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Unité-Progrès-Justice

ACADEMIC YEAR 2023-2024

Semester : L1S2 - Hourly volume 40 H

MODULE: GENERAL ACCOUNTING

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General course objective: determine the basic elements of accounting in order to apply them to the smooth running of a business.

Specific objectives :

Recognize the indispensable role of accounting in the economic system; situate accounting among the various corporate information systems;

To provide information on national and international accounting regulations, as well as regulations governing the profession of chartered accountant;

Describe an accounting process; Present accounting products;

By the end of this course, students will also have acquired all the knowledge they need to understand the accounting of transactions relating to purchases and sales, VAT, commercial paper, commercial packaging, personnel costs and the preparation of preliminary statements such as the trial balance.

Books :

André ERSA " précis de comptabilité SYSCOA "Tome 1 & 2

Alpha DIALLO " Comptabilité Générale " Tome 1 & 2

François Palumbo " Mécanismes de base de la comptabilité générale " Tome 1&2

Richard, Comptabilité Générale, DUNOD, 2010.

Enselme Gérard, (2005). Comptabilité financière et comptabilité de gestion 6th edition - Litec. PART ONE: BASIC ACCOUNTING MECHANISMS.

Chapter I: General accounting principles

I. The company

1. Definition

A company is a financially autonomous economic unit whose purpose is to seek out financial, material and human resources, use them to produce or purchase goods and services, and sell them on a market in order to make a profit.

An Entity is an organization that deploys material or human resources of varying degrees to produce, exchange or circulate goods or services. Generally speaking, an entity is a structured, financially independent organization producing goods or services for the market.

2. Classification criteria.

Companies can be classified according to three criteria:

- **Business sector**: at this level, we have :

➢ **Manufacturing companies,** also known as industrial companies, produce goods and services by transforming raw materials.

Example: SOSUCO; SN CITEX...

➢ **Service companies** that sell their know-how Example:
Insurance, transport, education...

➢ **Commercial companies** that purchase Goods and Services with a view to reselling them as is.

➢ **Agricultural businesses** that produce food from natural resources.

Examples: FASO KOSAM, LAITIERE DE CISSIN, MONASTERE DE KOUBRI …

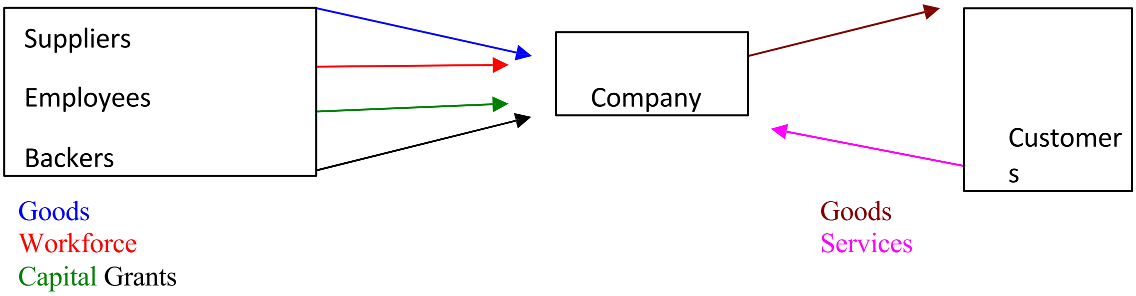
- **Legal status:** a distinction is made here between :
  - **Private companies,** which may be sole proprietorships or partnerships, and **public or semi-public companies.**
- **Size**: according to SYSCOHADA :
  - **Small** businesses employ between one and thirty people;
  - **Medium-sized** companies employ between thirty-one and two hundred people.
  - **A large company** is one that employs more than two hundred people.

3. Company partners

We distinguish four types of partners:

- **The social partners** who are the customers, the operating F/R (goods, raw materials, etc.), the investment F/R (F/R that delivers equipment materials).
- **Financial partners**: banks, capital providers.
- **The social partners**: we have the social organizations (CNSS, CARFO), the staff and the unions.
- **Institutional partners, i**.e. the State and local authorities.

<u>SUMMARY DIAGRAM OF THE LIFE OF A COMPANY</u>



The entity's legal obligations

Any entity with merchant status has the following obligations:

- ✓ must set up an accounting system; to this end, it classifies, records and registers in its accounts all operations involving movements in value that are processed with third parties.
- ✓ Bookkeeping in the country's official language and in the legal currency unit (F CFA)
- ✓ Supporting accounting entries with dated documents as evidence
- ✓ Mandatory bookkeeping and other documents: journal, general ledger, trial balance, inventory book
- ✓ Preparation of annual financial statements: balance sheet, income statement, financial table of resources and uses (TAFIRE), appended statement.

II. Accounting

1. Definition

Accounting can be defined as a quantitative information technique describing a company's situation and activity in monetary units.

2. The role of accounting

It consists of :

- ✓ **Enter, classify and record figures** relating to operations carried out. This involves measuring the number and value of goods, rights and obligations.
- ✓ **Producing evidence**
- ✓ **To present financial statements that give** a true and fair view of the company's assets and liabilities, financial position and results of operations at the balance sheet date.

3. Accounting objectives

The purpose of accounting is twofold:

- ✓ **Provide relevant information** to partners for decision-making.
- ✓ **Provide reliable information** (with strict adherence to accounting principles and methods) that will earn the trust of partners and ensure proper control of their financial affairs.

  business.

4. The different types of accounting

We have :

- ➢ **General accounting**: this is concerned with recording the transactions of companies or other organizations with their environment, in order to determine their assets and financial situation in summary form on a regular basis.
  and the overall results of their operations. It is mandatory, external, standardized, regulated and subject to statutory audit. A distinction is made between three systems
  - ✓ **The normal system**
  - ✓ **The lean system**
  - ✓ **The minimal cash system** :

4.1. The different branches of accounting

There are several types of accounting. These are: general accounting, cost accounting, budget or forecast accounting, public accounting and national accounting.

a) General accounting

Its purpose is to record all movements in the entity's assets and liabilities over a given period, to determine its assets and liabilities, and to enable the net income for the period to be calculated by successive margins.

b) Cost accounting

Cost accounting is an autonomous system for analyzing and processing data, enabling the calculation of costs and analytical results that provide useful information for managing an entity.

c) Budgetary accounting

Budgetary or forecast accounting refers to the numerical forecasts (budgets) that an entity endeavors to draw up for internal purposes, to guide its management decisions. By comparing forecasts with actuals, variances can be identified, enabling the responsibilities of the entity's various staff to be defined and its management to be improved.

d) National accounting

It is the macroeconomic tool used to quantify economic exchanges between different economic agents: households, entities, the financial system, the State and the rest of the world. It enables the State to monitor and regulate economic activity. All information is grouped together in global accounts called institutional sector accounts, which make it possible to determine the major balances that are the aggregates (GDP, GNP, NR, etc.).

e) Public accounting

It is kept by public administrations, i.e. central administrations at State level and decentralized administrations at local authority level.

4.2. The role of accounting

a) Accounting is a management tool

Accounting delivers its information:

- ✓ On a relatively continuous basis in real time (immediately) throughout the year to managers and internal users;
- ✓ Periodically (in principle once a year) to external partners in the form of a table and document known as the annual financial statement**.**

b) Accounting is a financial reporting tool

Accounting delivers information expressed in the monetary units of the country where the entity is located (in FCFA in the BF, in Euro in EU countries...). This information is intended to be used by the various users for decision-making purposes:

- ✓ Management decision by the Entity's managers and employees (manufacture a product B or C, have a D.... product made externally;
- ✓ Decision to contribute capital (investments) ;
- ✓ Decision to extend credit to the entity (supplier) ;

- ✓ Decision to grant subsidies to the Entity (State and other bodies).

5. Accounting law resources

Since the mid-twentieth century, accounting standardization in Africa has led to the use of different charts of accounts:

- **The French Chart of Accounts, introduced** in 1947 and successively revised in 1957, 1982 and 1999.
- **The OCAM plan (Organisation Commune Africaine et Malgache).** The first standardization in French-speaking Africa, it was adopted in 1970 with the aim of improving management, facilitating control and informing national accounting with a view to development. After some twenty years of use and differentiation to adapt to the realities of user countries, the OCAM plan has lost its effectiveness in relation to the new requirements of modernization, management quality, accuracy and comparability between companies belonging to common space countries. It was therefore replaced in 1998 by SYSCOA in the UEMOA region.

The SYSCOA plan is based on two treaties:

- **The UEMOA, which** brings together eight countries (Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo), aims to harmonize economic, legal, financial and accounting legislation and standards in the UEMOA region.
- **The OHADA (Organisation pour l'Harmonisation en Afrique du Droit des Affaires) treaty** groups together sixteen French-speaking countries, including eight UEMOA countries and eight CEMAC (Communauté Economique et Monétaire de l'Afrique Centrale) countries: Cameroon, Central Africa, Congo, Gabon, Equatorial Guinea, Guinea Conakry, Chad and Comoros.
- **Today, we have the revised SYSCOHADA, the result of the correction of SYSCOA.**

III. THE FLOWS

To achieve its objectives, the company carries out operations or transactions internally or with partners, in the form of flows (movements of value). We distinguish between flows according to their nature and origin.

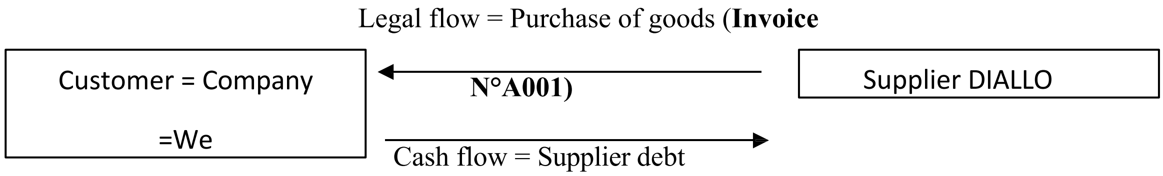
- **Depending on their nature, we have :**
  - **Real or physical flows**: these include tangible goods (merchandise, raw materials, capital goods, etc.) and intangible goods (services).

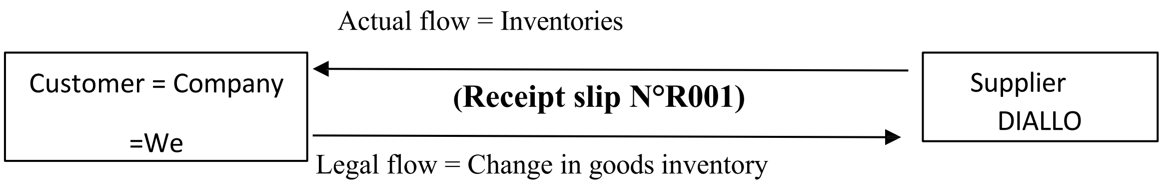
- **Monetary flows** (cash, cheques, etc.)
- **Financial flows** (receivables, payables)
- **Legal flows** (purchase contracts, sales, etc.)

- **Depending on their origin, a distinction is made between :**
  - **External flows**: these are flows arising from transactions or operations between the company and its partners (purchase of goods, sale of goods, payment of salaries, taxes, etc.).

