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ГОСУДАРСТВЕННЫЙ
НАЦИОНАЛЬНЫЙ
ИССЛЕДОВАТЕЛЬСКИЙ
УНИВЕРСИТЕТ

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ACCOUNTANCY

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БУХГАЛТЕРСКИЙ УЧЕТ



MINISTRY OF SCIENCE AND HIGHER EDUCATION
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ACCOUNTANCY

*Approved by the Methodological Board
of Perm State University as a textbook
for undergraduate students of Economics,
program «International Business»*



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МИНИСТЕРСТВО НАУКИ И ВЫСШЕГО ОБРАЗОВАНИЯ
РОССИЙСКОЙ ФЕДЕРАЦИИ

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НАЦИОНАЛЬНЫЙ ИССЛЕДОВАТЕЛЬСКИЙ УНИВЕРСИТЕТ»

Т. В. Пашенко

БУХГАЛТЕРСКИЙ УЧЕТ

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The textbook is intended for full-time and distant Bachelor's degree students of the of Economic Faculty, program "International Business" (teaching the program in English). In accordance with the thematic plan of the discipline, it contains a summary of the main provisions of the course on organizational issues of accounting production, a list of basic literature, as well as control questions for independent decision.

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INTRODUCTION

The course outlines the main issues of the theory and technique of accounting in business entities in all forms of ownership, namely the basic rules and principles of reflecting individual business transactions in various accounting models. The issues of documentation and reflection on the accounts of non-current assets, current assets, liabilities, capital, income and expenses are highlighted. In some subjects paid attention to the issues of taxation. Each models special emphasis is placed on background information specific to the individual models, the whole process of recording transactions in the accounting system within one model, and on the formation of indicators of a specific accounting model (the formation of initial cost of objects of accounting, a cost is produced and released finished products (works, services), the valuation of work in progress, the formation of the actual cost price of sold production (works, services), formation of the financial result for the reporting period).The content of the course reveals the components of not only financial statements, but also other types of reporting (statistical, tax), as well as the timing of its submission to users of information.

Organizational aspects of accounting are highlighted.

The course traces the relationship between the theory of accounting, accounting (financial) accounting and financial reporting, determines the place of accounting in the management system of the organization.

Theoretical and practical issues that are the subject of consideration are presented at the current level, taking into account recent changes in the regulatory framework of accounting in the Russian Federation and international practice.

The course contains a set of materials that allow you to master the competencies of applying the basic principles and standards of accounting, formation of the accounting policy of the organization, as well as the development of appropriate management decisions.

The textbook contains the thematic plan of the course «Accountancy», the content of topics, control questions for preparing for the exam and a list of references.

The content of the discipline is aimed at studying the essence of economic accounting and its component part – accounting, the requirements for the organization of accounting; understanding the

relationship of existing methods of processing economic information, the meaning and place of each of them in the system; getting an idea of the documentary justification of records as the basis for reflecting them in accounting, the need for control by accounting for the legality of operations performed.

The goal of the course is to reveal the essence and significance of accounting as a management function; the tasks of accounting at the present stage; its subject, the methodology to obtain and use key performance indicators to manage and control; a system of methods for the preparation and transformation of economic information, as well as principles and forms of organization. Disclose the relationship of all indicators generated within each accounting model, as well as their relationship with other types of reporting

The objectives of the course are to make students understand:

- the essence of economic accounting, its types and its component part-accounting;

- requirements for the organization of accounting, based on historical traditions and current trends in the development of accounting science;

- understanding the relationship between existing methods of processing economic information, the meaning and place of each of them in the system;

- getting an idea of the documentary justification of the records as the basis for their reflection in the accounting, the need for control by the accounting department over the legality of the operations performed.

- familiarization with the organizational and methodological foundations of accounting in economic entities;

- obtaining knowledge about the main methods and methods of obtaining the necessary information for the preparation of accounting statements for individual business transactions in different accounting models;

- acquisition of practical accounting skills

Requirements for the level of mastering the discipline

According to the results of studying the discipline, the student should know:

- main tasks and principles of accounting;

- accounting objects that arise in each accounting model;

- documentation of accounting procedures;
- accounting accounts and double entry;
- methods of valuation of assets, liabilities, capital, income and expenses;
- models of current accounting of the main economic processes;
- accounting procedures;
- accounting forms;
- fundamentals of accounting reporting.

He is able to use regulatory legal documents in his activities;

- able to find organizational and managerial decisions and is ready to take responsibility for them.

Owns the main methods, methods and means of obtaining, storing, processing information, has the skills of working with a computer as a means of information management, is able to work with information in global computer networks.

Students should acquire practical skills in grouping economic objects, selecting accounts necessary to reflect an economic operation, determining their correspondence, and drawing up a counting formula

1. CLASSIFICATION OF OPERATION INDIVIDUAL ECONOMIC PROCESSES' MODELS

Areas of economic activity of organizations: production, trade, procurement, commercial, etc. Economic process as a combination of interrelated, alternately or simultaneously occurring economic processes.

The sequence of reflection of the facts of economic life in accounting:

1) establishing the time of the economic transaction and its registration (identification problem);

2) establishing the value expression of an economic operation (the problem of valuation);

3) determination of the method of accounting (classification problem), i.e. the choice of accounting accounts, the order of recording operations on accounts, which ensures the storage of complete information, its accumulation and generalization within the reporting period.

The main economic processes forming models of reflection of economic operations in the accounting system:

1. the process of capital investment;

2. procurement process;

3. production process;

4. the sales process;

5. the process of calculating and profit sharing.

An economic process is an action that reflects economic facts, transactions, calculations, financial results, etc., the composition and placement of property, as well as sources of funds.



Accounting of economic processes is a continuous documented reflection of changes in the composition of the company's property and the sources as a result of the consistent execution of the processes of capital formation, procurement, production, sales and profit sharing

The figure below schematically shows the relationship of reporting elements, business processes and their participants.

The main economic processes are:

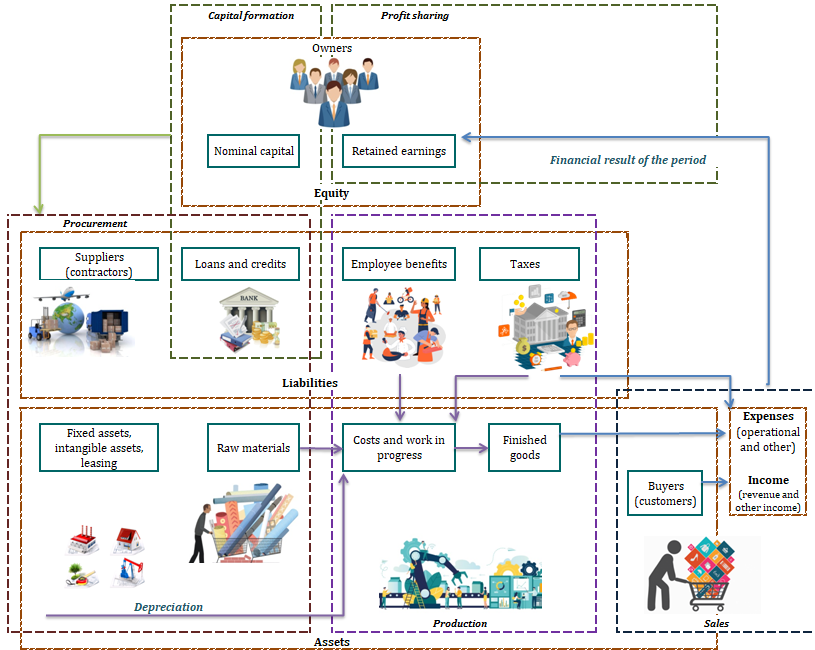


Fig. Economic processes' cycle

1) the process of **capital formation** includes the payment of initial capital by the owners of the organization and the attraction of borrowed funds, such as loans and borrowings. The initial contributions of the owners amount to the nominal amount of capital, which is specified in the company's constituent documents. As a rule, the owners contribute it when creating an organization in cash. For limited liability companies, it is possible for owners to deposit funds with other property (fixed assets, materials). In this case, the assessment of the contributed property must be agreed upon and indicated by the participants in the decision on the establishment of the organization. Borrowed capital is an additional source of financing for activities and is attracted on terms of urgency, payment and repayment;

2) the process of **procurement** – the acquisition and procurement of means and objects of labor (equipment, raw materials, mate-

rials, fuel, etc.) necessary for the implementation of the production process. The enterprise, along with paying the cost of the acquired material assets, bears transportation and procurement costs - the costs of their delivery, loading, transportation, unloading, etc. The cost of the purchased means of production (not including the amount of value added tax), together with transportation and procurement costs, make up their actual cost of acquisition.

3) the **production** process is the process of manufacturing products, the cost of which consists of the cost of spent means of production (means of labor in the form of depreciation and labor items) and the new value created by the living labor of workers. Here the labor force is combined with the means of production, the objects of labor are transformed into finished products with the help of workers who influence them with the means of labor and give them a new look or properties, that is, they create finished products. All the costs of creating finished products make up its actual cost of production.

4) the process of **sales** is the transfer to consumers of finished products by purchase and sale, as a result of which the organization receives from the consumer of products the funds necessary for a new circulation of funds. In the process of implementation, the company incurs the costs of selling products (packaging, loading, transportation costs, etc.), which are called commercial expenses. The production cost plus the cost of sales is the total cost of the products sold. During the sale process, the financial result is revealed by comparing the proceeds from the sale of products (works, services) and its full cost;

5) the process of **profit sharing** involves the decision of the owners to use the earned profit based on the results of the reporting period. Owners can make decisions on the distribution of all or part of the profit among themselves, the transfer of part of the profit for certain purposes (additional payments to employees, charity, business development, acquisition of fixed assets, etc.).

Through the processes of supply, production and sale, property and the sources of its formation are subject to change.

Let's consider in general all these processes on a small example about Grandma, Wolf and Little Red Riding Hood.

Case

Grandma, Wolf and Little Red Riding Hood decided to organize their own cafe. The size of the authorized capital amounted to 30,000 monetary units (10,000 from each).

Grandma contributed her part with flour in the amount of 10 kg, the Wolf transferred the house to the cafe, and Little Red Riding Hood deposited cash at the cash desk.

Our heroes decided to arrange a grand opening of the cafe. Forest dwellers were invited. We bought dishes with 3,000 cash. Another 2,000 cash was used to buy a decoration for the holiday. For 1,000 cash, we bought 1 kg of products for making pies.

Grandma and Little Red Riding Hood baked 100 pies out of 5 kg of flour and all the products. 50 pies were distributed for the opening for free, and 50 pies were sold at a price of 150 monetary units each.

For the celebration, everyone was awarded a salary of 1,000 monetary units.

Economic processes and related transactions will be reflected in the accounts as follows (in accordance with changes in property and its sources):

Table 1

Reflection of economic processes on accounts

Transaction	Amount, mon.units	Left Side (LS)	Right Side (RS)
1. Grandma, Wolf and Little Red Riding Hood gather nominal capital:	30 000,00		
- Grandma	10 000,00	Stakeholders receivable	Nominal capital
- Wolf	10 000,00	Stakeholders receivable	Nominal capital
- Little Red Riding Hood	10 000,00	Stakeholders receivable	Nominal capital
2. Grandma contributed her part with flour in the amount of 10 kg	10 000,00	Raw materials	Stakeholders receivable
3. Wolf contributed the house (building)	10 000,00	Property	Stakeholders receivable
4. Little Red Riding Hood contributed cash	10 000,00	Cash	Stakeholders receivable

5. They bought dishes	3 000,00	Raw materials	Cash
6. They bought decorations for event	2 000,00	Raw materials	Cash
7. They bought 1 kg food products to prepare pies	1 000,00	Raw materials	Cash
8. Production of 100 pies:	9 000,00		
- use flour (5 rg = 10 000 / 10 rg * 5 kg = 5 000,00)	5 000,00	Finished goods	Raw materials
- use all food products	1 000,00	Finished goods	Raw materials
- salary (1 000 for each of Grandma, Wolf, Little Red Riding Hood)	3 000,00	Finished goods	Employee benefits payable
9. Saling of pies:			
-costs of goods (50 pies = 9 000 / 100 pies * 50 pies = 4 500,00)	4 500,00	Expenses	Finished Goods
-revenue (50 pies * 150 = 7 500,00)	7 500,00	Cash	Income
10. 50 pies were distributed for the opening for free - costs only	4 500,00	Expenses	Finished Goods

Appendix 1 reflects the successive changes in the accounts and financial statements.

The tasks of accounting for business processes are, first of all, monitoring the correctness of their documentation, measurement and disclosure in the financial statements.

Next, we will consider in more detail the rules and features of the reflection of each process in accounting and financial statements.

Control questions and tasks

1. What economic processes are reflected in the accounting system?

2. Are there any differences in the economic processes of an automobile industry enterprise, a trade organization and a scientific institution? If so, what are they?

2. CAPITAL INVESTMENT'S ACCOUNTING

The concept of capital investments and non-current assets. Ways to create them and sources of funding.

Calculation of the cost of capital investments and the order of reflection in the accounting accounts of the formation of capital investments.

Actual costs associated with the acquisition of property, plant and equipment and intangible assets:

- the contractual value of property, plant and equipment and intangible assets;

- delivery costs, loading and unloading operations;

- costs of construction of fixed assets or creation of intangible assets;

- expenses for installation of fixed assets;

- design costs;

- other expenses of the organization related to the acquisition of fixed assets and intangible assets.

Documentation of transactions with capital investments and the procedure for writing off their value.

The first stage of the economic process of almost any organization is the formation of capital investments.



Capital investments are the sum of the costs of non-current assets (fixed assets, intangible assets, other long-term non-financial investments), which will be used as the basis of the production process and will form the material part of the asset balance

The following main types are allocated in capital investments:

- fixed assets;
- intangible assets;
- investments in rental items.

Fixed assets are represented, as a rule, by property, plants and equipment. A class of property, plant and equipment is a grouping of assets of a similar nature and use in an entity's operations. The following are examples of separate classes:

- land and buildings;

- machinery;
- ships;
- aircraft;
- motor vehicles;
- furniture and fixtures;
- office equipment;
- bearer plants.



Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one period

The cost of an item of property, plant and equipment shall be recognized as an asset if, and only if:

- it is probable that future economic benefits associated with the item will flow to the entity;
- the cost of the item can be measured reliably.

Judgement is required in applying the recognition criteria to an entity's specific circumstances. It may be appropriate to aggregate individually insignificant items, such as moulds, tools and dies, and to apply the criteria to the aggregate value.

An entity evaluates under this recognition principle all its property, plant and equipment costs at the time they are incurred. These costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. The cost of an item of property, plant and equipment may include costs incurred relating to leases of assets that are used to construct, add to, replace part of or service an item of property, plant and equipment, such as depreciation of right-of-use assets.

Initial costs

Items of property, plant and equipment may be acquired for safety or environmental reasons. The acquisition of such property, plant and equipment, although not directly increasing the future economic benefits of any particular existing item of property, plant and equipment, may be necessary for an entity to obtain the future economic benefits from its other assets. Such items of property, plant and equipment qualify for recognition as assets because they enable an entity to derive future economic benefits from related assets in excess of what could be derived had those items not been acquired. For example, a chemical manufacturer may install new chemical handling processes to comply with environmental requirements for the production and storage of dangerous chemicals; related plant enhancements are recognised as an asset because without them the entity is unable to manufacture and sell chemicals. However, the resulting carrying amount of such an asset and related assets is reviewed for impairment in accordance with rules of impairment of assets.

The cost of an item of property, plant and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Therefore, costs incurred in using or re-deploying an item are not included in the carrying amount of that item.

Table 2

Examples of costs

Examples of directly attributable costs	Examples of costs that are not costs of an item of property, plant and equipment
costs of employee benefits arising directly from the construction or acquisition of the item of property, plant and equipment	costs of opening a new facility
costs of site preparation	costs of introducing a new product or service (including costs of advertising and promotional activities)
initial delivery and handling costs	costs of conducting business in a new location or with a new class of customer (including costs of staff training)
installation and assembly costs	administration and other general overhead costs
costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (such as samples produced when testing equipment)	costs incurred while an item capable of operating in the manner intended by management has yet to be brought into use or is operated at less than full capacity
professional fees	initial operating losses, such as those incurred while demand for the item's output builds up
	costs of relocating or reorganising part or all of an entity's operations

Subsequent costs

An entity does not recognise in the carrying amount of an item of property, plant and equipment the costs of the day-to-day servicing of the item. Rather, these costs are recognised in profit or loss as incurred. Costs of day-to-day servicing are primarily the costs of la-

hour and consumables, and may include the cost of small parts. The purpose of these expenditures is often described as for the 'repairs and maintenance' of the item of property, plant and equipment.

Parts of some items of property, plant and equipment may require replacement at regular intervals. For example, a furnace may require relining after a specified number of hours of use, or aircraft interiors such as seats and galleys may require replacement several times during the life of the airframe. Items of property, plant and equipment may also be acquired to make a less frequently recurring replacement, such as replacing the interior walls of a building, or to make a nonrecurring replacement. An entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if the recognition criteria are met. The carrying amount of those parts that are replaced is derecognised in accordance with the derecognition provisions.

A condition of continuing to operate an item of property, plant and equipment (for example, an aircraft) may be performing regular major inspections for faults regardless of whether parts of the item are replaced. When each major inspection is performed, its cost is recognised in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied. Any remaining carrying amount of the cost of the previous inspection (as distinct from physical parts) is derecognised. This occurs regardless of whether the cost of the previous inspection was identified in the transaction in which the item was acquired or constructed. If necessary, the estimated cost of a future similar inspection may be used as an indication of what the cost of the existing inspection component was when the item was acquired or constructed.

An entity shall choose either the cost model or the revaluation model as its accounting policy and shall apply that policy to an entire class of property, plant and equipment.

Table 3**Measurement after recognition**

Cost model	Revaluation model
<p>After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses</p>	<p>After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period</p>

Intangible assets

Entities frequently expend resources, or incur liabilities, on the acquisition, development, maintenance or enhancement of intangible resources such as scientific or technical knowledge, design and implementation of new processes or systems, licences, intellectual property, market knowledge and trademarks (including brand names and publishing titles). Common examples of items encompassed by these broad headings are computer software, patents, copyrights, motion picture films, customer lists, mortgage servicing rights, fishing licences, import quotas, franchises, customer or supplier relationships, customer loyalty, market share and marketing rights. Not all the described items meet the definition of an intangible asset, ie identifiability, control over a resource and existence of future economic benefits. If an item within the scope of this Standard does not meet the definition of an intangible asset, expenditure to acquire it or generate it internally is recognised as an expense when it is incurred. However, if the item is acquired in a business combination, it forms part of the goodwill recognized at the acquisition date.



Intangible asset is an identifiable non-monetary asset without physical substance

The definition of an intangible asset requires an intangible asset to be identifiable to distinguish it from goodwill. Goodwill recognised in a business combination is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. The future economic benefits may result from synergy between the identifiable assets acquired or from assets that, individually, do not qualify for recognition in the financial statements.

