Financial

FABIO nappo part 2.

• Recording depreciation expense

Debit	credit	partial	Total
Depr expense of equip	to equip		xxx

(*) Ending recording (everything should be liquidated by 31/12.

cost summary

	decrease expense (DEC)		
income stat (NEC)	to Diverse	xx	xxx
	Labour force	xx	
	wag.		
	purchase good	xx	

revenue summary

Diverse (NEC) to income statement (DEC)

• interest profit ending

Debit	credit		
bank	interest profit		xxx

=> Debit credit

interest profit	~~bank~~ statement income		

=> interest ~~profit~~ expense ending

Debit	credit		
interest expense	to bank		

=> Debit credit

income statment	to interest expense.	

=> invoices to be issued.

Debit	credit		
invoices to to be issued.	sale of goods		

=> Debit credit

sale of good to income statement

=> invoices to be recieved.

Debit	credit
purchase of goods	to invoices to be recieved

=> debit Credit

income statement	to purchase of good

=> Uncollectable credits (devaluation)

Debit	credit		
devaluation of credits	credits		xx

=> Debit credit

income statement.	devaluation of credit

=> provision to severance pay (T.F.R)

• is paid to employees after termination of contract.

Debit	credit		
provision of TFR fund.	to TFR fund		xxx

=> Debit credit

income statement	to. provision of T.F.R

=> accrued income & liability.

• presumed credits and debits that mature revenue and cost in to of year.

• calculate what will be in the current year assign it to ~~current~~ active or passive income or liability and place it to appropriated side.

uncertain - occurence - amount - time.

=> provision of risk fund and future liabilities.

certain in occurence
uncertain - amount
- time.

Debit	credit	
provision to 'x' fund	'x' fund.	xxx

=> Debit credit

income statement	provision to 'x' fund

=> prepaid expense and ~~deferred~~ income. we are calculating the remaining at 31/12 for the next.

when paid this year but passed to the next

~~prepaid expense~~

~~Debit~~	~~credit~~		
~~active x~~	~~to prepaid expense~~		~~xxx~~

~~=> Debit credit~~

~~income statement~~	~~to active x~~

Nov 30 settlement.

account recievable		Bank	
36.6	122.	85.4	

* Sale of goods with passive allowance.
  - allowance - amount of money given regularly for specific purpose.
  - is a NEC and taxable base = sale of good - allowance

eg. - On oct 30 comp x sales goods for 100 € + VAT. There are passive allowances of 10%. The settlement is fixed on nov 30 by cheque.

on oct 30

sale of goods		allowance		output VAT		account recievable	
	100	10			19.8	109.8	

on nov 30

accounts recievable		Bank	
	109.8	109.8	

Fixed asset.

- goods with repeated productivity.

1. meterial - tangible assets.
2. immaterial - intangable.
3. finacial good (do not depriciate)
   - ownership
   - shareholding.
   - credits
   - treasury stock.

* Sale of depreciated assets.
  - book price = historical price. - depreciation.
  - ✓ capital gain (PEC) - if sale price > book price.
  - ✓ capital loss (NEC) - if sale price < book price.

eg. On sep 20 comp. x sales an equipment whose historical value is €1000.00 and whose depreciation provision presents a value of 600. The sale price is 500 €. book price = 1000 - 600 = 400

Equipment		output VAT		Capital gain		account recievable	
	400.00		110		100	610.	

- If a person buys then sell a good then ~~has to pay~~ VAT for ~~the differen~~
  - at the time of purchase.
    - input vat goes to Treasury accout VAT in the debit side.
  - at the time of sale
    - output VAT goes to the same treasury account VAT in the credit side.

the gov will subtract them this is called VAT settlement.

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1. Renewal of notes recievables.
   1. Total renewal with advance interest.
      - at the deadline the interest is paid and ~~prev~~ note recievable transfers to new recievable
   2. partial renewal with advance interest.
      - same with the above but some of the prev note recievable is paid the remaining is transfered.
   3. Total renewal with defered interest.
      - same with the 1st one but the interest is not paid at the date of dead line but added to the new note recievable
   4. Partial renewal with defered interest.
      - 2nd + 3rd.

- bill is a promise of payment referring to a given amount at a specific deadline.

- renewal of debits
  - works like the above but interest $I = \frac{(\text{capital} \times \text{rate} \times \text{months})}{12}$

eg
. companyic purchases goods for 100.00 plus VAT with immediate payment by cash.

Purchase of good | Input VAT | CASH
100 | 22. | 122.