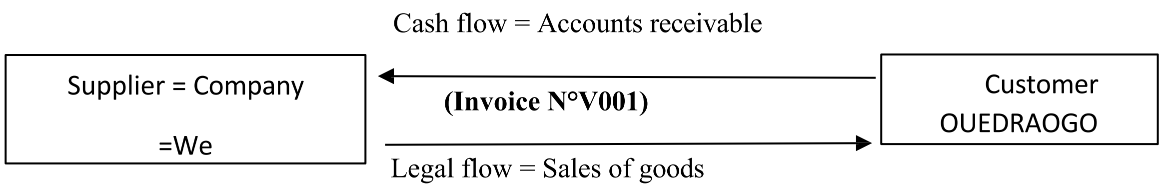
Example:

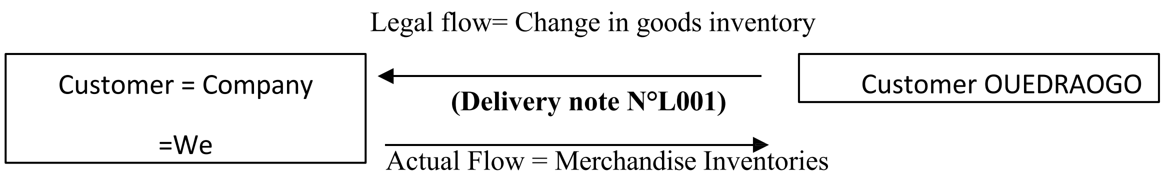
January 5, 2021: the company buys goods on credit for 1,200,000 F from DIALLO, Invoice N°A001, Receiving slip N°R001.





January 10, 2021: the company sells goods worth 250,000 F on credit for 370,000 to OUED, Invoice no. V001, Delivery note no. L001.





January 15, 2021: Withdrawal of cash from bank to replenish cash float: 500,000 F Cash voucher N°R001.

Cash flow= BCEAO cash or receivables

Customer = Company =We ← **(PC N°R001)** — BANK

→ Cash flow = Bank receivable

Internal flows: these take place within the company. In other words, the movement of value from point A to point B within the company.

Example:

<u>Example no. 1</u>: transfer of raw materials stock from the warehouse to the production workshops.

Store — Actual flow = raw materials → Production shop

<u>Example 2</u>: Transfer from the BIB account to the BICIA-B account

BIB — Cash flow = internal transfer → BICIA-B

1. Economic and accounting analysis of flows

1.1. Economic analysis: this involves asking the following questions:

For external flows, what is the incoming flow and what is the outgoing flow? **Example:** Purchase of goods on credit: 2,000,000 F

- ✓ Incoming legal flow : Purchase of merchandise: FRF 2,000,000
- ✓ Outgoing cash flow : Supplier debt : FRF2,000,000.

For internal flows, what is the flow's source and destination accounts?

Example: cash deposit

- ✓ Arrival point: bank
- ✓ Starting point: cash desk

1.2. Accounting analysis in uses - resources

Whatever the nature or origin of the flow, we always ask ourselves the following question:

- Where did the financing come from, or what made the operation possible?
- How was it used or employed?

Example1 : Purchase of merchandise on credit 1 000 000 F, Invoice N°A001

Employment: purchase of merchandise: 1,000,000 F
Resource: Supplier debt : 1,000,000 F

(Invoice N°A001)

Example 2: Credit sale of goods of 250,000 F for 370,000 F to OUED, Invoice n°V001, Delivery note N°L001

Employment : Accounts receivable : 370 000 F
Resource: Sale of merchandise: 370,000 F
(Invoice N°V001)

dito

Use: Change in merchandise inventories: FRF 250,000
Resource : Stocks of merchandise : 250 000 F
(Delivery note N° L001)

EXERCISE N°1: SOL CONFORT & DECOR bought flour from FASO BENI for 2,000,000 F, Invoice N°A001, Cheque N°R001 and PCD N°001. The transaction was carried out half against cash and half against bank cheque.

WORK TO DO :

1) Make the analysis in the SOL CONFORT accounting system.
2) Analyze the FASO BENI operation.

SOLUTION :

Analysis in SCD accounting

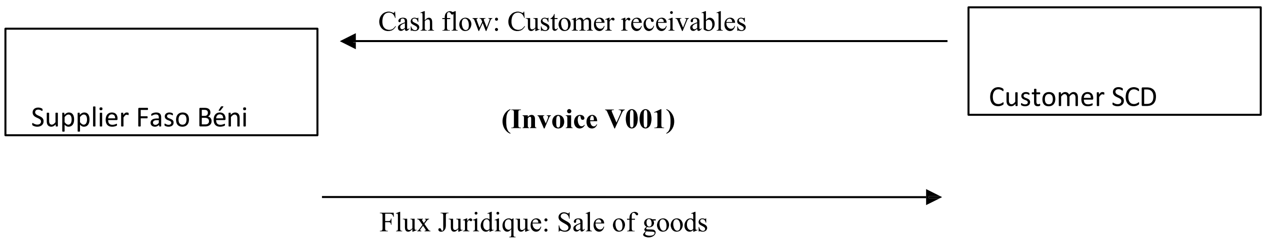
Customer SCD → Supplier F.BENI.

Legal Flux: Purchase of Flour: 2000 000
(Invoice N°A001)
Cash flow: Supplier debt: 2,000,000

Customer SCD ← Supplier F.BENI

Cash flow: Supplier debt: 2,000,000
(Cheque N°R001)
Cash flow: Bank receivable: 1,000,000
(PCD N°001)
Cash flow : BCEAO claim: 1000 000

FASO BENI accounting analysis



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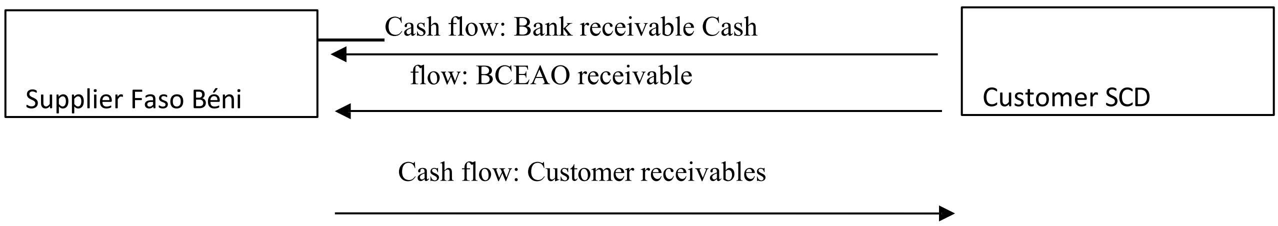


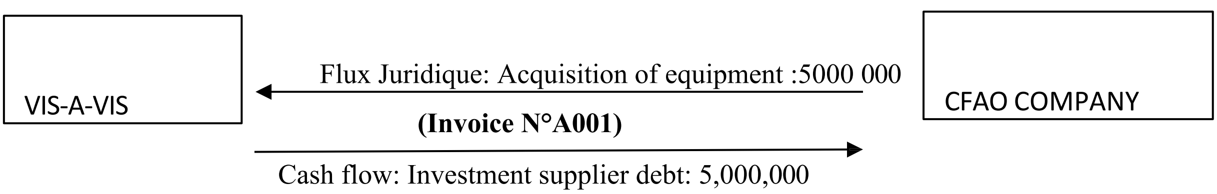
EXERCISE No. 2: VIS-A-VIS purchased transport equipment from CFAO for 5,000,000 francs. The invoice was paid half by postal cheque and half on credit 30 days after the end of the month.

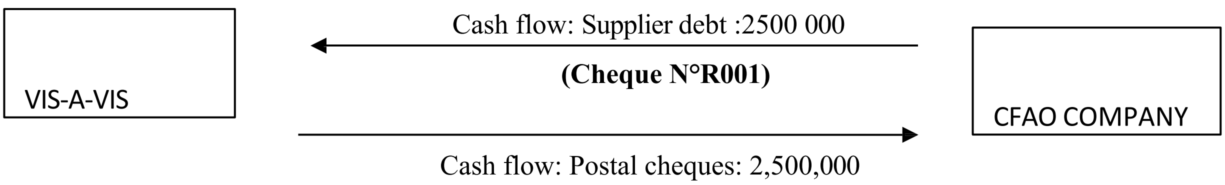
WORK TO DO :

1) Analyze the operation in VIS-À-VIS accounting
2) Analyze the operation in CAD/CAM accounting.

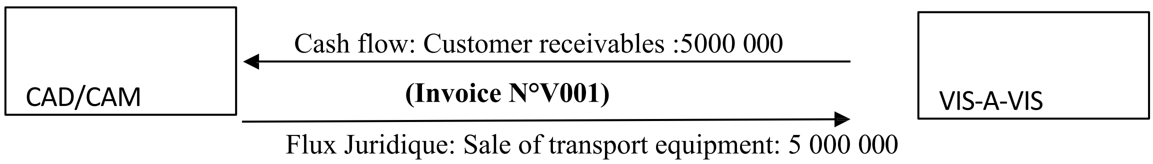
SOLUTION

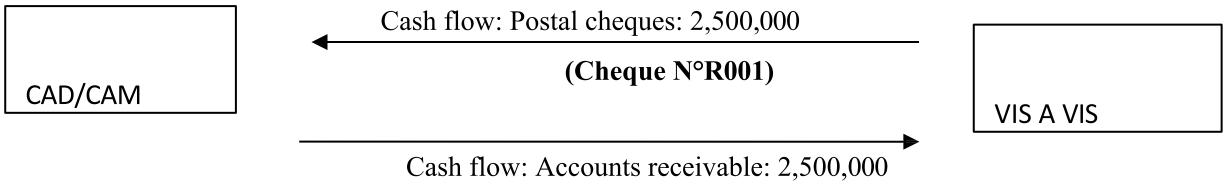
VIS A VIS accounting analysis





Analysis in CAD/CAM accounting





❖ **CASE STUDY ON ACCOUNTING FLOWS AND ANALYSIS**

Chapter II: Balance sheet

I) Entity assets

1) Definition

An Entity's assets are all the property it has under its control (property owned or used by the Entity) and the debts contracted in order to carry out its operations.

2) Heritage features

a) The goods

Assets include all economic uses under the entity's control:

- ✓ **Fixed assets :**

These are intangible, tangible and financial fixed assets intended for long-term use in the Entity's business. (Patents, licenses, buildings, land, equity interests, fixed assets...)

- ✓ **Stocks :**

These are all the goods used in the entity's operating cycle, either for sale (goods and finished products) or for consumption (raw materials and supplies).

- ✓ **Operating receivables**

These are amounts owed to the Entity by third parties (customers and other debtors).

- ✓ **Cash and cash equivalents :**

These are assets held in banks, post office banks (CCP) or cash registers.

b) Debts

These are resources that have enabled the Entity to acquire assets:

- ✓ **Borrowings and other financial liabilities :**

These are resources contracted from third parties to cover the entity's long-term financing needs.

- ✓ **Operating liabilities:** Amounts due to suppliers and other creditors
- ✓ **Overdrafts and bank loans**: Amounts due to bankers.

3) Calculating asset value

Calculating the amount of an entity's assets is equivalent to calculating its net worth.