An asset is identifiable if it either:

- is separable, ie is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so;
- or arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

An entity controls an asset if the entity has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits. The capacity of an entity to control the future economic benefits from an intangible asset would normally stem from legal rights that are enforceable in a court of law. In the absence of legal rights, it is more difficult to demonstrate control. However, legal enforceability of a right is not a necessary condition for control because an entity may be able to control the future economic benefits in some other way.

Market and technical knowledge may give rise to future economic benefits. An entity controls those benefits if, for example, the knowledge is protected by legal rights such as copyrights, a restraint of trade agreement (where permitted) or by a legal duty on employees to maintain confidentiality.

An entity may have a team of skilled staff and may be able to identify incremental staff skills leading to future economic benefits from training. The entity may also expect that the staff will continue to make their skills available to the entity. However, an entity usually

has insufficient control over the expected future economic benefits arising from a team of skilled staff and from training for these items to meet the definition of an intangible asset. For a similar reason, specific management or technical talent is unlikely to meet the definition of an intangible asset, unless it is protected by legal rights to use it and to obtain the future economic benefits expected from it, and it also meets the other parts of the definition.

An entity may have a portfolio of customers or a market share and expect that, because of its efforts in building customer relationships and loyalty, the customers will continue to trade with the entity. However, in the absence of legal rights to protect, or other ways to control, the relationships with customers or the loyalty of the customers to the entity, the entity usually has insufficient control over the expected economic benefits from customer relationships and loyalty for such items (eg portfolio of customers, market shares, customer relationships and customer loyalty) to meet the definition of intangible assets. In the absence of legal rights to protect customer relationships, exchange transactions for the same or similar non-contractual customer relationships (other than as part of a business combination) provide evidence that the entity is nonetheless able to control the expected future economic benefits flowing from the customer relationships. Because such exchange transactions also provide evidence that the customer relationships are separable, those customer relationships meet the definition of an intangible asset.

The future economic benefits flowing from an intangible asset may include revenue from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the entity. For example, the use of intellectual property in a production process may reduce future production costs rather than increase future revenues.

An intangible asset shall be recognised if, and only if:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity;
- the cost of the asset can be measured reliably.

An entity shall assess the probability of expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

An entity uses judgement to assess the degree of certainty attached to the flow of future economic benefits that are attributable to the use of the asset on the basis of the evidence available at the time of initial recognition, giving greater weight to external evidence.

An intangible asset shall be measured initially at cost.

Depreciation

Each part of an item of property, plant and equipment or intangible asset with a cost that is significant in relation to the total cost of the item shall be depreciated separately.



Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life

An entity allocates the amount initially recognised in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. For example, it may be appropriate to depreciate separately the airframe and engines of an aircraft. Similarly, if an entity acquires property, plant and equipment subject to an operating lease in which it is the lessor, it may be appropriate to depreciate separately amounts reflected in the cost of that item that are attributable to favourable or unfavourable lease terms relative to market terms.

A significant part of an item of property, plant and equipment may have a useful life and a depreciation method that are the same as the useful life and the depreciation method of another significant part of that same item. Such parts may be grouped in determining the depreciation charge. To the extent that an entity depreciates separately some parts of an item of property, plant and equipment, it also depreciates separately the remainder of the item. The remainder consists of the parts of the item that are individually not significant. If an entity has varying expectations for these parts, approximation techniques may be necessary to depreciate the remainder in a manner that faithfully represents the consumption pattern and/or useful life of its parts.

The depreciation charge for each period shall be recognised in profit or loss unless it is included in the carrying amount of another asset. The depreciation charge for a period is usually recognised in

profit or loss. However, sometimes, the future economic benefits embodied in an asset are absorbed in producing other assets. In this case, the depreciation charge constitutes part of the cost of the other asset and is included in its carrying amount. For example, the depreciation of manufacturing plant and equipment is included in the costs of conversion of inventories.

The depreciable amount of an asset shall be allocated on a systematic basis over its useful life.

The residual value and the useful life of an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate.

Depreciation of an asset begins when it is available for use, ie when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date that the asset is derecognised. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

However, under usage methods of depreciation the depreciation charge can be zero while there is no production.

The future economic benefits embodied in an asset are consumed by an entity principally through its use. However, other factors, such as technical or commercial obsolescence and wear and tear while an asset remains idle, often result in the diminution of the economic benefits that might have been obtained from the asset. Consequently, all the following factors are considered in determining the useful life of an asset:

- expected usage of the asset. Usage is assessed by reference to the asset's expected capacity or physical output;
- expected physical wear and tear, which depends on operational factors such as the number of shifts for which the asset is to be used and the repair and maintenance programme, and the care and maintenance of the asset while idle;
- technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset. Expected future reductions in the selling price of an item that was produced using an

asset could indicate the expectation of technical or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset;

– legal or similar limits on the use of the asset, such as the expiry dates of related leases.

The useful life of an asset is defined in terms of the asset's expected utility to the entity. The asset management policy of the entity may involve the disposal of assets after a specified time or after consumption of a specified proportion of the future economic benefits embodied in the asset. Therefore, the useful life of an asset may be shorter than its economic life. The estimation of the useful life of the asset is a matter of judgement based on the experience of the entity with similar assets.

The depreciation method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity. The depreciation method applied to an asset shall be reviewed at least at each financial year-end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method shall be changed to reflect the changed pattern. Such a change shall be accounted for as a change in an accounting estimate.

A variety of depreciation methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight-line method, the diminishing balance method and the units of production method. Straight-line depreciation results in a constant charge over the useful life if the asset's residual value does not change. The diminishing balance method results in a decreasing charge over the useful life.

The units of production method results in a charge based on the expected use or output. The entity selects the method that most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

That method is applied consistently from period to period unless there is a change in the expected pattern of consumption of those future economic benefits.

A depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic

benefits of the asset. For example, revenue is affected by other inputs and processes, selling activities and changes in sales volumes and prices. The price component of revenue may be affected by inflation, which has no bearing upon the way in which an asset is consumed.

Compensation for impairment

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up shall be included in profit or loss when the compensation becomes receivable.

Impairments or losses of items of property, plant and equipment, related claims for or payments of compensation from third parties and any subsequent purchase or construction of replacement assets are separate economic events and are accounted for separately as follows:

- impairments of items of property, plant and equipment are recognized in accordance with rules of impairment of assets;
- derecognition of items of property, plant and equipment retired or disposed of is determined;
- compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in determining profit or loss when it becomes receivable;
- the cost of items of property, plant and equipment restored, purchased or constructed as replacements is determined.

An entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.

Case

Participants create a Sewing Company and purchase equipment.

Economic processes and related transactions will be reflected in the accounts as follows (in accordance with changes in property and its sources):

Table 4

Reflection of capital investmet processes on accounts

Transaction	Amount, mon.units	Left Side (LS)	Right Side (RS)
1. Creating the company - show the Share capital	10 000,00	Accounts receivable (shareholders)	Share capital
2. Shareholders transfer their debts to company's Bank account	10 000,00	Bank account	Accounts receivable (shareholders)
3. Company takes a Bank loan for 10 years 10%	100 000,00	Bank account	Bank loan
4. Company receives the sewing mashine	50 000,00	Investments	Accounts payable (contractors)
5. Transport costs to transfer Sewing mashine to the Company	10 000,00	Investments	Accounts payable (transport company)
6. Fee to setup new Sewing mashine	3 000,00	Investments	Emploe'e's benefits
7. First month (February) bank interests are included in Sewing mashine investments costs (first price) - $100\,000,00 * 10\% / 365 * 28$	767,12	Investments	Account payable (bank interests)
8. Sewing mashine is ready for using	63 767,12	Fixed Assets (Equipment)	Investments
9. Company paid its Accounts payable:			
- to contractors	50 000,00	Accounts payable (contractors)	Bank account
- to transport company	10 000,00	Accounts payable (transport company)	Bank account
- intrests to bank	767,12	Account payable (bank interests)	Bank account
10. Company paid a month part of Bank loan - $100\,000,00 / 120$	833,33	Bank loan	Bank account

Transaction	Amount, mon.units	Left Side (LS)	Right Side (RS)
Next month (March)			
11. Bank interests are showed as current expenses of the month - 99 166,67 * 10% / 365 * 31	842,24	Profit and Loss (Expenses)	Account payable (bank interests)
12. Company paid bank interests	842,24	Account payable (bank interests)	Bank account
13. Company paid a month part of Bank loan - 100 000,00 / 120	833,33	Bank loan	Bank account
Next months (April-December)			
14. Bank interests are showed as current expenses of the month - Bank Loan * 10% / 365 * Days	7 157,08	Profit and Loss (Expenses)	Account payable (bank interests)
15. Company paid bank interests	7 157,08	Account payable (bank interests)	Bank account
16. Company paid a month part of Bank loan - 100 000,00 / 120	7 499,97	Bank loan	Bank account
31.12.2022			
17. Fair value of Sewing mashine (from expert assessment report or market prices) is 75 000,00 m.u. => current accounting value will increase on 11 232,88 (63 767,12 - 75 000,00)	11 232,88	Fixed Assets (Equipment)	Reassessment (additional capital)
Next year			
18. Bank interests are showed as current expenses of the month - Bank Loan * 10% / 365 * Days	8 622,84	Profit and Loss (Expenses)	Account payable (bank interests)
19. Company paid bank interests	8 622,84	Account payable (bank interests)	Bank account

Transaction	Amount, mon.units	Left Side (LS)	Right Side (RS)
20. Company paid a month part of Bank loan - 100 000,00 / 120	9 999,96	Bank loan	Bank account
31.12.2023			
21. Fair value of Sewing mashine (from expert assessment report or market prices) is 70 000,00 m.u. => current accounting value will decrease on 5 000,00 (75 000,00 - 70 000,00)	5 000,00	Reassessment (additional capital)	Fixed Assets (Equipment)
22. Company bought spare parts to repair Sewing mashine	7 500,00	Spare parts (Inventories)	Accounts payable (contractors)
23. Company used Spare parts to repair Sewing mashine	7 500,00	Investments	Spare parts (Inventories)
24. Company showed the debt before employees for repairing of Sewing mashine	2 000,00	Investments	Employee's benefits
25. Company finished the repairing of Sewing mashine	9 500,00	Fixed Assets (Equipment)	Investments

Appendix 2 reflects the successive changes in the accounts and financial statements.

Control questions and tasks

1. How is the initial cost of fixed assets formed?
2. Can the initial cost of fixed assets and intangible assets change?
3. What costs associated with the operation of fixed assets and intangible assets will increase production costs?

3. ACCOUNTING FOR PROCUREMENT PROCESS

Documentation of procurement process operations (contract documentation, approval of delivery terms, including for international deliveries, shipping documentation, transport and accompanying documents).

The composition of the cost of procurement of materials.

Reflection in the accounting of the stages of the procurement process:

- receipt of raw materials and supplies;
- formation of transport and procurement costs (TKR) and other costs associated with the purchase of goods and materials;
- payments to suppliers for materials and technical specifications.

Options reflection of the procurement process on accounting accounts.

The process of procurement raw materials includes the following components:

- 1) acceptance of raw materials and their initial measurement;
- 2) payments with suppliers for the delivered raw materials;
- 3) organization of analytical accounting of raw materials;
- 4) measurement of raw materials when transfer to production.



Inventory refers to a company's goods and raw materials used for making the goods it sells. It appears on a balance sheet as an asset. Inventory includes finished goods, raw materials, and works-in-progress

The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Other costs are included in the cost of inventories only to the extent that they are incurred in bringing the inventories to their present location and condition.

For example, it may be appropriate to include non-production overheads or the costs of designing products for specific customers in the cost of inventories. Examples of costs excluded from the cost of inventories and recognised as expenses in the period in which they are incurred are:

- abnormal amounts of wasted materials, labour or other production costs;
- storage costs, unless those costs are necessary in the production process before a further production stage;
- administrative overheads that do not contribute to bringing inventories to their present location and condition;
- selling costs.

Payments with suppliers and contractors include information about settlements for:

- received inventory items, accepted work performed and services consumed, including the provision of electricity, gas, steam, water, etc., as well as for the delivery or processing of tangible assets, settlement documents for which are accepted and are subject to payment through the bank;
- inventory items, works and services for which settlement documents from suppliers or contractors have not been received (so-called unmanufactured deliveries);
- excess inventory items identified during their acceptance;
- the received transportation services, including payments for shortfalls and busting of the tariff (freight), as well as for all types of communication services, etc.

All transactions related to payments for purchased tangible assets, accepted works or consumed services are reflected in accounting system regardless of the time of payment.



Accounts Payable refers to the money a business owes to its suppliers, vendors, or creditors for goods or services bought on credit

Accounts payable with suppliers and contractors is credited for the cost of inventory items, works, services accepted for accounting in correspondence with accounts for accounting for these values or

accounts for related costs. For services in the delivery of material values (goods), as well as for the processing of materials on the right side are made in correspondence with the accounts of inventory, goods, production costs, etc.

Regardless of the valuation of inventory values in analytical accounting, Accounts payable with suppliers and contractors in synthetic accounting is credited according to the supplier's settlement documents. When the supplier's invoice was accepted and paid before the receipt of the cargo, and when receiving the received inventory items to the warehouse, their shortage was found in excess of the amounts stipulated in the contract against the invoiced quantity, and also if, when checking the supplier's or contractor's invoice (after the invoice was accepted), a discrepancy in the prices stipulated by the contract was found, and also arithmetic errors, Accounts payable with suppliers and contractors is credited for the corresponding amount in correspondence with account account "Settlements on claims".

Accounts payable with suppliers and contractors is debited for the amounts of fulfillment of obligations (payment of bills), including advances and prepayment, in correspondence with cash accounting accounts, etc. At the same time, the amounts of advances and advance payments are taken into account separately. The amounts owed to suppliers and contractors secured by promissory notes issued by the organization are not debited from Accounts payable with suppliers and contractors, but are accounted for separately in analytical accounting.

Analytical accounting for Accounts payable with with suppliers and contractors is carried out for each submitted invoice, and settlements in the order of scheduled payments – for each supplier and contractor. At the same time, the construction of analytical accounting should make it possible to obtain the necessary data on: suppliers for accepted and other settlement documents, the payment term of which has not come; suppliers for settlement documents not paid on time; suppliers for unmanufactured deliveries; advances issued; suppliers for issued bills, the payment term of which has not come; suppliers on overdue bills of exchange; suppliers on commercial loans received, etc.

Accounts payable with suppliers and contractors within a group of interrelated organizations, about the activities of which consolidated accounting statements are compiled, is kept separately.

Raw materials is intended to summarize information about the availability and movement of raw materials, materials, fuel, spare parts, inventory and household supplies, containers, etc. of the organization's valuables (including those in transit and processing). Raw materials are accounted at the actual cost of their acquisition (procurement) or accounting prices.



Raw material, also known as a feedstock, unprocessed material, or primary commodity, is a basic material that is used to produce goods, finished goods, energy, or intermediate materials that are feedstock for future finished products

Sub-accounts can be opened to Raw materials:

- main production raw materials;
- purchased semi-finished products and components, structures and parts;
- fuel;
- containers and packaging materials;
- spare parts;
- materials transferred for processing to the side;
- building materials;
- inventory and household supplies;
- special equipment and special clothing in stock;
- etc.

The sub-account "Main production raw materials" takes into account the presence and movement of: raw materials and basic materials (including construction – from contractors) that are part of the products being produced, forming its basis, or are necessary components in its manufacture; auxiliary materials that are involved in the production of products or consumed for economic needs, technical purposes, assistance to the production process; agricultural products harvested for processing, etc.

The sub-account "Purchased semi-finished products and components, structures and parts" takes into account the availability and movement of purchased semi-finished products, finished components (including building structures and parts - from contractors) purchased for the completion of manufactured products (construction), which require costs for their processing or assembly. Organizations engaged in carrying out research, design and technological work, acquiring on the side the special equipment, tools, fixtures and other devices they need as components for carrying out these works on a certain research or design topic, take into account these values on the sub-account "Purchased semi-finished products and components, structures and parts".

The "Fuel" sub-account takes into account the presence and movement of petroleum products (oil, diesel fuel, kerosene, gasoline, etc.) and lubricants intended for the operation of vehicles, technological needs of production, energy generation and heating, solid (coal, peat, firewood, etc.) and gaseous fuels.

The sub-account "Containers and packaging materials" takes into account the presence and movement of all types of containers (except those used as household inventory), as well as materials and parts intended for the manufacture of containers and its repair (parts for the assembly of boxes, barrel riveting, hoop iron, etc.).

The "Spare parts" sub-account takes into account the availability and movement of spare parts purchased or manufactured for the needs of the main activity, intended for repairs, replacement of worn parts of machinery, equipment, vehicles, etc., as well as car tires in stock and turnover. It also takes into account the movement of the exchange fund of complete machines, equipment, engines, components, aggregates created in the repair departments of organizations, at technical exchange offices and repair plants. Automobile tires (tire, camera and rim tape) that are on wheels and in stock with the vehicle, included in its initial cost, are accounted for as part of fixed assets.

On the sub-account "Materials transferred for processing to the side", the movement of materials transferred for processing to the side is taken into account, the cost of which is subsequently included in the production costs of the products obtained from them. The costs of processing materials paid to third-party organizations and individuals are charged directly to the debit of accounts that account for products received from processing.

The subaccount "Building materials" is used by real estate developers. It takes into account the presence and movement of materials used directly in the process of construction and installation work, for the manufacture of construction parts, for the construction and finishing of structures and parts of buildings and structures, building structures and parts, as well as other material values necessary for the needs of construction (explosives, etc.).

The sub-account "Inventory and household supplies" takes into account the presence and movement of inventory, tools, household supplies and other means of labor, which are included in the funds in circulation.

Sub-account "Special equipment and special clothing in stock" is designed to account for the receipt, availability and movement of special tools, special devices, special equipment and special clothing located in the warehouses of the organization or in other storage locations.

The other sub-accounts take into account the presence and movement of production waste (stumps, trimmings, shavings, etc.); incorrigible marriage; material assets received from the disposal of fixed assets that cannot be used as materials, fuel or spare parts in this organization (scrap metal, scrap materials); worn tires and scrap rubber, etc.

The actual consumption of materials in production or for other economic purposes is reflected on the right side of Raw materials in correspondence with the accounts of production costs (sales expenses) or other relevant accounts.

Analytical accounting Raw materials is conducted by the places of storage of materials and their individual names (types, grades, sizes, etc.).

Measurement of release into production

Techniques for the measurement of the cost of inventories, such as the standard cost method or the retail method, may be used for convenience if the results approximate cost. Standard costs take into account normal levels of materials and supplies, labour, efficiency and capacity utilisation. They are regularly reviewed and, if necessary, revised in the light of current conditions.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects shall be assigned by using specific identification of their individual costs.

