الجمهوريــة الجزائريــة الديمقراطيــة الشعبيــة

The Peoples's Democratic Republic of Algeria

و البـحـث الـعـلـمــي وزارة الـتـعـلـيــم الـعـالي

Ministry of Higher Education And Scientific Research

University of MUSTAPHA Stambouli

Mascara

جامعة مصطفى اسطمبولي

معسكر

Faculty of Economics, Commercial Sciences and Management Sciences

Department : Commercial Sciences

Courses directed to pupils of First Year L.M.D , Common Core

Module :

Financial Accounting 1

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Introduction:

Financial accounting aims to identify and measure the financial events of an institution and communicate the results of the measurement to users of the financial statements, whether inside or outside the institution, which is necessary the existence of specific standards and rules according to which measurement is made, these are accounting standards that contain all the relevant rules with accounting, whatever its nature, that is, it is everything that would constitute evidence or reference, whether it is texts legislative, regulatory, or recommendations issued by qualified authorities to regulate accounting work, it relates to the accounting standard a specific element of the financial statements, or a type of operation, event or circumstance that affects it the financial position of the institution and the results of its work. In Algeria, the financial accounting system came through legislative texts stipulated since 2007 but it was not implemented until 01/01/2010.

Financial accounting module outline

Information about the module:

Faculty: FACULTY OF ECONOMICS, COMMERCIAL SCIENCES AND MANAGEMENT SCIENCES, COMMON CORE DEPARTMENT;

Department: COMMERCIAL SCIENCES, COMMON CORE DEPARTMENT;

Target community: students of first year “L.M.D”., common core;

Course title: Financial Accounting 01

Credit: 06

Coefficient: 03

Financial accounting is a necessary subject, a management tool, and a means of obtaining information and communicating with others.

It is used by many parties, including the Corporation, other customers, creditors, and the Tax Authority

Prerequisites: it is not necessary to master the knowledge of any prior educational subject.

The general objective of the educational material: enabling the student to acquire the basic knowledge of financial accounting that allows for deepening its knowledge at subsequent educational levels.

Learning objectives (Skills to be achieved):

- ✓ The ability to understand the balance sheet and income sheet in a preliminary and general way, not in-depth;
- ✓ Acquiring knowledge related to the methodology of accounting work in its simple form;
- ✓ Distinguishing between an institution's assets and liabilities;
- ✓ Distinguish between expenses and products and classify them according to nature;
- ✓ The ability to record accounting for acquisitions and transfers of fixed assets and inventories.

The module is presented in two parts:

The first part: special the lecture sessions;

The second part: special classes to directed work.

Student evaluation methods: student evaluation in the financial accounting module is divided into two parts:

Final exam: it takes place at the end of the semester and represents 60% of the final mark, which is (20/20);

Continuous assessment: represents 60% of the final mark, which is (20/20), this assessment is throughout the formative training for student, based on the following standards:

- Report, short research and/or projects and their oral presentation;
- Short exam or interrogations;
- Resolve the directed work series;
- Discipline and participation.

Content of educational material:

The 1st axis: a general introduction to accounting;

The 2nd axis: basic concepts in financial accounting: flows; account; documents; accounting cycle; principles accounting.

The 3rd axis: accounting journals;

The 4th axis: accounting statements;

The 5th axis: accounting of institution's establishment process;

The 6th axis: accounting of institution's establishment process (continued);

The 7th axis: study some first-class accounts;

The 8th axis: study of fixed assets;

The 9th axis: study of inventories.

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THE FIRST AXIS

GENERAL INTRODUCTION OF ACCOUNTING

1.1. Origins and concept of financial accounting

The development of accounting was a response to the development of economic and social conditions in different eras, changes in the environment and surroundings the institutions, as it is concerned with accounting rules and their application, in addition to the quick development in information technology and behavioral sciences.

As a result of the continuous and permanent need for appropriate and effective accounting information, the development of accounting can be summarized through:

- The period before the industrial revolution: in the past years, man has been interested in keeping accounting statements and records, as accounting was the same as the counting used by human groups such as the Greeks; the Romans and the old Egyptians explaining the quantities of crops that were spent from them, so as to limit crops, put and develop a fair system for distributing them to people.

At the beginning of the fourteenth century, after the spread of banks and the expansion of trade, the Italian businessmen develop the double entry method came by (PACIOLI LUCA), the Italian who is considered the first to establish in 1494 the basic principles of accounting in this book (Summa de arithmetica geometrica proportioni et proportion alita), which is considered an encyclopedia of mathematics; algebra; geometry and financial mathematics, it also includes a section dedicated to accounts.

-The period after the industrial revolution: the industrial revolution was the turning point in the history of economic development, and therefore it had a major impact on the development of accounting thought, so that the small project or joint-stock company is no longer sufficient to keep pace with the tremendous development required by the circumstances of the industrial revolution. Working to find solutions to the new problems that accountants were facing as a result of the quick and successive development of economic events is what make the professional organizations in the USA working on establishing a framework of reference for accounting work to accurately answer information needs for various parties.

So, **Financial Accounting** is a specific branch of accounting involving a process of recording, summarizing, and reporting the myriad of transactions resulting from business operations over a period of time. These transactions are summarized in the preparation of financial statements including the balance sheet, income statement, and cash flow statement that record a company’s operating performance over a specified period.

We add the definition of accounting stipulated in Article N°3 of the law 07-11 issued on November 25, 2007, which includes the **financial accounting system** (FAS), financial accounting is a system for organizing financial information that allows basic numerical data to be stored, classified, evaluated, recorded and presenting financial statements that reflect an honest picture of the financial position, the entity's properties, its efficiency and the position of its treasury at the end of the financial year.

The **financial accounting system** was developed within an integrated legislative and regulatory system that allows different practitioners and even users of financial information to face the risks of bias, misunderstanding, inaccuracy, ambiguity and others as it relates to the development of principles and rules in more interpretive and clear texts that would guide the accounting registration of information, its evaluation and the preparation of financial strengths, as it is based on a conceptual framework derived from the conceptual framework of International Accounting Standards (BACHIRI, 2023).

1.2. Types of accounting

1- **Financial accounting** → in order to know the cycle result;

2- Analytical accounting → in order to study the costs, the revenues and result of each phase of production;

3- Public accounting → in order to study the financial flows at the state level;

4- National accounting → in order to study gross domestic product.

1.3. Definition of financial accounting

The American Institute of Certified Public Accountants defines Accounting as "an art of recoding, classifying and summarizing in a significant manner and in terms of money, transactions and events which are in part at least of a financial character, and interpreting the results thereof.

We add the definition of accounting stipulated in Article N°3 of the law 07-11 issued on November 25, 2007, which includes the **financial accounting system** (FAS), financial accounting is a system for organizing financial information that allows basic numerical data to be stored, classified, evaluated, recorded and presenting financial statements that reflect an honest picture of the financial position, the entity's properties, its efficiency and the position of its treasury at the end of the financial year.

1.4. Objectives and scope / domain of application of financial accounting

The objectives of financial accounting are:

- Knowing the financial center and situation of the institution;
- Giving us economic information about the company's financial position;
- Knowing the value of debts to be paid and the rights to be collected;
- Accounting documents are considered legal documents that can be used in the event of disputes;
- Determine the result of accounting and tax cycle;
- Knowing the development of the institution's financial assets;
- Providing information to national accounting to calculating national income.

Every natural or moral person is obliged by a legal or regulatory provision to hold financial accounting, taking into account its own provisions, and those concerned with accounting are:

- Companies subject to commercial law;
- Cooperatives;
- Natural or moral person subject to this under a legal or regulatory provision;
- Small entities whose turnover, number of employees and activity exceed the specified limit can hold simplified financial accounting;
- Natural or moral persons producing commercial and non-commercial goods or services.

1.5. Accounting principles

✓ **Unit accounting principle**

According to this principle, accounting is only concerned with events that are related to the activity of the economic and legal unit.

The Article N° 9 of Executive Decree N° 08-156 dated May 26th ,2008, which includes the application of the provisions of law N° 07-11 containing the financial accounting system states that the entity must be considered as if it were an independent accounting unit separate from its owners, and should take the entity's financial statements the entity's transactions and not the transactions of its owners.

✓ **The principle of continuity**

This principle is based on the assumption that the organization's activity will not stop in the near term.

The Article N° 7 of Executive Decree N° 08-156 dated May 26^{th} ,2008, which includes the application of the provisions of law N° 07-11 containing the financial accounting system states that financial statements must be prepared on the basis of continuity of exploitation, assuming the entity continues its activities in expected future, unless events or decisions occur before the date of publication of the accounts that could lead to liquidation or cessation of activity.

- ✓ **The principle of independence of accountant cycle**

Pursuant to the idea of dividing the life of the institution into equal periods of time (financial cycle) in response to legal legislation, in order to determine activities and results of institutions during those periods (profit or loss) to facilitate management, controle and comparison processes. According, this principle requires that each financial cycle have to bear its burdens and benefit from its revenues.

The Article N° 12 of Executive Decree N° 08-156 dated May 26^{th} ,2008, which includes the application of the provisions of law N° 07-11 containing the financial accounting system states that result of each financial year must be independent of the year preceding it and the year following it, in order to determine it, it must recent and relevant operations are attributed to it. In addition to Article N° 13of the same decree, which deals with the principle of independence.

- ✓ **The principle of precaution / caution**

The golden rule of this principle is that the organization doesn’t take any expected revenues that will occur in the future, with caution and taking burdens you may bear and the losses you may incur in the future.

The Article N° 14 of Executive Decree N° 08-156 dated May 26^{th} ,2008, which includes the application of the provisions of law N° 07-11 containing the financial accounting system states that accounting must respond to the principle of precaution which leads to a reasonable estimate of facts, to avoid the danger of transferring of existing uncertainties into the future that would burden the entity’s assets or results with debt.

- ✓ **The principle of stability of accounting methods**

This principle is based on the need for the institution to adhere to one method in preparing financial statements and not change them from one period to another, as result, the applying of this principle facilitates comparisons between different accounting and financial cycles.

The Article N° 5 of Executive Decree N° 08-156 dated May 26^{th} ,2008, which includes the application of the provisions of law N° 07-11 containing the financial accounting system states that accounting methods are represented by the principles, agreements, rules and specific applications in the following articles, which must the entity apply it permanently from one financial year to another to prepare and present financial statements.

- ✓ **Historical cost principle**

According to this principle, all economic transactions and events are recorded at their actual value on the date of their occurrence, assuming the value of money is constant without taking the economic fluctuations that effect the organization.

The Article N° 16 of Executive Decree N° 08-156 dated May 26^{th} ,2008, which includes the application of the provisions of law N° 07-11 containing the financial accounting system states that the entity's assets, liabilities, revenues and charges must be recorded in the accounting and presented in the financial statements at their historical cost.

- ✓ **Double-entry principle**

To facilitate audit and control operations, this principle requires recording the operations carried out by the institutions in two parties (debit, credit), provided that they are equal in value. Every process of the amounts registered on the debit side with those registered on the credit side.

1.6. financial accounting system

Starting from the second trimester of the year 2001, the reform workshop on the national accounting plan was launched, which was funded by the World Bank, this process was entrusted to several French experts and in cooperation with the National Council of Accounting below to a new accounting system under the supervision of the Ministry of Finance, so that they were responsible for developing accounting scheme N° 35-75, it is compatible with the new economic operators.

1.6.1 the definition of the Financial Accounting System under International Accounting System

Accounting aims to identify and measure the financial of the institution and communicate the results of the measurement to the users of the financial statements, which necessitates the need for specific standards to be measured according to, which are the accounting standards that represent all the rules related to accounting, whatever their nature, whether mandatory or optional, that it is everything that may constitute evidence or reference either they are legislative or regulatory texts or recommendations issued by qualified authorities to regulate accounting work and the accounting standards relates to a specific element of the financial statements or a type of operation event or circumstance that effects the financial position of the institution and the results of its work.

1.6.2 the accounting conventions on which the financial accounting system is based

- **Pledge accounting:** so that the accounting treatment takes place once the agreement occurs and it is not necessary to wait for cash flows meaning that the institution is an entity has a legal status independent of its owners;
- **Continuity of exploitation:** the institution must prepare its financial reports on the basis of continuity of exploitation.

1.6.3 Advantages of applying the financial accounting system to Algerian institutions:

The application of the financial accounting system aims to achieve a set of objectives, including:

- ✓ Upgrading the Algerian Financial Accounting system to comply with international accounting system;
- ✓ Benefiting from the experience of developed countries in implementing this system;
- ✓ Facilitating various financial and accounting transactions between national economic institutions and institutions in foreign countries considering that this system is suitable for all international entities that are subject to it;
- ✓ Facilitating the accounting work for the foreign investor in the hope of bringing him to Algeria by sparing him the problems of different accounting methods;
- ✓ Working to achieve rationality by achieving transparency in presenting information;
- ✓ Trying to make the accounting and financial statements international documents suitable for various foreign entities;
- ✓ Strengthening Algeria’s position and confidence with financial institutions and international experiences;
- ✓ Determine the nature and rules for preparing financial statements in accordance with international standards;
- ✓ Enable comparability of the same institution over time and between institutions at national and international levels;

- ✓ Publishing sufficient, correct, reliable and transparent information that encourages investors and allows them to monitor their money;
- ✓ It allows for reliable and comprehensive recording of the institution’s total transactions, allowing for the preparation of objective and credible tax declaration.

First axis exercises:

First exercise:

- Define financial accounting?
- What are the most important conventions that underpin the financial accounting system?
- What are the sources of accounting rules?

Second exercise: answer true or false and correct the error

- changing the accounting method for valuing inventories every year;
- delete important information from the financial statements;
- financial accounting is necessary and tool for management;
- proving bonuses to workers based on profits that will be achieved in the coming year.

Third exercise:

Put a cross (X) in the appropriate box for the accounting principle

Principles	**Historical cost**	**Continuity**	**independence**	**Precaution and caution**	**Non clearing**	**Relative importance**	**Monetary unit**
Record items according to their actual value upon purchase.							
Costs are not subtracted from their corresponding outputs.							
Comparison is only possible if the institution maintains the same accounting methods.							

Financial operations are expressed in accounting in Algerian dinar.							
Each cycle bears its expenses and outcomes only permanently.							
If information is deleted it affects decisions made by users.							
Expected losses are recorded before they actually occur, while profits are recorded after they actually occur.							