* purchase of goods with deferred settlement
  . on the date of purchase

Purchase of goods (NEC) | input VAT (PFC) | Acounts (NFC) payable
| # |

  . on the date of settlement

Accout ~~receivable~~ payable PFC (~~NAO~~) | CASH (NFC)
due to decrease in debit |

* sale of good with deferred settlment.
  . on the date of sale

sale of goods (PEC) | Output VAT (NEC) | (PFC) Accounts receivables
| # |

  . On the date of settelment

account (NFC) receivables | CASH (PFC)
due to decrease on credit. |

=> purchase operational charges
  . Transpor cost
  . insurance cost
  . packaging cost
  . ware house cost.
  * They are NEC
  ✓ vat will calculate on these charges.

on oct 20
eg ~~On oct~~ comp x purchases good for 10.0 plus VAT with transport cost of 10% plus VAT with CASH settlement after 30 days.

. On oct 20

Purchase of goods | ~~Transp~~ Transport cost | input VAT
100 (NEC) | 10 (NEC) | 24.2 (PFC)

Accout payable ~~receivable~~
134.2 (NFC)

On nov 20 account pay 134.2 | CASH 134.2

=> selling operations with the recovery of charges
  . Transport
  . Insurance } costs
  . warehouse
  . packagng
  ✓ VAT is calculated on these.
  ✓ are PEC

* Purchase of good with deferred settlemet and premium.
  . premium (PEC) - discount for something
  . The taxable base will be purchase of good - premium.
  ~~...~~ if the above eg had 10% premium
  on 20 oct

Purchase of good | transport | premium
100 | 10 | 10

input VAT | account payables
22. | 122.

on 20 nov
account payable 122 | CASH 122.

* sales of good with returns on sale.
  . the return goes on NEC and a vat of 22% of the return goes to PFC.
  eg. on oct 30 comp y sales goods for 100 + VAT. The settlement is on nov 30 by cheque. On the date of settlement there are returns on sale of 30€ because goods are damaged.

oct 30
sale of goods | Output VAT | accounts receivable
100 | 22 | 122.

nov 30 sale of return
return on sale | Output VAT | account recievable
30 (NEC) | 6.6 (PPC) | 36.6 (NPC)

Financial accounting

⇒ Introducing the concept of company's info system

- Management of the company
  - is the sum of operations/transactions performed by the company in the financial year.

Rules in double entry system

1st Rule

- each external event during the management cycle should be recorded under double profile. → financial and Economic.

Financial profile	Economic profile.
- reflects movement of cash or cash like titles (= credit or debit	- is the reason for w/e such movement occur.

2nd Rule

- accounts work in equal and opposite effect. change in debit (Left) side should correspond credit (RIGHT) side.

3rd Rule

- All quantitative entries have to be in single same currency.

⇒ Financial changes

Positive	Negative
• cash increas	• cash decrease
• credit increase (entitled to receive cash)	• credit decrease
• Debit decrease (obligation to pay)	• Debit increase.

(based on one of the above hypotheses we can say it is positive or negative.

• Financial account

Debit side records PFC	Credit side. records NFC
• cash increase	• cash decrease
• credit increase	• credit decrees
• debit decrease	• debit increase.

Economic accounts

- changes in the owner equity of CAPITAL
- costs of revenues influencing the earning of the accounting period or future accounting period of EARNING

- economic changes

Positive	Negative
• Decrease of accounting cost	• Increase of accounting cost
• Revenue increase	• Revenue decrease
• Owners equity increase	• Owners equity decrease

economic account

Debit side (records NEC)	Credit side (records PEC)

* purchase of good with immediate payment by cash.

Economic prof	Financial profile
increase of cost (NEC	Exit of cash. (NFC)

eg. company A purchases a 100 euro car with immediate cash

Purchase of good	
100.00	

CASH	
	100.00

* sale of good with immediate cash. eg. The company sales the car with 200 euro

SALE OF GOODS	
	200.00

CASH	
200.00	

⇒ VAT - value added tax

- In Italy 22%
- is an ad valorem tax (proportional to the price of the good

• When a company purchases with VAT. it is the creditor (PFC) of state otherwise the company is debitor (NFC) of the state

• VAT is ~~recorded~~ a financial change.

=> Pre paid expense

Debit		Credit	
prepaid expense	to	passive expense	xx the remaining for next year

=> deferred income. (paid in advance)

Debit	Credit	
active interest	deffered income	xx the remaining for next year.

=> final inventories in warehouse

- not sold goods.
- raw materials/semi finished.

Debit		Credit	
goods	to	Goods account final inventory	xx

=>

Debit	Credit	
Goods account final invento	income state	xx