WEALTH= ASSETS - DEBTS

4. Schematic representation of the balance sheet

The valuation of an entity's assets is carried out by means of a table representing its assets and liabilities. This table is called the balance sheet.

The balance sheet is a table that shows the assets and liabilities of the entity it describes, at a given date.

The balance sheet consists of two parts:

- ✓ **The right side, called Passive**

It highlights the resources or means that enabled the acquisition of the assets: resources provided by the associates (capital), the entity's own resources resulting from its activity (net income), resources provided by third parties (loans, suppliers, overdrafts), etc.

- ✓ **The left side, called Active**

It summarizes uses, i.e. the use made of resources: fixed assets (fixed assets), current assets (inventories and receivables), available assets (bank balances, postal cheques, cash in hand).

The Entity's situation at a given date can therefore be presented as follows:

Balance sheet ...	
ASSETS	**LIABILITIES**
Fixed assets	Shareholders' equity & similar resources
Current assets	Financial liabilities and similar resources
	Current liabilities
Cash assets	Cash and cash equivalents -Liabilities

After presenting the balance sheet, we should have the following equality:

JOBS = RESOURCES

ASSETS = EQUITY + DEBT ASSETS =

CAPITAL + INCOME + DEBT TOTAL

ASSETS = TOTAL LIABILITIES

II) Balance sheet analysis

1) Balance sheet assets

At the balance sheet date, assets express the use made of resources. Assets can be broken down into the following categories: fixed assets, current assets and cash and cash equivalents.

a) Fixed assets

This part of the balance sheet includes assets intended to remain with the entity on a long-term basis and comprises the following headings:

- ✓ Capitalized expenses: formation expenses, deferred charges and bond redemption premiums.
- ✓ Intangible assets: these include research and development costs, patents, licenses, software and goodwill.
- ✓ Tangible fixed assets: these include land, buildings, technical installations and fittings, and equipment.
- ✓ Long-term investments: these include investments in subsidiaries and affiliates, and deposits and guarantees.

b) Current assets

Current assets comprise the following items :

- ✓ HAO current assets: HAO receivables from exceptional transactions.
- ✓ inventories: these include goods, materials, other supplies, work-in-progress and manufactured products.
- ✓ Receivables: these include amounts due from customers, advances and down-payments to suppliers, and advances and down-payments to employees.

c) Cash assets

These include marketable securities, securities to be cashed in and cash on hand (bank balances, postal cheques and cash in hand).

d) Translation adjustments - assets

These are probable exchange losses

3) Balance sheet liabilities

At the balance sheet date, liabilities express the origin and amount of resources made available to the entity. A distinction is made between :

- ✓ shareholders' equity and similar resources.
- ✓ Financial debts and similar resources
- ✓ Current liabilities
- ✓ Cash and cash equivalents - liabilities

a) Shareholders' equity and similar resources

They are made up of personal or share capital, reserves, net income for the year, investment grants...

b) Financial debts and similar resources

Financial debts are stable resources arising from loans or debts contracted for a term of more than one year at inception. They mainly comprise loans, leasing debts and miscellaneous financial debts.

c) Current liabilities

It covers operating and non-operating liabilities:

- ✓ current liabilities and similar resources HAO: these are liabilities that are not directly related to the entity's ordinary activities (trade payables, etc.).

  of fixed assets)
- ✓ customers, advances and down-payments received: debts contracted by the entity as a result of advances or down-payments made by customers on orders in progress.
- ✓ operating suppliers: debts owed to third parties used by the entity to purchase materials, goods, supplies or services.
- ✓ tax liabilities: debts owed by the entity to the State and local authorities (taxes, fines and penalties)
- ✓ social debts: debts to employees and various social bodies (CNSS)
- ✓ other liabilities (amounts due to various creditors).

d) Cash and cash equivalents - liabilities

These are short-term loans granted by banks and other financial institutions to the entity. They include bank overdrafts, discounting facilities and cash loans.

e) Translation adjustments - liabilities

These are probable exchange gains

4) Equality: Assets - Liabilities

Balance sheet assets and liabilities describe the entity's situation at the balance sheet date from two angles:

- ✓ Resources (liabilities)
- ✓ On the other hand, jobs (assets).

Since resources finance uses, assets and liabilities show equal totals:

Total Actif = total passif

1) Simplified balance sheet diagram

Assets	Liabilities
Fixed assets - Non-current expenses - Intangible assets - Property, plant and equipment - Advances and deposits on fixed assets - Financial fixed assets **Current assets** - Inventories - Receivables	**Equity and similar resources** Capital Share premium Revaluation surplus Unavailable reserves Free reserves Retained earnings Net income for the year Regulated provisions Investment grants **Financial debt and similar liabilities** Borrowings and financial liabilities Financial provisions for contingencies and charges
Cash assets - Investment securities and receivables - Bank, CCP and cash	**Current liabilities** - Advances and deposits received - Suppliers - Other liabilities **Cash liabilities** - Banks - Bank loans
Translation adjustments Assets - Probable foreign exchange loss	Foreign currency translation liabilities - Probable foreign exchange gain
Total assets	Total liabilities

III) Balance sheet and income statement

1) Determining income from the balance sheet

One of the aims of general accounting is to determine the overall result at the end of the financial year. This result is calculated once a year. The accounting year extends over one year and is called the fiscal year. It coincides with the calendar year (January 1-December 31).

Profit = Assets - (Capital + Debt) Loss = (Capital

+ Debt) - Assets

2) Balance sheet and transactions not affecting profit or loss

These operations lead to a change in the structure of uses and resources, or to an equivalent change in uses and resources.

a) Transactions that do not affect net income or the balance sheet total

We distinguish :

- ✓ Money transfers between banks, postal cheques, cash registers, etc.
- ✓ Cash purchases of assets
- ✓ Settlement of trade receivables
- ✓ Loans granted by the entity

a) Transactions that do not affect income but do affect the balance sheet total

We distinguish :

- ✓ Credit purchases of assets
- ✓ Settlement of trade payables
- ✓ Capital increases and decreases
- ✓ Borrowing operations

5. Balance sheet and transactions affecting net income

Although operations of this type are frequent in the life of an entity, they are, in a sense, only incidental to its activity. Its aim, in delivering goods and services to customers whose production requires it to consume other goods and services, is to generate a profit or loss, which is also reflected in the balance sheet. A distinction is made between purchases and sales of goods, taking into account changes in inventories

❖ CASE STUDY OF A COMPANY'S BALANCE SHEET AND INCOME STATEMENT

Chapter III: Income statement

Earnings can be determined from the balance sheet or from the income statement. The income statement is a two-part table: the left-hand side shows all expenses or uses for the year, and the right-hand side shows all income or resources for the year.

Situation accounting is used to show net income for the year:

Net income = Assets-(capital + debts)

The head of an entity wants to know more than just the summary net income resulting from an analysis of the entity's situation. He also wants to see the components of this result, i.e. income and expenses, reflected in the accounts.

I. Net income components

I.1. The products

Revenues are actual outflows representing the value of goods and services sold by the entity. Revenues are the entity's internal resources, i.e. the resources it creates through its activity: they contribute to the entity's enrichment.

I.2. Expenses

Expenses are actual inflows representing the cost of goods and services purchased or consumed by the entity.

Expenses are definitive uses of resources: they reduce internal resources and thus contribute to the entity's impoverishment.

By virtue of the double part, we obtain the following presentation:

Income Statement

Resources jobs	**Resource sources**
Expenses (depletion)	Products (enrichments)

Income = Income - Expenses

If income > expenses, the result is positive.

If income < expenses, we have a loss.

Expenses and income are classified by nature, i.e. items of income and expense are classified according to their nature.

in the same account.
We find a 3-level analysis:

- operating income and expenses: items relating to the day-to-day running of the entity.
- financial income and expenses: items relating to securities, foreign exchange and interest transactions.
- HAO expenses and income: these are items relating to one-off or occasional operations that do not usually occur.

II. Expense accounts

A) Expenses from ordinary activities

Ordinary activities are operations carried out by the entity in line with its corporate purpose and under normal operating conditions, which should recur on a regular basis for a similar structure and management quality.

1) Purchasing

The purchase account records the amount of purchase invoices, the value of purchase returns, and discounts and rebates obtained from suppliers.
Purchases comprise the following items:

- purchases of merchandise
- purchases of raw materials and related supplies
- inventories of consumables and supplies
- other purchases
- packaging purchases

2) Inventory change accounts

To determine the cost of purchases consumed, SYSCOA provides for inventory change accounts:
Inventory change = ending inventory -
beginning inventory A distinction is made
between

- **Change in inventories of goods** = ending inventory of goods - beginning inventory of goods
- **Change in raw materials inventory** = ending raw materials inventory -stock

initial raw materials

- **Variation in inventories other supplies** = final stock o f other supplies - initial stock of other supplies

Other supplies = consumables, other purchases, packaging.

3) Transport costs

Transport costs include the amount of port or transport charges incurred by the entity in connection with purchases, sales, staff travel or the dispatch of mail.

4) External services

They include invoices, payments and remuneration paid to external service providers. A distinction is made between

- rental and service charges
- service, repair and maintenance
- insurance premiums
- advertising, publications, public relations
- telecommunication costs
- bank charges
- remuneration of intermediaries and consultants
- royalties
- etc....

5) Taxes

They include the amount of expenses corresponding to compulsory payments to the State and other public bodies to meet public expenditure, or payments instituted by the authorities to finance public-interest initiatives. They include direct and indirect taxes, registration fees, penalties and tax fines.

6) Other expenses

This account records the amount of expenses, often of an incidental nature, which are included in consumption for the year from third parties for the purpose of calculating added value. A distinction is made between credit losses, provisioned operating expenses, directors' fees and other remuneration paid to directors...

7) **Personnel expenses**

This account records :

- all remuneration paid to the entity's personnel: wages and salaries, paid leave, bonuses, gratuities, allowances, etc.
- payroll taxes paid by the entity (social security contributions)
- benefits in kind (housing, water, electricity, telephone bills, etc.)
- remuneration of staff from outside the entity: temporary staff or staff seconded or loaned to the entity.

8) **Depreciation, amortization and provisions**

These are calculated expenses related to the recognition :

- depreciation of depreciable fixed assets
- probable impairment of certain assets

9) **Financial expenses**

This account records all financial expenses due to various third parties involved in financing the entity (excluding remuneration of equity capital and banking services): interest on loans, discounts granted, discounting of bills of exchange, etc.

B) **Expenses not related to ordinary activities (H.A.O.)**

These are expenses that are not related to the entity's ordinary activities and are therefore generally non-recurring in nature:

- expenses related to natural disasters: earthquakes, floods, theft of locusts, etc.
- donations and gifts granted
- bandons de créances consentis
- etc

C) **Employee profit-sharing and income tax**

- **Employee profit-sharing**: this account records amounts deducted from profits and allocated by the entity to a legal or contractual fund for the benefit of employees.
- **Income tax: this is** the portion of profit that must be allocated to the State as income tax.

III. Revenue accounts

A) Income from ordinary activities

1) Sales

They record the amount of invoices for sales and credit notes on sales, work carried out and services rendered to third parties. A distinction is made between :

- sales of merchandise
- sales of finished products
- sales of intermediate products
- sales of residual products
- invoiced work
- services sold
- ancillary income: postage, lost packaging and other invoiced costs, commissions, rentals, etc.