Solution of the first exercise:

1. Definition of financial accounting: financial accounting is a system for organizing financial information that allows basic numerical data to be stored, classified, evaluated, recorded and presenting financial statements that reflect an honest picture of the financial position, the entity's properties, its efficiency and the position of its treasury at the end of the financial year.

2. the accounting conventions on which the financial accounting system is based

- **Pledge accounting:** so that the accounting treatment takes place once the agreement occurs and it is not necessary to wait for cash flows meaning that the institution is an entity has a legal status independent of its owners;
- **Continuity of exploitation:** the institution must prepare its financial reports on the basis of continuity of exploitation.

3.sources of accounting rules:

a. internal sources: represented by laws;

b. external sources: represented by international accounting standards (IAS/IFRS).

Solution of the second exercise: answer true or false and correct the error

False; the accounting method for valuing inventories is not changed every year out of respect for the principle of continuity of accounting methods;

False; important information is not deleted from the financial statements in respect of the principle of relative importance;

True; financial accounting is considered necessary and a tool for management;

False; bonuses are not provided to workers based on profits that will be achieved in the coming year, out of respect for the principle of caution/precaution.

Solution of the third exercise:

Put a cross (X) in the appropriate box for the accounting principle

Principles	**Historical cost**	**Continuity**	**independence**	**Precaution and caution**	**Non clearing**	**Relative importance**	**Monetary unit**
Record items according to their actual value upon purchase.	X						
Costs are not subtracted from their corresponding outputs.					X		
Comparison is only possible if the institution maintains the same accounting methods.		X					

Financial operations are expressed in accounting in Algerian dinar.							X
Each cycle bears its expenses and outcomes only permanently.			X				
If information is deleted it affects decisions made by users.						X	
Expected losses are recorded before they actually occur, while profits are recorded after they actually occur.				X			

THE SECOND COURSE

BASIC CONCEPTS IN FINANCIAL ACCOUNTING

2.1. The flows and their types

2.1.1. the definition of flow

The flow is the movement of goods, services, information and money between the institution and economic agents or inside the organization. That is every exchange operation between institution and economic agents it's done in the form of value conversation in the opposite direction.

2.1.2. The types of flows

- ✓ **Information flows:**

They express the movement of information between institutions and one of their clients and are divided into:

- **Internal flows:** represent the transfer of information within the institution, such as instructions and reports;
- **External flows:** represent the dealing between the institution and various economic clients such as orders and invoice.

- ✓ **Economic flows**

Can be classified into:

A- According to its nature: it is divided into two types:

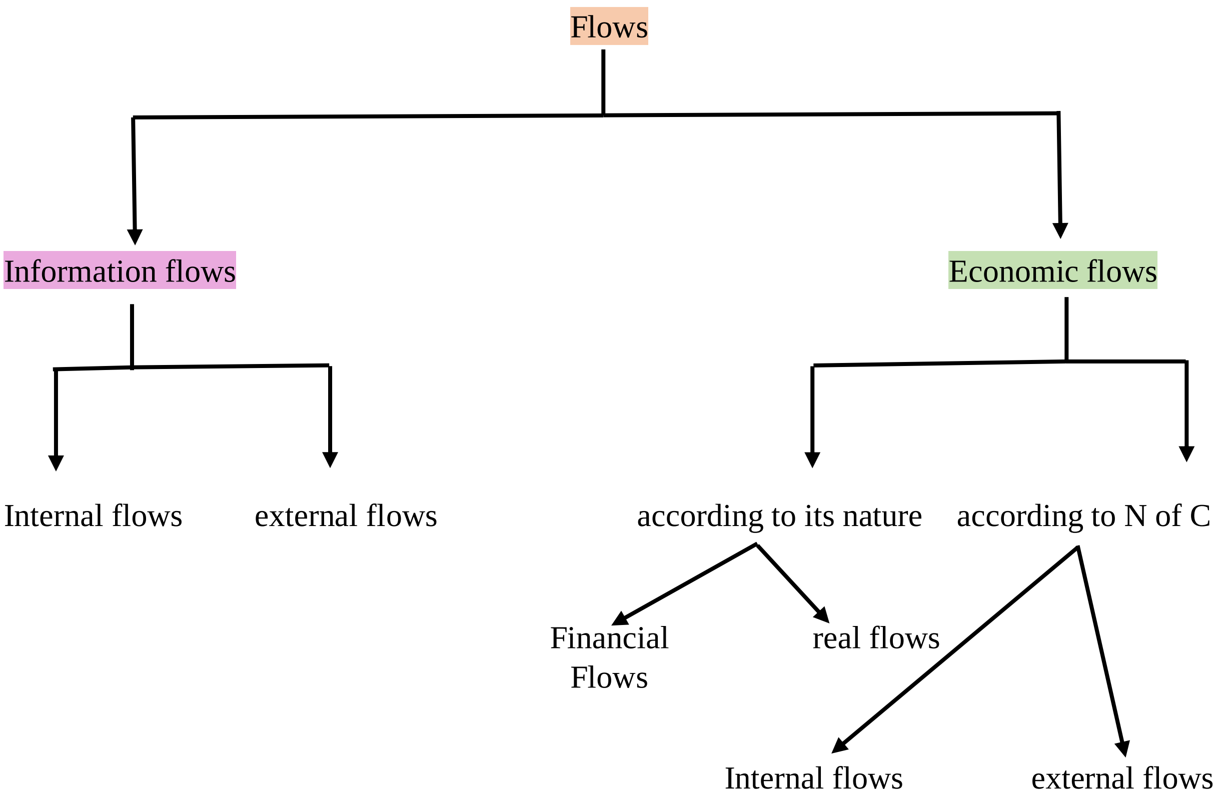
- **Financial flows:** represent the movement of funds with a previously known value from documents, money, checks, obligation of debt, obligation of right.
- **Real flows:** represent the transfer of goods, materials, products and services between an institution and one of its customers translated into the form of money.

B- According to the number of costumers: it is divided into:

- **Internal flows:** express the movement of flows within the institution between its departments and interests, such as the transfer of raw materials from stock to the workshop.
- **External flows:** express an inflow into the institution and an outflow from the institution.

From the above, the types of flows can be summarized in the following figure:

Figure I: the types of flows



Source: established by Dr. MOHAMMED BENAHMED Asmaa

2.1.3. The flow characteristics

The flow characteristics can be summarized in the following points:

The direction: is determined by the starting point (the source), and the arrival point (the usage);

The value: is the conversion value which expressed in monetary units;

The time: is the date on which the transfer takes place.

- **<u>The representation of flows</u>:** they represented graphically in the form of a statement of each operation separately.

Example: a perfume company did these operations on October 2017:

On 06th of October: the company sent an order to supplier to buy a perfumes**;**

On 10th of October: the company bought a computer with all its accessories in amount of 60.000 AD from "the future company for automated media", the operation is done on credit;

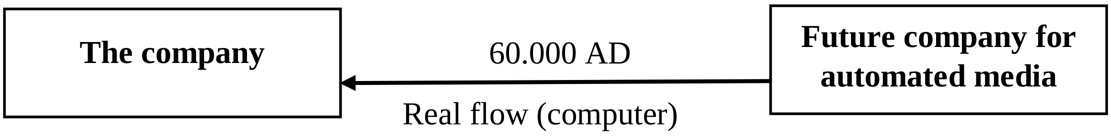
On 12th of October: the company sold the perfumes in amount of 350.000 AD and it received its value in cash from the client Ahmed.

Question: represent the operations graphically in the form of economic flows according to their nature.

The solution of the example:

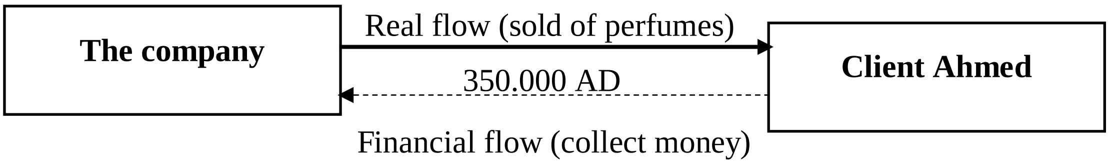
<u>The 1st operation</u>: sending of the request cannot be represented because it is an information flow

<u>The 2nd operation</u>: buying computer



- **Real flow:** the buying of the computer worth 60.000 AD by the company.

<u>the 3rd operation</u>: the sold of commodity (perfumes) in cash to the client Ahmed

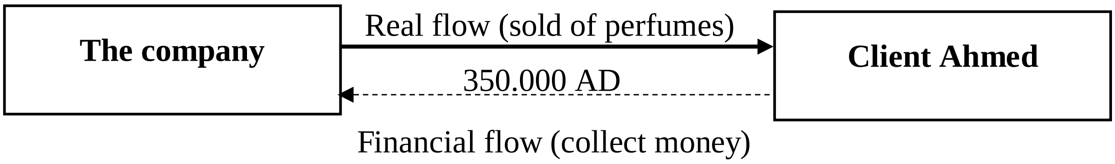


- **Real flow:** the commodity exit (perfumes) in amount of 350.000 AD from company.
- **Monetary/financial flow:** the entry of sum of money worth 350.000 AD.

- ➢ **<u>The analyze of economic flows</u>**

we can note that every economic flow has a direction, value and date

<u>the 3rd operation</u>: the sold of commodity (perfumes) in cash to the client Ahmed



The analyze of the flow:

At the company level

The source: the commodity exit worth 350.000 AD (perfumes).

The usage: the entry of sum of money worth 350.000 AD.

At the client level

The source: the exit of amount of 350.000 AD.

The usage: the entry of perfumes worth 350.000 AD.

Remarque every operation between company and another party is transferred to a flow, the first one will be a source in company and usage in the second party, the second flow will be a source in the second party and us usage in the first party (company).

Directed work series about the flows and account

- **The first exercise:**

A manufacturing clothing establishment did the following operations in November 2016:

- On 2/11 it sent a request to Ahmed Company to purchase raw materials (cloth);
- On 4/11 it purchased a cloth in amount of 250.000 DZD from Ahmed Company and paid it in cash;
- On 8/11 it transported 200.000 DZD worth of use materials from its stored to the manufacturing workshop;
- On 13/11 it paid the electricity invoice in cash in the amount of 30.000 DZD.
- On 16/11 it received a request from client Mohamed to buy ready-to wear clothes;
- On 18/11 it transferred amount of 150.000 DZD from its bank account to its fund account;
- On 21/11 the company's administration sent a work note to its workers urging them to put in more efforts;
- On 28/11 it paid 25.000 DZD in cash as insurance for its commercial vehicle.

Required question: classify these operations into flows (information, economic) in a table.

The solution of the first exercise:

Table for classifying operations into flows (information, economic)

Date of operation	The operation	Information flow		Economic flow	
		Internal	External	Real	Financial
2/11	Sending request to Ahmed company	—	✖	—	—
4/11	Purchasing a cloth and paid it cash	—	—	✖	✖
8/11	Use of raw materials	—	—	✖	—
13/11	Paying the electricity invoice	—	—	✖	✖
16/11	Receiving a request from customer	—	✖	—	—
18/11	Transferring an amount from a bank account to fund account	—	—	—	✖
21/11	Sending a work note	✖	—	—	—
28/11	Payment of insurance invoice	—	—	✖	✖

The second exercise:

During month of February, a commercial company did the following operations:

1- Purchasing goods/merchandise from the supplier Ahmed worth 150.000 DZD by bank check;

2- The company paid advertising expenses amounting to 25.000 DZD in cash;

3- Purchasing a truck to transport merchandise worth 500.000 DZD on credit;

4- Selling merchandise to the customer Mohammed worth 200.000 DZD in cash;

5- Paying the insurance voucher worth 7.000 DZD in cash;

6- Paying worker's wages in the amount of 30.000 DZD through the bank.

Required question: make the previous operations in the form of flows, indicating the parties of the flow (source and usage), the value of the flow (monetary measurement) and the type of flow (real or financial).

The solution of the second exercise:

Completing the operations in the form of flows and clarifying the parties of flows (source and usage), the value of the flow (monetary measurement) and the type of flow (real or financial).

Number of operation	Source	Usage	Value of flow	Type of flow
1	bank account	Purchasing merchandise	150.000 DZD	**Real flow:** entry of merchandise in amount of 150.000 DZD to the company. **Financial flow:** an amount of 150.000 DZD was withdrawn from the company's bank account.
2	Fund account	Advertising expenses	25.000	**Real flow:** the company obtains advertising and publicity services. **Financial flow:** withdrawal an amount of 25.000 DZD from company's fund account.
3	Installation suppliers	Truck	500.000	**Real flow:** entry to the company a truck worth 500.000 DZD
4	Merchandises sales	Fund account	200.000	**Real flow:** merchandises sales exit the company worth 200.000 DZD. **Financial flow:** an amount of 200.000 DZD is entered into the fund's account.
5	Fund account	Insurance	7.000	**Real flow:** the company obtains an insurance service worth 7.000 DZD. **Financial flow:** the company's fund account decreased with amount of 7.000 DZD.
6	Bank account	Worker's wages	30.000	**Real flow:** obtaining a service which is the work of workers.

				Financial flow: withdrawn from the company's bank account

The third exercise:

Here are the following operations were done by one of the companies:

1- Possession of a truck for the amount of 80.000 DZD, payment by bank check;

2- Withdrawing an amount of 100.000 DZD from the bank to finance the fund's account;

3- Receiving from customer an amount of 50.000 DZD;

4- Pay the supplier an amount of 20.000 DZD;

5- Possession of office equipment amounting to 30.000 DZD on credit;

6- Possession of buildings amounting of 50.000 DZD by a bank check;

7- Purchasing production machine for 150.000 DZD, payment in cash;

8- Possession of office furniture for 50.000 DZD, payment by bank check;

9- Possession of land for 40.000 DZD, building for 50.000 DZD, half payment by bank check and half in cash;

10- The company obtained a loan in the amount of 200.000 DZD from AL-BARAKA Bank and it was placed in its account bank in the National Bank of Algeria;

11- Pay the rental expenses in the amount of 30.000 DZD by bank check;

12- Pay the installation suppliers an amount of 40.000 DZD, half of the amount by bank check and the rest in cash;

13- Pay the electricity invoice for the amount of 20.000 DZD, half of the amount is paid in cash and the rest by bank check;

14- Repayment of 10.000 DZD of bank loan via a bank check.