Specific identification of cost means that specific costs are attributed to identified items of inventory. This is the appropriate treatment for items that are segregated for a specific project, regardless of whether they have been bought or produced. However, specific identification of costs is inappropriate when there are large numbers of items of inventory that are ordinarily interchangeable. In such circumstances, the method of selecting those items that remain in inventories could be used to obtain predetermined effects on profit or loss.

The cost of inventories shall be assigned by using the first-in, first-out (FIFO) or weighted average cost formula. An entity shall use the same cost formula for all inventories having a similar nature and use to the entity. For inventories with a different nature or use, different cost formulas may be justified. For example, inventories used in one operating segment may have a use to the entity different from the same type of inventories used in another operating segment. However, a difference in geographical location of inventories (or in the respective tax rules), by itself, is not sufficient to justify the use of different cost formulas.

The FIFO formula assumes that the items of inventory that were purchased or produced first are sold first, and consequently the items remaining in inventory at the end of the period are those most recently purchased or produced.

Under the weighted average cost formula, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period. The average may be calculated on a periodic basis, or as each additional shipment is received, depending upon the circumstances of the entity.

Case

The Sewing Company purchases raw materials.

Economic processes and related transactions will be reflected in the accounts as follows (in accordance with changes in property and its sources):

Table 5

Reflection of procurement processes on accounts

Transactions	Quantity	Price	Amount, m.u.	Left side	Right side
1. The Company received fabric from Contractor 1:					
- wool (1 000 meters for 10 m.u. per meter)	1 000,00	10,00	10 000,00	Inventories (Raw material, Fabric, Wool)	Accounts payable (Contractors)
- cotton (2 000 meters for 8,5 m.u. per meter)	2 000,00	8,50	17 000,00	Inventories (Raw material, Fabric, Cotton)	Accounts payable (Contractors)
- silk (750 meters for 17 m.u. per meter)	750,00	17,00	12 750,00	Inventories (Raw material, Fabric, Silk)	Accounts payable (Contractors)
2. The Company received fabric from Contractor 2:					
- wool (5 000 meters for 9,1 m.u. per meter)	5 000,00	9,10	45 500,00	Inventories (Raw material, Fabric, Wool)	Accounts payable (Contractors)
- cotton (12 000 meters for 8,0 m.u. per meter)	12 000,00	8,00	96 000,00	Inventories (Raw material, Fabric, Cotton)	Accounts payable (Contractors)
- silk (7 000 meters for 15,5 m.u. per meter)	7 000,00	15,50	108 500,00	Inventories (Raw material, Fabric, Silk)	Accounts payable (Contractors)
3. The Company received sewing tools and accessories from Contractor 3:					
- scissors (10 for 78 m.u. per each)	10,00	78,00	780,00	Inventories (Raw material, Sewing Tools, Scissors)	Accounts payable (Contractors)

Transactions	Quantity	Price	Amount, m.u.	Left side	Right side
- needles (25 for 5,0 m.u. per each)	24,00	5,00	120,00	Inventories (Raw material, Sewing Accessoires, Needles)	Accounts payable (Contractors)
- threads (500 for 3,5 m.u. per each)	500,00	3,50	1 750,00	Inventories (Raw material, Sewing Accessoires, Threads)	Accounts payable (Contractors)
4. The Company moved materials from storage to production:					
- wool (4 500 meters) - method FIFO	4 500,00		41 850,00	Inventories (Production Costs)	Inventories (Raw material, Fabric, Wool)
- cotton (9 000 meters) - method FIFO	9 000,00		73 000,00	Inventories (Production Costs)	Inventories (Raw material, Fabric, Cotton)
- scissors (10)	10,00		780,00	Inventories (Production Costs)	Inventories (Raw material, Sewing Tools, Scissors)
- needles (12)	12,00		60,00	Inventories (Production Costs)	Inventories (Raw material, Sewing Accessoires, Needles)
- threads (200)	200,00		700,00	Inventories (Production Costs)	Inventories (Raw material, Sewing Accessoires, Threads)

Appendix 3 reflects the successive changes in the accounts and financial statements.

Control questions and tasks

1. How is the initial cost of raw materials formed?
2. Can the initial cost of raw materials change during storage?
3. How can raw materials be evaluated when included in production costs?

4. ACCOUNTING FOR PRODUCTION PROCESS

The essence of the production process in organizations of different types.

Cost composition and calculation of production costs. Methods of cost accounting.

The concept of finished products and the process of their release. Procedure for calculating the cost of finished products.

The concept of work in progress. Features formation of WIP residues in different industries and types of production.

Documentation of the production process.

Reflection on the accounts of accounting operations of the production process.

The organization of accounting for production costs and calculating the cost of production (works, services) assume :

- economic justification of the classification of costs and their grouping for calculating the cost of production (works, services);
- determination of the range of costs included in the cost of production (works, services), and a clear distinction between their production and full (commercial) cost;
- development and justification of methods of cost estimation of each cost element, their distribution between finished products and work-in-progress, distribution of indirect costs, determination of the volume of calculated products (works, services), their volumes and calculation units, establishment of the frequency (timing) of calculation;
- - distribution of costs between related types of products and justification of evaluation of by-products;
- construction of calculation sheets and calculation of the cost of products (works, services).

There are next types of costs in the production process:

- production costs;
- management costs;
- commercial costs.

Production costs are the costs associated with the manufacture and sale of products, the purchase and sale of goods, depreciation, which are taken into account in the amount of payment in cash or the amount of accounts payable. Their composition depends on the industry specifics and technological features of production. They are

included, as a rule, in expenses as the cost of products sold (when they are sold).



Work In Progress (WIP), work in process (WIP), goods in process, or in-process inventory are a company's partially finished goods waiting for completion and eventual sale or the value of these item

Production costs include direct costs directly related to the production of products, the performance of works and the provision of services, as well as the costs of auxiliary production, indirect costs associated with the management and maintenance of the main production, and losses from defects.

Production costs is also intended to summarize information about the costs of servicing the main and auxiliary productions of the organization. In particular, the following expenses may be reflected on this account: maintenance and operation of machinery and equipment; depreciation and repair costs of fixed assets and other property used in production; insurance costs of the specified property; heating, lighting and maintenance of premises; rent for premises, machinery, equipment and others used in production; remuneration of employees engaged in the maintenance of production; other expenses similar to their intended purpose.

Management costs are the costs associated with the management of an enterprise and the organization of its activities as a whole, the maintenance of its common property. They are intended to summarize information about expenses for management needs that are not directly related to the production process. In particular, the following expenses may be reflected on this account: administrative and managerial expenses; maintenance of general economic personnel not related to the production process; depreciation and repair costs of fixed assets for managerial and general economic purposes; rent for general economic premises; expenses for information, audit, consulting, etc. services; other management expenses similar in purpose.

They are included in the cost of production or relate to management expenses and in full for the expenses of the period, if this is provided for by the accounting policy. Such expenses include:

- 1) labor costs of administrative, managerial and general economic personnel (with deductions for social needs);
- 2) rent, depreciation, expenses for the current repair of buildings, structures and inventory for general and managerial purposes;
- 3) security costs;
- 4) personnel training and recruitment costs;
- 5) representation expenses;
- 6) expenses for communication services;
- 7) utility costs;
- 8) stationery and postal and telegraph expenses;
- 9) labor protection expenses, etc.

For the purpose of calculating the cost, they are grouped by calculation items, which represent a homogeneous targeted use of resources.

An approximate grouping of them for industrial enterprises can be presented in the following form:

- 1) raw materials and supplies;
- 2) returnable waste (deducted);
- 3) purchased products, semi-finished products and production services of third-party organizations;
- 4) fuel and energy for technological purposes;
- 5) wages of production workers;
- 6) deductions for social needs;
- 7) costs of preparation and development of production;
- 8) non-direct production costs.

The specific list of articles is established by the organization itself based on production characteristics, taking into account methodological recommendations of an industry nature. The main principle of allocation of calculation items is their materiality in the total amount of costs. At the same time, the materiality is determined by the economic entity independently on the basis of qualitative and quantitative criteria.

Production costs incurred during the period are distributed between the products produced and the remnants of work in progress, between the products sold and the remnants of finished products.

The result of production is finished products – part of the stocks intended for sale, which is the final result of the production cycle, or assets with finished processing (complete set), the technical

and qualitative characteristics of which comply with the terms of the contract or the requirements of regulatory documents.

Accounting of finished products is carried out in storage locations and in accounting in quantitative and cost indicators. Quantitative accounting is conducted in natural units of measurement of products (pcs., kg, m), but conditionally natural units can also be used.

Accounting of finished products is carried out by the names of individual types of products, taking into account their varieties, in addition, accounting can be carried out by enlarged groups of products (main production products, consumer goods, products made from waste, spare parts, etc.).

Manufactured products – finished products transferred from production to the warehouse, either directly by the buyer, or to other divisions of the organization itself.



Finished goods are goods that have completed the manufacturing process but have not yet been sold or distributed to the end user

Finished products can be used as materials in the organization itself, then its transfer to the finished product warehouse is not made, but its transfer is carried out either directly to the workshops of the main production (other types of production), or to the materials warehouse.

Sold products are finished products that, in accordance with the contract or other similar document, are transferred to the buyer or are subject to transfer.

Shipped products are finished products that were actually transferred to the buyer by right of ownership, to which, perhaps, the buyer has not yet transferred the right. In fact, it is in the warehouse, but it is not yet the property of the buyer.

Case

The Sewing Company produces suits.

Economic processes and related transactions will be reflected in the accounts as follows (in accordance with changes in property and its sources):

Table 6**Reflection of production processes on accounts**

Transactions	Amount, m.u.	Left side	Right side
1. The Company moved materials from storage to production:			
- wool (4 500 meters) - method FIFO	41 850,00	Inventories (Production Costs)	Inventories (Raw material, Fabric, Wool)
- cotton (9 000 meters) - method FIFO	73 000,00	Inventories (Production Costs)	Inventories (Raw material, Fabric, Cotton)
- scissors (10)	780,00	Inventories (Production Costs)	Inventories (Raw material, Sewing Tools, Scissors)
- needles (12)	60,00	Inventories (Production Costs)	Inventories (Raw material, Sewing Accessoirs, Needles)
- threads (200)	700,00	Inventories (Production Costs)	Inventories (Raw material, Sewing Accessoirs, Threads)
2. The Company calculated salary:			
- for production	100 000,00	Inventories (Production Costs)	Employee benefits payable
- for workshop management	50 000,00	Inventories (Production Costs)	Employee benefits payable
3. The Company calculated depreciation of Sewing machine (Using period - 10 years)	662,50	Inventories (Production Costs)	Depreciation of fixed assets
4. The Company calculated social fee (30%):			
- connected with salary for production	30 000,00	Inventories (Production Costs)	Taxes & Social Fee

Transactions	Amount, m.u.	Left side	Right side
- connected with salary for workshop management	15 000,00	Inventories (Production Costs)	Taxes & Social Fee
5. The Company calculated desiners' salary	75 000,00	Inventories (Production Costs)	Employee benefits payable
6. The Company calculated social fee conncted with desiners' salary	22 500,00	Inventories (Production Costs)	Taxes & Social Fee
7. Desiners used 5 m of silk for new models (method FIFO, costs – 17.00 per 1 m)	85,00	Inventories (Production Costs)	Inventories (Raw material, Fabric, Silk)
8. The Company calculated salary of:	375 000,00		
- exexecutive director's office	150 000,00	Inventories (Managment Costs)	Employee benefits payable
- financial director's office	125 000,00	Inventories (Managment Costs)	Employee benefits payable
- IT department employees	100 000,00	Inventories (Managment Costs)	Employee benefits payable
9. The Company calculated social fee conncted with salary of:	112 500,00		
- exexecutive director's office	45 000,00	Inventories (Managment Costs)	Taxes & Social Fee
- financial director's office	37 500,00	Inventories (Managment Costs)	Taxes & Social Fee
- IT department employees	30 000,00	Inventories (Managment Costs)	Taxes & Social Fee
10. The Company accepted Security Service amount	45 000,00	Inventories (Managment Costs)	Accounts payable (Contactors)
11. The Company accepted Audit Service amount	25 000,00	Inventories (Managment Costs)	Accounts payable (Contactors)
12. The Company produced (finished) its goods (we started to produce 30 suits during the month, but finished just 25 => 409 637,50 / 30 *25)	341 364,58	Inventories (Finished Goods)	Inventories (Production Costs)

Appendix 4 reflects the successive changes in the accounts and financial statements.

Control questions and tasks

1. What types of costs can you name?
2. How is the cost of finished products calculated?
3. What is the difference between manufactured and shipped products? Justify the answer.
4. Name the typical production costs for automotive production.
5. List typical management costs.
6. Will the costs of correcting defective products be included in the production, management or commercial costs? Justify the answer.

5. ACCOUNTING FOR SALES PROCESS

Content of the sales process for different types of products.

The procedure for forming the cost of sales.

Sales costs (commercial expenses).

Documentation and reflection on the accounting accounts of the sales process.

The concept of income and expenses of the organization. Operating and other income and expenses: concept and composition.

The procedure for forming the financial results of the organization for the period and the accumulated total. Distribution of profit at the end of the year.

Documentation and reflection on the accounting accounts of the formation of the financial result and profit distribution.

The process of sales and calculation of the financial result includes:

- the reflection of sales revenue;
- payments with customers;
- write-off of business expenses;
- determination of other income and expenses;
- calculation of the financial result for the period.

Revenue is income from the sale of products, which is taken in the amount of cash or other property received to pay for the transferred products, or the amount of accounts receivable, or the amount of payment and accounts receivable in the part not covered by payment.



In accounting, revenue is the total amount of income generated by the sale of goods and services related to the primary operations of the business. Commercial revenue may also be referred to as sales or as turnover. Some companies receive revenue from interest, royalties, or other fees. Revenue may refer to income in general, or it may refer to the amount, in a monetary unit, earned during a period of time

When (or as) a performance obligation is satisfied, an entity shall recognise as revenue the amount of the transaction price (which

excludes estimates of variable consideration that are constrained) that is allocated to that performance obligation.

Determining the transaction price

An entity shall consider the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes). The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both.

The nature, timing and amount of consideration promised by a customer affect the estimate of the transaction price. When determining the transaction price, an entity shall consider the effects of all of the following:

- variable consideration;
- constraining estimates of variable consideration;
- the existence of a significant financing component in the contract;
- non-cash consideration;
- consideration payable to a customer.

For the purpose of determining the transaction price, an entity shall assume that the goods or services will be transferred to the customer as promised in accordance with the existing contract and that the contract will not be cancelled, renewed or modified. An entity shall recognise as an asset the incremental costs of obtaining a contract with a customer if the entity expects to recover those costs.

The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (for example, a sales commission).

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

As a practical expedient, an entity may recognise the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

If the costs incurred in fulfilling a contract with a customer are not within the scope of another rule, an entity shall recognise an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify (for example, costs relating to services to be provided under renewal of an existing contract or costs of designing an asset to be transferred under a specific contract that has not yet been approved);

- the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future;

- the costs are expected to be recovered.

For costs incurred in fulfilling a contract with a customer that are within the scope of another rule, an entity shall account for those costs in accordance with those other rules.

Costs that relate directly to a contract (or a specific anticipated contract) include any of the following:

- direct labour (for example, salaries and wages of employees who provide the promised services directly to the customer);

- direct materials (for example, supplies used in providing the promised services to a customer);

- allocations of costs that relate directly to the contract or to contract activities (for example, costs of contract management and supervision, insurance and depreciation of tools, equipment and right-of-use assets used in fulfilling the contract);

- costs that are explicitly chargeable to the customer under the contract;

- other costs that are incurred only because an entity entered into the contract (for example, payments to subcontractors).

An entity shall recognise the following costs as expenses when incurred:

- general and administrative costs (unless those costs are explicitly chargeable to the customer under the contract, in which case an entity shall evaluate those costs);

- costs of wasted materials, labour or other resources to fulfil the contract that were not reflected in the price of the contract;

- costs that relate to satisfied performance obligations (or partially satisfied performance obligations) in the contract (ie costs that relate to past performance);

- costs for which an entity cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations).

Commercial costs are costs aimed at ensuring the process of selling products, or, to call them differently, these are sales costs (in all its manifestations, depending on the type of products sold – goods, works or services). They are always written off from the balance sheet as expenses of the period and do not form the cost of production in accounting.

Depending on the economic sphere, commercial expenses may include for industrial and other production activities:

1) the costs of packaging and packaging of products in warehouses of finished products;

2) the costs of delivering products to the departure station; loading into wagons, ships, cars;

3) commission fees paid by intermediaries;

4) expenses for the maintenance of premises for the storage of products at points of sale and for the remuneration of sellers;

5) advertising expenses, representation expenses and other expenses related to the sale of products.

Accounts receivable of buyers and customers is intended to summarize information about settlements with buyers and customers. Accounts receivable of buyers and customers are debited in correspondence with accounts of Sales for the amounts for which settlement documents are presented. Accounts receivable of buyers and customers are credited in correspondence with accounts for cash accounting, settlements for the amounts of payments received (including the amounts of advances received), etc. At the same time, the amounts of advances received and prepayment are accounted for separately.



Accounts Receivable are essentially the opposite of accounts payable, accounts receivable refers to the money owed to a business, typically by its customers, for goods or services delivered

Analytical accounting for Accounts receivable of buyers and customers is conducted for each account presented to buyers (customers), and for settlements by scheduled payments - for each buyer and customer. At the same time, the construction of analytical accounting should ensure the possibility of obtaining the necessary data for: buyers and customers on settlement documents whose payment deadline has not come; buyers and customers on settlement documents not paid on time; advances received; promissory notes, the deadline for receipt of funds for which has not come; promissory notes discounted (accounted for) in banks; promissory notes for which funds were not received on time.

Accounts receivable of buyers and customers within a group of interrelated organizations, about the activities of which consolidated accounting statements are compiled, is kept separately.

Other (non-operational) income includes:

- income related to the provision for a fee for temporary use (temporary possession and use) assets of the organization - in correspondence with accounts of settlements or cash;

- receipts related to the granting of rights arising from patents for inventions, industrial designs and other types of intellectual property for a fee – in correspondence with accounts of settlements or cash;

- receipts related to participation in the authorized capitals of other organizations, as well as interest and other income on securities - in correspondence with settlement accounts;

- the profit received by the organization under a simple partnership agreement;

- receipts related to the sale and other write-off of fixed assets and other assets other than cash in currency, products, goods – in correspondence with accounts for settlements or cash;

- receipts from transactions with containers – in correspondence with accounts for containers and settlements;

- interest received (to be received) for the provision of funds for the use of the organization, as well as interest for the use by the credit institution of funds held in the account of the organization in this credit institution – in correspondence with the accounting accounts of financial investments or funds;

- fines, penalties, penalties for violation of the terms of contracts received or recognized for receipt – in correspondence with accounts for settlements or cash;

- receipts related to the gratuitous receipt of assets – in correspondence with the deferred income account;

- receipts for compensation of losses caused to the organization – in correspondence with the accounts of accounting calculations;

- the profit of previous years, revealed in the reporting year, is in correspondence with the settlement accounts;

- amounts of accounts payable for which the limitation period has expired – in correspondence with accounts payable accounts;

- exchange rate differences – in correspondence with accounts of cash accounting, financial investments, settlements, etc.;

- other income.