2) Operating subsidies

They represent the amount of financial aid granted by the State, local authorities or third parties. They are intended to compensate for a shortfall in the administered selling price, or to meet operating expenses.

3) Capitalized production

It records the production cost of work performed by the entity for itself.

4) Changes in inventories of goods and services produced

They will show production in or out of storage.

Change in inventory = ending inventory -
beginning inventory If beginning inventory >
ending inventory, inventory is drawn down
If initial stock < final stock, there is stored production

5) Other products

These are miscellaneous income items that do not derive directly from the entity's productive or commercial activity (directors' fees and other remuneration received by directors, insurance indemnities received, etc.).

6) Expense transfers

They represent the amount of expenses which, due to their nature, must be capitalized in the balance sheet.

7) Provision reversals

This account records cancellations and downward adjustments to financial provisions for liabilities and charges and provisions for impairment of fixed assets.

8) Financial income

These are the resources that the entity derives from its financial activities: interest on loans, discounts obtained, income from investment securities....

B) Hors Activités Ordinaires (H.A.O.) products

These are revenues which are not linked to the entity's ordinary activities and are therefore not of a recurring nature. A distinction is made between recognized HAO income, donations and liberalities obtained, debt waivers obtained, etc.

IV. Income statement presentation

The income statement is a two-part table showing: on the left, expenses for the year on the right, income for the year.

Income Statement

Expenses	Products
Operating expenses	Operating income
Financial expenses	Financial income
HAO loads	HAO products

V) Significant management balances

Significant management balances are quantities calculated at different income and expense levels within an accounting period. They are of interest for management purposes, and their determination by transfer results in the net income for the year. They are: gross margin, added value, gross operating surplus, operating income, financial income, AO income, HAO income and net income.

1) Gross margin on merchandise (GM on merchandise)

It represents the entity's leeway to meet its marketing costs and generate profits.

MB on merchandise = sale of merchandise - (Purchase of merchandise ± change in merchandise inventory)

2) Gross margin on materials (MB/materials)

Only generated by industrial units, it is of the same significance as the previous margin, but in relation to finished products.

MB on materials = Sales of manufactured products + work & services sold + inventoried production + capitalized production - Purchases of related materials & supplies ± change in inventories of related raw materials and supplies

3) **Value added (VA)**

It measures the wealth created by the entity, the increase in value that the entity brings to the goods and services provided by third parties in the course of its current activities.

Value Added (VA) = MB/commodities + MB/materials + ancillary products + operating subsidies + Other products - (Other purchases - change in inventories of other purchases) - transport - external A& B services - taxes - Other expenses

4) **Gross operating profit (EBITDA)**

EBITDA is a cash flow concept that measures an entity's ability to generate financial resources on the basis of its normal business activity.

EBITDA = VA - personnel costs

5) **Operating income (OI)**

Unlike EBITDA, it takes into account expenses not yet paid and income not yet received, and shows the results of the entity's normal business activities.

RE = EBITDA + Reversal of operating provisions + Transfer of expenses Operating expenses - Depreciation, amortization and provisions

Financial result (RF) = financial income - financial expenses AO

result (RAO) = RE ± RF

HAO result (RHAO = HAO income - HAO expense)

Net income (NI) = ROA + RHAO - income tax - employee profit-sharing (if any).

Chapter IV: Accounting analysis of operations

I) Description of flows

1) Cash transactions

Cash transactions are characterized by the exchange of flows:

- cash flow: income or expenditure
- actual flow: goods or services

a) Cash flows

These are :

- revenues or incoming cash flow: cash sales of merchandise
- expenses or outgoing cash flow: paying for purchases

b) actual flows

- actual outflows, which are the counterpart of receipts: outflow of goods at the time of sales
- actual input flows, which are the counterpart to expenditure: goods received for purchases

2) Credit transactions

Credit transactions generate financial flows of receivables and payables:

- when an actual cash outflow is not offset by a cash inflow, the entity acquires a receivable from its customer
- when an actual cash inflow is not offset by a cash outflow, the entity incurs a debt to its supplier

II. Accounting flow analysis

The accounting analysis of operations distinguishes :

- **its origin**, the starting point of the flow, the source of movement and called a resource The resource is the means of obtaining that makes the operation possible: outgoing flow from the entity
- **Employment**, the point of flow, the destination of movement

Use corresponds to the use made of the resource: inflow into the entity.

1) Cash transactions

a) Actual cash inflows with counterpart cash outflows or expenses Actual cash inflows correspond to uses. These are purchases of fixed assets and expenses.

The uses were obtained through resources corresponding to outflows.

of cash or expenditure made from funds deposited in banks, post office cheques or in the entity's cash register.

b) Actual cash outflows offset by cash inflows or receipts

Actual cash outflows are essentially made up of resources created or products produced

These are sales of goods, manufactured products, services, etc.

These resources are usually matched by cash inflows or receipts in the form of cash, bank or postal cheques.

c) Funds transfers between cash, bank and postal cheques

Currency inflows can be offset by currency outflows. These are the following transactions:

- withdrawals from the bank or postal cheques to fund the till
- cash deposits at banks or post office cheques
- transfers between bank and postal cheque accounts

2) Credit transactions

1) Acquisition and collection of customer receivables

When an actual outflow of goods and services (sales of goods or services) is not matched by a cash flow, the entity supplying the good or service acquires a receivable from its customer. Receivables are assets, the counterpart of actual outflows. Recoveries of receivables are resources, the counterpart to payment of the price by the customer.

2) Payables to suppliers and their settlement.

When an entity realizes that an actual cash inflow has not been offset by a cash outflow, it incurs a debt to the supplier.

Debts are resources used to obtain goods.

Settlement of debts is a use of resources, in return for payment of the price to the supplier.

3) The operator's contributions

Contributions are the resources provided by the operator to create his entity.

These contributions are flows into the entity (jobs).

In return, the entity incurs a debt to the operator: this debt is called resource capital.

Chapter IV: The account and double-entry bookkeeping

I. The account

A) Account description

1) Definition

The account is a table drawn up under the heading or denomination of a balance sheet item, an item of income or expense and divided into two parts of sums :

- The left-hand side is called the **debit side**, where jobs or inflows are recorded;
- the right-hand side is called **credit**: resources or outflows are recorded here.

2) Account presentation

Several account layouts are possible.

a) Separate column presentation

Flow			Credit		
Dates	Labels	Amounts	Dates	labels	Amount
	Total			total	

- each account is given a heading: example: cash account
- the left side, called the debit side, is reserved for jobs
- the right-hand side, called credit, is reserved for resources
- the word label means a commentary on the operation: nature of the operation, supporting accounting documents,

To be complete, all account entries must include :

- the date of the operation,
- the amount of the operation.

b) Married or twin column presentation

1. Account presentation

There are generally three types of presentation:

- **The** simplified **T-account.** This form of presentation meets the need for speed, given the multiplicity of accounts and, above all, their monthly management.

Example: 5711: cash desk

- **The separate column account**

5711: cash register

Flow			Credit		
Dates	Labels	Amount	Dates	Labels	Amount
Totals		X	Totals		X

- **The married or twin column account with balance**

Dates	Labels	Amounts		Sales	
		Flow	Credit	Debtor	Creditor
Totals		X	X		

c) Schematic diagrams

For the sake of speed, we often use a schematic presentation of the account with married columns (without balances). The date and label columns are left out, giving what are sometimes called T-accounts.

D Account C

3) Account allocation

All accounting transactions relating to an entity's activity must be recorded in an account.
A charge is the act of entering a sum in the debit or credit side of an account.
To debit an account is to debit a sum. To credit an account is to credit a sum.

4) Account balance

The net amount of an account is the difference between its debit and its credit. This difference is called the balance.

- If total debits > total credits, the balance is in debit, reflecting net employment.
- If total debits < total credits, the balance is in credit, reflecting a net resource.
- If total debits = total credits, the balance is zero and the account is said to be balanced.

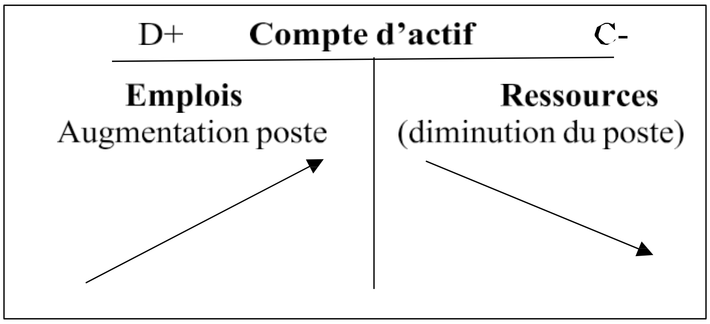
The balance is entered in the column with the lowest total, so that adding it to the corresponding mass gives two equal debit and credit totals.
At the start of the new recording period, when a balance exists, it must be entered as the first sum on the debit side if it is in debit, and on the credit side if it is in credit (new balance).

B) Account operation

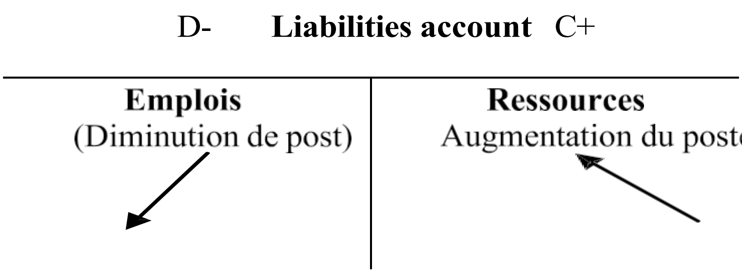
There are several types of accounts: balance sheet accounts (assets, liabilities) and management accounts (expenses and income).

1) Balance sheet accounts

As their name suggests, these are the accounts that relate to the entity's assets, i.e. the balance sheet. The basic rule for knowing when to debit an asset account and when to credit it is as follows:
First rule: all asset accounts increase on the debit side and decrease on the credit side.



Second rule: all liability accounts increase on the credit side and decrease on the debit side.



2) Management accounts

Management accounts comprise: expense accounts and income accounts.

Third rule: all expense accounts increase on credit and decrease on debit.

D+ **Expense account**	C-
Jobs Position increase	**Resources** (decrease in item)

Fourth rule: all income accounts increase on the credit side and decrease on the debit side.

D- Income statement	C+
Emplois (Diminution du poste)	**Ressources** (Augmentation du poste)

II) Principle of the double part.

This is the fundamental principle of general accounting.

Keeping a double-entry account means recording each amount twice: once on the debit side of one or more accounts, and once on the credit side of one or more accounts. In other words, every account debited corresponds to one or more accounts credited for the same amount, or vice versa.

This reflects the economic equality of **EMPLOYMENT = RESOURCES**, and implies that any transaction by the entity involves at least one debit account and at least one credit account for the same amount.

III) Balance sheet accounts

1) From a balance sheet account to the corresponding balance sheet item

- For accounts with a debit balance, the balance reflects net employment.

If a balance sheet has to be drawn up at the balance calculation date, the amount of this balance will appear on the assets side of the balance sheet.

