Revenues Receivable
- 44 -الدولة، والجماعات العمومية، والهيئات الدولية The State, Public Authorities, International Organizations, and Related Accounts
- 441 -الدولة والجماعات العمومية الأخرى، الإعانات The State and Other Public Authorities, Subsidies Receivable
- 442 -الدولة، الضرائب والرسوم القابلة للتحويل من The State, Taxes and Fees Collectible from Third Parties
- 443 -العمليات الخاصة مع الدولة والجماعات Specific Transactions with the State and Public Authorities
- 444 The State - الدولة - الضرائب على النتائج Taxes on results
- 445 The State - الدولة - الرسوم على رقم الأعمال Taxes on Turnover
- 4455 The State - الدولة- رسوم على ر.أ للدفع Turnover Taxes Payable
- 4456 -الدولة- رسوم على ر.أ قابلة للاسترجاع The State - Turnover Taxes Recoverable
- 4457 The State - الدولة- رسوم على ر.أ محصلة - Turnover Taxes Collected
- 4458 The State - الدولة- رسوم على ر.أ للتسوية - Turnover Taxes for Settlement
- 446 International - الهيئات الدولية Organizations
- 447 الضرائب الأخرى والرسوم والتسديدات Other Taxes, Fees, and Similar Payments
- 448 -الدولة- الأعباء الواجب دفعها والنواتج المطلوب The State - Expenses Payable and Revenues Receivable
- 45 -المجمع والشركاء Group and Partners
- 451 Group Transactions - عمليات المجمع
- 455 Partners - الشركاء - الحسابات الجارية Current Accounts
- 456 Partners - الشركاء- العمليات عن رأس المال Transactions related to Capital
- 457 -الشركاء - أرباح (قسائم) مستحقة الدفع Partners - Dividends (Coupons) Payable
- 458 -الشركاء- العمليات التي تمت بالاشتراك معا أو Partners - Joint Venture or Consortium Transactions
- 46 -المدينون المختلفون والدائنون المختلفون Sundry Debtors and Sundry Creditors
- 462 -الحقوق/المدينون عن عمليات بيع تشبيطات Receivables/Debtors from the Sale of Fixed Assets
- 464 -الديون عن عمليات شراء قيم منقولة للتوظيف ، Debts from the Purchase of Marketable Securities and Derivative Financial Instruments
- 465 -حقوق/مدينون عن عمليات بيع قيم منقولة للتوظيف ، و أدوات مالية مشتقة Receivables/Debtors from the Sale of

Marketable Securities and Derivative Financial Instruments

- 467 Other - الحسابات الأخرى الدائنة أو المدينة Credit or Debit Accounts
- 468 الأعباء الأخرى الواجب دفعها والنواتج المطلوب - استلامها Other Expenses Payable and Revenues Receivable
- 47 Transit or - الحسابات الانتقالية أو الانتظرية Suspense Accounts
- 471 Escrow - مصاريف رهن التخصيص Expenses
- 472 Escrow Income - نواتج رهن التخصيص
- 48 - الأعباء و النواتج المقيدة سلفا والمؤونات Prepaid Expenses and Accrued Revenues, and Provisions
- 481 Provisions - - المؤونات- الخصوم الجارية Current Liabilities
- 486 Prepaid Expenses - الأعباء المقيدة سلفا
- 487 Accrued Revenues - النواتج المقيدة سلفا
- 49 Impairment - خسائر القيمة عن حسابات الغير Losses on Third-Party Accounts
- 491 Impairment Losses on Customer Accounts - خسائر القيمة عن حسابات الزبائن
- 495 Impairment Losses on Group and Partner Accounts - خسائر القيمة عن حسابات المجمع و الشركاء
- 496 Impairment Losses on Sundry Debtor Accounts - خسائر القيمة عن حسابات المدينين المختلفين
- 498 Impairment Losses on Other Third-Party Accounts - خسائر القيمة عن حسابات الغير الأخرى

المجموعة الخامسة: الحسابات المالية

Class 5: Financial Accounts

- 50 Marketable Securities - قيم التوظيف المنقولة Securities
- 501 Shares in Related Entities - الحصص في المؤسسات المرتبطة
- 502 Treasury Stock - الأسهم الخاصة