Other (non-operational) expenses include:

- expenses related to the provision for a fee for temporary use (temporary possession and use) assets of the organization, rights arising from patents for inventions, industrial designs and other types of intellectual property, as well as expenses related to participation in the authorized capitals of other organizations – in correspondence with cost accounting accounts;

- the residual value of assets for which depreciation is accrued and the actual cost of other assets written off by the organization – in correspondence with the accounting accounts of the corresponding assets;

- expenses related to the sale, disposal and other write-off of fixed assets and other assets other than cash in Russian currency, goods, products - in correspondence with cost accounting accounts;

- expenses on transactions with containers – in correspondence with cost accounting accounts;

- interest paid by an organization for providing it with funds (loans, loans) for use – in correspondence with settlement accounts or cash;

- expenses related to the payment of services provided by credit institutions - in correspondence with the accounts of accounting settlements;

– fines, penalties, penalties for violation of the terms of contracts, paid or recognized for payment – in correspondence with the accounts of settlements or cash;

– expenses for the maintenance of production facilities and objects under conservation – in correspondence with the cost accounting accounts;

– compensation of losses caused by the organization – in correspondence with the accounts of accounting calculations;

– losses of previous years recognized in the reporting year – in correspondence with accounts for accounting calculations, depreciation charges, etc.;

– deductions to reserves for impairment of investments in securities, for reduction in the value of tangible assets, for doubtful debts – in correspondence with the accounting accounts of these reserves;

– the amounts of accounts receivable for which the statute of limitations has expired, other debts that are unrealistic for collection – in correspondence with accounts receivable accounts;

– exchange rate differences – in correspondence with accounts for cash accounting, financial investments, settlements, etc.;

– expenses related to the consideration of cases in courts – in correspondence with accounts for settlements, etc.;

– other expenses.

The final financial result (net profit or net loss) consists of the financial result from revenue, costs, as well as non-operational income and expenses.



Net sales = gross sales – (customer discounts, returns, and allowances)



Gross profit = net sales – cost of goods sold

Operating profit = gross profit – total operating expenses



Net profit = operating profit – taxes – interest

Net profit = net sales – cost of goods sold – operating expense – taxes – interest



EBIT = net profit + taxes + interest

EBITDA = net profit + taxes + interest + depreciation + amortization

Case*The Sewing Company sells suits.*

Economic processes and related transactions will be reflected in the accounts as follows (in accordance with changes in property and its sources):

Table 7

Reflection of sales processes on accounts

Transactions	Price	Quantity	Amount, m.u.	Left side	Right side
1. The Company accepted commercial (sales) commissions			17 500,00	Inventories (Commercial Costs)	Accounts payable (Commissioners)
2. The Company calculated salary to manager for sales			25 000,00	Inventories (Commercial Costs)	Employee benefits payable
3. The Company calculated social fee with salary to manager for sales (30%)			7 500,00	Inventories (Commercial Costs)	Taxes & Social Fee
4. The Company accepted transport services connected with finished goods			8 300,00	Inventories (Commercial Costs)	Accounts payable (Transport company)
5. The Company calculated costs for trade mark (brandmark) for month			2 500,00	Inventories (Commercial Costs)	Accounts payable (Licence fee)
6. The Company received packing materials	10,70	30,00	321,00	Inventories (Raw materials, Packing Materials)	Accounts payable (Contractors)
7. The Company used the part of packing materials for FG of this month	10,70	25,00	267,50	Inventories (Commercial Costs)	Inventories (Raw materials, Packing Materials)

Transactions	Price	Quantity	Amount, m.u.	Left side	Right side
8. The Company sold 20 suits:					
- revenue	75 000,00	20,00	1 500 000,00	Accounts receivable (Customers)	Profit & Loss (Revenue)
- costs of finished goods (341 364,58 / 25 *20)		20,00	273 091,66	Profit & Loss (Costs (Production))	Inventories (Finished Goods)
9. The Company showed commercial costs of the month			61 067,50	Profit & Loss (Costs (Commercial))	Inventories (Commercial Costs)
10. The Company showed management costs of the month			557 500,00	Profit & Loss (Costs (Management))	Inventories (Management Costs)
11. The Company calculated Profit Tax (20 %)			118 343,74	Profit & Loss (Taxes)	Taxes & Social Fee
12. The Company received fee from Customers			1 500 000,00	Bank account	Accounts receivable (Customers)
13. The Company paid:					
- to contractors			398 521,00	Accounts payable	Bank account
- to employees			630 000,00	Employee benefits payable	Bank account
- taxes and social fee			305 843,74	Taxes & Social Fee	Bank account

Appendix 5 reflects the successive changes in the accounts and financial statements.

Control questions and tasks

1. What is the difference between revenue and non-operating income?
2. How to calculate net revenue?
3. What is the difference between net revenue and net profit?
4. What is the financial result?
5. What components of the financial result can you name?

6. FINANCIAL REPORTING

Types of reporting of organizations, its composition and purpose.

The accounts of the organization: concept and purpose.

Types of reporting of the organization: accounting (financial) reporting, tax reporting, statistical reporting, management (internal reporting).

The composition of reporting, the procedure for developing and approving different types of reporting forms.

Regulatory regulation, deadlines, and procedures for compiling and submitting various types of reports.

Financial statements are reports issued by companies in order to convey information about their financial health and recent results. These statements are intended to convey the financial state of a business as clearly and accurately as possible for investors, prospective investors, analysts, and any other interested parties.

The objective of financial statements is to provide financial information about the reporting entity's assets, liabilities, equity, income and expenses that is useful to users of financial statements in assessing the prospects for future net cash inflows to the reporting entity and in assessing management's stewardship of the entity's economic resources

That information is provided:

1) in **the statement of financial position**, by recognising assets, liabilities and equity;

2) in **the statement(s) of financial performance**, by recognising income and expenses;

3) in **other statements and notes**, by presenting and disclosing information about:

– recognised assets, liabilities, equity, income and expenses, including information about their nature and about the risks arising from those recognised assets and liabilities;

– assets and liabilities that have not been recognized,, including information about their nature and about the risks arising from them;

– cash flows;

– contributions from holders of equity claims and distributions to them;

- the methods, assumptions and judgements used in estimating the amounts presented or disclosed, and changes in those methods, assumptions and judgements.



Financial reporting is a unified system of data on the property and financial position of an organization and on the results of its economic activities, compiled on the basis of accounting data according to established forms

Financial statements are prepared for a specified period of time (reporting period) and provide information about:

- 1) assets and liabilities, including unrecognised assets and liabilities, and equity that existed at the end of the reporting period, or during the reporting period;
- 2) income and expenses for the reporting period.

To help users of financial statements to identify and assess changes and trends, financial statements also provide comparative information for at least one preceding reporting period.

Information about possible future transactions and other possible future events (forward-looking information) is included in financial statements if it:

- relates to the entity's assets or liabilities, including unrecognised assets or liabilities, or equity that existed at the end of the reporting period, or during the reporting period, or to income or expenses for the reporting period;
- is useful to users of financial statements.

For example, if an asset or liability is measured by estimating future cash flows, information about those estimated future cash flows may help users of financial statements to understand the reported measures. Financial statements do not typically provide other types of forward-looking information, for example, explanatory material about management's expectations and strategies for the reporting entity.

Financial statements include information about transactions and other events that have occurred after the end of the reporting period if providing that information is necessary to meet the objective of financial statements.

For each numerical indicator of the accounting statements, except for the report compiled for the first reporting period, data for at least two years - the reporting and the preceding reporting period should be provided. If the data for the period preceding the reporting period are not comparable with the data for the reporting period, then the first of these data are subject to adjustment based on the rules established by accounting regulations. Each material adjustment should be disclosed in the notes to the balance sheet and profit and loss statement, together with an indication of the reasons that caused this adjustment.

Articles of the balance sheet, profit and loss statement and other separate forms of accounting statements, which, in accordance with the accounting regulations, are subject to disclosure and for which there are no numerical values of assets, liabilities, income, expenses and other indicators, are crossed out (in standard forms) or are not given (in forms developed independently, and in the explanatory note).

Indicators on individual assets, liabilities, income, expenses and business transactions should be presented separately in the accounting statements in case of their materiality and if it is impossible to assess the financial position of the organization or the financial results of its activities without the knowledge of interested users about them. Indicators on certain types of assets, liabilities, income, expenses and business transactions may be presented in the balance sheet or profit and loss statement in the total amount with disclosure in the notes to the balance sheet and profit and loss statement, if each of these indicators is individually insignificant for the assessment of the financial position of the organization or the financial results of its interested users. activities.

Balance sheet contains information about the company's liabilities, assets, and shareholders' equity, and is based on this accounting equation:

Shareholders' Equity = Assets - Liabilities

Unlike the other two financial statements, a balance sheet shows these figures for a particular moment in time, typically the end of a quarter or fiscal year.

The balance sheet is the place to look if you want information about a company's cash and equivalents, long-term investments, ac-

counts receivable, debts, number of shares outstanding, and retained earnings.

In the balance sheet, assets and liabilities should be presented with a division depending on the maturity (maturity) for short-term and long-term. Assets and liabilities are presented as short-term if their maturity is no more than 12 months after the reporting date or the duration of the operating cycle, if it exceeds 12 months. All other assets and liabilities are presented as long-term.

Income statement shows the company's revenue, business expenses, and profitability for a particular reporting period, either annually or quarterly. An income statement is also known as a profit and loss statement.

From the income statement, you can find information such as the total sales, cost of goods sold, gross profit, operating profit, interest income, taxes paid, and net income/profit.

In the income statement, income and expenses should be shown with a division into ordinary and other. The income statement must contain the following numerical indicators:

- Revenue from the sale of goods, products, works, services, net of value added tax, excise taxes, etc. taxes and mandatory payments (net revenue);
- Cost of goods, products, works, services sold (except commercial and management expenses);
- Gross profit;
- Commercial expenses;
- Management expenses;
- Profit/loss from sales;
- Interest receivable;
- Interest payable;
- Income from participation in other organizations;
- Other income;
- Other expenses;
- Profit / loss before taxation;
- Income tax and other similar mandatory payments;
- Profit / loss from ordinary activities;
- Net profit (retained earnings (uncovered loss)).

The statement of retained earnings is designed to display any changes made in earnings during a specified period of time. The

statement of retained earnings begins with the prior period balance, adds in any net income as well as any dividends paid out to shareholders in order to arrive at the ending retained earnings balance. The statement of retained earnings is usually provided to outside entities such as financial institutions and investors, and is not always part of the standard financial statement packet that is prepared.

The calculation for retained earnings is:

Beginning retained earnings + Net income - Dividends = Ending retained earnings

Cash flow statement shows how a company's liquid assets are increasing or decreasing over time. Positive cash flow indicates that more money is flowing in than out, and can be an indicator of improving financial strength and flexibility.

On the other hand, negative cash flow can potentially be an indicator of financial difficulty. The cash flow statement can tell you how much money a company is paying in dividends or share repurchases, spending on investments, and how much of a company's net income is actually flowing into the company.

The statement of cash flows shall report cash flows during the period classified by **operating, investing and financing activities**. An entity presents its cash flows from operating, investing and financing activities in a manner which is most appropriate to its business. Classification by activity provides information that allows users to assess the impact of those activities on the financial position of the entity and the amount of its cash and cash equivalents. This information may also be used to evaluate the relationships among those activities. A single transaction may include cash flows that are classified differently. For example, when the cash repayment of a loan includes both interest and capital, the interest element may be classified as an operating activity and the capital element is classified as a financing activity.

The amount of cash flows arising from **operating activities** is a key indicator of the extent to which the operations of the entity have generated sufficient cash flows to repay loans, maintain the operating capability of the entity, pay dividends and make new investments without recourse to external sources of financing. Information about the specific components of historical operating cash flows is useful, in conjunction with other information, in forecasting future operating cash flows. Cash flows from operating activities are primar-

ily derived from the principal revenue-producing activities of the entity. Therefore, they generally result from the transactions and other events that enter into the determination of profit or loss. Examples of cash flows from operating activities are:

- cash receipts from the sale of goods and the rendering of services;
- cash receipts from royalties, fees, commissions and other revenue;
- cash payments to suppliers for goods and services;
- cash payments to and on behalf of employees;
- cash payments or refunds of income taxes unless they can be specifically identified with financing and investing activities;
- cash receipts and payments from contracts held for dealing or trading purposes.

The separate disclosure of cash flows arising from **investing activities** is important because the cash flows represent the extent to which expenditures have been made for resources intended to generate future income and cash flows. Only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities. Examples of cash flows arising from investing activities are:

- cash payments to acquire property, plant and equipment, intangibles and other long-term assets. These payments include those relating to capitalised development costs and self-constructed property, plant and equipment;
- cash receipts from sales of property, plant and equipment, intangibles and other long-term assets;
- cash payments to acquire equity or debt instruments of other entities and interests in joint ventures (other than payments for those instruments considered to be cash equivalents or those held for dealing or trading purposes);
- cash receipts from sales of equity or debt instruments of other entities and interests in joint ventures (other than receipts for those instruments considered to be cash equivalents and those held for dealing or trading purposes);
- cash advances and loans made to other parties (other than advances and loans made by a financial institution);

- cash receipts from the repayment of advances and loans made to other parties (other than advances and loans of a financial institution);

- cash payments for futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the payments are classified as financing activities;

- cash receipts from futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the receipts are classified as financing activities.

The separate disclosure of cash flows arising from **financing activities** is important because it is useful in predicting claims on future cash flows by providers of capital to the entity. Examples of cash flows arising from financing activities are:

- cash proceeds from issuing shares or other equity instruments;

- cash payments to owners to acquire or redeem the entity's shares;

- cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short-term or long-term borrowings;

- cash repayments of amounts borrowed;

- cash payments by a lessee for the reduction of the outstanding liability relating to a lease.

An entity shall report cash flows from operating activities using either:

- 1) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed;

- 2) the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

Entities are encouraged to report cash flows from operating activities using the direct method.

The direct method provides information which may be useful in estimating future cash flows and which is not available under the indirect method. Under the direct method, information about major

classes of gross cash receipts and gross cash payments may be obtained either:

- from the accounting records of the entity;
- by adjusting sales, cost of sales (interest and similar income and interest expense and similar charges for a financial institution) and other items in the statement of comprehensive income for:

- changes during the period in inventories and operating receivables and payables;
- other non-cash items;
- other items for which the cash effects are investing or financing cash flows.

Under the indirect method, the net cash flow from operating activities is determined by adjusting profit or loss for the effects of:

- changes during the period in inventories and operating receivables and payables;

- non-cash items such as depreciation, provisions, deferred taxes, unrealised foreign currency gains and losses, and undistributed profits of associates;

- all other items for which the cash effects are investing or financing cash flows.

Alternatively, the net cash flow from operating activities may be presented under the indirect method by showing the revenues and expenses disclosed in the statement of comprehensive income and the changes during the period in inventories and operating receivables and payables.

Notes (explanations) to the balance sheet and profit and loss statement should disclose information related to the accounting policy of the organization and provide users with additional data that is inappropriate to include in the balance sheet and profit and loss statement, but which are necessary for users of accounting statements for a real assessment of the financial position of the organization, the financial results of its activities and changes in its financial situation. In the notes to the balance sheet and profit and loss statement, it should be indicated that the accounting statements were formed by the organization based on the accounting and reporting rules.

Material deviations should be disclosed in the accounting statements, indicating the reasons that caused these deviations, as well as the result that these deviations had on understanding the fi-

financial situation of the organization, reflecting the financial results of its activities and changes in its financial position. The Organization must provide confirmation of the assessment in monetary terms of the consequences of deviations from the accounting and reporting rules.

Notes (explanations) to the balance sheet and profit and loss statement should disclose the following additional data:

- on the availability at the beginning and end of the reporting period and the movement during the reporting period of certain types of intangible assets;

- on the availability at the beginning and end of the reporting period and the movement during the reporting period of certain types of fixed assets;

- on the availability at the beginning and end of the reporting period and the movement during the reporting period of leased fixed assets;

- on the availability at the beginning and end of the reporting period and the movement during the reporting period of certain types of financial investments;

- on the availability of certain types of accounts receivable at the beginning and end of the reporting period;

- about changes in the capital (authorized, reserve, additional, etc.) of the organization;

- on the number of shares issued by the joint-stock company and fully paid for; the number of shares issued but not paid for or partially paid for; the nominal value of shares owned by the joint-stock company, its subsidiaries and affiliates;

- on the composition of reserves for upcoming expenses and payments, estimated reserves, their availability at the beginning and end of the reporting period, the movement of funds of each reserve during the reporting period;

- on the availability of certain types of accounts payable at the beginning and end of the reporting period;

- about sales volumes of products, goods, works, services by type (branch) of activity and geographical sales markets (activity);

- on the composition of production costs (circulation costs);

- about the composition of other income and expenses;

- about extraordinary facts of economic activity and their consequences;
- about any issued and received guarantees of obligations and payments of the organization;
- about events after the reporting date and conditional facts of economic activity;
- about discontinued operations;
- about affiliated persons;
- about state aid;
- about earnings per share.

Notes (explanations) to the balance sheet and profit and loss statement disclose information in the form of separate reporting forms (cash flow statement, statement of changes in equity, etc.) and in the form of an explanatory note.

The item of the balance sheet and profit and loss statement to which explanations are given should have an indication of such disclosure.

Control questions and tasks

1. Name the main forms of financial statements and their contents.
2. According to the reporting data from Appendix 6, determine the main indicators:
 - balance sheet value of fixed assets;
 - balance sheet value of intangible assets;
 - balance sheet value of raw materials;
 - balance sheet value of WIP;
 - balance sheet value of accounts payable and accounts receivable;
 - balance sheet value of net profit;
 - value of revenue;
 - value of production, management and commercial costs;
 - value of non-operation incomes and expenses;
 - value of financial result of the each accounting period.

CONCLUSION

So, in this course, the basics of accounting and the impact on the reporting of basic business processes were given. They are the basis not only for the formation of a unified financial and economic information system of the company, but also allow you to understand the order of work of an economist, financial analyst, auditor, forensic accountant.

The course covers the issues of evaluation, reflection in the accounting system and in the reporting forms of key operations of any company. Individual topics show the systemic and complex, interrelated impact of various factors on the company's activities, financial condition and results.

GLOSSARY

Accounts Payable refers to the money a business owes to its suppliers, vendors, or creditors for goods or services bought on credit. A short-term debt that must be paid back quickly to avoid default, accounts payable shows up as a liability on an organization's balance sheet. An example of accounts payable includes when a restaurant receives a beverage order on credit from an outside supplier. Accounts payable acts as an IOU to another company

Accounts Receivable – Essentially the opposite of accounts payable, accounts receivable refers to the money owed to a business, typically by its customers, for goods or services delivered. An example of accounts receivable includes when a beverage supplier delivers a beverage order on credit to a restaurant. While the restaurant records that transaction to accounts payable, the beverage supplier records it to accounts receivable and a current asset in its balance sheet.