Required question: analyze the previous operations in the form of flows, indicating the parties to the flows (source and usage) and the value of the flow (monetary measurement).

The solution of the third exercise:

Analysis of operations into the form of flows

Number of operation	Usage (debit)	The amount	Source (credit)	The amount
1	Truck (Acct/218 other Property, Plant and Equipment)	80.000 DZD	Acct/ 512 (the bank account)	80.000 DZD
2	Fund account (Acct/ 53)	100.000 DZD	Acct/ 512 (the bank account)	100.000 DZD
3	Fund account (Acct/ 53)	50.000 DZD	Acct/ 411 customers	50.000DZD

4	Acct/ 40 (the supplier)	20.000 DZD	Acct/ 512 (the bank account)	20.000 DZD
5	Office equipment (Acct/218 other Property, Plant and Equipment)	30.000 DZD	Acct/ 404 installations suppliers	30.000 DZD
6	Acct/ 213 (buildings)	50.000 DZD	Acct/ 512 (the bank account)	50.000 DZD
7	Production machine (Acct/215 industrial equipment and tools)	150.000 DZD	Fund account (Acct/ 53)	150.000 DZD
8	Office furniture (Acct/ 218 other Property, Plant and Equipment)	50.000 DZD	Acct/ 512 (the bank account)	50.000 DZD
9	Acct/ 211 lands	50.000 DZD	Acct/ 512 (the bank account)	45.000 DZD
	Acct/ 213 buildings	40.000 DZD	Fund account (Acct/ 53)	45.000 DZD
10	Acct/ 512 (the bank account)	200.000	Acct/ 164 (borrowings from banking institutions)	200.000 DZD
11	Acct/ 613 rentals	30.000	Acct/ 512 (the bank account)	30.000 DZD
12	Acct/ 404 installations suppliers	40.000	Acct/ 512 (the bank account)	20.000 DZD
			Fund account (Acct/ 53)	20.000 DZD
13	Electricity (Acct/ 607 non-stored purchases)	20.000	Acct/ 512 (the bank account)	10.000 DZD
			Fund account (Acct/ 53)	10.000 DZD
14	Acct/ 164 (borrowings from banking institutions)	10.000	Acct/ 512 (the bank account)	10.000 DZD

2.2. the account and the double-entry

2.2.1. The account

The definition of the account

The account is a basic concept of accounting by recording the movements of flows, it is a table divided into two parts:

The right side is called the **debit side**;

The left side is called the **credit side**.

from this, it can be concluded that the account is defined as s two-sided table that records usage on the right side (debit) and source on the left side (credit).

The account forms

- **The classic shape (spaced columns)**

Usage (Debit)			Source (Credit)		
Date	Statement	Amount	Date	Statement	Amount

- **The shape of converging columns**

Date	Statement	Amount	
		Usage (Debit)	Source (Credit)

- **The simple/short shape**

Usage (Debit)	The name of the account **(c/)**	Source **(**Credit)
The amount of usage		The amount of source

The account balance

It expresses the difference between the larger sum and the smaller sum of the account.

The larger sum of the account – the smaller sum of the account

The account balance is the difference between the sum of the larger side of an account and the sum of the smaller side of the same account, the balance is recorded on the smaller side of the account and attributed to the larger side of the same account, in order to create a balance between the two sides of the same account.

Total of debit > Total of credit = the balance is debit and recorded in the credit side;

Total of debit < Total of credit = the balance is credit and recorded in the debit side;

Total of debit = Total of credit = the balance is zero, and we say that the account is balanced.

Account flow mechanism

1. **Assets:** (fixed assets, inventories, customers, cash …) all the assets **increase** in the **debit side** and decrease in the credit side;

2. **Liabilities:** (equity and liabilities; debts…) all the accounts of liabilities **increase** in the **credit side** and **decrease** in the **debit side**;
3. **Expenses:** all the expenses accounts **increase** in the **debit side** and **decrease** in the **credit side**;
4. **Revenues:** all the accounts of revenues **increase** in the **credit side** and **decrease** in the **debit side**.

Example:

Determine the balance of the cash account

Debit (usage)	the cash account Credit (source)
150.000	250.000
300.000	30.000
	25.000
	145.000 Debit balance
450.000	450.000

The fourth exercise:

Among the operations carried out by a company during the month of June that affected its bank account are the followings:

- 02/06 Obtaining a bank loan worth 1.000.000 DZD;
- 05/06 Purchasing a tourist car for 1.500.000 DZD with a bank check;
- 09/06 Purchasing raw materials worth 250.000 DZD by bank check;
- 11/06 Payment of the electricity and gas invoice amounting to 90.000 DZD by bank check;
- 13/06 withdrew an amount of 100.000 DZD from the bank and placed it in the fund's account;
- 17/06 Payment an amount of 80.000 DZD of taxes by bank check;
- 22/06 Selling ready products worth 500.000 DZD by bank check;
- 30/06 Payment of worker's wages amounting to 180.000 DZD by bank check;

Required question: record the previous operations in the company's bank account, specifying the balance at the end of June, noting that at the beginning of June it was a debited account in the amount of 1.200.000 DZD.

The solution of the fourth exercise:

Recording operations in the **company's bank account** and determining the balance at the end of June

Debit	Acct/ 512	Credit
	1.200.000	1.500.000
	1.000.000	250.000
	500.000	90.000
		100.000
		80.000
		180.000
		500.000 (debit balance)
	2.700.000	2.700.000

The fifth exercise:

Below is the fund account for one of the companies:

Debit	**Acct/ 53**		**Credit**
4/1 cash sales	5400	Balance 2/1	14.000
6/1 payment to supplier « A »	700	5/1 finance the bank	3.000
12/1 withdrawal from postal current account	500	7/1 purchase a merchandise	800
15/1 payment of various expenses	1240	10/1 payment of insurance	400
20/1 payment to supplier « B »	360	17/1 payment from customer	1800
Credit balance	11.800		
	20.000		**20.000**

Required question: what observations can be made about this account?

Prepare the fund account again after correcting errors discovered in the figure above.

The solution of the fifth exercise:

- <u>Comments that can be made about the fund's account Acct/ 53</u>:

The fund account balance cannot be a credit, it is debit (in the case of liquid money) or equal to zero (in the case of no money) where the fund account increases on its right side when funds enter it, and decreases on its left side when these funds leave.

The operations recorded on 6/1, 15/1, 20/1 and the credit balance (11.800) appearing on the debit side of the fund account are incorrect operations.

The operations recorded on: 2/1 (balance), 17/1 appearing on the credit side of the fund account are incorrect operations.

- <u>The correct form of the fund account</u>:

Debit	Acct/ 53		Credit
Balance 2/1	14.000	5/1 finance the bank	3.000
4/1 cash sales	5400	6/1 payment to supplier « A »	700
12/1 withdrawal from postal current account	500	7/1 purchase a merchandise	800
17/1 payment from customer	1800	10/1 payment of insurance	400
		15/1 payment of various expenses	1240
		20/1 payment to supplier « B »	360
		Debit balance	**15.200**
	21.700		**21.700**

2.2.2. The double-entry

This theory was first known in in Italy in the year 1494, then it developed after the emergence of industrial revolution to be compatible with the industrial institutions that appeared at that time, this rule aims to extract the results of the operations carried out by the institutions (loss or profit).

Every operation carried out by the company in recorded at the same time and with the same value in two parties. Each party contain one or more accounts, therefore, double-entry means recording the operation/transaction in the form of an equation in which one party is a debtor and the other is a creditor.

2.3. The accounting documents

In recording his various operations, the accountant relies on a set of documents called evidence documents to record each operation there must be physical proof, these proof documents are:

Purchase documents: including requests/requests, invoices, purchase request…

Sales documents: which are sales invoices, requests submitted by customers, consignment bills

Cash and payment: checks; cash receipts; notes; payment receipts, entry and exit receipts of goods…

2.4. The steps of the accounting cycle

The accountant follows the following steps:

- ✓ Analyze the operation into source and usage and determine the account for both side of accounts;
- ✓ Opening accounts and recording the value of each account;
- ✓ Daily record of the operation in the journal entry;
- ✓ Transfer the recorded operations to their accounts in the general ledger and extracting balances;
- ✓ Transfer the accounts to the trial balance;
- ✓ Doing the inventory work and correct the errors in the end of the accounting cycle;
- ✓ Preparing the trial balance after inventory;
- ✓ Preparing the balance sheet and the income sheet;
- ✓ Issuing the financial statements and the financial center of the company.

THE THIRD AXIS:

ACCOUNTING JOURNALS

Every commercial transaction necessarily results in accounting an accounting operation with a monetary expression between at least two accounts, one of which is a debit and the other is a credit.

3.1. Accounting registrations/records steps

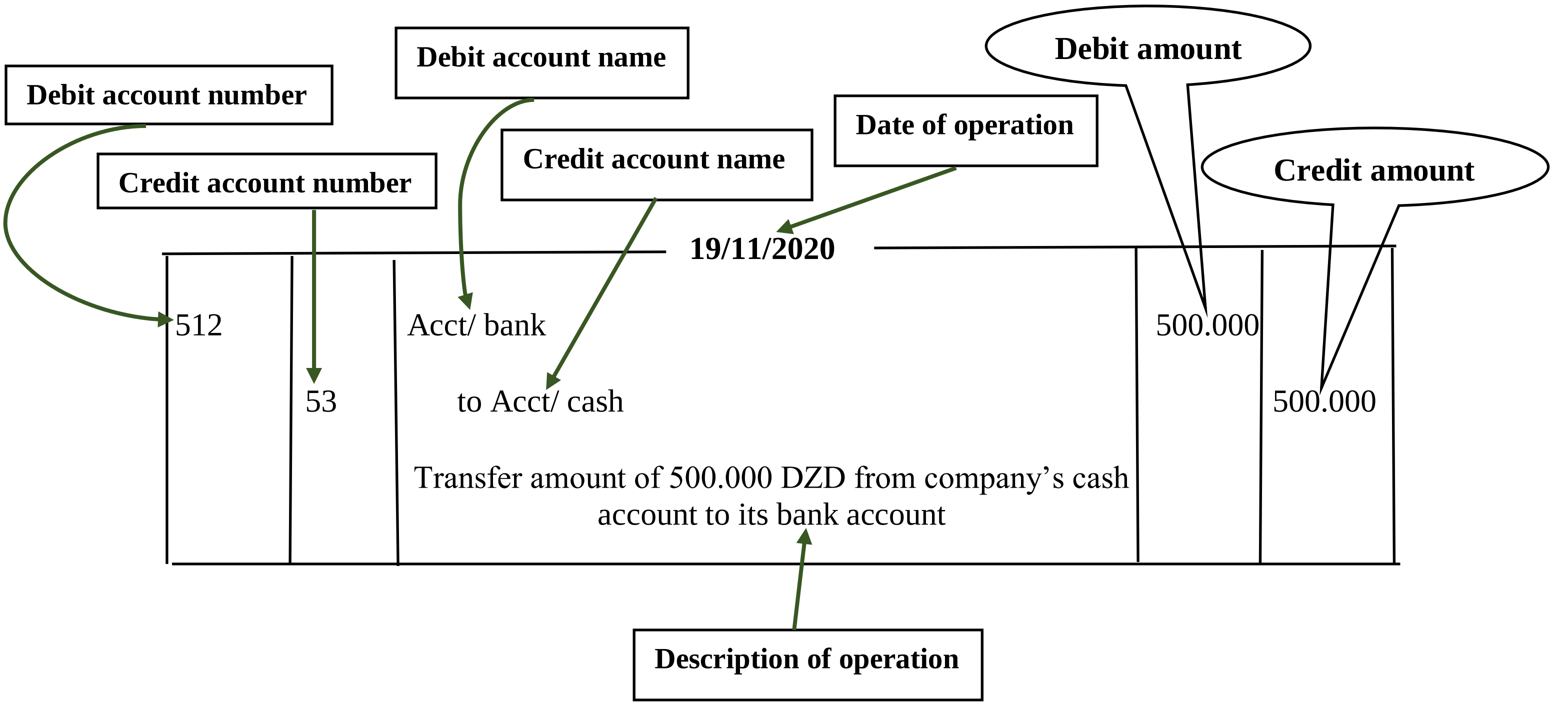
3.1.1. Journal entry

It is an official document in which all accounting operations are recorded according to historical sequence and in accordance with accounting principles and laws, as every institution legally obliged to keep accounting documents.

3.1.1.1. Journal entry pillars

- The date of the operation;
- Accurate account numbers;
- Amounts corresponding to account numbers;
- A detailed description/explication of the entry recorded with evidence of legal accounting documents (invoices,…).

3.1.1.2. General shape of journal entry



example:

On 19/11/2021 a company purchased a machine worth 100.000 DZD, the amount was paid in cash.

Did the company's industrial equipment increase or decrease when purchased? Industrial equipment increased, so we put it on the debit side because assets increase on the debit side.

Then we ask about the cash account when we paid, it decreases or it increases, of course, the cash account decreased, so we put it on the credit side because the assets decrease on the credit side.

Acct/215 industrial equipment

100.000 AD ↑ (+)	

Acct/ 530 cash account

	100.000 AD ↓ (-)

19/11/2021

215		Acct/ technical installations, industrial machinery, equipment and tools	100.000	
	53	to Acct/ cash		100.000
		Purchase a machine worth 100.000 DZD, invoice N°….		

Remarque

- ✓ We call an accounting entry simple entry when it has one party debtor and one party creditor
- ✓ We call an accounting entry composite entry if it contains more than one debit party and or more than one creditor party.

3.1.2. General ledger

After the accounting operations are recorded in the journal entry, we post them (transfer them) to the general ledger which is known as following:

It is a journal in which all the company's accounts are collected (the accounts necessary to analyze the changes that occur in the elements of the company's financial assets). These accounts are opened in the beginning of the year and closed at the end of the year with the extraction of accounting balances.

It is in the same form as we mentioned when studying the account.

Usage (Debit) The name of the account (**Acct/)** Source **(**Credit)

The amount of usage	The amount of source

3.1.3. Trial balance

The trial balance is an instrument for controlling and verifying the accuracy of information and accounts, as it helps the company discover errors, whether in a journal entry, or when posting/transfer to the general ledger or when transferring to the trial balance and it is prepared in two steps:

Trial balance before inventory: it is prepared before performing some accounting steps, that is once the recording in the journal is completed and then posting to the ledger and from there to the trial balance before inventory.