- 503 الأسهم أو السندات الأخرى المخولة حقاً في الملكية - Other Equity Securities
- 506 السندات، قسائم الخزينة و قسائم الصندوق قصيرة - Short-Term Bonds, Treasury Bills, and Cash Coupons
- 508 - قيم التوظيف المنقولة الأخرى والحقوق المماثلة Other Marketable Securities and Similar Rights
- 509 التسديدات مستحقة الدفع عن قيم التوظيف - Outstanding Payments on Marketable Securities - المنقولة غير المسددة
- 51 - البنوك والمؤسسات المالية، وما شابهها Banks and Financial Institutions, and Similar
- 511 Items for Collection - قيم للتحصيل
- 512 Banks and - البنوك والحسابات الجارية Current Accounts
- 515 - الخزينة العمومية والمؤسسات العمومية Public Treasury and Public Institutions
- 517 Other Financial Institutions - الهيئات المالية الأخرى
- 518 Interest Receivable - الفوائد المنتظرة
- 519 Current Bank Contributions - المساهمات المصرفية الجارية
- 52 Derivative Financial Instruments - الأدوات المالية المشتقة
- 53 Cash on Hand - الصندوق
- 54 Cash Advances and Credit Facilities - وكالات التسبيقات والاعتمادات المالية
- 541 Cash Advance Facilities - وكالات التسبيقات المالية
- 542 Credit Facilities - الاعتمادات
- 58 Internal Transfers - التحويلات الداخلية
- 581 Fund Transfers - تحويلات الأموال
- 588 Other Internal Transfers - التحويلات الأخرى الداخلية
- 59 - خسائر القيمة عن الأصول المالية الجارية Impairment Losses on Current Financial Assets

- خسائر القيمة عن القيم المودعة في البنوك 591
Impairment Losses on Amounts Deposited in Banks
- خسائر القيمة عن وكالات التسبيقات 594
Impairment Losses on Cash Advances and Credit Facilities

المجموعة السادسة: المصاريف

Class 6: Expenses

- 60 - المشتريات المستهلكة - Consumed Purchases
- 600 - مشتريات البضاعة المباعة (المستهلكة) - Purchases of Goods Sold (Consumed)
- 601 - المواد الأولية المستهلكة - Raw Materials Consumed
- 602 - التموينات الأخرى المستهلكة - Other Supplies Consumed
- 603 - تغيرات المخزونات - Inventory Changes
- 604 - مشتريات الدراسات والخدمات - Purchases of Studies and Services
- 605 - مشتريات المعدات والتجهيزات والأشغال - Purchases of Equipment, Fixtures, and Works
- 607 - المشتريات غير المخزنة من المواد والتوريدات - Non-Stocked Purchases of Materials and Supplies
- 608 - مصاريف الشراء التابعة - Related Purchase Expenses
- 609 - التخفيضات، والتتزيلات، والحسومات - Discounts, Rebates, and Allowances Received on Purchases
- 61 - الخدمات الخارجية - External Services
- 610 - الخدمات الخارجية - External Services
- 611 - التعاقد العام - General Contracting
- 613 - الإيجارات - Rents
- 614 - الأعباء الإيجارية وأعباء الملكية المشتركة - Rental Expenses and Co-ownership Expenses
- 615 - الصيانة والتصليلات، والرعاية - Maintenance, Repairs, and Care

- 616 - أقساط التأمينات - Insurance Premiums
- 617 - الدراسات والأبحاث - Studies and Research
- 618 - التوثيق ومصاريف عامة - Documentation and General Expenses
- 619 - التخفيضات والتتزيلات والحسومات المتحصل - Discounts, Rebates, and Allowances Received on External Services
- 62 - الخدمات الخارجية الأخرى - Other External Services
- 621 - العاملون الخارجيون عن المؤسسة - External Personnel
- 622 - أجور الوسطاء والأتعاب - Brokers' Fees and Commissions
- 6221 - عمولات وسمسرة على المشتريات - Commissions and Brokerage on Purchases
- 6222 - عمولات وسمسرة على المبيعات - Commissions and Brokerage on Sales
- 6224 - أجور القائم بالعبور - Transit Agent Fees
- 6226 - الأتعاب - Fees
- 6227 - مصاريف العقود والمنازعات - Contract and Litigation Expenses
- 6228 - مصاريف أخرى - Other Expenses
- 623 - الإشهار والنشر والعلاقات العامة - Advertising, Publications, and Public Relations
- 624 - نقل السلع والنقل الجماعي للعاملين - Transportation of Goods and Employee Transportation
- 625 - التنقلات والمهمات والاستقبالات - Travel, Missions, and Receptions
- 626 - مصاريف البريد والاتصالات - Postage and Telecommunications Expenses
- 627 - الخدمات المصرفية وما شابهها - Banking and Similar Services
- 628 - الاشتراكات والمصاريف المتنوعة - Subscriptions and Miscellaneous Expenses