Accounting Period – An accounting period refers to the span of time in which a set of financial statements are released. Businesses and investors analyze financial performance over time by comparing different accounting periods. Accounting cycles track accounting events from when the transactions first occur to when they end, all within given accounting periods. Publicly held companies must report to the Security and Exchanges Commission every three months, so they go through four accounting periods per year. Other organizations use different accounting periods, but no matter the length, accounting periods should remain consistent over time.

Accruals – A type of record-keeping adjustment, accruals recognize businesses' expenses and revenues before exchanges of money take place. Accruals include expenses and revenues not yet recorded in companies' accounts. Accruals affect businesses' net income and must be documented before financial statements are issued. Types of accrual accounts include accrued interest, accounts receivable, and accounts payable. Companies note accrued expenses before receiving invoices for goods or services. Businesses indicate ac-

crued revenue for goods or services for which they expect to receive payment later on.

Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its useful life.

Assets are resources with economic value which companies expect to provide future benefits. These can reduce expenses, generate cash flow, or improve sales for businesses. Companies report assets on their balance sheets. Asset types include fixed, current, liquid, and prepaid expenses. Assets may include long-term resources like buildings and equipment. Current assets include all assets a company expects to use or sell within one year. Liquid assets can easily convert to cash in a short timeframe. Prepaid expenses include advance payments for goods or services a company will use in the future.

Balance sheets are financial statements providing snapshots of organizations' liabilities, assets, and shareholders' equity at specific moments in time. Balance sheets represent one type of financial statement used to evaluate companies' financial health and worth. Accountants use the accounting equation, also known as the balance sheet equation, to create balance sheets: «Assets = Liabilities + Equity».

Capital refers to a person's or organization's financial assets. Capital may include funds in deposit accounts or money from financing sources. Working capital refers to a business's liquid capital, which the owner can use to pay for day-to-day or ongoing expenses. A company's working capital indicates its overall health and ability to meet financial obligations due within a year.

Cash flow is the total amount of money that comes into and goes out of a business. Net cash flow refers to the sum of all money a business makes. Cash flow statements are financial statements, and they include all cash a business receives from its operations, investments, and financing.

Carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

Chart of Accounts – An index of the financial accounts in a company's general ledger, a chart of accounts (COA) provides a snap-

shot of all the financial transactions a company has conducted in a specific accounting period. COAs help companies organize their finances and provide insight into organizations' financial health for investors and stakeholders. COAs can include assets, liabilities, and shareholders' equity.

Closing the Books – Referring to when accountants used physical ledger books to track transactions, closing the books means accounting for all financial transactions within a certain period. This helps ensure the accuracy of companies' reports for given time periods, including their income statements and balance sheets. Closing the books is simple for organizations using cash basis accounting, but it's more complicated for those employing accrual basis accounting. Accountants refer to closing the books at the end of the year as year-end closing.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other standards.

Cost of Goods Sold – The total cost of producing the goods sold by a business is called cost of goods sold (COGS). COGS includes the direct costs of creating goods, including materials and labor, and it excludes indirect costs, such as distribution expenses.

Credit – Accountants using double-entry bookkeeping systems record numbers for each business transaction in two accounts: credit and debit. Credits are accounting entries that either increase an equity or liability account or decrease an expense or asset account. Credits are made on the right side of an account. Debits must equal credits for an account to be in balance.

Debit – The opposite of a credit, a debit is an accounting entry made on the left side of an account. Used in double-entry bookkeeping systems, debits either increase expense or asset accounts or decrease equity or liability accounts.

Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use.

Entity-specific value is the present value of the cash flows an entity expects to arise from the continuing use of an asset and from its disposal at the end of its useful life or expects to incur when settling a liability.

Expenses refer to costs of conducting business. Companies can deduct some eligible expenses from their taxes. Types of expenses include fixed, variable, accrued, and operation expenses. Fixed expenses do not change from month to month, including rent, salaries, and insurance payments. Variable expenses do change monthly, and they may include discretionary or unpredictable but necessary costs. Accountants recognize accrued expenses when companies incur them, not when companies pay for them. Primarily necessary and unavoidable, businesses incur operating expenses (often abbreviated as OPEX), like rent, marketing, and payroll, through their normal operations. The IRS allows companies to deduct operating expenses.

Equity, often called **stockholders' equity or owners' equity**, is the amount of money left over and returned to shareholders after a business sells all assets and pays off all debt, represented by the equation «Equity = Assets – Liabilities». An indicator of a company's financial health, equity can consist of both tangible (buildings, cash, land) and intangible (copyrights, patents, brand recognition) assets. It exists as a record on a company's balance sheet. Sole proprietorships only use the term owners' equity, because there are no shareholders.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finished goods are goods that have completed the manufacturing process but have not yet been sold or distributed to the end user.

Fixed Cost – A type of expense, fixed costs do not change from month to month. Fixed costs include things like payroll, rent, and insurance payments. Variable costs, on the other hand, change each month and may include discretionary spending or unpredictable expenses.

Gross profit, also called gross income or sales profit, is the profit businesses make after subtracting the costs related to supplying their services or making and selling their products. Accountants calculate gross profit by subtracting the cost of goods sold from revenue. Gross profit considers variable costs, not fixed costs. Analysts can look at gross profit as indicative of a company's efficiency at delivering services or producing goods.

Gross Margin refers to businesses' net sales revenue after subtracting the costs of goods sold. It represents the revenue companies keep as gross profit. An indicator of financial health, higher gross margins typically mean that a company can make more profit on its sales. Lower gross margins may mean a business needs to reduce production costs. The formula for gross margin is "Gross Margin = Net Sales – Cost of Goods Sold."

Gross sales are the sum of all sales during a time period. Net sales are gross sales minus sales returns, sales allowances, and sales discounts. Gross sales do not normally appear on an income statement. The sales figures reported on an income statement are net sales.

Income Statement, also known as **statements of revenue and expense or profit and loss statements**, income statements provide information about businesses' expenses and revenue in specific periods of time. Along with balance sheets and statements of cash flows, income statements offer insight into companies' financial health.

Inventory refers to a company's goods and raw materials used for making the goods it sells. It appears on a balance sheet as an asset. Inventory includes finished goods, raw materials, and works-in-progress. Generally, companies should

avoid holding large amounts of inventory for long periods of time, due to the risk of obsolescence and storage costs.

Intangible asset is an identifiable non-monetary asset without physical substance.

Impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

Liabilities are when someone owes someone else money. Someone can fulfill the obligation of settling a liability through the transfer of money, services, or goods. Types of liabilities can include loans, mortgages, accounts payable, and accrued expenses. Short-term liabilities conclude in less than a year, while businesses may expect long-term liabilities to take longer than a year to resolve.

Monetary assets are money held and assets to be received in fixed or determinable amounts of money.

Net Income, also called **net earnings or net profit, net income** is the amount an individual or business earns after subtracting deductions and taxes from gross income. To calculate the net income of a business, subtract all expenses and costs from revenue. Sometimes called the bottom line in business, net income appears as the last item in an income statement. Investors and shareholders look at net income to assess companies' financial health and determine businesses' loan eligibility.

Overhead refers to the ongoing costs of doing business, other than those related to directly creating a good or service. Companies must understand the cost of overhead to figure out how much they need to charge for their goods or services and make a profit. Income statements include information about overhead expenses.

Raw material, also known as a feedstock, unprocessed material, or primary commodity, is a basic material that is used to produce goods, finished goods, energy, or intermediate materials that are feedstock for future finished products.

Present Value – Money today is typically assumed to be worth more than the same amount of money received in the future. This is due to the assumed rate of return and inflation. Present

value is the current value of money in the future, with a specific assumed interest rate that could accrue over that period of time.

Profit and Loss Statement, also called an **income statement**, shows the **expenses, costs and revenues** for a company during a specific time period. This financial statement, along with the cash flow statement and the balance sheet, provides information about a business's financial health and ability to generate profit.

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one period.

Receipts are written notices acknowledging that one party received something of value from another. An acknowledgement of ownership, receipts are proof of a financial transaction. The IRS requires small businesses to hold onto some receipts to document tax deductible expenses.

Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

Residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Retained earnings, also called an **earnings surplus**, refers to the amount of net income left for a business to use after paying dividends to its shareholders. A company's management typically decides whether to keep the earnings or give them to shareholders.

Revenue, also called **sales**, is the gross income a business makes through normal business operations. To calculate sales revenue, multiply sales price by number of units sold. Accrual accounting and cash accounting methods calculate revenue differently. When using the accrual accounting method to calculate revenue, accountants include sales made on

credit. Those who use the cash accounting method only count sales as revenue once the business receives payment.

Useful life is the period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.

Variable cost refers to expenses that change depending on the level of a business's production. Variable costs go up when production increases and down when production decreases. In contrast to variable cost, fixed cost refers to expenses for a company that stay the same, regardless of production. Fixed costs may include insurance, rent, and interest payments.

Work In Progress (WIP), work in process (WIP), goods in process, or in-process inventory are a company's partially finished goods waiting for completion and eventual sale or the value of these items. These items are either just being fabricated or waiting for further processing in a queue or a buffer storage.

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The successive changes in the accounts
and financial statements as a result of economic processes

Initial data

Balance Sheet				Profit and Loss Statement	
Recourses		Sources			
Non-current assets		Equity		Incomes (+)	0,00
Property	0,00	Nominal capital	0,00	Revenue	0,00
		Profit & Loss	0,00		
		Total E	0,00		
		Non-current Liabilities		Expenses (-)	0,00
		Long-term Loan	0,00	Cost	0,00
Total NCA	0,00	Total NCL	0,00		
Current assets		Current Liabilities			
Raw materials	0,00	Accounts payable	0,00	Profit (+) / Loss (-)	0,00
Finished goods	0,00	Employee benefits payable	0,00		
Accounts receivable	0,00				
Stakeholders receivable	0,00				
Cash	0,00				
Total CA	0,00	Total CL	0,00		
Total assets	0,00	Total equity and liabilities	0,00		

Finished goods - Asset	
LS - Dt	Cr - RS
Initial balance:	
0,00	
Final balance = IB + Dt - Cr:	
0,00	

Raw materials - Asset	
LS - Dt	Cr - RS
Initial balance:	
0,00	
Final balance = IB + Dt - Cr:	
0,00	

Nominal capital - Equity	
LS - Dt	Cr - RS
Initial balance:	
	0,00
Final balance	= IB - Dt + Cr:
	0,00

Profit & Loss - Equity	
LS - Dt	Cr - RS
Initial balance:	
	0,00
Final balance	= IB - Dt + Cr:
	0,00

Accounts receivable - Asset	
LS - Dt	Cr - RS
Initial balance:	
0,00	
Final balance = IB + Dt - Cr:	
0,00	

Property - Asset	
LS - Dt	Cr - RS
Initial balance:	
0,00	
Final balance = IB + Dt - Cr:	
0,00	

Accounts payable - Liabilities	
LS - Dt	Cr - RS
Initial balance:	
	0,00
Final balance	= IB - Dt + Cr:
	0,00

Loans - Liabilities	
LS - Dt	Cr - RS
Initial balance:	
	0,00
Final balance	= IB - Dt + Cr:
	0,00

Cash - Asset	
LS - Dt	Cr - RS
Initial balance:	
0,00	
Final balance = IB + Dt - Cr:	
0,00	

Stakeholders receivable - Asset	
LS - Dt	Cr - RS
Initial balance:	
0,00	
Final balance = IB + Dt - Cr:	
0,00	

Employee benefits payable - Liabilities	
LS - Dt	Cr - RS
Initial balance:	
	0,00
Final balance	= IB - Dt + Cr:
	0,00

Income & Expenses - Equity	
LS - Dt - Expenses	Income - Cr - RS
Initial balance:	
	0,00
Final balance	= IB - Dt + Cr:
	0,00

Transaction 1

Balance Sheet				Profit and Loss Statement	
Recourses		Sources			
Non-current assets		Equity		Incomes (+)	0,00
Property	0,00	Nominal capital	30 000,00	Revenue	0,00
		Profit & Loss	0,00		
		Total E	30 000,00	Expenses (-)	0,00
		Non-current Liabilities		Cost	0,00
		Long-term Loan	0,00		
Total NCA	0,00	Total NCL	0,00		
Current assets		Current Liabilities		Profit (+) / Loss (-)	0,00
Raw materials	0,00	Accounts payable	0,00		
Finished goods	0,00	Employee benefits payable	0,00		
Accounts receivable	0,00				
Stakeholders receivable	30 000,00				
Cash	0,00				
Total CA	30 000,00	Total CL	0,00		
Total assets	30 000,00	Total equity and liabilities	30 000,00		

Finished goods - Asset	
LS - Dt	Cr - RS
Initial balance:	
0,00	
Final balance = IB + Dt - Cr:	
0,00	

Raw materials - Asset	
LS - Dt	Cr - RS
Initial balance:	
0,00	
Final balance = IB + Dt - Cr:	
0,00	

Nominal capital - Equity	
LS - Dt	Cr - RS
Initial balance:	
	0,00
	30 000,00
Final balance	= IB - Dt + Cr:
	30 000,00

Profit & Loss - Equity	
LS - Dt	Cr - RS
Initial balance:	
	0,00
	0,00
Final balance	= IB - Dt + Cr:
	0,00

Accounts receivable - Asset	
LS - Dt	Cr - RS
Initial balance:	
0,00	
Final balance = IB + Dt - Cr:	
0,00	

Property - Asset	
LS - Dt	Cr - RS
Initial balance:	
0,00	
Final balance = IB + Dt - Cr:	
0,00	

Accounts payable - Liabilities	
LS - Dt	Cr - RS
Initial balance:	
	0,00
Final balance	= IB - Dt + Cr:
	0,00

Loans - Liabilities	
LS - Dt	Cr - RS
Initial balance:	
	0,00
Final balance	= IB - Dt + Cr:
	0,00

Cash - Asset	
LS - Dt	Cr - RS
Initial balance:	
0,00	
Final balance = IB + Dt - Cr:	
0,00	

Shareholders receivable - Asset	
LS - Dt	Cr - RS
Initial balance:	
0,00	
	10 000,00
	10 000,00
	10 000,00
Final balance = IB + Dt - Cr:	
30 000,00	

Employee benefits payable - Liabilities	
LS - Dt	Cr - RS
Initial balance:	
	0,00
Final balance	= IB - Dt + Cr:
	0,00

Income & Expenses - Equity	
LS - Dt - Expenses	Income - Cr - RS
Initial balance:	
	0,00
Final balance	= IB - Dt + Cr:
	0,00

Transaction 2

Recourses		Sources	
Non-current assets		Equity	
Property	0,00	Nominal capital	30 000,00
		Profit & Loss	0,00
		Total E	30 000,00
		Non-current Liabilities	
		Long-term Loan	0,00
Total NCA	0,00	Total NCL	0,00
Current assets		Current Liabilities	
Raw materials	10 000,00	Accounts payable	0,00
Finished goods	0,00	Employee benefits payable	0,00
Accounts receivable	0,00		
Stakeholders receivable	20 000,00		
Cash	0,00		
Total CA	30 000,00	Total CL	0,00
Total assets	30 000,00	Total equity and liabilities	30 000,00

Profit and Loss Statement	
Incomes (+)	0,00
Revenue	0,00
Expenses (-)	0,00
Cost	0,00
Profit (+) / Loss (-)	0,00

Finished goods - Asset	
LS - Dt	Cr - RS
Initial balance:	
0,00	
Final balance = IB + Dt - Cr:	
0,00	

Raw materials - Asset	
LS - Dt	Cr - RS
Initial balance:	
0,00	
10 000,00	
Final balance = IB + Dt - Cr:	
10 000,00	

Nominal capital - Equity	
LS - Dt	Cr - RS
Initial balance:	
	0,00
	30 000,00
Final balance = IB + Dt + Cr:	
	30 000,00

Profit & Loss - Equity	
LS - Dt	Cr - RS
Initial balance:	
	0,00
0,00	
Final balance = IB + Dt + Cr:	
	0,00

Accounts receivable - Asset	
LS - Dt	Cr - RS
Initial balance:	
0,00	
Final balance = IB + Dt - Cr:	
0,00	

Property - Asset	
LS - Dt	Cr - RS
Initial balance:	
0,00	
Final balance = IB + Dt - Cr:	
0,00	

Accounts payable - Liabilities	
LS - Dt	Cr - RS
Initial balance:	
	0,00
Final balance = IB + Dt + Cr:	
	0,00

Loans - Liabilities	
LS - Dt	Cr - RS
Initial balance:	
	0,00
Final balance = IB + Dt + Cr:	
	0,00

Cash - Asset	
LS - Dt	Cr - RS
Initial balance:	
0,00	
Final balance = IB + Dt - Cr:	
0,00	

Stakeholders receivable - Asset	
LS - Dt	Cr - RS
Initial balance:	
0,00	
10 000,00	10 000,00
10 000,00	
10 000,00	
Final balance = IB + Dt - Cr:	
20 000,00	

Employee benefits payable - Liabilities	
LS - Dt	Cr - RS
Initial balance:	
	0,00
Final balance = IB + Dt + Cr:	
	0,00

Income & Expenses - Equity	
LS - Dt - Expenses	Income - Cr - RS
Initial balance:	
	0,00
Final balance = IB + Dt + Cr:	
	0,00

Transaction 3

Recourses		Sources	
Non-current assets		Equity	
Property	10 000,00	Nominal capital	30 000,00
		Profit & Loss	0,00
		Total E	30 000,00
		Non-current Liabilities	
		Long-term Loan	0,00
Total NCA	10 000,00	Total NCL	0,00
Current assets		Current Liabilities	
Raw materials	10 000,00	Accounts payable	0,00
Finished goods	0,00	Employee benefits payable	0,00
Accounts receivable	0,00		
Stakeholders receivable	10 000,00		
Cash	0,00		
Total CA	20 000,00	Total CL	0,00
Total assets	30 000,00	Total equity and liabilities	30 000,00

Profit and Loss Statement	
Incomes (+)	0,00
Revenue	0,00
Expenses (-)	0,00
Cost	0,00
Profit (+) / Loss (-)	0,00

Finished goods - Asset	
LS - Dt	Cr - RS
Initial balance:	
0,00	
<hr/>	
Final balance = IB + Dt - Cr:	
0,00	

Raw materials - Asset	
LS - Dt	Cr - RS
Initial balance:	
0,00	
10 000,00	
<hr/>	
Final balance = IB + Dt - Cr:	
10 000,00	

Nominal capital - Equity	
LS - Dt	Cr - RS
Initial balance:	
0,00	
30 000,00	
<hr/>	
Final balance	= IB - Dt + Cr:
30 000,00	