- For accounts with a credit balance, the balance at a given date represents a net resource, and will be shown as a liability on the balance sheet at that date.
- A balanced balance sheet account has no corresponding balance sheet item.

expresses the absence of net employment or net resources.

3) From a balance sheet item to the corresponding account

In accounts opened from balance sheet items :

- Asset items are debited from the corresponding accounts;
- Liability items are credited to the corresponding accounts;

IV) Accounting transfers and reciprocal accounts

A) Accounting transfers

1) Definition

A transfer is an accounting operation whereby an amount is transferred from the debit (or credit) side of one account to the debit (or credit) side of another account.

2) Using the credit transfer

We use the accounting transfer

- or to correct imputation errors
- or to group accounts
- or to break open accounts.
- or to transfer sums

3) Transfer types

a) Simple transfer: Subtraction of an amount from an account

When there are imputation errors and you want to make the necessary corrections, you use the subtraction of sums procedure;

b) Accounting transfer: process of grouping in a single account (synthetic transfer)

For a number of reasons, the account may find it best to group certain accounts into a single account.

c) Accounting transfer: process for breaking down accounts (analytical transfer)

When the open accounts are too synthetic, a single account can be broken down, and the single account can be replaced by several accounts.

d) Transfer between third-party accounts: bank transfer

These are transfers between third-party accounts at bank level: transfers between customers of the same bank.

B) Reciprocal accounting

1) Definition of reciprocal accounts

Reciprocal accounts are two accounts that belong to two different accounting systems. They record the same transactions, but in opposite ways. When one account is debited, the other is credited. The balances are of the same amount but opposite sign.

2) Examples of reciprocal accounts

- The merchant and his supplier
- The merchant and his customer
- The entity and its bank :

❖ **CASE STUDY**

Chapter V: Chart of accounts

The chart of accounts is a more or less detailed list of accounts adapted to the entity's needs according to a coding system.

For the purposes of accounting standardization, SYSCOHADA has imposed :

- a list of accounts ;
- precise terminology and operating rules for each account;
- numerical coding of these accounts.

I) The SYSCOHADA accounting framework

The accounts used in general accounting are presented separately in three groups:

- balance sheet accounts forming balance sheet accounts ;
- management accounts including expense and income accounts
- off-balance sheet commitments.

1) Balance sheet accounts

Balance sheet accounts are classified into five categories called classes and these classes a r e numbered from 1 to 5:

- **class 1:** durable resources accounts (shareholders' equity, reserves, financial debts, etc.)
- **class 2:** fixed assets accounts: these include fixed expenses, intangible assets, property, plant and equipment and financial assets.
- **class 3**: inventory accounts: these include inventories of merchandise, raw materials, packaging and finished goods.
- **class 4**: third-party accounts: these include receivables from current assets and payables from current liabilities.
- **class 5** cash accounts: these comprise marketable securities, receivables, bank accounts, postal cheques and cash.

Note: Class 1 is exclusively on the liabilities side. Classes 2 and 3 are exclusively assets. Classes 4 and 5 may be entered either on the assets side (debit balances) or on the liabilities side (credit balances).

2) Management accounts

The management accounts comprise three classes:

Class 6: Ordinary activity expense accounts: includes operating expenses.

and recurring financial expenses.

Class 7: income from ordinary activities: this includes operating income and financial income.

Class 8: Other expenses and income accounts: these record all HAO expenses and income, employee profit-sharing, balancing subsidies and income tax.

3) Off-balance sheet commitments

This is class 9, which records commitments received by the entity and commitments granted by the entity. This class is also reserved for cost accounting operations.

II) Chart of accounts structure

1) Decimal coding

Accounts are coded using the decimal system. These numbers include at least two digits:

- the 1st number represents the class;
- the 2nd digit specifies a class division;
- a 3rd digit can specify a two-digit subdivision;
- if necessary, a three-digit account can be subdivided into several four-digit accounts.

Example: **Class 2: 24 Hardware**
244 Equipment and
furniture 2443 Office
equipment

Entities have the option of further subdividing the accounts proposed by SYSCOHADA for accounting purposes.

2) Constants and parallels

SYSCOHADA tries to establish, as far as possible, coding constants or parallels likely to facilitate memorization and, in some cases, comprehension.

a) Examples of constants

the number 9 in 3rd or 4th position corresponds to an inverted balance in relation to nature category accounts.

Example: use accounts 401 to 408 for accounts payable to suppliers, and account 409 for accounts receivable from suppliers.

the number 8 in the 2nd position is used to form depreciation accounts.

Example: 245 Transport equipment

2845 Depreciation of transport equipment

the number 9 in 2nd position gives the provision accounts.

Example: 19 financial provisions for liabilities and charges; 29 provisions for depreciation of fixed assets 39 Inventory depreciation

49 Provisions for impairment and risks (third parties)

59 Provisions for impairment in value and risks (cash and cash equivalents) 69 Charges to provisions

79 reversals of provisions

b) Examples of parallelism

- **parallels between income and expenses from ordinary activities**

601 Purchase of merchandise

602 Purchases of raw materials and related supplies65 Other expenses 67 Financial expenses

701 Sales of merchandise 702 Sales of finished goods 75 Other income 77 Financial income

- **parallelism between HAO expenses and products**

Odd-numbered two-digit accounts refer to HAO expenses and even-numbered accounts refer to HAO revenues.

81 Book value of property disposals 83 HAO expenses 85 HAO allowances

82 Proceeds from disposals of fixed assets

84 HAO income

86 HAO reversals

3) From SYSCOHADA to the entity chart of accounts

As SYSCOHADA generally provides four-digit accounts, it is up to the entity to construct its own "entity chart of accounts" (P.C.E.),

- by selecting the SYSCOHADA accounts required for its activity, and subdividing them according to its needs.

There are two reasons for this subdivision:

- a more detailed analysis of the nature of the transaction, based on at least two positions: the account number will then have six digits, as many software packages provide.

UUUU . UU
SYSCOHADA . nature

Subdivision by nature is based on nomenclature.

III) Basic accounting principles

SYSCOHADA sets out 9 general accounting principles. These principles are based on an explicit objective: obtaining a true and fair view of the entity's situation and operations.

1) The precautionary principle

This principle, linked to the legal function of accounting, reflects the concern to avoid overstating an entity's results and situation, which could harm third parties who have been wrongly placed in a position of trust, and allow the distribution of profits that would turn out to be partly fictitious. An expense should be recognized as soon as it is probable that it will be incurred, even if it is not actually realized. Income, on the other hand, should only be recorded if it is realized and definitively acquired.

2) Permanent methods

Financial statements must be comparable over time, which requires consistency in the way they are prepared.

3) The principle of specialization or independence of accounting periods The entity's activity is divided into accounting periods called financial years, which are autonomous.

4) Correspondence between opening and closing balance sheets

The opening balance sheet of a financial year must correspond to the closing balance sheet of the previous year. This principle is complementary to that of the independence of financial years: despite the division of an entity's life into distinct financial years, there is no break, no gap, no gap between the two.

The "white" in the information.

5) **Historical cost**

It combines several complementary principles:

- **the first principle is that of monetary expression**: accounting records only external transactions of a financial nature, i.e. those that can be expressed in monetary terms and have an influence on the entity's wealth.
- **the second principle is that of monetary nominalism or the stability of the monetary unit**: it consists in admitting that the monetary unit always retains the same value over time, that it is a stable unit of measurement and that monetary units from different periods can therefore be added together.
- **the third principle is that of historical cost accounting**: under this principle, assets and receivables are recognized at purchase or production cost, or at the value in current currency at the time they entered the entity's assets.

6) **Going concern**

According to this principle, at the close of the entity's annual accounts and at the time of presentation of its financial statements, it must be assumed that it will continue to operate in the future under the conditions existing at that date, i.e. that it has neither the intention nor the obligation to go into liquidation or significantly reduce its activities.

7) **Transparency**

The entity must comply with the rules and procedures in force, applying them in good faith and without any attempt to conceal the truth.

8) **Significant importance**

The financial statements must disclose all transactions whose significance may affect valuations and decisions, and consequently there is no need to take into consideration facts that appeared to be insignificant. In other words, the accounts do not have to track in detail, or with the help of specialized accounts, movements in value that are not material in relation to the intended purpose.

9) **The pre-eminence of reality over appearance**

The principle is intended to guide the accountant in cases where the law imperfectly reflects the fact that the entity's transactions must be recorded and presented in accordance with the law.

their economic and financial reality, not just their legal appearance.

IV) Presentation of financial statements

Depending on the size of the entity and the resources at its disposal, SYSCOHADA provides for three models of financial statement presentation (balance sheet, income statement, etc.): the minimum cash system, the light system and the normal system.

1) The minimal cash flow system

This is an accepted accounting system for very small entities whose annual revenues do not exceed a certain threshold.

2) The lean system

This is an accounting system applicable to small and medium-sized entities whose size, based on criteria relating to sales and number of employees, does not necessarily justify the use of the normal accounting system.

3) The normal system

This is an accounting system applicable to entities subject to mandatory bookkeeping that do not meet the conditions of the simplified system.

Chapter VI: The classic system

Transactions carried out by the entity are recorded in two stages:

- first, the voucher is recorded in the journal
- secondly, the journal entry is transferred to the appropriate general ledger accounts (debit and credit).

To verify the accuracy of these deferrals, a trial balance should be presented periodically (at least once a month).

This procedure for processing accounting information is known as the traditional classic system.

I) Le Journal

1) Definition

The journal is a book of accounts listed and initialed by the relevant authorities, and required by law to be kept by all traders. Its purpose is to record, without blank spaces or alterations, in chronological order (from day to day) all movements affecting the entity's assets.

2) Newspaper content

The following information must be provided for all transactions recorded in the journal:

- registration date
- accounting analysis: titles of the account to be debited (uses) and the account to be credited (resources), and the corresponding amount
- SYSCOA account numbers
- the explanatory wording which justifies the entry by reference to a supporting accounting document which serves as the basis for the transaction (invoices, cheques, cash vouchers, etc.). This enables you to identify the origin of the transactions.

3) Newspaper form

The chart of accounts refers to the journal as the "journal book". The word "book" means a register with sewn and bound pages, excluding loose-leaf pages. The "journal book" must be kept without blanks or alterations of any kind (i.e., no erasures or cross-outs).

The "journal book" must be numbered and initialed, i.e. the pages must be numbered.

and initialed (each page must be signed).

All these requirements are designed to ensure that records are irreversible, so that the accounts can serve as proof of the transactions recorded.

4) Newspaper layout

The recordings take the form of articles highlighting :

- registration date
- numbers and titles of accounts debited and credited
- the corresponding amounts
- supporting statement

a) The simple newspaper article

An item is a set of entries relating to the same operation.

A simple item is one with only one debit and one credit account.

Example

On 2/10/N, the entity purchases goods, paid for by bank cheque n°252:3,000,000

<u>Work to be done:</u>

-Present accounting analysis

-Log the operation

Account numbers		Account name Account name Debited Credited	Amounts	
Flow	Credit	Date	Flow	Credit
6011	5211	02/10/N Purchase of goods in the region Bank (Cheque N°252)	3 000 000	3 000 000

Wording

b) The complex article

A complex or compound item is one with several debit or credit accounts.