Trial balance after inventory: after recording in the journal, transferring to the ledger and preparing the trial balance before the inventory, the institution takes necessary step, which is to make reconciliation entries, correct the incorrect entries and conduct an inventory of the institution's total assets.

➢ Form of the trial balance

Number of the account	Name of the account	Amounts		Balances	
		Debit	Credit	Debit	Credit
Class 1 ↓ Class 7					
Total					

- The total of the journal entry = the total of amounts
- The total of the debit amounts = the total of the credit amounts
- The total of the debit balances = the total of the credit balances

Directed work series about the journal entry, general ledger and trial balance

❖ The first exercise:

During July 2015, the institution did the following operations:

05/07/2015: purchase a typewriter for 800 DZD by a check and a calculator on account for 700 DZD;

08/07/2015: purchase a returnable packaging for 250 DZD on account;

10/07/2015: purchase materials and supplies for 300 DZD and goods for 200 DZD on accounr;

17/07/2015: selling goods for 400 DZD in cash, its cost were 300 DZD;

22/07/2015: payment to one of the suppliers of 500 DZD by bank check;

25/07/2015: the customer paid 3000 DZD, 2/3 of the amount through the bank and the rest was paid in cash;

28/07/2015: obtaining a bank loan amounting to 80.000 DZD, the money was deposited in the institution's bank account;

29/07/2015: maintenance expenses amounting to 1500 DZD were paid in cash.

Required:

1. Recording these operations within entries in the journal entry.

2. On 31/12/2015, it became clear to the accountant that the operation carried out by the institution on 05/07/2015 was carried out in cash the typewriter amounted to 1.100 DZD and the calculator amounted to 800 DZD.

❖ The solution of the first exercise:

Recording the previous operations in the journal entry of institution

Number of account		Statement of operation and its date	Amount	
Debit	**Credit**		**Debit**	**Credit**
		05/07/2015		
2183₁		Acct/ other tangible fixed assets "typewriter"	**800**	
2183₂		Acct/ other tangible fixed assets "calculator"	**700**	
	512	Acct/ Banks		**800**
	404	Acct/ Fixed assets suppliers		**700**
		Purchase a typewriter by a check; calculator on account		
		08/07/2015		
2186		Acct/ other fixed assets "packaging"	**250**	
	404	Acct/ fixed assets suppliers		**250**
		Purchase a returnable packaging on account		
		10/07/2015		
380		Acct/ stored goods	**200**	
381		Acct/ stored raw materials and supplies	**300**	
	401	Acct/ inventories and services suppliers		**500**
		Receiving an invoice to purchase a raw materials and goods on account		
		// //		
30		Acct/ goods	**200**	
31		Acct/ raw materials and supplies	**300**	
	380	Acct/ stored goods		**200**
	381	Acct/ stored raw materials and supplies		**300**
		Entry of raw materials and supplies, goods to stockhome		
		17/07/2015		
53		Acct/ cash on hand	**400**	
	700	Acct/ sales of goods		**400**
		Sale of goods in cash		
		// //		
600		Acct/ purchase of sold goods	**300**	
	30	Acct/ goods		**300**
		Leaving of goods from warehouse		
		22/07/2015		
401		Acct/ inventories and services suppliers	**500**	
	512	Acct/ Banks		**500**
		Payment of the supplier's debt by bank check		
		25/07/2015		
512		Acct/ Banks		
53		Acct/ cash on hand		

	411	Acct/ customers **Collecting customer rights (2/3 of the amount by check and the rest in cash)**		

THE FOURTH AXIS:

ACCOUNTING STATEMENTS

4.1. Balance sheet

- **the definition of the balance sheet**

The balance sheet describes the entity's assets and liabilities separately and shows owners' equity and, where applicable, other equity separately.

- **Definition of assets**

The material and the moral properties of the institution such as land; constructions, goodwill and merchandise, it shows how the company uses the money it obtained from partners, shareholders or from another party and it contains:

An **intangible asset** which is an asset with no physical from, it's a long -term asset that accrues value year over year such as brand recognition and reputation; intellectual property and goodwill;

Tangible assets, in contrast, are assets you can physically touch which tend to fall under the PPE category that is (Property, Plant and Equipment).

- **Definition of liabilities**

A liability is simply a debt or obligation. Most people have liabilities in their day-to-day lives: car payments, rent, and credit card bills. In corporate finance, the liabilities are similar, just on a much larger scale.

Liabilities for a business may be long-term loans for funding operations, and may be short-term money a company owes to vendors or suppliers. If a company has an obligation to pay someone or for something, it is a liability.

Types of liabilities

Liabilities are typically categorized by expiration or due date: *current liabilities* are pressing debts and obligations, while *non-current liabilities* are important but don't require immediate action.

Current liabilities

Current liabilities are short-term debts and obligations due within one year. Some common examples of current liabilities are:

- **Accounts payable:** Money the company owes to lenders and suppliers;
- **Short-term loans:** Loans with repayment periods of one year or less;
- **Interest:** Unpaid interest on loans;
- **Accrued liabilities:** Any unpaid short-term debts from previous accounting periods;

- **Income taxes:** Federal, state, and local income taxes that have not been paid yet;
- **Deferred revenue or unearned revenue:** Money the company has received for goods or services it has not yet provided to the customer;
- **Commercial paper:** Unsecured promissory notes with fixed interest rates used by companies to fund very pressing liabilities like payroll.

Non-current liabilities

Non-current or long-term liabilities are debts and obligations due in the future but not in the next year. Some types of non-current liabilities are :

- **Bonds:** A type of marketable security that has a specified maturity date (when payment is due in full) and interest rate;
- **Deferred tax:** Federal, state, and local taxes owed, though not due immediately;
- **Long-term debt:** Loans and other debts that are not due within the year, including remaining principal amounts on loans paid in increments;
- **Mortgages:** Agreements with lenders that give the lender the right to repossess the purchased property if the loan is not repaid;
- **Leases:** Payments for the use of another person's property or assets, such as machinery, office spaces, and vehicles;
- **Pensions:** Retirement funds for employees.

- ➢ **Types of balance sheet**

Opening balance sheet: it appears the financial situation of the company in the beginning of the year or in the year of its creation, the opening balance sheet of cycle is the ending balance sheet of the previous cycle. It is not legally mandatory and it doesn't appear the result of the accounting cycle.

Ending balance sheet: it's prepared in the end of the accounting cycle, it's mandatory and it appear the result of the accounting cycle.

Liquidation balance sheet: it is prepared before starting to liquidate the institution for any reason.

- ➢ **Calculation and recording the result of the accounting cycle in balance sheet**

The result of the accounting cycle, it means profit or loss.

The result of cycle = total of assets – total of liabilities

In the opening balance sheet of company, it doesn't appear the result of cycle and it is in the form of the following equation: **total of assets = total of liabilities**

Concerning the result of the cycle, there is two cases:

- ✓ **Profit** when the total of assets is bigger than the total of liabilities;
- ✓ **Loss** when the total of assets is smaller than the total of liabilities.

Net financial center = total of assets – total of debts

Assets balance sheet

Assets	Amounts	Amortization-provision-depreciation	N-1
Fixed assets (non-current)			
Goodwill	**207**	**2807 and 2907**	
Intangible fixed assets	**20 (outside 207)**	**280, 290 (outside 2807,**	
Tangible fixed assets	**21 and 22 (outside 229)**	**281, 282, 291, 292)**	
Fixed assets in progress	**23**	**293**	
Financial fixed assets			
Equity investment evaluated by equivalence	**265**		
Equity interests and receivables from equity interests	**26 (outside 265 and 269)**		
Other financial fixed assets	**271, 272, 273**		
Loans, deposits and sureties paid, other long-term receivables	**274, 275, 276**		
Deferred taxes on asset	**133**		
Total of non-current assets			
Current assets			
Inventory and work in progress	**30 to 38**	**39**	
Customers -trade and receivables and related accounts	**41 (outside 419)**	**491**	
Other debtors	**409 debtors [42, 43, 44**	**495 and 496**	
State- income taxes	**(outside 444 to 448) 45, 46,**		
State- taxes on turnover	**486, 48]**		
Other taxes, duties and similar payments	**444, 445, 447**		
Other current fixed	**48 debtor**		
Cash and equivalent cash	**50 (outside 509)**		
Treasury funds	**519, debtor [51, 52, 53, 54]**	**59**	
Total of current assets			

Total of assets			

Liabilities balance sheet

Liabilities	Amounts	N-1
Equity and liabilities		
Capital (or owner's proprietor account)	**101, 108**	
Subscribed uncalled capital	**109**	
Premiums related to share capital and reserves	**103, 106**	
Revaluation differences	**105**	
Difference in equity method	**107**	
The result	**12**	
Retained earnings	**11**	
Total of equity and liabilities		
Non-current liabilities		
Loans and similar debts, debts related to equity interests	**16 and 17**	
Deferred tax on liabilities, provisions for taxes	**134 and 155**	
provisions	**15 (outside 155) 131 and 132**	
Total of non-current liabilities		
Current liabilities		
Suppliers – accounts payable and related accounts	**40 (outside 409)**	
Taxes	**Creditor 444, 445, 447**	
Other debts	**419 and 509 credit [42, 43, 44 (outside 444 to 447) 45, 46, 48]**	
Treasury of liabilities	**519 and creditor of 51, 52**	
Total of current liabilities		
Total liabilities		

4.2. Income sheet

The income statement summarizes revenues and expenses for the year, regardless of when they were paid or collected. Depending on the entity's legal status, the balance of revenues and expenses represents:

- the profit or loss for the financial year,
- surplus or lack of resources.

No compensation can be made between revenue and expense items.

The elements are arranged according to the nature of account of according to the function.

Format of income statement

N° of account	Name of account	N	N-1
Acct/ 70 **Acct/ 72** **Acct/ 73** **Acct/ 74**	Sales of manufactured goods, services and goods for resale Changes in inventory of finished goods and work in progress Own work capitalized Operating grants		
	1- financial year production		
Acct/ 60 **Acct/ 61, Acct/ 62**	Consumed purchases External services, other external services		
	2- consumption of the financial year		
	3- added value of exploitation (2-1)		
Acct/ 63 **Acct/ 64**	Payroll expenses Taxes, duties and similar payments		
	4- total surplus exploitation		
Acct/ 75 **Acct/ 65** **Acct/ 68** **Acct/ 78**	Other operating income Other operating expenses Depreciation, amortization, impairment and provisions Reversal of depreciation and provisions		
	5- operational result		
Acct/ 76 **Acct/ 66**	Financial income Financial expenses		
	6- financial result		
	7- normal result before taxes (6+5)		
Acct/ 695, Acct/ 698 **Acct/ 692, Acct/ 693**	Income taxes, other result taxes Deferred tax, asset; deferred tax liability		
	Total income of normal activities		
	Total expenses of normal activities		
	8- net result of normal activities		
Acct/ 77 **Acct/ 67**	Extraordinary income Extraordinary expenses		
	9- unusual result		
	10- net result of financial year		

THE FIFTH AXIS:

ACCOUNTING OF INSTITUTION’S ESTABLISHMENT PROCESS

Firstly. Types of commercial companies according to the legal framework:

1- Companies of persons:

This type of company is based on the personal relationship and mutual trust between partners. Personal consideration is important.

The company's title also consists of the names of all joint partners, or the name of one or more of them, followed in all cases

In the words of their partners, they are divided into 3 types, namely:

1.1 Solidarity companies are companies in which the partners have the capacity to

The merchant is responsible without limitation and jointly for the company's debts, and the company's creditors may not demand any of the partners

payment of the company's debts except after fifteen days have passed from the date of notifying the company of a non-judicial contract. The shares therein are:

Non-tradable shares. The company also ends with the death, bankruptcy, or quarantine of one of the partners.

Procedures for forming joint liability companies: The company contract must be prepared, and this is considered its basic law and one of the most important elements

Contract:

Company name - Company capital - Profit and loss distribution ratios - Number of shares of each partner in the capital – Duration Company life - Registering the company contract at the National Commercial Center - Publicizing a summary of the company contract – Submission Contributions (delivery of partners' contributions in full or in part).

1.2. Simple limited partnership companies are companies of two types of the partners, joint partners, as the basic law of joint liability companies applies to them, limited partners for the company's debts Only within the limits of their quota which cannot be in the form of submitting work. In case the loss exceeds the amount of capital money: The silent partner is only responsible for the company's debts in an amount or share, and the joint partners bear an excess of Their share in the loss is the amount of the limited partners.

1.3. Joint Stock Companies: It is a commercial company established between two or more persons whose business is carried out by an apparent partner who deals with others, as well, it aims to carry out a temporary commercial activity that ends with the company's termination. The company is hidden and no one knows about it except the partners

Dealing in it is in the name of the apparent partner and the transactions are in his name, and if others know about it, it turns into a joint liability company, as is not permissible

It may issue tradable shares.

2. Money companies: This type of company is based on financial considerations, regardless of the personal aspect, and consists of:

Partners do not bear losses except to the extent of their shares, and they must be preceded or followed by mentioning the form of the company and the amount of its capital. It is divided into:

2.1. Joint stock companies

is a company whose capital is divided into negotiable shares and consists of the number of partners cannot bear losses except to the extent of their shares, and the number of partners cannot be less than seven, and the company's capital must not be less not less than 5.000.000 Algerian dinars if the company resorts to public subscription, and not less than 1.000.000 Algerian dinars if it resorted to a closed establishment, and the joint stock company is called the company and must be preceded or followed by mentioning the form of the company, the amount of its capital and the name of one or more shareholders may be included in the company's name.

The notary shall draw up the basic law of the joint-stock company at the request of one or more founders, and a copy of this contract shall be deposited at the centre National Commercial Register.

2.2.Limited Liability Companies are companies with limited liability it is established by one or several persons who do not bear losses except to the extent of the shares they provided, if it is a company it organizes one person as a sole partner and is called a one-person limited liability company. The company's capital is not definite and divided into shares with nominal values of at least 1.000 DZD, non-negotiable. The number of partners in it is no. it exceeds a maximum of 50 partners, and the company name includes one or more partners, with this designation being prefixed or followed by words indicating that it is a limited liability company or including the initials Sh. y. M. M with a statement its capital.