Profit & Loss - Equity	
LS - Dt	Cr - RS
Initial balance:	
0,00	
0,00	
<hr/>	
Final balance	= IB - Dt + Cr:
0,00	

Accounts receivable - Asset	
LS - Dt	Cr - RS
Initial balance:	
0,00	
<hr/>	
Final balance = IB + Dt - Cr:	
0,00	

Property - Asset	
LS - Dt	Cr - RS
Initial balance:	
0,00	
10 000,00	
<hr/>	
Final balance = IB + Dt - Cr:	
10 000,00	

Accounts payable - Liabilities	
LS - Dt	Cr - RS
Initial balance:	
0,00	
<hr/>	
Final balance	= IB - Dt + Cr:
0,00	

Loans - Liabilities	
LS - Dt	Cr - RS
Initial balance:	
0,00	
<hr/>	
Final balance	= IB - Dt + Cr:
0,00	

Cash - Asset	
LS - Dt	Cr - RS
Initial balance:	
0,00	
<hr/>	
Final balance = IB + Dt - Cr:	
0,00	

Stakeholders receivable - Asset	
LS - Dt	Cr - RS
Initial balance:	
0,00	
10 000,00	10 000,00
10 000,00	10 000,00
10 000,00	
<hr/>	
Final balance = IB + Dt - Cr:	
10 000,00	

Employee benefits payable - Liabilities	
LS - Dt	Cr - RS
Initial balance:	
0,00	
<hr/>	
Final balance	= IB - Dt + Cr:
0,00	

Income & Expenses - Equity	
LS - Dt - Expenses	Income - Cr - RS
Initial balance:	
0,00	
<hr/>	
Final balance	= IB - Dt + Cr:
0,00	

Transaction 4

Balance Sheet				Profit and Loss Statement	
Recourses		Sources			
Non-current assets		Equity		Incomes (+)	0,00
		Nominal capital	30 000,00	Revenue	0,00
Property	10 000,00	Profit & Loss	0,00		
		Total E	30 000,00	Expenses (-)	0,00
		Non-current Liabilities		Cost	0,00
		Long-term Loan	0,00		
Total NCA	10 000,00	Total NCL	0,00		
Current assets		Current Liabilities		Profit (+) / Loss (-)	0,00
Raw materials	10 000,00	Accounts payable	0,00		
Finished goods	0,00	Employee benefits payable	0,00		
Accounts receivable	0,00				
Stakeholders receivable	0,00				
Cash	10 000,00				
Total CA	20 000,00	Total CL	0,00		
Total assets	30 000,00	Total equity and liabilities	30 000,00		

Finished goods - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
<i>Final balance = IB + Dt - Cr:</i>	
0,00	

Raw materials - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
10 000,00	
<i>Final balance = IB + Dt - Cr:</i>	
10 000,00	

Nominal capital - Equity	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
	30 000,00
<i>Final balance = IB - Dt + Cr:</i>	
	30 000,00

Profit & Loss - Equity	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
0,00	
<i>Final balance = IB - Dt + Cr:</i>	
	0,00

Accounts receivable - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
<i>Final balance = IB + Dt - Cr:</i>	
0,00	

Property - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
10 000,00	
<i>Final balance = IB + Dt - Cr:</i>	
10 000,00	

Accounts payable - Liabilities	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
<i>Final balance = IB - Dt + Cr:</i>	
	0,00

Loans - Liabilities	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
<i>Final balance = IB - Dt + Cr:</i>	
	0,00

Cash - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
10 000,00	
<i>Final balance = IB + Dt - Cr:</i>	
10 000,00	

Stakeholders receivable - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
10 000,00	10 000,00
10 000,00	10 000,00
10 000,00	10 000,00
<i>Final balance = IB + Dt - Cr:</i>	
0,00	

Employee benefits payable - Liabilities	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
<i>Final balance = IB - Dt + Cr:</i>	
	0,00

Income & Expenses - Equity	
LS - Dt - Expenses	Income - Cr - RS
<i>Initial balance:</i>	
	0,00
<i>Final balance = IB - Dt + Cr:</i>	
	0,00

Transaction 5

Recourses		Sources	
Non-current assets		Equity	
Property	10 000,00	Nominal capital	30 000,00
		Profit & Loss	0,00
		Total E	30 000,00
		Non-current Liabilities	
		Long-term Loan	0,00
Total NCA	10 000,00	Total NCL	0,00
Current assets		Current Liabilities	
Raw materials	13 000,00	Accounts payable	0,00
Finished goods	0,00	Employee benefits payable	0,00
Accounts receivable	0,00		
Stakeholders receivable	0,00		
Cash	7 000,00		
Total CA	20 000,00	Total CL	0,00
Total assets	30 000,00	Total equity and liabilities	30 000,00

Profit and Loss Statement	
Incomes (+)	0,00
Revenue	0,00
Expenses (-)	0,00
Cost	0,00
Profit (+) / Loss (-)	0,00

Finished goods - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
<i>Final balance = IB + Dt - Cr:</i>	
0,00	

Raw materials - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
10 000,00	
3 000,00	
<i>Final balance = IB + Dt - Cr:</i>	
13 000,00	

Nominal capital - Equity	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
	30 000,00
<i>Final balance = IB + Dt - Cr:</i>	
	30 000,00

Profit & Loss - Equity	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
0,00	
<i>Final balance = IB + Dt - Cr:</i>	
	0,00

Accounts receivable - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
<i>Final balance = IB + Dt - Cr:</i>	
0,00	

Property - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
10 000,00	
<i>Final balance = IB + Dt - Cr:</i>	
10 000,00	

Accounts payable - Liabilities	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
<i>Final balance = IB + Dt - Cr:</i>	
	0,00

Loans - Liabilities	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
<i>Final balance = IB + Dt - Cr:</i>	
	0,00

Cash - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
10 000,00	3 000,00
<i>Final balance = IB + Dt - Cr:</i>	
7 000,00	

Stakeholders receivable - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
10 000,00	10 000,00
10 000,00	10 000,00
10 000,00	10 000,00
<i>Final balance = IB + Dt - Cr:</i>	
0,00	

Employee benefits payable - Liabilities	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
<i>Final balance = IB + Dt - Cr:</i>	
	0,00

Income & Expenses - Equity	
LS - Dt - Expenses	Income - Cr - RS
<i>Initial balance:</i>	
	0,00
<i>Final balance = IB + Dt - Cr:</i>	
	0,00

Transaction 6

Recourses		Sources	
Non-current assets		Equity	
Property	10 000,00	Nominal capital	30 000,00
		Profit & Loss	0,00
		Total E	30 000,00
		Non-current Liabilities	
		Long-term Loan	0,00
Total NCA	10 000,00	Total NCL	0,00
Current assets		Current Liabilities	
Raw materials	15 000,00	Accounts payable	0,00
Finished goods	0,00	Employee benefits payable	0,00
Accounts receivable	0,00		
Stakeholders receivable	0,00		
Cash	5 000,00		
Total CA	20 000,00	Total CL	0,00
Total assets	30 000,00	Total equity and liabilities	30 000,00

Profit and Loss Statement	
Incomes (+)	0,00
Revenue	0,00
Expenses (-)	0,00
Cost	0,00
Profit (+) / Loss (-)	0,00

Finished goods - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
<i>Final balance = IB + Dt - Cr:</i>	
0,00	

Accounts receivable - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
<i>Final balance = IB + Dt - Cr:</i>	
0,00	

Cash - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
10 000,00	3 000,00
	2 000,00
<i>Final balance = IB + Dt - Cr:</i>	
5 000,00	

Raw materials - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
10 000,00	
3 000,00	
2 000,00	
<i>Final balance = IB + Dt - Cr:</i>	
15 000,00	

Property - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
10 000,00	
<i>Final balance = IB + Dt - Cr:</i>	
10 000,00	

Stakeholders receivable - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
10 000,00	10 000,00
10 000,00	10 000,00
10 000,00	10 000,00
<i>Final balance = IB + Dt - Cr:</i>	
0,00	

Nominal capital - Equity	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
	30 000,00
<i>Final balance = IB + Dt - Cr:</i>	
	30 000,00

Accounts payable - Liabilities	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
<i>Final balance = IB - Dt + Cr:</i>	
	0,00

Employee benefits payable - Liabilities	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
<i>Final balance = IB - Dt + Cr:</i>	
	0,00

Profit & Loss - Equity	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
0,00	
<i>Final balance = IB - Dt + Cr:</i>	
	0,00

Loans - Liabilities	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
<i>Final balance = IB - Dt + Cr:</i>	
	0,00

Income & Expenses - Equity	
LS - Dt - Expenses	Income - Cr - RS
<i>Initial balance:</i>	
	0,00
<i>Final balance = IB - Dt + Cr:</i>	
	0,00

Transaction 7

Recourses		Sources	
Non-current assets		Equity	
Property	10 000,00	Nominal capital	30 000,00
		Profit & Loss	0,00
		Total E	30 000,00
		Non-current Liabilities	
		Long-term Loan	0,00
Total NCA	10 000,00	Total NCL	0,00
Current assets		Current Liabilities	
Raw materials	16 000,00	Accounts payable	0,00
Finished goods	0,00	Employee benefits payable	0,00
Accounts receivable	0,00		
Stakeholders receivable	0,00		
Cash	4 000,00		
Total CA	20 000,00	Total CL	0,00
Total assets	30 000,00	Total equity and liabilities	30 000,00

Profit and Loss Statement	
Incomes (+)	0,00
Revenue	0,00
Expenses (-)	0,00
Cost	0,00
Profit (+) / Loss (-)	0,00

Finished goods - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
<i>Final balance = IB + Dt - Cr:</i>	
0,00	

Accounts receivable - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
<i>Final balance = IB + Dt - Cr:</i>	
0,00	

Cash - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
10 000,00	3 000,00
	2 000,00
	1 000,00
<i>Final balance = IB + Dt - Cr:</i>	
4 000,00	

Raw materials - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
10 000,00	
5 000,00	
1 000,00	
<i>Final balance = IB + Dt - Cr:</i>	
16 000,00	

Property - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
10 000,00	
<i>Final balance = IB + Dt - Cr:</i>	
10 000,00	

Shareholders receivable - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
10 000,00	10 000,00
10 000,00	10 000,00
10 000,00	10 000,00
<i>Final balance = IB + Dt - Cr:</i>	
0,00	

Nominal capital - Equity	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
	30 000,00
<i>Final balance = IB - Dt + Cr:</i>	
	30 000,00

Accounts payable - Liabilities	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
<i>Final balance = IB - Dt + Cr:</i>	
	0,00

Employee benefits payable - Liabilities	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
<i>Final balance = IB - Dt + Cr:</i>	
	0,00

Profit & Loss - Equity	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
0,00	
<i>Final balance = IB - Dt + Cr:</i>	
	0,00

Loans - Liabilities	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
<i>Final balance = IB - Dt + Cr:</i>	
	0,00

Income & Expenses - Equity	
LS - Dt - Expenses	Income - Cr - RS
<i>Initial balance:</i>	
	0,00
<i>Final balance = IB - Dt + Cr:</i>	
	0,00

Transaction 8

Recourses		Sources	
Non-current assets		Equity	
Property	10 000,00	Nominal capital	30 000,00
		Profit & Loss	0,00
		Total E	30 000,00
		Non-current Liabilities	
		Long-term Loan	0,00
Total NCA	10 000,00	Total NCL	0,00
Current assets		Current Liabilities	
Raw materials	10 000,00	Accounts payable	0,00
Finished goods	9 000,00	Employee benefits payable	3 000,00
Accounts receivable	0,00		
Stakeholders receivable	0,00		
Cash	4 000,00		
Total CA	23 000,00	Total CL	3 000,00
Total assets	33 000,00	Total equity and liabilities	33 000,00

Profit and Loss Statement	
Incomes (+)	0,00
Revenue	0,00
Expenses (-)	0,00
Cost	0,00
Profit (+) / Loss (-)	0,00

Finished goods - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
5 000,00	
1 000,00	
3 000,00	
<i>Final balance = IB + Dt - Cr:</i>	
9 000,00	

Accounts receivable - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
<i>Final balance = IB + Dt - Cr:</i>	
0,00	

Cash - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
10 000,00	3 000,00
	2 000,00
	1 000,00
<i>Final balance = IB + Dt - Cr:</i>	
4 000,00	

Raw materials - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
10 000,00	5 000,00
5 000,00	1 000,00
1 000,00	
<i>Final balance = IB + Dt - Cr:</i>	
10 000,00	

Property - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
10 000,00	
<i>Final balance = IB + Dt - Cr:</i>	
10 000,00	

Stakeholders receivable - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
10 000,00	10 000,00
10 000,00	10 000,00
10 000,00	10 000,00
<i>Final balance = IB + Dt - Cr:</i>	
0,00	

Nominal capital - Equity	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
	30 000,00
<i>Final balance = IB - Dt + Cr:</i>	
	30 000,00

Accounts payable - Liabilities	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
<i>Final balance = IB - Dt + Cr:</i>	
	0,00

Employee benefits payable - Liabilities	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
	3 000,00
<i>Final balance = IB - Dt + Cr:</i>	
	3 000,00

Profit & Loss - Equity	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
0,00	
<i>Final balance = IB - Dt + Cr:</i>	
	0,00

Loans - Liabilities	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
<i>Final balance = IB - Dt + Cr:</i>	
	0,00

Income & Expenses - Equity	
LS - Dt - Expenses	Income - Cr - RS
<i>Initial balance:</i>	
	0,00
<i>Final balance = IB - Dt + Cr:</i>	
	0,00

Transaction 9

Recourses		Sources	
Non-current assets		Equity	
Property	10 000,00	Nominal capital	30 000,00
		Profit & Loss	3 000,00
		Total E	33 000,00
		Non-current Liabilities	
		Long-term Loan	0,00
Total NCA	10 000,00	Total NCL	0,00
Current assets		Current Liabilities	
Raw materials	10 000,00	Accounts payable	0,00
Finished goods	4 500,00	Employee benefits payable	3 000,00
Accounts receivable	0,00		
Stakeholders receivable	0,00		
Cash	11 500,00		
Total CA	26 000,00	Total CL	3 000,00
Total assets	36 000,00	Total equity and liabilities	36 000,00

Profit and Loss Statement	
Incomes (+)	7 500,00
Revenue	7 500,00
Expenses (-)	4 500,00
Cost	4 500,00
Profit (+) / Loss (-)	3 000,00

Finished goods - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
5 000,00	4 500,00
1 000,00	
3 000,00	
<i>Final balance = IB + Dt - Cr:</i>	
4 500,00	

Accounts receivable - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
<i>Final balance = IB + Dt - Cr:</i>	
0,00	

Cash - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
10 000,00	3 000,00
7 500,00	2 000,00
	1 000,00
<i>Final balance = IB + Dt - Cr:</i>	
11 500,00	

Raw materials - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
10 000,00	5 000,00
5 000,00	1 000,00
1 000,00	
<i>Final balance = IB + Dt - Cr:</i>	
10 000,00	

Property - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
10 000,00	
<i>Final balance = IB + Dt - Cr:</i>	
10 000,00	

Stakeholders receivable - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
10 000,00	10 000,00
10 000,00	10 000,00
10 000,00	10 000,00
<i>Final balance = IB + Dt - Cr:</i>	
0,00	

Nominal capital - Equity	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
	30 000,00
<i>Final balance = IB + Dt - Cr:</i>	
	30 000,00

Accounts payable - Liabilities	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
<i>Final balance = IB + Dt - Cr:</i>	
	0,00

Employee benefits payable - Liabilities	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
	3 000,00
<i>Final balance = IB + Dt - Cr:</i>	
	3 000,00

Profit & Loss - Equity	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
-3 000,00	
<i>Final balance = IB + Dt - Cr:</i>	
	3 000,00

Loans - Liabilities	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
<i>Final balance = IB + Dt - Cr:</i>	
	0,00

Income & Expenses - Equity	
LS - Dt - Expenses	Income - Cr - RS
<i>Initial balance:</i>	
	0,00
4 500,00	7 500,00
<i>Final balance = IB + Dt - Cr:</i>	
	3 000,00

Transaction 10

Recourses		Sources	
Non-current assets		Equity	
Property	10 000,00	Nominal capital	30 000,00
		Profit & Loss	-1 500,00
		Total E	28 500,00
		Non-current Liabilities	
		Long-term Loan	0,00
Total NCA	10 000,00	Total NCL	0,00
Current assets		Current Liabilities	
Raw materials	10 000,00	Accounts payable	0,00
Finished goods	0,00	Employee benefits payable	3 000,00
Accounts receivable	0,00		
Stakeholders receivable	0,00		
Cash	11 500,00		
Total CA	21 500,00	Total CL	3 000,00
Total assets	31 500,00	Total equity and liabilities	31 500,00

Profit and Loss Statement	
Incomes (+)	7 500,00
Revenue	7 500,00
Expenses (-)	9 000,00
Cost	9 000,00
Profit (+) / Loss (-)	-1 500,00

Finished goods - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
5 000,00	4 500,00
1 000,00	4 500,00
3 000,00	
<i>Final balance = IB + Dt - Cr:</i>	
0,00	

Accounts receivable - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
<i>Final balance = IB + Dt - Cr:</i>	
0,00	

Cash - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
10 000,00	3 000,00
7 500,00	2 000,00
	1 000,00
<i>Final balance = IB + Dt - Cr:</i>	
11 500,00	

Raw materials - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
10 000,00	5 000,00
5 000,00	1 000,00
1 000,00	
<i>Final balance = IB + Dt - Cr:</i>	
10 000,00	

Property - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
10 000,00	
<i>Final balance = IB + Dt - Cr:</i>	
10 000,00	

Stakeholders receivable - Asset	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
0,00	
10 000,00	10 000,00
10 000,00	10 000,00
10 000,00	10 000,00
<i>Final balance = IB + Dt - Cr:</i>	
0,00	

Nominal capital - Equity	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
	30 000,00
<i>Final balance = IB + Dt - Cr:</i>	
	30 000,00

Accounts payable - Liabilities	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
<i>Final balance = IB + Dt - Cr:</i>	
	0,00

Employee benefits payable - Liabilities	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
	3 000,00
<i>Final balance = IB + Dt - Cr:</i>	
	3 000,00

Profit & Loss - Equity	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
1 500,00	
<i>Final balance = IB + Dt - Cr:</i>	
	-1 500,00

Loans - Liabilities	
LS - Dt	Cr - RS
<i>Initial balance:</i>	
	0,00
<i>Final balance = IB + Dt - Cr:</i>	
	0,00

Income & Expenses - Equity	
LS - Dt - Expenses	Income - Cr - RS
<i>Initial balance:</i>	
	0,00
4 500,00	7 500,00
4 500,00	
<i>Final balance = IB + Dt - Cr:</i>	
	-1 500,00

The successive changes in the accounts
and financial statements as a result of capital investments
processes