- 629 التخفيضات والتزييلات والحسومات المتحصل عليها عن الخدمات الخارجية الأخرى - Discounts, Rebates, and Allowances Received on Other External Services
- 63 أعباء العاملين - Employee Expenses
- 631 أجور العاملين - Employee Salaries
- 634 - أجور المستغل الفردي - Exploiter's Salary
- 635 الاشتراكات المدفوعة للهيئات الاجتماعية - Contributions Paid to Social Security Organizations
- 637 - الأعباء الاجتماعية الأخرى - Other Social Expenses
- 638 - أعباء العاملين الأخرى - Other Employee Expenses
- 64 - الضرائب والرسوم والمدفوعات المماثلة - Taxes, Fees, and Similar Payments
- 641 - الضرائب والرسوم والتسديدات المماثلة عن الأجور - Taxes, Fees, and Similar Payments on Salaries
- 642 - الضرائب والرسوم غير المسترجعة عن رقم الأعمال - Non-Recoverable Taxes and Fees on Turnover
- 645 - الضرائب والرسوم الأخرى (خارج الضرائب - عن النتائج) - Other Taxes and Fees (Excluding Results Taxes)
- 65 - الأعباء التشغيلية الأخرى - Other Operating Expenses
- 651 الأتاوى المترتبة على الامتيازات والبراءات والرخص والبرمجيات والحقوق والقيم المماثلة - Royalties on Concessions, Patents, Licenses, Software, Rights, and Similar Assets
- 652 نقص في القيمة عن خروج أصول مثبنة غير مالية - Loss on Disposal of Non-Financial Fixed Assets
- 653 - أتعاب حضور - Attendance Fees
- 654 - خسائر على ديون معدومة - Losses on Bad Debts
- 655 حصة من النتائج عن العمليات المنجزة بصورة مشتركة - Share of Results from Joint Operations
- 656 الغرامات والعقوبات والإعانات الممنوحة، - Fines, Penalties, Subsidies Granted, and Gifts and Donations
- 657 - أعباء التسيير الجاري الاستثنائية - Exceptional Current Operating Expenses
- 658 - أعباء التسيير الجاري الأخرى - Other Current Operating Expenses
- 66 - الأعباء المالية - Financial Expenses
- 661 - أعباء الفوائد - Interest Expenses
- 664 - الخسائر عن الحقوق المرتبطة بمساهمات - Losses on Rights Related to participations
- 665 - فارق التقييم عن أصول مالية - نواقص القيمة - Impairment Losses
- 666 - خسائر الصرف - Exchange Losses
- 667 - الخسائر الصافية عن بيع أصول مالية - Net Losses on the Sale of Financial Assets
- 668 - الأعباء المالية الأخرى - Other Financial Expenses
- 6680 - تخفيضات مالية ممنوحة - Financial Discounts Granted
- 67 - العناصر غير العادية - الأعباء - Extraordinary Items - Expenses
- 68 - مخصصات الإهلاكات، والمؤونات وخسائر القيمة - Allocations for Depreciation, Provisions, and Impairment Losses
- 681 - المخصصات للإهلاكات والمؤونات وخسائر القيمة - الأصول غير الجارية - Allocations for Depreciation, Provisions, and Impairment Losses - Non-Current Assets
- 682 - المخصصات للإهلاكات والمؤونات وخسائر القيمة - الممتلكات الموضوعة موضع الامتياز - Allocations for Depreciation, Provisions, and Impairment Losses - Assets under Concession
- 685 - المخصصات للإهلاكات والمؤونات وخسائر القيمة - الأصول الجارية - Allocations for Depreciation, Provisions, and Impairment Losses - Current Assets
- 686 - المخصصات للإهلاكات والمؤونات وخسائر القيمة - العناصر المالية - Allocations for

Depreciation, Provisions, and Impairment Losses - Financial Items

- 69 -الضرائب عن النتائج وما شابهها Results Taxes and Similar
- 692 -فرض الضريبة المؤجلة عن الأصول Deferred Tax Expense on Assets
- 693 -فرض الضريبة المؤجلة عن الخصوم Deferred Tax Expense on Liabilities
- 695 -الضرائب عن الأرباح المبنية على نتائج الأنشطة العادية Taxes on Profits from Ordinary Activities
- 698 -الضرائب الأخرى عن النتائج Other Results Taxes