2.3. Share limited companies are companies that have its capital is divided into shares, between one or more joint partners who have the status of a trader and are always jointly responsible for debts.

The company, and limited partners, have the status of shareholders and do not bear losses except in proportion to their shares.

Class 1 study: equity and liabilities

Equity and liabilities

10 capital, reserves and assimilated

101 issued capital or share capital or endowment fund or operating fund

103 premiums related to share capital

104 evaluation difference

105 revaluation difference

106 reserves (legal, statutory, ordinary, regulated

107 difference in equity method

108 owner's proprietor account

109 subscribed uncalled capital

11 retained earnings

12 result of the financial year

13 deferred income and expenses outside of the operating cycle

131 equipment grants

132 other investment grants

133 deferred tax asset

134 deferred tax liabilities

138 other deferred incomes and expenses

14 available

15 provisions for expenses-non current liabilities

153 provisions for pensions and similar obligations

155 provisions for taxes

156 provisions for the renewal of fixed assets

158 other provisions for expenses –non current liabilities

16 loans and similar debts

161 equity securities

162 convertible debenture loans

163 other debenture loans

164 loans from lending institutions

165 deposits and sureties received

167 debts on rental contract-funding

168 other loans and similar debts

169 debenture redemption premiums

17 debts related to equity interests

171 debts related to equity interests group

172 debts related to equity interests non-group

173 debts related to joint ventures

178 other debts related to equity interests

18 intra-entity transactions

181 intra-entity transactions between establishments

188 intra-entity transactions through a joint venture

19 available

5.1. THE FIRST CLASS: EQUITY AND LIABILITIES

Account 10 capital, reserves and similar

This account is divided into the following sub-accounts:

Account 101 issued capital or share capital or endowment fund or operating fund

Account 103 premiums related to share capital

Account 104 evaluation differences

Account 105 revaluation differences

Account 106 reserves (legal reserve; statutory reserve; ordinary reserve; regulated reserve)

Account 107 difference in equity method

Account 108 owner's proprietor account

Account 109 subscribe uncalled capital

<u>In the case of individual institution</u>

Account 101: this account reflects the capital of the individual institution, which is owned by one person, therefore, this account contains the various elements that this person allocated to his company, whether in cash or in tangible.

Account 101 is a creditor:

- The share contributed by the owner of the institution at the beginning or during the institution's activity, that is, when adding funds during the activity or upon establishment;
- The credit balance of account 108 owner's proprietor account at the end of the cycle (account 108 is balanced with account 101);
- The result of the financial cycle (Acct/ 12) if it is a profit any a creditor.

Account 101 is a debtor:

- The debit balance of account Acct/ 108 owner's proprietor account at the end of the cycle (account 108 is balanced with account 101);
- The result of the financial cycle (Acct/ 12) if it is a loss any a debtor.

Owner's proprietor account Acct/ 108 this account records all operations during the financial year between the institution and its owner, that is all withdrawals and payments made by institution's owner for personal purposes (outside of the institution's exploitation).

Example 1: he withdrew 2000 DZD worth of goods for his personal use

108		Acct/ owner's proprietor account	**2.000**	
	30	Acct/ goods		**2.000**

Example 2: he paid 3.000 DZD from his own money to the institution's bank

512		Acct/ banks	**3.000**	
	108	Acct/ owner's proprietor account		**3.000**

If the owner's proprietor payments are greater than his personal withdrawals, the balance will be (Acct/ 108) credit, this means that it will increase the balance of (Acct/ 101) because its nature is credit, and this means an increase in individual capital.

If his personal withdrawals are greater than his owner's proprietor payments, the balance will be (Acct/ 108) debtor, this means that it will decrease the balance of (Acct/ 101) because its nature is credit, and this means a decrease in individual capital.

THE SIXTH AXIS:

ACCOUNTING OF INSTITUTION’S ESTABLISHMENT PROCESS (CONTINUED)

6.1. Establishment of non-individual institution

The issued capital of private or public companies represents the sum of the shares contributed by the partners to the company's capital or the nominal value of the company's shares (the shares constituting the company's capital may be tangible or cash).

The issued capital of institution is a fixed legal entity and does not change expect by changing the company's founding contract in accordance with the decisions of the competent organisms.

In the credit side of account issued capital (Acct/ 101) is recorded:

- The value of cash or tangible interests (shares) provided by the partners;
- Reserves built into capital (in case of raising capital).

In the debtor side of account issued capital (Acct/ 101) is recorded in the case of reduction in the company's capital, whatever the reason, for example: absorbing the deficit in the institution's balance sheet.

6.1.1. The accounting records for the establishment of the institution

<u>Date of creation</u> (promise of contribute):

		.. / .. / ..		
456$_1$		Acct/ Partners-Capital transactions (partner 1)	**XXXX**	
456$_2$		Acct/ Partners-Capital transactions (partner 2)	**XXXX**	
	101	Acct/ issued capital		**XXXX**

<u>Implementing the promise</u>:

		.. / .. / ..		
20		Acct/ intangible fixed assets	**xxxx**	
21		Acct/ tangible fixed assets	**xxxx**	
3		Acct/ inventories	**xxxx**	
5		Acct/ cash and financial instruments	**xxxx**	
	456$_1$	Acct/ Partners-Capital transactions (partner 1)		**xxxx**
	456$_2$	Acct/ Partners-Capital transactions (partner 2)		**xxxx**

Example: a limited liability company was formed on 03/02/2011 and the shareholders' shares were as follows:

Partner 1 share = 75.000 DZD

Partner 2 share = 25.000 DZD

In 03/10/2011, the two partners ran out of their promises, which were as follows:

P1: land: 40.000 DZD; truck: 35.000 DZD

P2: bank: 20.000 DZD; software: 5.000 DZD

		03/02/2011		
456$_1$		Acct/ Partners-Capital transactions (partner 1)	**75.000**	
456$_2$		Acct/ Partners-Capital transactions (partner 2)	**25.000**	
	101	Acct/ issued capital		**100.000**
		Promise of contribute		
		03/10/2011		
211		Acct/ Land	**40.000**	
2182		Acct/ Transport equipment	**35.000**	
2183		Acct/ Office equipment and computer hardware	**5.000**	
512		Acct/ Banks	**20.000**	
	456$_1$	Acct/ Partners-Capital transactions (partner 1)		**75.000**
	456$_2$	Acct/ Partners-Capital transactions (partner 2)		**25.000**
		Implementing the promise		

THE SEVENTH AXIS: STUDY SOME FIRST-CLASS ACCOUNTS

7.1. Account 106 (Acct/ 106) reserves

This account records the percentage of the session's profits that were not added to the collective funds and are left at the institution's disposal as reserves (reserves for subsequent sessions to confront emergencies).

According to principle, these are funds allocate permanently by the institution for future use in:

Distribute it to partners;

Incorporating it into the company's capital when raising the company's capital);

Absorbing the budget deficit (previous losses).

Legal reserves: are the reserves that must be formed in accordance with the legislation of institutions, as the law forces institutions and companies to form a legal reserve equal to 5% of profits. This obligation stops when the reserve reaches 10 % of the capital.

Statutory reserve: are the reserves formed in accordance with the provisions of the basic law of the institution, as this condition allows limiting the desires of shareholders to obtain high profits and contributes to the possibility of self-financing for the institution.

Ordinary reserve: are the reserves left to the institution's choice, and this type of reserve is based on a decision issued by the general assembly of all partners when the profits are sufficient for that.

Regulated reserve: are reserves formed according to special tax provisions or according to a tax exemption system under certain conditions and for a specific period.

Example: on 12/31/2011 the result of the cycle reached 100.000 DZD and on 04/06/2012 the association decided to distribute the results of the cycle as follow:

- ✓ 5% legal reserves;
- ✓ 30% normal reserves;
- ✓ 65% on workers.

		04/06/2012		
12		Acct/ result of the financial cycle	**100.000**	
	1061	Acct/ legal reserves		**5000**
	1063	Acct/ normal reserves		**30.000**
	421	Acct/ employee-salaries payable		**65.000**

7.2. Account 11 (Acct/ 11) retained earnings (debit or credit balance)

This account represents a part of the result of cycle which the general assembly postponed its distribution until another decision (the result that was not distributed), the result of the cycle is also recorded in this account in case of loss.

This account is divided into:

Acct/ 110 retained earnings (credit balance) in case of profit

Acct/ 119 negative retained earnings (debit balance) in case of loss

Acct/ 115 retained earnings, specializing in changing estimates or accounting methods and correcting errors.

7.3. Account 12 (Acct/ 12) the result of financial year

This account represents the balance resulting from the difference between products (revenues) and expenses of cycle, it may be a profit or loss.

Acct/ 120 the result of the cycle is the profit; the products are greater than the expenses. (credit balance)

Acct/ 129 the result of the cycle is loss; the products are less than expenses. (debit balance)

- ✓ The distributable profit (the result of the cycle that will be distributed) is equal to the profit of the cycle (the result of the cycle is a profit), plus retained earnings credit (undistributed profit) or reduced from the retained earnings debit (absorption of previous losses);
- ✓ In institutions, a moral person, the distribution of the result is according to the decision taken in the ordinary general assembly. This assembly must meet within the six months following the closing of the session, the board of directors writes a resolution in which they propose to the assembly to distribute the results, which takes into account the legal obligations and regulatory procedures of the institution;
- ✓ In natural person institutions, the result of the cycle (profit/loss) is transferred directly to the individual institution's capital (Acct/ 110).

In the case of result of the cycle is profit

Example: The General Assembly decided to distribute the result of the session (profit), estimated at 90.000 DZD

40% legal reserves;

40% partners, shares to be paid (dividends to paid);

20% is not distributed.

		.. / .. / ..		
12		Acct/ the result of financial year	**90.000**	
	106	Acct/ legal reserves		**36.000**
	457	Acct/ partners-dividends payable		**36.000**
	11	Acct/ retained earnings		**18.000**

If the retained earnings for the previous year was a loss (debit balance)

The same as the previous example, if the retained earnings for previous year is 10.000 (loss)

12	 **11** **106** **457** **11**	**.. / .. / ..** Acct/ the result of financial year Acct/ retained earnings (N-1) Acct/ legal reserves Acct/ partners-dividends payable Acct/ retained earnings (N)	**90.000**	 **10.000** **36.000** **36.000** **16.000**

In the case of result of the cycle is loss

During the financial cycle, the institution achieved a loss of 10.000 DZD.

11	 **12**	**.. / .. / ..** Acct/ retained earnings Acct/ the result of financial year	**10.000**	 **10.000**

THE EIGHT AXIS:

ACCOUNTING OF THE VALUE ADDED TAX

8.1. The definition and the scope of application

It is an indirect tax announced in the Finance Law of 1992 to compensate for the only gross tax on production, it is borne by the consumer, as the institution plays the role of mediator between the consumer and the tax administration.

The value-added tax has the following characteristics:

It is a tax impose on various types of consumption expenses;

It is an indirect tax borne by the consumer through the purchase price of goods or use of services;

it is considered a comprehensive and general tax imposed on all types of imported and local goods and affects the various stages that the good goes through from its production until it reaches the consumer;

A simple tax due to the small number of equations used (9%, 19%);

A tax characterized by neutrality, transparency and investment incentives.

8.2. The field of application of the value-added tax

The value-added tax includes sales operations, real estate business and services subject to special tax, which have an industrial, commercial or craft nature and are carried out in Algeria on an organized or occasional basis. The tax also includes import operations and operations that fall within the framework of practicing liberal professions.

8.3. calculation of value added tax

It is calculated by applying the percentage or rate of V.A.T to the amount without tax.

Example:

Purchase of goods in amount of 30.000 DZD without tax, selling with a profit margin of 35 % from cost without tax (V.A.T 19%)

Sale price: 30.000 * 1.35 = 40.500 DZD

V.A.T = 40.500 * 0.19 = 7695 DZD

Purchase price = 30.000 DZD

V.A.T = 30.000 * 0.19 = 5700 DZD

The tax given to tax administration = 7695 – 5700 = 1995 DZD

Items exempt from tax	Items subject to tax 09%	Items subjects to tax 19%
- Medicaments; -Equipment and materials intended for Sonatrach;	-Gas and electricity; -Building;	-Rest of other items

-Services provided to ships and aircraft; -Bread, flour, milk, meat and precious metals.	-Achievements medical work; -Transport; -The internet; -Livestock and poultry; -Vegetables and fruits.	

8.4. **Accounting recording of value added tax:**

We use **Acct/ 445: state, taxes on turnover**, this account can be divided into:

In case of purchase:

A right of the institution against the state **Acct/ 4456** refundable V.A.T which is a debit account and is recorded as follows:

		../../….		
20X		Acct/ Intangible fixed assets	**xxxx**	
21X		Acct/ Tangible fixed assets	**xxxx**	
38X		Acct/ Stored purchases…..	**xxxx**	
4456		Acct/ Value added tax refundable	**xxxx**	
	512/53	Acct/ Bank/ Cash account		**xxxx**
	40X	Acct/ Suppliers		**xxxx**

In case of selling:

the state's right over the institution **Acct/ 4457: collected V.A.T** which is a credit account and is recorded as follows:

		../../….		
512/53		Acct/ Bank/ Cash account	**xxxx**	
411		Acct/ Customers	**xxxx**	
	70X	Acct/ Sales of		**xxxx**
	4457	Acct/ Value added tax collected		**xxxx**

Example: during the year N, institution did the following operations:

04/03/2021: purchase of a raw material worth 500.000 DZD by bank;

30/08/2021: selling finished products in amount of 450.000 DZD on account, issuing invoice only;

Required question: record these operations in the institution's journal-entry. (V.A.T 19%).

381 **4456**	 **512**	**04/03/2021** Acct/ Stored purchases of raw materials Acct/ Value added tax refundable Acct/ Bank Invoice of purchase of raw materials	**500.000** **95.000**	 **595.000**

411	 **701** **4457**	**30/08/2021** Acct/ Customers Acct/ Sales of finished products Acct/ Value added tax collected	**535.500**	 **450.000** **85.500**

THE NINTH AXIS: ACCOUNTING OF FIXED ASSET

9.1. Definition and characteristics of fixed assets

fixed assets are the sum of the intangible, tangible and financial assets purchased by the institution or it made it herself, not for the purpose of selling but to use it permanently in her activity.