Example

03/10/N, the entity sells goods (Invoice V72) for 5,000,000 to the customer PARE, who pays F500,000 in cash and the remainder on credit.

<u>Work to be done:</u>

- Present accounting analysis
- Log the operation

Remarks

- At the end of each page, the debit and credit columns of the journal are totalled by the words "to be carried forward". The total is transferred to the top (beginning) of the next page, marked "carry forward".
- Total debit = total credit must be verified for each item, at the end of each page and when closing the journal.
- We use the expression "dito" or the abbreviation "d°" to repeat the same date in other articles.

II) Le Grand-livre

The General Ledger (G.L.) is an accounting document that groups together all an entity's accounts. Although it is not required by law, it is the essential component of the accounting system.

III) Balance of accounts

1) Definition

The trial balance is a document listing all the accounts used by an entity (all General Ledger accounts), together with the status of each account. In general, the balance includes :

- account numbers
- account titles or names
- debit and credit totals
- sales at the beginning and/or end of the period.

This document is drawn up periodically (monthly or quarterly) according to the entity's needs.

2) Role of the scale

a) The scale, a control instrument

The trial balance is a control instrument used to verify the accuracy of journal entries in the general ledger.

The following equalities must be verified (properties):

- Total debits = total credits. This property reflects the equality of debit and credit when a transaction is recorded in the accounts. If for each transaction, the amount entered on the debit side is equal to the amount entered on the credit side, it follows that for all transactions in the period.
- For the period, total balance movements = journal total. This results in

because the same operations are recorded on both documents, but classified differently.

- Total debit balances = total credit balances. As a result of the above properties, the trial balance provides an arithmetical check on the journal and general ledger. It therefore detects any errors or omissions that need to be rectified.

b) The scale, a management tool

The trial balance is also a management tool that enables you to track the development of your business: fixed assets, inventories, receivables, cash, payables, expenses, revenues, etc.

3) Scale layout

a) 4-column scale

Account numbers	Account titles	Amounts		Sales	
		Flow	Credit	Debtor	Creditor
	Totals				

b) The 6-column scale

Account numbers	Titles account s	Opening balances		Movements during the period		Balance at end of period	
		D	C	D	C	D	C
	Totals						

4) From the balance sheet to the income statement and balance sheet

a) From the balance sheet to the income statement

From the balance sheet, it is possible to draw up the income statement by combining the income and expense items in the income statement for the year.

It groups expense accounts on the debit side and income accounts on the credit side.

b) From balance sheet to balance sheet

The balance sheet can also be used to reconstitute the entity's balance sheet. Accounts with debit balances represent the entity's assets and liabilities. Accounts with credit balances represent the entity's resources and are carried under liabilities. Profit or loss is always shown on the liabilities side of the balance sheet.

V) Other systems

1) The centralizing system

To avoid a multitude of deferrals and allow for a division of labour, it is based on two levels of accounting:

- **auxiliary** (or divisional or originary) **accounting,** which records accounting events on a daily basis in specialized **auxiliary journals** for each category of transaction,
- **periodic** (or synthetic) **accounting,** which at regular intervals recapitulates the information contained in the auxiliary journals and centralizes it in general documents (**general journal and general ledger**).

2) Computerized accounting: accounting software

Other operations, of a purely material nature, can be entrusted to the computer: transfer to the accounts, centralization, printing of the trial balance, checking of the equality of debit and credit movements, etc. Computers thus make it possible to lighten the workload of accounting departments, by sparing them routine tasks, but also to obtain useful management summaries very quickly or as frequently as necessary.

Computerized accounting can be carried out using custom-developed software or commercially-available packages.

Chapter VII: Correcting errors

I) General

The same formalities that apply to journal entries, in particular the requirement for blank or altered entries, also apply to error correction entries. As accounting records must be kept without any blanks or alterations of any kind, unavoidable errors must be corrected using certain procedures: the reversal procedure, the transfer procedure, the negative entry procedure and the zero complement. Among these procedures, which are in principle available for correcting errors without compromising the authenticity of the accounts, the chart of accounts gives priority to one: the negative entry procedure.

A. The reversal process

The erroneous entry is reversed by making a reverse entry, i.e. the same accounts are used for the same amounts, but in the opposite direction. The accounts previously debited and credited are respectively credited and debited. The correct entry is then made.

B. The transfer

While the other procedures are in general use, the credit transfer can only be used to correct a booking error, transferring the balances of the account that has been moved to the one that should have been.

C. Procedures for entering the negative zero complement (algebraic complement)

The two procedures are identical in principle. Before recording the operation correctly, the erroneous entry is cancelled by playing the same accounts in the same direction, but with the opposite numbers of the original numbers as sums.

These two procedures avoid the disadvantage of reversal. Entries are rectified without modifying the journal totals, i.e., the same balances and masses are maintained as would have been the case in the absence of error. This is why the chart of accounts uses one of the two. It prescribes the use of the negative entry.

II) Correction in the diary

Incorrect items must be cancelled and replaced by correct items using the negative entry procedure.

III) Ledger correction

All items entered in the journal must be transferred to the general ledger accounts. Essentially, the accounts must be adjusted by negative adjustment to obtain their correct totals and balances.

Chapter VIII: Sales and purchases

I) The Invoice and its main elements

A) The standard invoice or invoice for must

1) Definition

An invoice is a written record of the conditions under which a merchant has sold goods or provided services: gross price, discounts, surcharges, delivery and payment terms.

2) The different elements of the must invoice

The invoice consists of two main parts:

a) The header

The header contains the following information

- supplier's name, address and commercial references, etc.
- customer name and address
- general terms and conditions of sale: delivery times, payment terms

b) The body of the invoice

It includes :

- description of goods or services sold: references, quantities, prices
- various reductions deducted from the price: rebates, discounts, etc.
- various elements that can be added to the price: transport, packaging, etc.
- value-added tax, which is added to the price to form the price including VAT
- At the end of the invoice, write the amount to be paid in full and, if possible, the month of payment.

3) Reductions on the must bill

A distinction is made between

a) Commercial discounts

They are granted to the customer for reasons directly related to the sale itself.

- The discount

It is granted on an exceptional basis for quality defects or non-conformity of the goods delivered, for late delivery, or for any other reason.

- **The discount**

It is usually granted to take into account the importance of the sale or the quality of the customer.

- **Rebate**: this is a reduction in the price calculated on the basis of all operations.

made with the same customer over a given period (month, quarter, half-year or year).

Example: 3% rebate on quarterly sales processed with the same binder if sales exceed 4,000,000F

Trade discounts are calculated in a chain (cascade): first discount calculated on the gross price, second discount calculated on the difference between the gross price and the first discount, ...

The difference between the gross price and the trade discounts is called Net Commercial.

b) Financial reductions

They are granted to the customer for circumstances linked to the payment of the invoice: cash discounts. They are calculated on the net commercial value of the sale.

They can be conditional: cash discount for cash payments. In the latter case, they are not calculated on the invoice, but by the customer at the time of payment.

The difference between the commercial net and the settlement discount is called the financial net.

4) Surcharges

They mainly comprise ancillary costs on purchases and sales: transport costs, commissions, brokerage, lost packaging, VAT, etc.

B) Credit or corrective invoice

A credit invoice is a document issued by the seller to the buyer. With this document, the supplier acknowledges that he owes a certain sum to his customer for the return of goods, the granting of an off-invoice discount or the reimbursement of expenses. The credit note must include :

- identification of the parties: seller and customer
- purpose of the credit note: designation, quantities, prices on returned goods, off-invoice discounts granted, etc.
- credit invoice conditions

When goods are returned, the purchaser must reimburse the customer for the gross amount of the return, less any commercial reductions (discounts and rebates) previously granted.

II) Accounting for purchases and sales of merchandise

A) Intermittent inventory recording

1) Notion of intermittent inventory

Intermittent inventory is an accounting system in which inventory accounts are not moved during the year. These are adjusted at year-end (12/31) after an extra-accounting inventory. This balances the initial inventory and charges the final inventory.

2) Recognition by the seller

a) Sales of merchandise

When goods are sold, the following entry is made:

4111		Customers (net payable)		
673		Discounts granted		
	7011	Sales of goods (Net Commercial) State,		
	4431	VAT invoiced on goods		
	7071	Postage charged		
	4432	State, VAT invoiced on postage (Invoice N°.....)		

b) Credit on sales of merchandise

When goods are returned, the following entry is made:

7011		Sales of goods (Net Commercial) State, VAT		
4431		invoiced on goods		
7071		Postage charged		
4432		State, VAT charged on postage		
	4111	Customers (Net payable)		
	673	Discounts granted		
		(According to credit memo N°.....)		

2) Recognition by the buyer

Purchases are recorded at purchase price excluding recoverable taxes, plus customs duties (where applicable) in the case of imported goods, debited to the following account 601 purchases of goods" or divisional accounts: "6011 purchases in the WAEMU" for purchases made in the WAEMU zone; "6012 purchases of goods" for purchases made in the WAEMU zone.

hors UEMOA" if they are made outside the UEMOA zone. They are considered as external purchases

They are credited to the "401 suppliers, account payables" account if made on credit, or to a cash account (if made on cash).

NB: Other direct purchasing costs are recorded in expense accounts by nature. They usually include commissions paid to intermediaries, transport insurance costs on purchases, transit costs and freight costs.

These accounts are :

"6015: transport on purchase or transport costs

"6256 transport insurance on purchases

"6321 commissions and brokerage on purchases

"6323 remuneration of forwarding agents

It should be noted, however, that it is possible to charge these various direct purchase costs directly to account "601 Purchases of goods" when only one category of goods is involved.

a) Local purchases of goods

6011 4452 6015 4453	 4011 773	Purchase of goods State, recoverable VAT on goods Transport on purchase State, recoverable VAT on transport Supplier Discounts obtained **(Invoice N°....)**		

b) Purchases of imported goods

In general, there will be at least two invoices to collect: from the supplier (seller) of the goods and from the freight forwarder.

- **Supplier invoice**

D: 6011 purchases of merchandise (from net sales) 6015

Transport on purchases

C: 401 suppliers

- **Freight forwarder's invoice**

D: 6011 purchases of goods (customs duties) 4452

recoverable VAT on purchases

6256 Transport insurance on purchases

6321 Commissions and brokerage fees on purchases (if any)

6323 Forwarding agents' remuneration (of transit costs)

4454 Recoverable VAT on S.E and other expenses

C: 401 suppliers, account debt

Note: VAT is only charged at the border of the destination country when goods are imported.

3) **Credit on purchases of goods**

4011 **773**	 **6011** **4452** **7071** **4432**	Suppliers Discounts obtained Purchase of merchandise State, recoverable VAT on goods Port invoiced State, VAT charged on postage **(as per credit invoice N°...)**		

4) **Off-bill discounts**

Discounts granted on the credit invoice outside the base invoice must be accounted for, since they modify the effects of the initial invoice.

These reductions, which reduce the expense (purchase) or income (sale) previously recognized, are recorded directly.

- Credit purchase accounts (decrease in purchases)
- Debit sales accounts (decrease in sales)

However, when these RRRs are difficult to assign to a particular purchase category, SYSCOA has provided for the use of :

6019 Unallocated RRR obtained: purchases of m/ses

6029 Unallocated RRR obtained: purchases of raw materials

6049 Unallocated RRR obtained: stocked purchases of M and F

.... 6059 Unallocated RRR obtained: other purchases.