Initial data

Finished goods - Asset		Raw materials - Asset		Nominal capital - Equity		Profit & Loss - Equity	
LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS
Initial balance:		Initial balance:		Initial balance:		Initial balance:	
	0,00		0,00		0,00		0,00
Final balance = IB + Dt - Cr:		Final balance = IB + Dt - Cr:		Final balance = IB - Dt + Cr:		Final balance = IB - Dt + Cr:	
	0,00		0,00		0,00		0,00
Accounts receivable - Asset		Property - Asset		Accounts payable - Liabilities		Loans - Liabilities	
LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS
Initial balance:		Initial balance:		Initial balance:		Initial balance:	
	0,00		0,00		0,00		0,00
Final balance = IB + Dt - Cr:		Final balance = IB + Dt - Cr:		Final balance = IB - Dt + Cr:		Final balance = IB - Dt + Cr:	
	0,00		0,00		0,00		0,00
Cash - Asset		Stakeholders receivable - Asset		Employee benefits payable - Liabilities		Income & Expenses - Equity	
LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt - Expenses	Income - Cr - RS
Initial balance:		Initial balance:		Initial balance:		Initial balance:	
	0,00		0,00		0,00		0,00
Final balance = IB + Dt - Cr:		Final balance = IB + Dt - Cr:		Final balance = IB - Dt + Cr:		Final balance = IB - Dt + Cr:	
	0,00		0,00		0,00		0,00

Balance Sheet				Profit and Loss Statement	
Recourses		Sources			
Non-current assets		Equity		Incomes (+)	0,00
Property	0,00	Nominal capital	0,00	Revenue	0,00
		Profit & Loss	0,00		
		Total E	0,00	Expenses (-)	0,00
		Non-current Liabilities		Cost	0,00
		Long-term Loan	0,00		
Total NCA	0,00	Total NCL	0,00		
Current assets		Current Liabilities		Profit (+) / Loss (-)	0,00
Raw materials	0,00	Accounts payable	0,00		
Finished goods	0,00	Employee benefits payable	0,00		
Accounts receivable	0,00				
Stakeholders receivable	0,00				
Cash	0,00				
Total CA	0,00	Total CL	0,00		
Total assets	0,00	Total equity and liabilities	0,00		

Final data

Fixed Assets - Asset		Investments - Asset		Share capital - Equity		Profit & Loss - Equity		Reassessment (Additional capital) - Equity	
LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS
Initial balance:		Initial balance:		Initial balance:		Initial balance:		Initial balance:	
0,00		0,00		0,00		0,00		0,00	
63 767,12	5 000,00	63 000,00	63 767,12		10 000,00	842,24			
11 232,88		767,12	9 500,00			7 157,08			5 000,00
9 500,00		7 500,00				8 622,84			11 232,88
		2 000,00							
Final balance = IB + Dt - Cr:		Final balance = IB + Dt - Cr:		Final balance = IB - Dt + Cr:		Final balance = IB - Dt + Cr:		Final balance = IB - Dt + Cr:	
79 500,00		0,00		10 000,00		-16 622,16		6 232,88	
Accounts receivable - Asset		Intangible Assets - Asset		Accounts payable - Liabilities		Loans - Liabilities			
LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS		
Initial balance:		Initial balance:		Initial balance:		Initial balance:			
0,00		0,00		0,00		0,00			
10 000,00	10 000,00			842,24	16 622,16	833,33	100 000,00		
				7 157,08		8 333,30			
				8 622,84	7 500,00	9 999,96			
Final balance = IB + Dt - Cr:		Final balance = IB + Dt - Cr:		Final balance = IB - Dt + Cr:		Final balance = IB - Dt + Cr:			
0,00		0,00		7 500,00		80 833,41			
Inventory parts (inventories) - Asset		Bank Account - Asset		Employee benefits payable - Liabilities		Taxes - Liabilities			
LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS		
Initial balance:		Initial balance:		Initial balance:		Initial balance:			
0,00		0,00		0,00		0,00			
7 500,00	7 500,00	10 000,00	61 600,45		3 000,00				
		100 000,00	16 332,62		2 000,00				
			18 622,80						
Final balance = IB + Dt - Cr:		Final balance = IB + Dt - Cr:		Final balance = IB - Dt + Cr:		Final balance = IB - Dt + Cr:			
0,00		13 444,13		5 000,00		0,00			

		Balance Sheet		Profit and Loss Statement	
Recourses		Sources			
Non-current assets		Equity		Incomes (+)	0,00
Property	0,00	Share capital	10 000,00	Revenue	0,00
Investments	0,00	Reassessment (additional capital)	6 232,88		
Equipment	79 500,00	Profit & Loss	-16 622,16		
		Total E	-389,28	Expenses (-)	16 622,16
		Non-current Liabilities		Cost	0,00
		Long-term Loan	80 833,41		
Total NCA	79 500,00			Bank interests	16 622,16
Current assets		Total NCL	80 833,41	Profit (+) / Loss (-)	-16 622,16
		Current Liabilities			
Inventories	0,00	Accounts payable	7 500,00		
Finished goods	0,00	Employee benefits payable	5 000,00		
Accounts receivable	0,00	Taxes	0,00		
Bank Account	13 444,13				
Cash	0,00				
Total CA	13 444,13	Total CL	12 500,00		
Total assets	92 944,13	Total equity and liabilities	92 944,13		

Appendix 3

The successive changes in the accounts and financial statements as a result of procurement processes

Fixed Assets - Asset		Depreciation of fixed assets		Share capital - Equity		Profit & Loss - Equity		Reassessment (Additional capital) - Equity	
LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS
Initial balance:		Initial balance:		Initial balance:		Initial balance:		Initial balance:	
79 500,00			0,00		10 000,00		-16 622,16		6 232,88
Final balance = IB + Dt - Cr:		Final balance = IB - Dt + Cr:		Final balance = IB - Dt + Cr:		Final balance = IB - Dt + Cr:		Final balance = IB - Dt + Cr:	
79 500,00			0,00		10 000,00		-16 622,16		6 232,88
Accounts receivable - Asset		Intangible Assets - Asset		Accounts payable - Liabilities		Loans - Liabilities		Taxes - Liabilities	
LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS
Initial balance:		Initial balance:		Initial balance:		Initial balance:		Initial balance:	
0,00		0,00		7 500,00		80 833,41			0,00
				39 750,00					
				250 000,00					
				2 260,00					
Final balance = IB + Dt - Cr:		Final balance = IB + Dt - Cr:		Final balance = IB - Dt + Cr:		Final balance = IB - Dt + Cr:		Final balance = IB - Dt + Cr:	
0,00		0,00		299 510,00		80 833,41			0,00
Materials (Inventories) - Asset		Bank Account - Asset		Employee benefits payable - Liabilities		Taxes - Liabilities			
LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS		
Initial balance:		Initial balance:		Initial balance:		Initial balance:			
0,00		13 444,13		5 000,00		0,00			
292 010,00	0,00								
Final balance = IB + Dt - Cr:		Final balance = IB + Dt - Cr:		Final balance = IB - Dt + Cr:		Final balance = IB - Dt + Cr:			
292 010,00		13 444,13		5 000,00		0,00			

Recourses		Balance Sheet		Sources		Profit and Loss Statement	
Non-current assets		Equity		Equity		Incomes (+)	
Property	0,00	Share capital	10 000,00	Revenue	0,00	0,00	
Investments	0,00	Reassessment (additional capital)	6 232,88				
Equipment	79 500,00	Profit & Loss	-16 622,16				
		Total E	-389,28			Expenses (-)	
		Non-current Liabilities		Non-current Liabilities		16 622,16	
		Long-term Loan	80 833,41	Cost	0,00		
Total NCA	79 500,00					Bank interests	
		Total NCL	80 833,41			16 622,16	
Current assets		Current Liabilities		Current Liabilities		Profit (+) / Loss (-)	
Inventories	292 010,00	Accounts payable	299 510,00			-16 622,16	
Finished goods	0,00	Employee benefits payable	5 000,00				
Accounts receivable	0,00	Taxes	0,00				
Bank Account	13 444,13						
Cash	0,00						
Total CA	305 454,13	Total CL	304 510,00				
Total assets	384 954,13	Total equity and liabilities	384 954,13				

Quantitative and summative accounting

Account			Subaccounts				Analytical accounts				Analytical accounts				Analytical accounts				Analytical accounts				Analytical accounts							
Ink (inventories) - Asset		Cr - RS	Fabric		Fabric - Wool		Fabric - Cotton		Fabric - Lin		Sewing accessories		Sewing accessories - Thread		Sewing accessories - Needle		Sewing accessories - Sewing ribbon		Sewing tools		Sewing tools - Patterns		Sewing tools - Scissors		Sewing tools - Scissors		Sewing tools - Scissors			
LS - Dt			LS - Dt	Cr - RS	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m		
Initial balance:	0,00		Initial balance:		0,00	0,00	Initial balance:		0,00	0,00	Initial balance:		0,00	0,00	Initial balance:		0,00	0,00	Initial balance:		0,00	0,00	Initial balance:		0,00	0,00	Initial balance:		0,00	0,00
289 750,00	0,00		Wool		55 500,00	6 000,00	Cotton		17 000,00	2 000,00	Threads		1 750,00	500,00	Needles		120,00	24,00	Scissors		390,00	5,00	Patterns		0,00	0,00	Scissors		390,00	5,00
1 870,00	0,00		Cotton		113 000,00	14 000,00	Lin		96 000,00	12 000,00	Satin ribbon		0,00	0,00																
390,00	0,00		Final balance = IB + Dt - Cr:		289 750,00	27 750,00	Final balance = IB + Dt - Cr:		113 000,00	14 000,00	Final balance = IB + Dt - Cr:		1 870,00	500,00	Final balance = IB + Dt - Cr:		120,00	24,00	Final balance = IB + Dt - Cr:		0,00	0,00	Final balance = IB + Dt - Cr:		390,00	5,00	Final balance = IB + Dt - Cr:		0,00	0,00
Final balance = IB + Dt - Cr:	292 010,00																													

Appendix 4

The successive changes in the accounts and financial statements as a result of production processes

Fixed Assets - Asset		Depreciation of fixed assets		Share capital - Equity		Profit & Loss - Equity		Reassessment (Additional capital) - Equity	
LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS
Initial balance:		Initial balance:		Initial balance:		Initial balance:		Initial balance:	
79 500,00		662,50		10 000,00		-16 622,16		6 232,88	
Final balance = IB + Dt - Cr:		Final balance = IB - Dt + Cr:		Final balance = IB - Dt + Cr:		Final balance = IB - Dt + Cr:		Final balance = IB - Dt + Cr:	
79 500,00		662,50		10 000,00		-16 622,16		6 232,88	
Accounts receivable - Asset		Production Costs (Inventories) - Asset		Accounts payable (Contractors) - Liabilities		Loans - Liabilities		Taxes - Liabilities	
LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS
Initial balance:		Initial balance:		Initial balance:		Initial balance:		Initial balance:	
0,00		312 052,50		299 900,00		80 833,41		0,00	
		75 000,00	341 364,58						
		22 500,00		70 000,00					
		85,00		Final balance = IB - Dt + Cr:		Final balance = IB - Dt + Cr:		Final balance = IB - Dt + Cr:	
Final balance = IB + Dt - Cr:		Final balance = IB + Dt - Cr:		369 900,00		80 833,41		0,00	
0,00		68 272,92							
Raw materials (Inventories) - Asset		Bank Account - Asset		Employee benefits payable - Liabilities		Taxes & Social Fee - Liabilities			
LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS		
Initial balance:		Initial balance:		Initial balance:		Initial balance:			
176 010,00		13 444,13		155 000,00		45 000,00			
	85,00			75 000,00		22 500,00			
				375 000,00		112 500,00			
Final balance = IB + Dt - Cr:		Final balance = IB + Dt - Cr:		Final balance = IB - Dt + Cr:		Final balance = IB - Dt + Cr:			
175 925,00		13 444,13		605 000,00		180 000,00			
Management Costs (Inventories) - Asset		Commercial Costs (Inventories) - Asset		Finished Goods (Inventories) - Asset					
LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS				
Initial balance:		Initial balance:		Initial balance:					
0,00		0,00		0,00					
				341 364,58					
375 000,00				Final balance = IB + Dt - Cr:					
112 500,00				341 364,58					
70 000,00									
Final balance = IB + Dt - Cr:		Final balance = IB + Dt - Cr:							
557 500,00		0,00							

Recourses		Balance Sheet		Sources	
Non-current assets		Equity			
Property	0,00	Share capital			10 000,00
Investments	0,00	Reassessment (additional capital)			6 232,88
Equipment	78 837,50	Profit & Loss			-16 622,16
		Total E			-389,28
		Non-current Liabilities			
		Long-term Loan			80 833,41
Total NCA	78 837,50				
Current assets		Current Liabilities			
Raw materials	175 925,00	Accounts payable			369 900,00
Inventories	625 772,92	Employee benefits payable			605 000,00
Finished goods	341 364,58	Taxes & Social Fee			180 000,00
Accounts receivable	0,00				
Bank Account	13 444,13				
Cash	0,00				
Total CA	1 156 506,63	Total CL			1 154 900,00
Total assets	1 235 344,13	Total equity and liabilities			1 235 344,13

Profit and Loss Statement	
Incomes (+)	0,00
Revenue	0,00
Expenses (-)	16 622,16
Cost	0,00
Bank interests	16 622,16
Profit (+) / Loss (-)	-16 622,16

Quantitative and summative accounting

Account			Subaccounts				Analytical accounts				Fabric - Canvas				Fabric - Linen						
Raw materials (Inventory) / Asset	LS - Dt	Cr - Rs	LS - Dt		Cr - Rs		LS - Dt		Cr - Rs		LS - Dt		Cr - Rs		LS - Dt		Cr - Rs				
	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m			
Initial balance	0,00		0,00		0,00		0,00		0,00		0,00		0,00		0,00		0,00		0,00		
Fabric	289 750,00	114 935,00	Wool	55 500,00	4 000,00	41 850,00	4 500,00	transaction 1	10 000,00	1 000,00	transaction 1	17 000,00	2 000,00	transaction 1	12 750,00	750,00	transaction 1	12 750,00	750,00		
Sewing accessories	1 870,00	780,00	Cotton	113 000,00	14 000,00	73 000,00	9 000,00	transaction 2	45 500,00	5 000,00	transaction 2	96 000,00	12 000,00	transaction 2	108 500,00	7 000,00	transaction 2	108 500,00	7 000,00		
Sewing tools	780,00	780,00	Silk	211 250,00	7 750,00	85,00	5,00	transaction 4		41 850,00	4 500,00	transaction 4		73 000,00	9 000,00	transaction 3		85,00	5,00		
Final balance = IB + Dt - Cr	175 925,00		Final balance = IB + Dt - Cr	174 815,00	14 245,00			Final balance = IB + Dt - Cr	13 650,00	1 500,00	Final balance = IB + Dt - Cr	40 000,00	5 000,00	Final balance = IB + Dt - Cr	121 185,00	7 745,00	Final balance = IB + Dt - Cr				
			Sewing accessories				Sewing accessories - Thread				Sewing accessories - Needles				Sewing accessories - Sewing ribbons						
			Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	
			0,00		0,00		0,00		0,00		0,00		0,00		0,00		0,00		0,00		
			Threads	1 750,00	500,00	700,00	200,00	transaction 3	1 750,00	500,00	700,00	200,00	transaction 3	120,00	24,00	60,00	12,00	transaction 3			
			Needles	120,00	24,00	60,00	12,00	transaction 4										transaction 4			
			Satin ribbon	0,00	0,00	0,00	0,00	Final balance = IB + Dt - Cr	1 050,00	300,00	Final balance = IB + Dt - Cr	60,00	12,00	Final balance = IB + Dt - Cr	0,00	0,00	Final balance = IB + Dt - Cr	0,00	0,00	Final balance = IB + Dt - Cr	
			Final balance = IB + Dt - Cr	1 110,00				Final balance = IB + Dt - Cr			Final balance = IB + Dt - Cr			Final balance = IB + Dt - Cr			Final balance = IB + Dt - Cr			Final balance = IB + Dt - Cr	
			Sewing tools				Sewing tools - Patterns				Sewing tools - Buttons										
			Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	Amount, m.u.	Quant, m	
			0,00		0,00		0,00		0,00		0,00		0,00		0,00		0,00		0,00		
			Scissors	780,00	10,00	0,00	0,00	transaction 3										transaction 3	780,00	10,00	
			Patterns	0,00	0,00	780,00	10,00	transaction 4										transaction 4			
			Final balance = IB + Dt - Cr	0,00				Final balance = IB + Dt - Cr	0,00	0,00	Final balance = IB + Dt - Cr	0,00	0,00	Final balance = IB + Dt - Cr	0,00	0,00	Final balance = IB + Dt - Cr	0,00	0,00	Final balance = IB + Dt - Cr	

Appendix 5

The successive changes in the accounts and financial statements as a result of sales processes

Fixed Assets - Asset		Depreciation of fixed assets		Share capital - Equity		Profit & Loss - Equity		Reassessment (Additional capital) - Equity	
LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS
Initial balance:		Initial balance:		Initial balance:		Initial balance:		Initial balance:	
79 500,00		662,50		10 000,00		-16 622,16		6 232,88	
						273 091,66 61 067,50 557 500,00 118 343,74	1 500 000,00		
Final balance = IB + Dt - Cr:		Final balance = IB - Dt + Cr:		Final balance = IB - Dt + Cr:		Final balance = IB - Dt + Cr:		Final balance = IB - Dt + Cr:	
79 500,00		662,50		10 000,00		473 374,94		6 232,88	
Accounts receivable - Asset		Production Costs (Inventories) - Asset		Accounts payable (Contractors) - Liabilities		Loans - Liabilities		Taxes - Liabilities	
LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS
Initial balance:		Initial balance:		Initial balance:		Initial balance:		Initial balance:	
0,00		68 272,92		369 900,00		80 833,41		0,00	
1 500 000,00	1 500 000,00			398 521,00	28 300,00				
				321,00					
Final balance = IB + Dt - Cr:		Final balance = IB + Dt - Cr:		Final balance = IB - Dt + Cr:		Final balance = IB - Dt + Cr:		Final balance = IB - Dt + Cr:	
0,00		68 272,92		0,00		80 833,41		0,00	
Raw materials (Inventories) - Asset		Bank Account - Asset		Employee benefits payable - Liabilities		Taxes & Social Fee - Liabilities			
LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS		
Initial balance:		Initial balance:		Initial balance:		Initial balance:			
175 925,00		13 444,13		605 000,00		180 000,00			
321,00	267,50	1 500 000,00	1 334 364,74	630 000,00	25 000,00	305 843,74	7 500,00		
							118 343,74		
Final balance = IB + Dt - Cr:		Final balance = IB + Dt - Cr:		Final balance = IB - Dt + Cr:		Final balance = IB - Dt + Cr:			
175 978,50		179 079,39		0,00		0,00			
Management Costs (Inventories) - Asset		Commercial Costs (Inventories) - Asset		Finished Goods (Inventories) - Asset					
LS - Dt	Cr - RS	LS - Dt	Cr - RS	LS - Dt	Cr - RS				
Initial balance:		Initial balance:		Initial balance:					
557 500,00		0,00		341 364,58					
	557 500,00	28 300,00	61 067,50		273 091,66				
		32 500,00							
		267,50							
Final balance = IB + Dt - Cr:		Final balance = IB + Dt - Cr:		Final balance = IB + Dt - Cr:					
0,00		0,00		68 272,92					