According to IAS 16, tangible physical assets are the assets that entity possesses for the purpose of production, provision of services, rental and use for administrative purposes, which are assumed to last for period time, used for more than a financial year and is mainly represented by property, plant and equipment.

According to IAS 38, Intangible Assets outlines the accounting requirements for intangible assets, which are non-monetary assets which are without physical substance and identifiable (either being separable or arising from contractual or other legal rights). Intangible assets meeting the relevant recognition criteria are initially measured at cost, subsequently measured at cost or using the revaluation model, and amortized on a systematic basis over their useful lives (unless the asset has an indefinite useful life, in which case it is not amortized).

- ✓ **Evaluation of fixed assets**

According to the general rule for valuing assets, an intangible or moral asset is included in the accounts as an asset:

- If the institution is likely to receive future economic benefits associated with these fixed assets;
- If the cost of fixed assets can be honestly evaluated.

The fixed assets are evaluated as either:

- **Purchase cost:** which includes the purchase price, including customs duties and non-refundable taxes, as well as all expenses incurred by the institution in order to make the fixed assets in a state of use (administrative expenses are excluded from purchase cost), minus commercial liabilities and discounts.
- **Production cost:** which includes all direct and indirect expenses that be directly incurred producing that fixed asset.

According to International Accounting Standards 16:

IAS 16 permits two accounting models:

- **Cost model.** The asset is carried at cost less accumulated depreciation and impairment. [IAS 16.30]

- **Revaluation model.** The asset is carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment, provided that fair value can be measured reliably. [IAS 16.31]

The revaluation model

- ✓ Under the revaluation model, revaluations should be carried out regularly, so that the carrying amount of an asset does not differ materially from its fair value at the balance sheet date. [IAS 16.31]
- ✓ If an item is revalued, the entire class of assets to which that asset belongs should be revalued. [IAS 16.36]
- ✓ Revalued assets are depreciated in the same way as under the cost model (see below).
- ✓ If a revaluation results in an increase in value, it should be credited to other comprehensive income and accumulated in equity under the heading "revaluation surplus" unless it represents the reversal of a revaluation decrease of the same asset previously recognised as an expense, in which case it should be recognised in profit or loss. [IAS 16.39]
- ✓ A decrease arising as a result of a revaluation should be recognised as an expense to the extent that it exceeds any amount previously credited to the revaluation surplus relating to the same asset. [IAS 16.40]
- ✓ When a revalued asset is disposed of, any revaluation surplus may be transferred directly to retained earnings, or it may be left in equity under the heading revaluation surplus. The transfer to retained earnings should not be made through profit or loss. [IAS 16.41]

- **Concepts related with fixed assets**

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

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other IFRSs, eg IFRS 2 Share-based Payment.

Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Entity-specific value is the present value of the cash flows an entity expects to arise from the continuing use of an asset and from its disposal at the end of its useful life or expects to incur when settling a liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (See IFRS 13 Fair Value Measurement.) An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Useful life is:

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

9.2. Accounting classification of fixed assets

The second class (**fixed assets**) in the financial accounting system (**Acct/ 2**) contain the following sub-accounts and accounts:

Acct/ 20 Intangible fixed assets

Acct/ 203 research and development costs;

Acct/ 204 software and similar assets;

Acct/ 205 concessions and similar rights, patents, licenses and trademarks;

Acct/ 207 goodwill;

Acct/ 208 other intangible fixed assets

Acct/ 21 Tangible fixed assets

Acct/ 211 land;

Acct/ 212 land fixtures and installations;

Acct/ 213 constructions;

Acct/ 215 technical installations, industrial machinery, equipment and tools;

Acct/ 218 other tangible fixed assets.

Acct/ 22 concession fixed assets

Acct/ 221 concession land;

Acct/ 222 concession land fixtures and installations;

Acct/ 223 concession constructions;

Acct/ 225 concession technical installations;

Acct/ 228 concession other tangible fixed assets;

Acct/ 229 grantor's rights.

Acct/ 23 fixed assets in progress

Acct/ 232 tangible fixed assets in progress;

Acct/ 237 intangible fixed assets in progress;

Acct/ 238 advance payments on account on orders for fixed assets.

9.3. Accounting recording of purchase of intangible and tangible fixed assets

- **Accounting recording of purchase of intangible fixed assets**

		../../….		
20X		Acct/ Intangible fixed assets	**xxxxx**	
4456		Acct/ Value added tax refundable	**xxxxx**	
	512/53	Acct/ Bank/ Cash account		**xxxxx**
	404	Acct/ Fixed assets suppliers		**xxxxx**
		Invoice of purchase of intangible fixed asset		

Example:

- On 08/02/2020, an institution purchased a software in amount of 50.000 DZD. (V.A.T 19%)
- On 10/03/2020, it purchased a rights of using a brand in order to use it to do marketing of software in amount of 100.000 DZD by bank. (V.A.T 19%)

Required question: record these operations.

1st operation:

		08/02/2020		
204		Acct/ Intangible fixed assets (software)	**50.000**	
4456		Acct/ Value added tax refundable	**9500**	
	404	Acct/ Fixed assets suppliers		**59.500**
		Invoice of purchase of software		

2nd operation:

		10/03/2020		
205		Acct/ Rights of using a brand	**100.000**	
4456		Acct/ Value added tax refundable	**19.000**	
	512	Acct/ Bank		**119.000**
		Invoice of purchase of rights of using a brand		

- **In case of an intangible fixed assets produced by institution**

20X	**731**	**../../….** Acct/ Intangible fixed assets Acct/ Own work capitalized of intangible fixed assets **Invoice of an intangible fixed assets produced by institution**	**xxxxx**	**xxxxx**

- **Accounting recording of purchase of tangible fixed assets**

21X **4456**	**512/53** **404**	**../../….** Acct/ tangible fixed assets Acct/ Value added tax refundable Acct/ Bank/ Cash account Acct/ Fixed assets suppliers **Invoice of purchase of intangible fixed asset**	**xxxxx** **xxxxx**	**xxxxx** **xxxxx**

- **Purchase of tangible fixed assets without payment**

21X **4456**	**404**	**../../….** Acct/ tangible fixed assets Acct/ Value added tax refundable Acct/ Fixed assets suppliers **Invoice of purchase of tangible fixed asset**	**xxxxx** **xxxxx**	**xxxxx**

- **When you pay later**

404	**512** **53**	**../../….** Acct/ Fixed assets suppliers Acct/ Bank Acct/ Cash account **Payment by financial account**	**xxxxx**	**xxxxx** **xxxxx**

- **In case of tangible fixed assets produced by institution**

		../../….		
21X		Acct/ tangible fixed assets	**xxxxx**	
	732	Acct/ Own work capitalized of tangible fixed assets		**xxxxx**
		Production of tangible fixed asset		

- **In case of advance payment on order for tangible fixed assets**

		../../….		
238		Acct/ Advance payments on account on orders for I.F.A	**xxxxx**	
	512	Acct/ Bank		**xxxxx**
	53	Acct/ Cash account		**xxxxx**
		Payment of an advance		

I.F.A: Intangible Fixed Assets

9.4. Depreciation/amortization and impairment of intangible and tangible fixed assets

Depreciation/amortization is the decrease in the value of investments and fixed assets as a result of use or age, the financial accounting system has defined it as consumption of economic benefits associated with a tangible or an intangible fixed asset, it is calculated as an expenses.

For all depreciable assets:

- ✓ The depreciable amount (cost less residual value) should be allocated on a systematic basis over the asset's useful life [IAS 16.50].
- ✓ The residual value and the useful life of an asset should be reviewed at least at each financial year-end and, if expectations differ from previous estimates, any change is accounted for prospectively as a change in estimate under IAS 8. [IAS 16.51]
- ✓ The depreciation method used should reflect the pattern in which the asset's economic benefits are consumed by the entity [IAS 16.60]; a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. [IAS 16.62A]
- ✓ The depreciation method should be reviewed at least annually and, if the pattern of consumption of benefits has changed, the depreciation method should be changed

prospectively as a change in estimate under IAS 8. [IAS 16.61] Expected future reductions in selling prices could be indicative of a higher rate of consumption of the future economic benefits embodied in an asset. [IAS 16.56]

- ✓ Depreciation should be charged to profit or loss, unless it is included in the carrying amount of another asset [IAS 16.48].
- ✓ Depreciation begins when the asset is available for use and continues until the asset is derecognised, even if it is idle. [IAS 16.55]
- ✓ The depreciation rate is the percentage on which the depreciation annuity is calculated, such the construction is between 2% and 4%; technical installations and equipment is between 10% et 20%.

We can calculate it according to the following relation:

Amortization rate = 1/ N

Accounting recording of depreciation:

		../../….		
68X		Acct/ Depreciation, amortization, impairment and provision	**xxxxx**	
	28X	Acct/ Amortization of fixed assets		**xxxxx**
		Recording of depreciation/amortization annuity		

Example:

On 02/01/2016, an institution purchased a machine in amount of 500.000 DZD, its production duration is: 5 years.

Required question: establishes the amortization table.

The amortization table

Year	Accounting value	The amortizable value	The annuity	Accumulated amortization	The residual value
2016	**500.000**	**500.000**	**100.000**	**100.000**	**400.000**
2017	**500.000**	**500.000**	**100.000**	**200.000**	**300.000**
2018	**500.000**	**500.000**	**100.000**	**300.000**	**200.000**
2019	**500.000**	**500.000**	**100.000**	**400.000**	**100.000**
2020	**500.000**	**500.000**	**100.000**	**500.000**	**00**

The annuity = 500.000/5 = 100.000 **amortization rate** = 1/5

The residual value $_{2016}$ = 500.000 – 100.000 = 400.000

The accounting recording:

681		**31/12/2016** Acct/ Depreciation, amortization, impairment and provision	**100.000**	
	2815	Acct/ Amortization of fixed assets **Recording of depreciation/amortization annuity 2016**		**100.000**

- ✓ **Impairment of intangible and tangible fixed assets**

In contrast to amortization, depreciation represent the deterioration of some elements of stabilizations (in kind oral, financial) for reason that cannot be eliminated in the future, sometimes there is a decrease in the value of one of the confirmation as a result of an accident or emergency and it is known in accounting as the amount that exceeds the accounting value of the confirmation over the value that must be collected.

Concepts related with Impairment of intangible and tangible fixed assets

- Carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation (amortisation) and accumulated impairment losses thereon.
- A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.
- Corporate assets are assets other than goodwill that contribute to the future cash flows of both the cash-generating unit under review and other cash-generating units.
- Costs of disposal are incremental costs directly attributable to the disposal of an asset or cash-generating unit, excluding finance costs and income tax expense.
- Depreciable amount is the cost of an asset, or other amount substituted for cost in the financial statements, less its residual value.
- Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.
- Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (See IFRS 13 Fair Value Measurement.)

- An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.
- The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use.

Accounting recording of impairment

		31/12/2016		
68X		Acct/ Depreciation, amortization, impairment and provision	**100.000**	
	29X	Acct/ Impairment of fixed assets		**100.000**
		Recording of impairment		

9.5. waiver of fixed assets

Waiver of fixed assets is the withdrawal of an investment or fixed assets from the institution.

In the case of the waiver price being greater that its net accounting value

		../../….		
462		Acct/ Receivables from sale of fixed assets	**xxxxx**	
281		Acct/ Amortization of fixed assets	**xxxxx**	
291		Acct/ Impairment of fixed assets	**xxxxx**	
	2	Acct/ Fixed assets		**xxxxx**
	752	Acct/ capital gains from the sale of non-financial fixed assets		**xxxxx**
		waiver of fixed asset		

When collecting the fixed asset waiver amount

		31/12/2016		
512		Acct/ Bank	**xxxxx**	
	462	Acct/ Receivables from sale of fixed assets		**xxxxx**
		collecting the fixed asset waiver amount by bank		

In the case of the waiver price being less than its net accounting value

		../../….		
462		Acct/ Receivables from sale of fixed assets	**xxxxx**	
281		Acct/ Amortization of fixed assets	**xxxxx**	
291		Acct/ Impairment of fixed assets	**xxxxx**	
652		Acct/ capital losses from the sale of non-financial fixed assets	**xxxxx**	
	2	Acct/ Fixed assets		**xxxxx**
		Invoice of purchase of intangible fixed asset		

THE TENTH AXIS: INVENTORIES

10.1 definition and Some terms:

Definition of inventory: Inventory is considered an asset

- When held for sale during the normal course of business;
- During the manufacturing stage for the purpose of sale;
- If it is in the form of materials or supplies consumed in the production process or in the provision of services.

Definition of net realizable value (net realizable value):

It is the estimated selling price during the activity cycle after subtracting the costs necessary to prepare the inventory and complete the sale process.

What items are included in calculating inventory cost?

- The cost of inventory should include all purchasing costs, conversion costs, and other costs incurred

To bring inventory to its present location and condition;

- Borrowing costs are not charged to the cost of inventory and may be charged to inventories that take long periods, such as shipbuilding and planes.

Disclosures:

- Accounting policies used in measuring inventory, including the calculated formula for calculating cost;
- Total carrying amount of inventory;
- The amount of inventory recognized as costs during the period;
- The book amount of inventory pledged as security for obligations.

According to the International Accounting Standards 2:

Inventories are assets:

- held for sale in the ordinary course of business;
- in the process of production for such sale;
- in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (See IFRS 13 Fair Value Measurement.)

Net realizable value refers to the net amount that an entity expects to realize from the sale of inventory in the ordinary course of business. Fair value reflects the price at which an orderly transaction to sell the same inventory in the principal (or most advantageous) market for that inventory would take place between market participants at the measurement date. The former is an entity-specific value; the latter is not. Net realizable value for inventories may not equal fair value less costs to sell.

Inventories encompass goods purchased and held for resale including, for example, merchandise purchased by a retailer and held for resale, or land and other property held for resale. Inventories also encompass finished goods produced, or work in progress being produced, by the entity and include materials and supplies awaiting use in the production process. Costs incurred to fulfil a contract with a customer that do not give rise to inventories (or assets within the scope of another Standard) are accounted for in accordance with IFRS 15 Revenue from Contracts with Customers.

10.3. Measurement of inventories

Inventories shall be measured at the lower of cost and net realizable value.