6089 Unallocated RRR obtained: packaging purchases

These accounts, credited during the year, are transferred at year-end to accounts 601; 602; 604; 605; 608 respectively.

B) Permanent inventory accounting

1) Notion of perpetual inventory

The perpetual inventory is an accounting system for inventories which, by continuously recording movements, enables us to ascertain existing inventories in terms of quantity and value over the course of the year.

Inventory accounts are kept up to date:

- debit entries at purchase cost
- credit inventory withdrawals at the same purchase cost

2) Recognition by the seller

a) Sales of merchandise

When a sale is made, two entries are made:

4111 673	 7011 4431 7071 4432	Customers (net payable) Discounts granted Sales of goods (Net Commercial) State, VAT invoiced on goods Postage charged State, VAT invoiced on postage (Invoice N°.....)		
6031	 31	Change in merchandise inventories Merchandise **(Removal from inventory at cost)**		

b) Credit on sales of merchandise

7011 4431 612 4453	 4111 673	Sales of goods (Net Commercial) State, VAT invoiced on goods Postage charged State, VAT charged on postage Customers (Net payable) Discounts granted (According to credit memo N°.....)		

311	6031	Goods Change in merchandise inventories **(Back in stock)**		

c) **Brand rate**

The brand rate is used to calculate the purchase cost from the marked price.

$$\textbf{Coût d'achat = Prix marqué HT} * \frac{100\text{-}\textit{taux de marque}}{100}$$

From the marked price, which is the gross sales price excluding VAT and excluding trade discounts, it is possible to determine the brand rate.

$$\textbf{Taux de marque} = \frac{\textit{Prix marqué HT - Coût d'achat}}{\textit{Prix marqué}} \; x\ 100$$

3) Recognition by the buyer

a) Purchase of merchandise

6011 4452 6015 4453	4011 773	Purchase of goods State, recoverable VAT on goods Transport on purchase State, recoverable VAT on transport Supplier Discounts obtained **(Invoice N°....)**		
311	6031	Goods Change in inventories of merchandise Additions to inventories at cost		

c) **Credit on purchase of goods**

4011 **773**	**6011** **4452** **7071** **4432**	Suppliers Discounts obtained Purchase of merchandise State, recoverable VAT on goods Port invoiced State, VAT charged on postage **(as per credit invoice N°...)**		
6031	**311**	Change in inventories of goods Goods (Stock removal)		

C) Determining gross margin on merchandise

1) Determining gross margin in intermittent inventory

At the beginning of the accounting period, the goods inventory account is debited by the initial inventory. If the entity uses intermittent inventory, it records during the year: purchases of merchandise debited to account 601 Purchases of merchandise; sales of merchandise credited to account 701 Sales of merchandise.

To determine the gross margin on merchandise at the end of the year, we need to know the purchase cost of goods sold, which can be obtained by taking into account purchases for the period and changes in inventory:

Cost of goods sold	**= SI + purchases for the period - SF**
	= purchases for the period - SF + SI
	= purchases for the period - (SF - SI)

To determine the gross margin on merchandise, the "603 Changes in inventories" account must be reconstituted at the end of the year:

- by transfer from SI to debit for balance ;
- by crediting SF obtained after physical inventory. The

corresponding movement is made to the inventory accounts:

31 merchandise for in-store inventories ;

Reconstitution of the inventory change account

		31.12		
6031	311	Changes in merchandise inventories Merchandise SI cancellation		
		31.12		
311	6031	Goods Changes in merchandise inventories SF recognition		

Determining gross margin on merchandise

		31.12		
1321	601 6031	Gross margin on merchandisePurchases of goods Changes in merchandise inventories To determine MB		
		d°		
701		Sales of merchandise		
	1321	Gross margin on merchandise To determine MB		

2) Determining gross margin in perpetual inventory

At the end of the year, a physical inventory must be taken of goods in store to identify any discrepancies.

- if actual inventory > theoretical inventory, the surplus or excess is reintegrated into the inventory accounts via the "603 Changes in inventory" account.

Debit: 311 goods

Credit: 6031 Changes in merchandise inventories

- if actual stock < theoretical stock, the shortfall is deducted from book inventory.

Debit: 6031 Changes in merchandise inventories Credit: 311 merchandise

To determine the gross margin on merchandise, the "701 Sales of merchandise, 601 Purchases of merchandise and 6031 Changes in merchandise inventories" accounts will be transferred for balances to account 1321 Gross margin on merchandise.

		31.12		
1321		Gross margin on goodsPurchases of		
	601	goods		
	6031	Changes in merchandise inventories For		
		the purpose of determining MB		
		d°		
701		Sales of merchandise		
	1321	Gross margin on merchandise To determine MB		

III) Purchases and sales in industrial units

Industrial entities purchase raw materials, which they transform into manufactured products.

A) Materials purchases and consumption

1) Accounting for purchases in intermittent inventory

When materials are purchased, the following entry is made:

The following accounts are debited

602 Purchases of raw materials and related supplies

604 Purchases of materials and supplies consumed 605Other

purchases of purchase prices net of trade discounts

plus any customs duties in the case of imports

By crediting the 401 suppliers account (credit purchase) or a cash account (cash purchase);

NB: Other direct purchasing costs are recorded in expense accounts by nature. They usually include commissions paid to intermediaries, transport insurance costs on purchases, transit costs and freight costs.

When importing, at least two invoices are required: one from the supplier (seller) of the goods, and one from the freight forwarder.

Vendor invoice

Cutting :

602 Purchases of raw materials and related supplies

604 Purchases of materials and supplies consumed

605 Other purchases

611 Transport on purchasesCredit: 401 suppliers

Freight forwarder's invoice

Debit: 602 purchases of materials (customs duties) 4452

recoverable VAT on purchases

6256 Transport insurance on purchases

6321 Commissions and brokerage fees on purchases (if any)

6323 Forwarding agents' remuneration (of transit costs)

4454 Recoverable VAT on S.E and other expenses

Credit: 4011 suppliers, account debt

2) Accounting for purchases in perpetual inventory

When materials are purchased, two entries are made:

First we debit the accounts

602 Purchases of raw materials and related supplies

604 Purchases of materials and supplies consumed

605 Other purchases purchase prices net of trade discounts and increased by any customs duties in the case of imports

By crediting the 401 suppliers account (credit purchase) or the cash account (cash purchase); then we record the entry of purchased goods in inventory at purchase cost. The following accounts are debited:

32 Raw materials and related supplies

33 Other supplies

By crediting the "603 changes in inventories" account.

B) Receipt of manufactured products

If the entity uses perpetual inventory, additions to inventories of manufactured products (production) are credited to "73 Changes in inventories of goods and services produced" by debiting the relevant inventory account:

Debit accounts :

34 Work in progress

35 Services in progress

36 Finished products

35 Intermediate and residual income By

crediting account :

73 Changes in inventories of goods and services produced

If the entity uses intermittent inventory, additions to manufactured goods are not recognized in the accounts. At the end of the year, the change in inventories should be reconstituted on the basis of opening and closing inventories:

- **Initial stock balance**

Debit 73 change in inventories of goods and services produced Credit inventory accounts

34 Products in progress

35 Services in progress

36 Finished products

37 Intermediate and residual products

- **Allocation of final stock obtained after a physical inventory**

Debit inventory accounts

34 Products in progress

35 Services in progress

36 Finished products

37 Intermediate and residual income

Credit 73 change in inventories of goods and services produced

C) Sales of manufactured products

At the time of sale you must :

- Credit accounts :

702 Sales of finished goods

703 Sales of intermediate products

704 Sales of residual products

705 Work invoiced

706 Services sold

By debiting customer account 411 (credit sales) or a cash account (cash sales) ;

If the entity uses perpetual inventory, inventory withdrawals should be recognized at production cost:

Debit accounts :

73Changes in inventories of goods and services produced By crediting the following accounts :

34 Work in progress

35 Services in progress 35 Finished goods

37 Intermediate and residual products

IV) Recording transport costs

These are the transport costs invoiced to the customer. The supplier may transport the goods himself. It can also pay for transport provided by a third party.

1) Transport provided by supplier

Shipping costs invoiced to the customer by the supplier providing the transport itself appear as a sale of a service. The revenue is recorded in the

"7071 Ports and other billed charges".

2) Transport costs borne by the supplier

When transport costs are borne by the supplier, they do not appear on the must invoice. They are paid directly by the supplier to the carrier, who makes the following entry:

612 4453	 5.	Transport on sales VAT recoverable on transport Cash account		

Transport costs paid by the supplier are referred to as carriage paid.

3) **Transport costs at customer's expense**

We distinguish :

- **Transport costs paid by the customer at destination: also known as carriage forward.**

They do not appear on the must invoice. At the time of payment, the customer makes the following entry

6015		Transport on purchases		

4453	5.	Recoverable VAT on transport Cash account		

- **Freight paid : postage paid**

They are paid by the supplier on departure of the goods in place of the customer, and are then recovered (via the doit invoice). There are two stages in the accounting process: carriage on behalf of third parties, and the due invoice.

613 4453	5	Transport on behalf of third parties VAT recoverable on transport Cash account		
411 673	701 4431 7071 4432	Customer Discount granted Sales of goods VAT invoiced on salesPort invoiced VAT charged on postage		

V) Recognition of advance payments

1) **Advances and deposits paid to suppliers**

When a customer places a large order with a supplier, the latter may request a cash advance. In this case, the advance is debited from the **"4091 supplier, advance payments"** account by crediting a financial account (521, 531, 571).

When the order is delivered, the advances are deducted from the corresponding debt.

2) **Advances and deposits received from customers**

Advances and deposits paid to the entity by customers on orders represent prepayments; they are credited to the following account

4191 "Advances and deposits received from customers"**.**

The balance of this account will be debited upon receipt of the corresponding sales invoice.

Chapter II: Value-added tax (VAT)

I) General

1) Added value

Added value is equal to the difference between the value of production and the value of intermediate consumption used in the production process (raw materials, transport, energy, etc.).

2) Definition of VAT

VAT is an indirect tax levied on the consumption of economic agents. This tax is painless for the final consumer, who is the actual taxpayer when making a purchase.

Calculated on the basis of value added, VAT is a form of sales tax.

Taxation takes place at every stage of production

The entity only pays the difference between the VAT it invoices to its customers and that invoiced by its suppliers.

VAT is recovered by the entities that are legally liable to pay it to the government. They are merely collectors of VAT, which is in principle neutral in terms of their cash flow and results.

II) VAT mechanism

1) Principle

The reporting entity :

- invoices customers for VAT on sales ;
- but pays the State only the difference between this VAT on sales and the VAT paid on its purchases of goods and services.

VAT to be repaid to the State = VAT on sales - VAT on purchases of goods and services

Without going into the details of these terms and conditions, it should be noted that :

- the expression "added value" is an image and corresponds, to a first approximation, to the real mechanism; in fact, the entity does not calculate VAT on added value:

*it determines the VAT on sales (invoiced VAT) ;

*and deducts the VAT it pays on purchases of goods and services, including fixed asset purchases (recoverable VAT);

*the difference represents the VAT due.