المجموعة السابعة: النواتج

Class 7: Revenues

- 70 مبيعات البضائع والمنتجات المصنعة ، والمبيعات الملحقة Sales of Goods and Manufactured Products, and Sales of Services and Related Products
- 700 -المبيعات من البضائع Sales of Goods
- 701 -المبيعات من المنتجات المصنعة Sales of Manufactured Products
- 702 -المبيعات من المنتجات الوسيطة Sales of Intermediate Products
- 703 -المبيعات من بقايا المنتجات Residual Products
- 704 -مبيعات الأشغال (Services) Sales of Work (Services)
- 705 -مبيعات الدراسات Sales of Studies
- 706 -الخدمات الأخرى المقدمة Other Services Provided
- 708 -نواتج الأنشطة الملحقة Revenues from Ancillary Activities
- 709 -التخفيضات والتنازلات والحسومات الممنوحة Discounts, Rebates, and Allowances Granted
- 72 -الإنتاج المخزن أو المسحوب من المخزن Production Stored or Withdrawn from Inventory
- 723 -تغير المخزونات الجارية Change in Current Inventories

- 724 -تغير المخزونات من المنتجات Change in Inventories of Products
- 73 -الإنتاج المثبت Capitalized Production
- 731 -الإنتاج المثبت للأصول المعنوية Capitalized Production of Intangible Assets
- 732 -الإنتاج المثبت للأصول العينية Capitalized Production of Tangible Assets
- 74 -إعانات الاستغلال Exploitation Subsidies
- 741 -إعانة التوازن Balancing Subsidy
- 748 -إعانات الاستغلال الأخرى Other Exploitation Subsidies
- 75 -المنتجات التشغيلية الأخرى Other Operating Income
- 751 -الأتاوى عن الامتيازات والبراءات والتراخيص Royalties on Concessions, Patents, Licenses, Software, and Similar Assets
- 752 -فائض في القيمة عن خروج أصول مثبته غير مالية Gain on Disposal of Non-Financial Fixed Assets
- 753 -أتعاب الحضور وأجور المديرين أو المسيرين Attendance Fees and Salaries of Directors or Managers
- 754 -أقساط إعانات الاستثمار المحولة لنتيجة الدورة Installments of Investment Grants Transferred to the period Result
- 755 -قسط النتيجة عن العمليات التي تمت بصورة مشتركة Share of Results from Jointly Conducted Operations
- 756 -المدخولات عن الديون المهلكة (استرجاع ديون معدومة) Income from Written-Off Debts (Recovery of Bad Debts)
- 757 -نواتج استثنائية عن عمليات التسيير Exceptional Revenues from Operating Activities
- 758 -نواتج التسيير الجاري الأخرى Other Current Operating Income
- 76 -المنتجات المالية Financial Income
- 761 -نواتج المساهمات Revenues from Investments
- 762 -عائدات الأصول المالية Income from Financial Assets

- 763 عائدات الحقوق/المدينون - Revenues from Receivables
- 765 فارق التقييم عن الأصول المالية - فوائض القيمة - Valuation Difference on Financial Assets - Gains
- 766 أرباح الصرف - Exchange Gains
- 767 الأرباح الصافية عن عمليات بيع أصول مالية (قيم منقولة للتوظيف) - Net Gains on the Sale of Financial Assets (Marketable Securities)
- 768 النواتج المالية الأخرى - Other Financial Income
- 7680 تخفيضات مالية مستلمة - Financial Discounts Received

- 77 -العناصر غير العادية – النواتج Extraordinary Items - Revenues
- 78 -الإسترجاعات عن خسائر القيمة والمؤونات Reversals of Impairment Losses and Provisions
- 781 إسترجاعات الاستغلال عن خسائر القيمة -والمؤونات -الأصول غير الجارية Operating Reversals of Impairment Losses and Provisions - Non-Current Assets
- 785 إسترجاعات الاستغلال عن خسائر القيمة -والمؤونات- الأصول الجارية Operating Reversals of Impairment Losses and Provisions - Current Assets
- 786 الإسترجاعات المالية عن خسائر القيمة -والمؤونات Financial Reversals of Impairment Losses and Provisions