Cost of inventories

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

Costs of purchase

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

Costs of conversion

The costs of conversion of inventories include costs directly related to the units of production, such as direct labour. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. Fixed production overheads are those indirect costs of production that remain relatively constant regardless of the volume of production, such as depreciation and maintenance of factory buildings, equipment and right-of-use assets used in the production process, and the cost of factory management and administration. Variable production overheads are those indirect costs of production that vary directly, or nearly directly, with the volume of production, such as indirect materials and indirect labor.

The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities. Normal capacity is the production expected to be achieved on average over a number of periods or seasons under normal circumstances, taking into account the loss of capacity resulting from planned maintenance. The actual level of production may be used if it approximates normal capacity. The amount of fixed overhead allocated to each unit of production is not increased as a consequence of low production or idle plant. Unallocated overheads are recognized as an expense in the period in which they are incurred. In periods of abnormally high production, the amount of fixed overhead allocated to each unit of production is decreased so that inventories are not measured above cost. Variable production overheads are allocated to each unit of production on the basis of the actual use of the production facilities.

A production process may result in more than one product being produced simultaneously. This is the case, for example, when joint products are produced or when there is a main product and a by-product. When the costs of conversion of each product are not separately identifiable, they are allocated between the products on a rational and consistent basis. The allocation may be based, for example, on the relative sales value of each product either at the stage in the production process when the products become separately identifiable, or at the completion of production. Most by-products, by their nature, are immaterial. When this is the case, they are often measured at net realizable value and this value is deducted from the cost of the main product. As a result, the carrying amount of the main product is not materially different from its cost.

Example:

Here is the following information related to inventory purchase expenses:

Purchase price: 23333 DZD, customs duties: 3233 DZD, transportation expenses: 3333 DZD, loading and unloading fees: 333 DZD, administrative expenses: 3333 DZD, non-refundable fees: 333 DZD, normal damage to inventory: 133 DZD, costs Storage: 3333 DZD, inventory selling and marketing costs: 233 DZD, other direct expenses: 223 DZD, unusual damage For stock: 233 DZD.

Required: Calculate the cost of this inventory? What are the excluded costs?

Example Solution: Calculate inventory cost and excluded costs

Inventory costs	**Excluded costs**
Purchase price: 23,333 DZD Customs duties: 3233 DZD Transportation expenses: 3333 DZD Loading and unloading fees: 333 DZD Non-refundable fees: 333 DZD Normal damage to inventory: 133 DZD Other direct expenses: 223 DZD	Administrative expenses: 3333 DZD Storage costs: 3333 DZD Inventory selling and marketing costs: 233 DZD Unusual damage to inventory: 233 DZD.
24223	**2950**

10.4. Accounting treatment of purchase/sale of inventories

The types of inventories in the institution vary according to the nature of its activity and thus the records differ, in a commercial institution whose main activity is the goods, the accounting treatment requires the following order of operations:

Purchase goods ⟶ storing it ⟶ selling it

As for the industrial institution that represents materials, supplies, other supplies and products as the main subject of its activity, the accounting treatment therein requires the following order:

Purchasing raw materials ⟶ storing them ⟶ converting them/adding other supplies storing products ⟶ selling products

If the inventory movement was followed up and recorded according to receipts and recorded day by day by the accountant, then the institution follows the perpetual inventory method, however if the inventory movement is not followed by the accountant and is not recorded in the journal, the institution follows the rotating inventory method which requires making a specific settlement in the inventory at the end of the cycle.

The process of purchasing inventory

This process includes two steps:

The 1st step of obtaining ownership of the inventories, this is based on the invoice received from the supplier or on basis of the receipt with the amount paid and if confirmed accounting by making:

		../../….		
38X		Acct/ Purchases of inventory	**xxxxx**	
4456		Acct/ Value added tax refundable	**xxxxx**	
	512/53	Acct/ Bank or Cash account		**xxxxx**
	401	Acct/ Suppliers of inventories		**xxxxx**
		Invoice of purchasing goods		

The 2nd step (the step of possession of inventories): the step of receiving the inentorie, storing them and accounting them is appropriate as follows:

		../../….		
3X		Acct/ inventories	**xxxxx**	
	38X	Acct/ Purchases of goods		**xxxxx**
		Receiving inventories		

the process of selling the inventories: this process, in turn, goes through two steps:

1- the step of transferring ownership of inventories: this is done according to the invoice issued for the work or on the basis of the receipt for the amount received and is treated in accounting as follows:

		../../….		
512/53		Acct/ Bank/cash account	**xxxxx**	
411		Acct/ Customers	**xxxxx**	
	70X	Acct/ Sales of inventories		**xxxxx**
	4457	Acct/ V.A.T collected		**xxxxx**

		Invoice of sales of inventories		

2-The 2nd step:

		../../….		
600/602		Acct/ inventories consumed	**xxxxx**	
	30/32	Acct/ Goods/supplies		**xxxxx**
		Delivery of the goods to the customer		

Accounting treatment of returns of purchases and sales inventories

Returns are all inventories (goods, products, etc.) that the buyer returns to the seller, due to several reasons related mainly its two types and its non-compliance with the required specifications and the lack of transparency by the seller and his concealment of it.

1- purchase returns: the accounting recording of purchase returns is done by reversing the original entries for the purchase operation at the value of the returns.

Example: on 15/03/2020, a company purchased raw materials worth 90.000 DZD on account. On 25/04/2020, the company returned half of the materials purchased on 15/03 due to non-compliance for specifications.

Accounting registration

		15 /03/2020		
381		Acct/ purchases of raw materials	**90.000**	
4456		Acct/ V.A.T refundable	**17.100**	
	401	Acct/ inventory suppliers		**107.100**
		Receive an invoice of raw materials purchase		
		// //		
31		Acct/ raw materials	**90.000**	
	381	Acct/ purchases of raw materials		**90.000**
		Entering the raw materials into the warehouse		

When returning raw materials

		24/04/2020		
401		Acct/ inventory suppliers	**53.550**	
	381 **4456**	Acct/ purchases of raw materials Acct/ V.A.T refundable		**45.000** **8550**
		Return half of raw materials		
		// //		
381		Acct/ purchases of raw materials	**45.000**	
	31	Acct/ raw materials		**45.000**

2- sales returns: if the supplier recovers part or all of the sales, entries reversing the original entries will be recorded.

Example: on 25/06/2019, a company sold 60.000 DZD worth of finished products on account, production cost is 45.000 DZD.

Accounting registration

		25/06/2019		
411		Acct/ customers	**71.400**	
	701 **4457**	Acct/ sales of finished products Acct/ V.A.T collected		**60.000** **11.400**
		Invoice N°		
		// //		
724		Acct/ change in inventories of products	**45.000**	
	355	Acct/ finished products		**45.000**
		Exit document		

On 28/06/2019, the customer returned a third of the products sold due to their non-compliance with specifications.

		28 /06/2019		
701 **4457**		Acct/ sales of finished products Acct/ V.A.T collected	**60.000** **11.400**	
	411	Acct/ customers		**71.400**
		Invoice N°		
		// //		
355		Acct/finished products	**45.000**	
	724	Acct/ change in inventories of products		**45.000**
		Recover of finished products		

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MINISTRY OF HIGHER EDUCATION AND SCIENTIFIC RESEARCH

UNIVERSITY MUSTAPHA STAMBOULI – MASCARA

FACULTY OF ECONOMICS, COMMERCIAL SCIENCES AND MANAGEMENT SCIENCES

COMMON CORE DEPARTMENT

First year common core **University year: 2023-2024**

First Semester Exam in Financial Accounting

- **The first exercise: (10pts)**

These are the institution's information for three partners before distributing it result of 2020 accounting cycle:

Issued capital: 1.500.000 DZD,

Statutory reserves: 1.150.000 DZD,

Other reserves: 90.000 DZD,

Credit retained earnings of cycle 2019: 75.000 DZD,

Result 2020: 300.000 DZD,

On 06/06/2021, the general assembly decided to distribute profits for this institution as follows:

Deducting 25% of the result of accounting cycle as statutory reserves, allocating an amount of 50.000 DZD as other reserves and from the remaining balance, allocate the partners shares of profits as follows:

1st partner: 40%

2nd partner: 30%

3rd partner: 30%

Required questions: **1-** Submit the 2020 cycle result distribution process;

2- Record the process of distributing the result of cycle in the journal-entry and paying the partners profits through the bank.

- **The second exercise: (05pts)**

During 2019, the institution did the following operations:

- **01/01/2019:** construction was purchased for 500.000 DZD (the duration of use was estimated at 20 years, on 12/31/2019 the institution recorded an impairment in its value which became as follows: construction: 400.000 DZD;
- **04/04/2019:** it started building an administrative building and its cost was estimated at 300.000 DZD, on 11/04/2019 it paid in advance 20% of the building cost to a contractor, 16/09/2019, it received the first part of the building worth 1.900.000 DZD paid by bank check, 29/12/2019 it received the second (the final) part of the building paid by check;
- **10/04/2019:** a production machine was acquired for an amount of 300.000 DZD (production life of 5years), it was used until 07/12/2020 and was sold for 200.000 DZD (note that the institution applies the linear method of amortization).

Required question: present the accounting treatment of these operations one by one (V.A.T 19%).

❖ **The third exercise: (05pts)**

During 2021, an industrial institution did the following operations:

04/03/2021: purchase of a raw material worth 500.000 DZD by bank, transportation expenses: 12.000; loading and unloading expenses:8500; administrative expenses:10.000, storage costs: 20.000, only arrival of raw material;

30/03/2021:it transferred half of the purchased materials to manufacturing workshops;

05/04/2021: finished products worth 350.000 DZD; residual products 50.000 were produced and stored;

06/06/2021: arrival of the invoice of the 1st operation N°2;

30/08/2021: selling quarter of finished products on account with a profit margin of 40% issuing invoice only;

04/09/2021: delivery of finished sold products to the customer.

Required question: record these operations in the institution's journal-entry.(V.A.T 19%).

Good luck

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COMMON CORE DEPARTMENT

First year common core **University year: 2023-2024**

Model of Correction of the First Semester Exam in Financial Accounting

❖ **Solution of the first exercise: (10 pts)**

1- The 2020 cycle result distribution process: (04pts)

Statement	Amounts
Net profit	300.000
Distributable profit	300.000
Statutory reserves **Other reserves** **Credit retained earnings 2019**	75.000 = (300.000*0.025) 90.000 75.000
Profit that can be distributed to partners	210.000 = (300.000-75.000-90.000+75.000)
1^{st} partner **2^{nd} partner** **3^{rd} partner**	84.000 = 210.000*0.4 63.000 = 210.000*0.3 63.000 = 210.000*0.3
Retained earnings of 2020 cycle	00

2- Accounting recording of the cycle result distribution process and paying the partners profits

Numbers of accounts		Statement and date of operation	Amounts	
Debit	**Credit**		**Debit**	**Credit**
		06/06/2021		
120		Acct/ result of financial cycle 2020	**300.000**	
110		Acct/Credit retained earnings 2019	**75.000**	
	1063	Acct/ statutory reserves		**75.000**
	1068	Acct/ other reserves		**90.000**
	4550	Acct/ 1^{st} partner, current account		**84.000**

	4551	Acct/ 2nd partner, current account		**63.000**
	4552	Acct/ 3rd^{t} partner, current account		**63.000**
		Cycle result distribution process 2020		
		06/07/2021		
4550		Acct/ 1st partner, current account	**84.000**	
4551		Acct/ 2nd partner, current account	**63.000**	
4552		Acct/ 3rd^{t} partner, current account	**63.000**	
	512	Acct/ Bank		**210.000**
		Paying the partners profits		

❖ **Solution of the second exercise: (05pts)**

Accounting treatment for each operation

1- The first operation

The year	Amortizable amount	Annuity of amortization	Accumulated amortization	Accounting net value
31/12/2019	500.000	500.000/5= 25.000	25.000	475.000
31/12/2020	500.000	25.000	50.000	450.000

Statement	Accounting net value 31/12/2020	Current value	Impairment value
Construction	450.000	400.000	50.000

Accounting registration

Number of accounts		Statement and date of operation	Amounts	
Debit	**Credit**		**Debit**	**Credit**
681		**31/12/2019** Acct/ depreciation, amortization, impairment and provision-non-current assets	**25.000**	
	281	Acct/ amortization of tangible fixed assets **Amortization of construction**		**25.000**
681		**31/12/2020** Acct/ depreciation, amortization, impairment and provision-non-current assets	**25.000**	
	281	Acct/ amortization of tangible fixed assets **Amortization of construction**		**25.000**
681		**31/12/2020** Acct/ depreciation, amortization, impairment and provision-non-current assets	**50.000**	
	291	Acct/ impairment of tangible assets **Impairment of construction**		**50.000**

2- The second operation

Advance: 3.000.000 * 0.2 = 600.000

Accounting registration

Number of accounts		Statement and date of operation	Amounts	
Debit	**Credit**		**Debit**	**Credit**
238		**11/04/2019** Acct/ advance payments on account on orders for fixed assets	**600.000**	
	512	Acct/ bank **Advance payment**		**600.000**
232		**16/09/2019** Acct/ tangible fixed assets in progress	**1.900.000**	
	238	Acct/ advance payments on account on orders for fixed assets		**600.000**
	512	Acct/ bank **Receiving the first part of building**		**1.300.000**
213		**29/12/2019** Acct/ constructions	**3.000.000**	
	232	Acct/ tangible fixed assets in progress		**1.900.000**
	512	Acct/ bank **Receiving the second and final part of building**		**1.100.000**

3- The third operation

Amortization "2019": 300.000*1/5*9/12 = 45.000 **V.A.T:** 300.000*0.19 = 57.000

Amortization "2020": 300.000*1/5*6/12 = 30.000

Accounting registration

Number of accounts		Statement and date of operation	Amounts	
Debit	**Credit**		**Debit**	**Credit**
		10/04/2019		
215		Acct/ technical installations, industrial machinery, equipment and tools; assets	**300.000**	
4456		Acct/ state-taxes on turnover "retrieved tax"	**57.000**	
	404	Acct/ fixed assets suppliers		**357.000**
		Acquisition of production machine		
		31/12/2019		
681		Acct/ depreciation, amortization, impairment and provision-non-current assets	**45.000**	
	2815	Acct/ amortization of technical installations		**45.000**
		Amortization of production machine		
		12/07/2020		
681		Acct/ depreciation, amortization, impairment and provision-non-current assets	**30.000**	
	2815	Acct/ amortization of technical installations		**30.000**
		Amortization of production machine		
		12/07/2020		
2815		Acct/ amortization of technical installations	**75.000**	
462		Acct/ receivables from cession of fixed assets	**200.000**	
652		Acct/ less in value on exit from non-financial fixed assets	**25.000**	
	215	Acct/ technical installations, industrial machinery, equipment and tools; assets		**300.000**
		Cession of production machine		