Recourses		Sources	
Non-current assets		Equity	
Property	0,00	Share capital	10 000,00
Investments	0,00	Reassessment (additional capital)	6 232,88
Equipment	78 837,50	Profit & Loss	473 374,94
		Total E	489 607,82
		Non-current Liabilities	
		Long-term Loan	80 833,41
Total NCA	78 837,50	Total NCL	80 833,41
Current assets		Current Liabilities	
Inventories	244 251,42	Accounts payable	0,00
Finished goods	68 272,92	Employee benefits payable	0,00
Accounts receivable	0,00	Taxes & Social Fee	0,00
Bank Account	179 079,39		
Cash	0,00		
Total CA	491 603,73	Total CL	0,00
Total assets	570 441,23	Total equity and liabilities	570 441,23

Profit and Loss Statement	
Incomes (+)	1 500 000,00
Revenue	1 500 000,00
Expenses (-)	1 026 625,06
Costs (Production)	273 091,66
Costs (Commercial)	61 067,50
Costs (Management)	557 500,00
Bank interests	16 622,16
Taxes	118 343,74
Profit (+) / Loss (-)	473 374,94

Financial Reporting of Sinopec Group

(<http://www.sinopecgroup.com/group/en/companyprofile/Companyreportsandpublications/>)

COMPANY PROFILE

IMPORTANT NOTICE: THE BOARD OF DIRECTORS, DIRECTORS, THE BOARD OF SUPERVISORS, SUPERVISORS AND SENIOR MANAGEMENT OF SINOPEC CORP. WARRANT THAT THERE ARE NO FALSE REPRESENTATIONS, MISLEADING STATEMENTS OR MATERIAL OMISSIONS IN THIS ANNUAL REPORT, AND JOINTLY AND SEVERALLY ACCEPT FULL RESPONSIBILITY FOR THE AUTHENTICITY, ACCURACY AND COMPLETENESS OF THE INFORMATION CONTAINED IN THIS ANNUAL REPORT. THERE IS NO OCCUPANCY OF NON-OPERATING FUNDS BY THE CONTROLLING SHAREHOLDERS OF SINOPEC CORP. MR. YU BAOCAL, A DIRECTOR OF SINOPEC CORP., WAS ON LEAVE FOR BUSINESS REASONS AND COULD NOT ATTEND THE 21ST MEETING OF THE SEVENTH SESSION OF THE BOARD, MR. YU BAOCAL HAS AUTHORISED MR. LING YIQUN TO VOTE ON HIS BEHALF FOR THE RESOLUTIONS AT THIS BOARD MEETING. MR. ZHANG YUZHUI, CHAIRMAN OF THE BOARD, MR. MA YONGSHENG, PRESIDENT, MS. SHOU DONGHUA, CHIEF FINANCIAL OFFICER AND HEAD OF THE FINANCIAL DEPARTMENT OF SINOPEC CORP. WARRANT THE AUTHENTICITY AND COMPLETENESS OF THE FINANCIAL STATEMENTS CONTAINED IN THIS ANNUAL REPORT. THE AUDIT COMMITTEE OF SINOPEC CORP. HAS REVIEWED THE ANNUAL REPORT OF SINOPEC CORP. FOR THE YEAR ENDED 31 DECEMBER 2020.

THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 OF THE COMPANY PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CASs) AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) HAVE BEEN AUDITED BY PRICEWATERHOUSECOOPERS ZHONG TIAN LLP AND PRICEWATERHOUSECOOPERS RESPECTIVELY. BOTH FIRMS HAVE ISSUED STANDARD UNQUALIFIED AUDITOR'S REPORT.

AS APPROVED AT THE 21ST MEETING OF THE SEVENTH SESSION OF THE BOARD OF DIRECTORS OF SINOPEC CORP., THE BOARD PROPOSED A FINAL CASH DIVIDEND OF RMB 0.13 (TAX INCLUSIVE) PER SHARE FOR 2020, COMBINING WITH THE SPECIAL DIVIDEND OF RMB 0.07 (TAX INCLUSIVE) PER SHARE. THE TOTAL CASH DIVIDEND FOR 2020 WILL BE RMB 0.20 (TAX INCLUSIVE) PER SHARE. THE DIVIDEND PROPOSAL IS SUBJECT TO THE SHAREHOLDERS' APPROVAL AT THE ANNUAL GENERAL MEETING FOR THE YEAR 2020.

COMPANY PROFILE

Sinopec Corp. is one of the largest integrated energy and chemical companies in China. Its principal operations include the exploration and production, pipeline transportation and sale of petroleum and natural gas; the production, sale, storage and transportation of refinery products, petrochemical products, coal chemical products, synthetic fibre, and other chemical products; the import and export, including an import and export agency business, of petroleum, natural gas, petroleum products, petrochemical and chemical products, and other commodities and technologies; and research, development and application of technologies and information.

DEFINITIONS:

In this report, unless the context otherwise requires, the following terms shall have the meaning as set out below:
Sinopec Corp.: China Petroleum & Chemical Corporation
Company: Sinopec Corp. and its subsidiaries
China Petrochemical Corporation: The controlling shareholder of Sinopec Corp., China Petrochemical Corporation
Sinopec Group: China Petrochemical Corporation and its subsidiaries
NDRC: China National Development and Reform Commission
RMC: Oil and Natural Gas Reserves Management Committee of the Company
CSRC: China Securities Regulatory Commission
Hong Kong Stock Exchange: The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules: Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

CONVERSION:

For domestic production of crude oil, 1 tonne = 7.1 barrels
For overseas production of crude oil: 1 tonne = 7.20 barrels in 2020, 1 tonne = 7.21 barrels in 2019, 1 tonne = 7.21 barrels in 2018
For production of natural gas, 1 cubic meter = 35.31 cubic feet
Refinery throughput is converted at 1 tonne = 7.35 barrels

(A) FINANCIAL STATEMENTS PREPARED UNDER CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES
CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Notes	At 31 December 2020 RMB million	At 31 December 2019 RMB million
Assets			
Current assets			
Cash at bank and on hand	5	184,412	128,052
Financial assets held for trading		1	3,319
Derivative financial assets	6	12,528	837
Accounts receivable	7	35,587	54,375
Receivables financing	8	8,735	8,661
Prepayments	9	4,862	5,063
Other receivables	10	33,602	24,190
Inventories	11	151,895	194,142
Other current assets		23,773	28,671
Total current assets		455,395	447,310
Non-current assets			
Long-term equity investments	12	188,342	152,204
Other equity instrument investments		1,525	1,521
Fixed assets	13	589,285	625,706
Construction in progress	14	124,765	173,872
Right-of-use assets	15	189,583	198,051
Intangible assets	16	114,066	109,039
Goodwill	17	8,620	8,697
Long-term deferred expenses	18	9,535	8,935
Deferred tax assets	19	25,054	17,616
Other non-current assets	20	27,635	17,335
Total non-current assets		1,278,410	1,312,976
Total assets		1,733,805	1,760,286
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans	22	20,756	31,196
Derivative financial liabilities	6	4,826	2,729
Bills payable	23	10,394	11,834
Accounts payable	24	151,262	188,189
Contract liabilities	25	126,160	126,833
Employee benefits payable	26	7,081	4,807
Taxes payable	27	76,843	69,524
Other payables	28	84,600	75,376
Non-current liabilities due within one year	29	22,493	69,490
Other current liabilities	30	17,775	-
Total current liabilities		522,190	579,978
Non-current liabilities			
Long-term loans	31	45,459	39,677
Debentures payable	32	38,356	19,157
Lease liabilities	33	172,306	177,674
Provisions	34	45,552	43,163
Deferred tax liabilities	19	8,124	6,809
Other non-current liabilities	35	17,942	15,454
Total non-current liabilities		327,739	301,934
Total liabilities		849,929	881,912
Shareholders' equity			
Share capital	36	121,071	121,071
Capital reserve	37	122,558	122,864
Other comprehensive income	38	1,038	(321)
Specific reserve		1,941	1,741
Surplus reserves	39	209,280	207,423
Retained earnings		236,575	287,187
Total equity attributable to shareholders of the Company		742,463	739,965
Minority interests		141,413	138,409
Total shareholders' equity		883,876	878,374
Total liabilities and shareholders' equity		1,733,805	1,760,286

These financial statements have been approved for issue by the board of directors on 26 March 2021.

Zhang Yuzhuo
Chairman
(Legal representative)

Ma Yongsheng
President

Shou Donghua
Chief Financial Officer

The accompanying notes form part of these financial statements.

BALANCE SHEET

As at 31 December 2020

	Notes	At 31 December 2020	At 31 December 2019
		RMB million	RMB million
Assets			
Current assets			
Cash at bank and on hand		99,188	54,072
Derivative financial assets		7,776	940
Accounts receivable	7	21,763	21,544
Receivables financing		707	207
Prepayments	9	2,626	2,665
Other receivables	10	37,938	78,872
Inventories		39,034	49,116
Other current assets		14,048	25,149
Total current assets		223,080	232,565
Non-current assets			
Long term equity investments	12	343,356	304,687
Other equity instrument investments		428	395
Fixed assets	13	283,695	291,547
Construction in progress	14	59,880	60,493
Right of use assets	15	108,737	112,832
Intangible assets		8,779	8,809
Long-term deferred expenses		2,499	2,630
Deferred tax assets		12,661	7,315
Other non-current assets		26,828	2,490
Total non-current assets		846,863	791,198
Total assets		1,069,943	1,023,763
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans		20,669	19,919
Derivative financial liabilities		362	157
Bills payable		6,061	4,766
Accounts payable		65,779	75,352
Contract liabilities		5,840	5,112
Employee benefits payable		1,673	1,214
Taxes payable		43,500	43,025
Other payables		188,568	118,064
Non-current liabilities due within one year		12,026	59,596
Other current liabilities		439	-
Total current liabilities		344,917	327,205
Non-current liabilities			
Long-term loans		30,413	12,680
Debentures payable		26,977	7,000
Lease liabilities		105,691	107,783
Provisions		36,089	34,514
Other non-current liabilities		3,581	4,471
Total non-current liabilities		202,751	166,448
Total liabilities		547,668	493,653
Shareholders' equity			
Share capital		121,071	121,071
Capital reserve		68,976	68,841
Other comprehensive income		5,910	1,181
Specific reserve		1,189	949
Surplus reserves		209,280	207,423
Retained earnings		115,849	130,645
Total shareholders' equity		522,275	530,110
Total liabilities and shareholders' equity		1,069,943	1,023,763

These financial statements have been approved for issue by the board of directors on 26 March 2021.

Zhang Yuzhuo
Chairman
(Legal representative)

Ma Yongsheng
President

Shou Donghua
Chief Financial Officer

The accompanying notes form part of these financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	Notes	2020		2019
		RMB million	RMB million	RMB million
Operating income	40	2,105,984	2,959,799	
Less: Operating costs	40	1,688,398	2,479,356	
Taxes and surcharges	41	234,947	244,517	
Selling and distribution expenses		64,438	63,586	
General and administrative expenses		66,291	63,038	
Research and development expenses	44	10,086	9,450	
Financial expenses	42	9,506	10,048	
Exploration expenses, including dry holes	45	9,716	10,510	
Add: Other income	46	7,513	5,995	
Investment income	47	4,786	12,628	
Losses from changes in fair value	48	(1,253)	(3,511)	
Credit impairment losses		(2,066)	(1,264)	
Impairment losses	49	(26,018)	(17,793)	
Asset disposal losses		2,067	(1,229)	
Operating profit		50,331	90,134	
Add: Non-operating income	50	2,370	2,601	
Less: Non-operating expenses	51	4,732	2,524	
Profit before taxation		47,969	90,111	
Less: Income tax expense	52	6,219	17,939	
Net profit		41,750	72,172	
Including: net profit of acquiree before business combination under common control		119	50	
Classification by going concern:				
Continuous operating net profit		41,750	72,172	
Termination of net profit		-	-	
Classification by ownership:				
Equity shareholders of the Company		32,924	57,619	
Minority interests		8,826	14,553	
Basic earnings per share	64	0.272	0.476	
Diluted earnings per share	64	0.272	0.476	
Other comprehensive income	38			
<i>Items that may not be reclassified subsequently to profit or loss</i>				
Changes in fair value of other equity instrument investments		(22)	(31)	
<i>Items that may be reclassified subsequently to profit or loss</i>				
Other comprehensive income that can be converted into profit or loss under the equity method		(2,441)	(810)	
Fair value hedges		162	-	
Cash flow hedges		7,073	4,941	
Foreign currency translation differences		(4,457)	1,480	
Total other comprehensive income		315	5,590	
Total comprehensive income		42,065	77,752	
Attributable to:				
Equity shareholders of the Company		34,318	63,034	
Minority interests		7,747	14,718	

These financial statements have been approved for issue by the board of directors on 26 March 2021.

Zhang Yuzhuo
Chairman
(Legal representative)

Ma Yongsheng
President

Shou Donghua
Chief Financial Officer

Financial Statements (PBC)

The accompanying notes form part of these financial statements.

INCOME STATEMENT

For the year ended 31 December 2020

	Notes	2020		2019	
		RMB million		RMB million	
Operating income	40	770,321	1,021,272		
Less: Operating costs	40	584,315	799,566		
Taxes and surcharges		148,350	161,820		
Selling and distribution expenses		3,256	3,420		
General and administrative expenses		29,868	28,302		
Research and development expenses		9,098	8,597		
Financial expenses		8,749	7,628		
Exploration expenses, including dry holes		8,297	9,417		
Add: Other income		4,922	3,497		
Investment income	47	43,356	28,062		
Gains/(losses) from changes in fair value		350	(278)		
Credit impairment losses		71	132		
Impairment losses		(16,374)	(534)		
Asset disposal gains		261	6,407		
Operating profit		10,974	39,808		
Add: Non-operating income		900	665		
Less: Non-operating expenses		1,319	1,136		
Profit before taxation		10,555	39,338		
Less: Income tax (credit)/expense		(8,017)	1,886		
Net profit		18,572	37,452		
Classification by going concern:					
Continuous operating net profit		18,572	37,452		
Termination of net profit		-	-		
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Other comprehensive income that can be converted into profit or loss under the equity method		(182)	201		
Cash flow hedges		4,948	1,384		
Total other comprehensive income		4,766	1,585		
Total comprehensive income		23,338	39,037		

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Zhang Yuzhuo
Chairman
(Legal representative)

Ma Yongsheng
President

Shou Donghua
Chief Financial Officer

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020

	Notes	2020	2019
		RMB million	RMB million
Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		2,297,159	3,171,968
Refund of taxes and levies		2,985	2,053
Other cash received relating to operating activities		212,828	98,464
Sub-total of cash inflows		2,512,972	3,272,485
Cash paid for goods and services		(1,754,016)	(2,591,739)
Cash paid to and for employees		(83,772)	(84,283)
Payments of taxes and levies		(282,162)	(318,091)
Other cash paid relating to operating activities		(225,504)	(124,753)
Sub-total of cash outflows		(2,345,454)	(3,118,866)
Net cash flow from operating activities	54(a)	167,518	153,619
Cash flows from investing activities:			
Cash received from disposal of investments		11,651	35,996
Cash received from returns on investments		11,510	10,272
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,656	709
Net cash received from disposal of subsidiaries and other business entities	54(d)	49,869	-
Other cash received relating to investing activities		58,669	97,804
Sub-total of cash inflows		134,355	144,781
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(131,189)	(141,554)
Cash paid for acquisition of investments		(12,740)	(16,334)
Net cash paid for the acquisition of subsidiaries and other business entities		(340)	(1,031)
Other cash paid relating to investing activities		(92,289)	(106,913)
Sub-total of cash outflows		(236,558)	(265,832)
Net cash flow from investing activities		(102,203)	(121,051)
Cash flows from financing activities:			
Cash received from capital contributions		4,219	3,919
Including: Cash received from minority shareholders' capital contributions to subsidiaries		4,219	3,919
Cash received from borrowings		558,680	602,467
Other cash received relating to financing activities		514	320
Sub-total of cash inflows		563,413	606,706
Cash repayments of borrowings		(540,015)	(614,108)
Cash paid for dividends, profits distribution or interest		(43,144)	(59,615)
Including: Subsidiaries' cash payments for distribution of dividends or profits to minority shareholders		(4,157)	(7,357)
Other cash paid relating to financing activities	54(e)	(17,209)	(17,187)
Sub-total of cash outflows		(600,368)	(690,910)
Net cash flow from financing activities		(36,955)	(84,204)
Effects of changes in foreign exchange rate		(1,239)	147
Net increase/(decrease) in cash and cash equivalents	54(b)	27,122	(51,489)

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Zhang Yuzhuo
Chairman
(Legal representative)

Ma Yongsheng
President

Shou Donghua
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The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT

For the year ended 31 December 2020

	Notes	
	2020	2019
	RMB million	RMB million
Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	862,093	1,162,870
Refund of taxes and levies	2,796	1,769
Other cash received relating to operating activities	9,407	6,239
Sub-total of cash inflows	874,296	1,170,878
Cash paid for goods and services	(606,295)	(842,996)
Cash paid to and for employees	(44,139)	(45,524)
Payments of taxes and levies	(164,635)	(209,863)
Other cash paid relating to operating activities	(19,239)	(18,719)
Sub-total of cash outflows	(834,308)	(1,117,102)
Net cash flow from operating activities	39,988	53,776
Cash flows from investing activities:		
Cash received from disposal of investments	12,157	23,584
Cash received from returns on investments	18,805	31,385
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	6,579	690
Other cash received relating to investing activities	78,751	42,037
Sub-total of cash inflows	116,292	97,696
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	(59,216)	(64,100)
Cash paid for acquisition of investments	(41,066)	(16,884)
Other cash paid relating to investing activities	(66,408)	(53,138)
Sub-total of cash outflows	(166,690)	(134,122)
Net cash flow from investing activities	(50,398)	(36,426)
Cash flows from financing activities:		
Cash received from borrowings	195,770	109,579
Other cash received relating to financing activities	70,516	91,865
Sub-total of cash inflows	266,286	201,444
Cash repayments of borrowings	(199,727)	(106,920)
Cash paid for dividends or interest	(36,973)	(50,230)
Other cash paid relating to financing activities	(7,074)	(104,780)
Sub-total of cash outflows	(243,774)	(261,930)
Net cash flow from financing activities	22,512	(60,486)
Effects of changes in foreign exchange rate	(5)	-
Net increase/(decrease) in cash and cash equivalents	12,097	(43,136)

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Educational publication

Pashchenko Tatiana V.

Accountancy

Textbook

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Пащенко Татьяна Васильевна

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