- VAT due for one month is payable by the end of the following month.

If the difference is negative (VAT invoiced < recoverable VAT), the entity that has nothing to pay for the month in question will carry this difference, known as the VAT credit, forward to the next tax return(s).

VAT due from month M	**=**	**VAT invoiced from month M**	**-**	**Recoverable VAT from month M**	**-**	**VAT credit, if any of month M-1**

2) The VAT base

The basis for calculating VAT is the net price invoiced to the customer. It is therefore the algebraic sum of :

- of the main prize
- price supplements and incidental expenses
- price reductions (rebates, discounts, cash discounts)

3) The VAT rate

A single rate is currently applied in BURKINA FASO. This rate is 18% and applies to the amount before tax.

4) VAT declaration

Each economic entity liable for Value Added Tax (VAT) must file a detailed statement of its tax situation with its local tax division, on a monthly or quarterly basis, depending on whether it is subject to the standard or simplified tax regime.

Thus, RNI entities must declare their VAT by the 20th of the following month; RSI entities must declare their VAT by the 10th of the month following each calendar quarter.

Return forms are made available to taxpayers by the tax authorities.

VAT settlement involves calculating the amount of VAT due or the VAT credit.

If the invoiced VAT is higher than the recoverable VAT, the balance represents the VAT due by the entity.

if the invoiced VAT is less than the recoverable VAT, there is a **VAT credit to carry forward**.

No amount is paid, and the following month this account reduces the amount of VAT due.

The VAT settlement table can be presented as follows:

Titles	Amount
VAT invoiced on sales	A
VAT invoiced on services	B
Total VAT collected	**I = A + B**
Recoverable VAT on fixed assets	C
Recoverable VAT on purchases	D
Recoverable transport VAT	E
Recoverable VAT on ext. services and other expenses	F
Total recoverable VAT	**T = C+D+E+F**
Previous VAT credit	**G**
Total deductible VAT	**II = T+G**
VAT due	I - II
VAT credit to be carried forward	II - I

III) VAT accounting

1) Invoiced VAT

The recording of invoiced VAT corresponds to a liability credited to account **443 State, invoiced VAT**.

2) Recoverable VAT

The recording of recoverable VAT corresponds to a receivable debited to account **445 State, recoverable VAT**.

3) VAT due or VAT credit to be carried forward

a) VAT due to the absence of a previous VAT credit

If the invoiced VAT is greater than the recoverable VAT, the balance represents the VAT due by the entity. The account used is: 4441 State, VAT due

		Date		
443.	445. 4441	invoiced VAT accounts recoverable VAT accounts, VAT due (according to monthly settlement table)	X	Y Z

b) VAT due with previous VAT credit

		Date		
443.	445. 4449 4441	invoiced VAT accounts recoverable VAT accountsState, VAT credit State, VAT due (as per monthly liquidation table)	X	Y Z T

c) case of a VAT credit to be carried forward in the absence of a previous VAT credit

If the invoiced VAT is less than the recoverable VAT, account 4449 State, VAT credit to be carried forward, is debited.

		Date		
443. 4449	 445.	invoiced VAT accountsState, VAT credit recoverable VAT accounts (as per monthly liquidation table)	X Y	 Z

d) VAT case of a VAT credit with a previous VAT credit

		Date		
443. 4449	 445. 4449	invoiced VAT accountsState, VAT credit recoverable VAT accountsState, VAT credit (as per monthly liquidation table)	X Y	 Z T

X+Y = Z+T

Chapter II: Commercial packaging

I. General

Packaging is used to protect and package products. A distinction is made between packaging materials and commercial packaging.

Packaging materials are intended for long-term use as fixed containers. They are therefore considered as fixed assets and are subject to depreciation.

Example: drums, tanks...

Commercial packaging is a relatively low-value item used to contain products and goods delivered to customers, along with their contents. There are essentially two categories of commercial packaging: non-returnable packaging and unidentifiable returnable packaging. Non-returnable packaging is sold with its contents and is not subject to return or consignment. It is not usually shown on the sales invoice. However, they may be sold on their own, in which case they are considered as simple merchandise, the amount of which is credited to account 7071: postage, packing and other invoiced costs.

Unidentifiable returnable packaging is intended for consignment, hire or loan.

II. Packaging acquisition.

Commercial packaging is considered as a storable item. In the event of a lost packaging transaction, account 6081: lost packaging is debited against a credit to a third-party or treasury account.

For Non-Identifiable Recoverable Packaging (NIRP), when purchased, account 6082: NIRP is debited and a third-party or treasury account is credited.

III. Packaging consignment.

Packaging consignment is a type of loan with a cash collateral, and the return of the packaging is a condition for its restitution. The packaging lender is called the consignor, and the customer is called the consignee.

Consignment generally takes the form of two or three operations: invoicing, return or non-return. The consignment price is considered a conditional debt owed by the Supplier to the customer. Consignment does not entail a reduction in the asset account concerned, as the returnable packaging legally remains the property of the consignor.

Example: 05/02: Purchase of gross merchandise: 10,000,000, postage: 1,000,000, packaging 500 units at 1,000 F each, VAT 18%.

- **On the customer's premises**

6011 : 10 000 000

6015 : 1 000 000

445 : 1 980 000

4094 : 500 000

4011 : 13 480 000

(invoice V001)

- **At the Supplier**

4111 : 13 480 000

7011 : 10 000 000

7071 : 1 000 000

443 : 1 980 000

4194 : 500 000

(invoice V001)

IV. Deconsignation

Packaging can be returned at the consignment price or at a lower price than the consignment price.

1. Case of return of packaging at the same price as consignment. Referring to the previous exercise, let's consider that the packaging has been deconsigned at the same price. We would then have the following entries:

- **Suppliers**

4194

500 000

4111

(Designation)

- **On the customer's premises**

4011

4094

500 000

(Designation)

2. **Take-back of packaging at a price lower than the consignment price.**

In this case, the F/R consignor makes a profit called a bonus, which is equal to the difference between the consignment amount and the trade-in amount. These bonuses constitute operating income which is credited to account 7074: bonuses on trade-in and packaging sales. Conversely, the customer realizes a loss known as a loss on packaging, which is debited to account 6224: loss on packaging. Bonuses and mark-ups are assumed to include VAT.

Example: Based on the previous example, we assume that the packaging has been returned at a price of 900F.

TAF: Record the relevant entries in both accounts.

Packaging: 500 units

Consignment price: 500 x 1,000 = 500,000

Deconsignment price: 500 x 900 = 450,000

Bonuses incl. VAT: 500,000 - 450,000 = 50,000

Bonuses before tax: $\frac{50,000}{1,18} = 42,370$

VAT: 50,000 - 42,370 = 7,630

- **At the Supplier**

4194 : 500 000

411 : 450 000

7074 : 42 370

443 : 7 630

(Designation)

- **On the customer's premises**

4011 : 450 000

6224 : 42 370

445 : 7 630

4094 : 500 000

(Packaging return)

V. Cases of non-return

Failure to return the packaging constitutes a sale for the F/R and a purchase for the customer. The consignment price in this case is considered as a sales price including VAT, for which the corresponding VAT must be calculated. At F/R level, the proceeds of the sale are credited to account 7074: bonuses on trade-ins and disposals. At customer level, the purchase charge is debited to account 6082: ERNI purchase.

Example: In the previous example, let's consider that the customer has returned part of the returnable packaging and kept half. Make the entries relating to this retention in both accounts

Sale price: 1,000 x 250 = 250,000

PHT: $\frac{\$250{,}000}{1{,}18} = 211\ 870$

VAT: 250,000 - 211,870

VAT = 38,130

4194			250 000	
	7074			211 870
	4431			38 130
		Indirect sales		

- **On the customer's premises**

6082 : 211 870

4452 : 38 130

4094 : 250 000

(indirect purchase)

VI. Destruction of returnable packaging

When the packaging is destroyed, this is treated in F/R accounting terms as a sale, the proceeds of which are always credited to account 7074 via debit to account 4194, assuming that the price includes VAT, which must be determined. In the customer's accounts, the destruction will be recorded as a loss, debited to account 6224 and credited to account 4094.

Note: In the customer's accounts, recoverable VAT may be recorded if the destruction of the packaging is justified. If this is not the case, the destruction will be recorded inclusive of VAT.

Example: Following a fire, the customer advises his F/R that half the packaging has been destroyed. Record operations in both accounts.

- **At the F/R**

4194 : 250 000

7074 : 211 870

4431 : 38 130

(Indirect sales)

- **On the customer's premises**

6224 : 211 870

445 : 38 130

4094 : 250 000

(Packaging destruction)

VII. Packaging rental and loan

Loaned packaging is not recorded in either the F/R or customer accounts. However, as a precautionary measure, a tracking system can be set up to ensure that the operation is not forgotten.

Packaging rental: when this service is the F/R's main activity, the latter will debit account 411: customer or a cash account by crediting account 706: services sold. On the other hand, if the rental is a temporary activity of the F/R, the latter will debit account 411: customer or a cash account by crediting account 7073: rental.

VIII. Packaging stock sheet.

It tracks pack movements and stock levels.

Example: The ERNI movements of a company provide the following information for the month of February 2015:

01/02: Total SI packaging: 700 units, of which 150 in store, 450 on consignment, 60 on hire and 40 on loan.

02/02: Issa customer consignment: 90 units

05/02 return of returnable packaging to Claude: 60 units 08/02:

purchase of packaging: 120 units

12/02: return of returnable packaging to customer André: 30 units

13/02: return of returnable packaging to customer Fulbert: 10 units

14/02: return of rental packaging: 40 units

02/19: consignment of packaging to customer Salif: 50 units

02/22: conservation of consigned packaging by Issa: 40 units

02/23: return on loan: 30 units

25/02: sale of store packaging: 100 units

02/27: scrapping: 10 units and sale of 10 rental units 02/28: loan of

packaging to customer Ismaël: 20 units

TAF: Draw up a packaging stock sheet for the aforementioned company.

Solution

Let's draw up the packing stock sheet

Movement			Date	Labels	Store			Third parties			Stock
Purchase	Sales	Loss			Input	Output	Stock	Cons.	Loc.	Loan	global
-	-	-	01/02	Initial stock	-	-	150	450	60	40	700
			02/02	Logging	-	90	60	540	60	40	700
			05/02	Back	60	-	120	480	60	40	700
120			08/02	Purchase of emb.	120	-	240	480	60	40	820
			12/02	Back	30	-	270	450	60	40	820
			13/02	Return of emb.	10	-	280	440	60	40	820
			14/02	Back to loc.	40	-	320	440	20	40	820
			19/02	Logging	-	50	270	490	20	40	820
	40		22/02	Conservation	-	-	270	450	20	40	780
			23/02	Back to	30	-	300	450	20	10	780
	100		25/02	sale	-	100	200	450	20	10	680
		10	27/02	Sale of emb.	-	10	190	450	20	10	680
	10		27/02	Disposal	-	-	190	450	10	10	660
			28/02	Sale of emb.	-	20	170	450	10	10	660
				Loan of emb.		20	170	450	10	30	
120	150	10	-	Totals	290	270	170	450	10	30	660

❖ **CASE STUDY (GENERAL ACCOUNTING OVERVIEW)**