❖ **Solution of the third exercise: (05pts)**

Cost of raw material: 500.000 +12.000 + 8500 = 520. 500

V.A.T: 520.500*0.19 = 98.895

Sale price: 350.000/4 = 87.500   87.500*1.40 = **122.500**

Accounting registration

Number of accounts		Statement and date of operation	Amounts	
Debit	**Credit**		**Debit**	**Credit**
		04/03/2021		
31		Acct/ raw materials	**520.500**	
	381	Acct/ stored raw materials		**520.500**
		Entry of raw materials into warehouse		
		30/03/2021		
601		Acct/ raw materials consumed	**260.250**	
	31	Acct/ raw materials		**260.250**
		Transferring half of raw materials to the workshop		
		05/04/2021		
355		Acct/ finished products	**350.000**	
358		Acct/ residual products	**50.000**	
	724	Acct/ products stock variation		**400.000**

		Entry of the stock into the warehouse		
		06/06/2021		
381		Acct/ stored raw materials	**520.500**	
4456		Acct/ state-taxes on turnover "retrieved tax"	**98.895**	
	512	Acct/ bank		**619.395**
		invoice N° 2 related to the first operation arrives		
		30/08/2021		
411		Acct/ customers		
	701	Acct/ sales of finished products		
	4457	Acct/ state-taxes on turnover "collected tax"		
		Sale invoice N°05		
		04/09/2021		
724		Acct/ products stock variation	**87.500**	
	355	Acct/ finished products		**87.500**
		Products leave the warehouse		

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FACULTY OF ECONOMICS, COMMERCIAL SCIENCES AND MANAGEMENT SCIENCES
COMMON CORE DEPARTMENT

First year common core **University year: 2023-2024**

First Semester Exam for those absent in Financial Accounting

❖ **<u>The first exercise</u>: (10pts)**

On 10/01/2020, three partners established a joint-stock company with a capital of 2.000.000 DZD, each share being 1.000 DZD, their contributions were as follows:

The 1st partner: buildings 200.000 DZD, goods 50.000 DZD, cash contributions 50.000 DZD, deposited in full.

The 2nd partner: transport equipment 280.000 DZD, recoverable packaging 50.000 DZD, fixed assets suppliers 30.000 DZD, cash contributions 400.000 DZD, deposit only the legal minimum.

The 3rd partner: industrial equipment and tools 500.000 DZD, bank loans 100.000 DZD, cash contributions 600.000 DZD, only half of which was deposited.

On 11/01, all required in-kind and cash contributions were received,

On 25/04, half of the unused contributions were received and deposited in the company's bank,

On 30/09, the remaining unused contributions were received and deposited in the company's bank account.

Required question: record these operations in the company's journal-entry.

❖ **<u>The second exercise</u>: (05pts)**

During the year 2020, an institution started to construct an administrative building with its own means, the cost was estimated at 3.000.000 DZD. It also entrusted the construction of a commercial building to a contractor, where the cost was estimated at 4.000.000 DZD, as the two projects were not completed at the end of the financial year 2020 and the completion rate reached 60 % for administrative building and 40 % for the commercial building during the year 2020.

During the year 2021, it received the two projects paying the contractor by bank check.

Required question: present the accounting treatment.

- ❖ **<u>The third exercise</u>: (05pts)**

During 2021, an industrial institution did the following operations:

05/02/2019: purchase a goods worth 800.000 DZD paid by bank check, the invoice and goods were received together;

06/03/2019: selling half of goods on accounts with a profit margin of 30 % issuing invoice only;

30/04/2019: delivery of goods sold on March 6th ;

04/05/2019: collect the value of goods sold on March 6th .

Required question: record these operations in the institution's journal-entry. (V.A.T 19%).

Good luck

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First year common core **University year: 2023-2024**

Directed work series about the journal entry

❖ The first exercise:

During July 2015, the institution did the following operations:

05/07/2015: purchase a typewriter for 800 DZD by a check and a calculator on account for 700 DZD;

08/07/2015: purchase a returnable packaging for 250 DZD on account;

10/07/2015: purchase materials and supplies for 300 DZD and goods for 200 DZD on accounr;

17/07/2015: selling goods for 400 DZD in cash, its cost were 300 DZD;

22/07/2015: payment to one of the suppliers of 500 DZD by bank check;

25/07/2015: the customer paid 3000 DZD, 2/3 of the amount through the bank and the rest was paid in cash;

28/07/2015: obtaining a bank loan amounting to 80.000 DZD, the money was deposited in the institution’s bank account;

29/07/2015: maintenance expenses amounting to 1500 DZD were paid in cash.

Required:

3. Recording these operations within entries in the journal entry.
4. On 31/12/2015, it became clear to the accountant that the operation carried out by the institution on 05/07/2015 was carried out in cash the typewriter amounted to 1.100 DZD and the calculator amounted to 800 DZD.

❖ The solution of the first exercise:

1. **Recording the previous operations in the journal entry of institution**

Number of account		Statement of operation and its date	Amount	
Debit	**Credit**		**Debit**	**Credit**
		05/07/2015		
2183_1		Acct/ other tangible fixed assets "typewriter"	**800**	
2183_2		Acct/ other tangible fixed assets "calculator"	**700**	
	512	Acct/ Banks		**800**
	404	Acct/ Fixed assets suppliers		**700**
		Purchase a typewriter by a check; calculator on account		
		08/07/2015		
2186		Acct/ other fixed assets "packaging"	**250**	
	404	Acct/ fixed assets suppliers		**250**
		Purchase a returnable packaging on account		
		10/07/2015		
380		Acct/ stored goods	**200**	
381		Acct/ stored raw materials and supplies	**300**	
	401	Acct/ inventories and services suppliers		**500**
		Receiving an invoice to purchase a raw materials and goods on account		
		// //		
30		Acct/ goods	**200**	
31		Acct/ raw materials and supplies	**300**	
	380	Acct/ stored goods		**200**
	381	Acct/ stored raw materials and supplies		**300**
		Entry of raw materials and supplies, goods to stockhome		
		17/07/2015		
53		Acct/ cash on hand	**400**	
	700	Acct/ sales of goods		**400**
		Sale of goods in cash		
		// //		
600		Acct/ purchase of sold goods	**300**	
	30	Acct/ goods		**300**
		Leaving of goods from warehouse		
		22/07/2015		
401		Acct/ inventories and services suppliers	**500**	
	512	Acct/ Banks		**500**
		Payment of the supplier's debt by bank check		
		25/07/2015		
512		Acct/ Banks		
53		Acct/ cash on hand		
	411	Acct/ customers		
		Collecting customer rights (2/3 of the amount by check and the rest in cash)		

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COMMON CORE DEPARTMENT

First year common core **University year: 2023-2024**

Directed work series about fixed assets

First exercise:

During the year 2020, an institution started to construct an administrative building with its own means, the cost was estimated at 3.000.000 DZD. It also entrusted the construction of a commercial building to a contractor, where the cost was estimated at 4.000.000 DZD, as the two projects were not completed at the end of the financial year 2020 and the completion rate reached 60 % for administrative building and 40 % for the commercial building during the year 2020.

During the year 2021, it received the two projects paying the contractor by bank check.

Required question: present the accounting treatment.

Second exercise:

During 2019, the institution did the following operations:

- **01/01/2019:** construction was purchased for 500.000 DZD (the duration of use was estimated at 20 years, on 12/31/2019 the institution recorded an impairment in its value which became as follows: construction: 400.000 DZD;
- **04/04/2019:** it started building an administrative building and its cost was estimated at 300.000 DZD, on 11/04/2019 it paid in advance 20% of the building cost to a contractor, 16/09/2019, it received the first part of the building worth 1.900.000 DZD paid by bank check, 29/12/2019 it received the second (the final) part of the building paid by check;
- **10/04/2019:** a production machine was acquired for an amount of 300.000 DZD (production life of 5years), it was used until 07/12/2020 and was sold for 200.000 DZD (note that the institution applies the linear method of amortization).

Required question: present the accounting treatment of these operations one by one (V.A.T 19%).

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COMMON CORE DEPARTMENT

First year common core **University: 2023-2024**

Directed work series about inventories

First exercise:

During 2021, an industrial institution did the following operations:

04/03/2021: purchase of a raw material worth 500.000 DZD by bank, transportation expenses: 12.000; loading and unloading expenses:8500; administrative expenses:10.000, storage costs: 20.000, only arrival of raw material;

30/03/2021:it transferred half of the purchased materials to manufacturing workshops;

05/04/2021: finished products worth 350.000 DZD; residual products 50.000 were produced and stored;

06/06/2021: arrival of the invoice of the 1st operation N°2;

30/08/2021: selling quarter of finished products on account with a profit margin of 40% issuing invoice only;

04/09/2021: delivery of finished sold products to the customer.

Required question: record these operations in the institution's journal-entry.(V.A.T 19%).

Second exercise:

During 2021, an industrial institution did the following operations:

05/02/2019: purchase a goods worth 800.000 DZD paid by bank check, the invoice and goods were received together;

06/03/2019: selling half of goods on accounts with a profit margin of 30 % issuing invoice only;

30/04/2019: delivery of goods sold on March 6th ;

04/05/2019: collect the value of goods sold on March 6th .

Required question: record these operations in the institution's journal-entry. (V.A.T 19%.

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COMMON CORE DEPARTMENT

First year common core **University year: 2023-2024**

Directed work series about some first- class accounts

First exercise: on 12/31/2011 the result of the cycle reached 100.000 DZD and on 04/06/2012 the association decided to distribute the results of the cycle as follow:

- ✓ 5% legal reserves;
- ✓ 30% normal reserves;
- ✓ 65% on workers.

		04/06/2012		
12		Acct/ result of the financial cycle	**100.000**	
	1061	Acct/ legal reserves		**5000**
	1063	Acct/ normal reserves		**30.000**
	421	Acct/ employee-salaries payable		**65.000**

Second exercise: The General Assembly decided to distribute the result of the session (profit), estimated at 90.000 DZD

40% legal reserves;

40% partners, shares to be paid (dividends to paid);

20% is not distributed.

12	 **106** **457** **11**	**.. / .. / ..** Acct/ the result of financial year Acct/ legal reserves Acct/ partners-dividends payable Acct/ retained earnings	**90.000**	 **36.000** **36.000** **18.000**

If the retained earnings for the previous year was a loss (debit balance)

The same as the previous example, if the retained earnings for previous year is 10.000 (loss)

12	 **11** **106** **457** **11**	**.. / .. / ..** Acct/ the result of financial year Acct/ retained earnings (N-1) Acct/ legal reserves Acct/ partners-dividends payable Acct/ retained earnings (N)	**90.000**	 **10.000** **36.000** **36.000** **16.000**

In the case of result of the cycle is loss

During the financial cycle, the institution achieved a loss of 10.000 DZD.

11	 **12**	**.. / .. / ..** Acct/ retained earnings Acct/ the result of financial year	**10.000**	 **10.000**

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First year common core **University year: 2023-2024**

Directed work series about the establishment of individual/non- individual institution

The first exercise: a limited liability company was formed on 03/02/2011 and the shareholders' shares were as follows:

Partner 1 share = 75.000 DZD

Partner 2 share = 25.000 DZD

In 03/10/2011, the two partners ran out of their promises, which were as follows:

P1: land: 40.000 DZD; truck: 35.000 DZD

P2: bank: 20.000 DZD; software: 5.000 DZD

		03/02/2011		
456_1		Acct/ Partners-Capital transactions (partner 1)	**75.000**	
456_2		Acct/ Partners-Capital transactions (partner 2)	**25.000**	
	101	Acct/ issued capital		**100.000**
		Promise of contribute		
		03/10/2011		
211		Acct/ Land	**40.000**	
2182		Acct/ Transport equipment	**35.000**	
2183		Acct/ Office equipment and computer hardware	**5.000**	
512		Acct/ Banks	**20.000**	
	456_1	Acct/ Partners-Capital transactions (partner 1)		**75.000**
	456_2	Acct/ Partners-Capital transactions (partner 2)		**25.000**
		Implementing the promise		

Second exercise:

These are the institution's information for three partners before distributing it result of 2020 accounting cycle:

Issued capital: 1.500.000 DZD,

Statutory reserves: 1.150.000 DZD,

Other reserves: 90.000 DZD,

Credit retained earnings of cycle 2019: 75.000 DZD,

Result 2020: 300.000 DZD,

On 06/06/2021, the general assembly decided to distribute profits for this institution as follows:

Deducting 25% of the result of accounting cycle as statutory reserves, allocating an amount of 50.000 DZD as other reserves and from the remaining balance, allocate the partners shares of profits as follows:

1st partner: 40%

2nd partner: 30%

3rd partner: 30%

Required questions: **1-** Submit the 2020 cycle result distribution process;

2- Record the process of distributing the result of cycle in the journal-entry and paying the partners profits through the bank.

Third exercise:

On 10/01/2020, three partners established a joint-stock company with a capital of 2.000.000 DZD, each share being 1.000 DZD, their contributions were as follows:

The 1st partner: buildings 200.000 DZD, goods 50.000 DZD, cash contributions 50.000 DZD, deposited in full.

The 2nd partner: transport equipment 280.000 DZD, recoverable packaging 50.000 DZD, fixed assets suppliers 30.000 DZD, cash contributions 400.000 DZD, deposit only the legal minimum.

The 3rd partner: industrial equipment and tools 500.000 DZD, bank loans 100.000 DZD, cash contributions 600.000 DZD, only half of which was deposited.

On 11/01, all required in-kind and cash contributions were received,

On 25/04, half of the unused contributions were received and deposited in the company's bank, On 30/09, the remaining unused contributions were received and deposited in the company's bank account.

Required question: record these operations in the company's journal-entry.