

SPECIFIC FEATURES OF THE ACCOUNTING TREATMENTS SPECIFIC TO SOME TRANSACTIONS CARRIED OUT IN THE TRADE ACTIVITY

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Abstract: The new conditions in which economic and social activities take place, as a result of the onset of the global health crisis, have led to changes in certain habits and behaviours among consumers. This fact has led, on the one hand, to a decrease in sales volumes for certain categories of goods (especially non-food) and, on the other hand, to a significant increase of online trade. In this context, certain categories of accounting treatments have become increasingly accessed by the professionals in the field, simply because the volume of transactions carried out by commercial economic entities, such as those sold at a reduced price (due to declining demand) or electronic commerce (due to the increasing share of these operations), have become increasingly numerous, which is why, in our study, we set out to detail the methodological and normative aspects related to them.

JEL classification: M10, M21, M41

Key words: health crisis; trade; accounting treatments; discount sale, online sale, methodology, legislation

1. INTRODUCTION

The current economic reality highlights real challenges for all categories of economic entities, which are forced to face new problems that they have to manage as efficiently as possible.

Obviously, we have in mind the economic, financial and social problems caused by the current health crisis, which has led to a multitude of difficulties for which the best solutions must be found.

It is known that due to the restrictions imposed by the authorities to limit the spread of the new coronavirus, in several categories of activities, including trade, we could see some contradictory phenomena, in the sense that at the level of commercial entities specialized in selling non-food products there were significant decreases in sales volumes, especially during the state of emergency, but also later, while in the case of online sales there is a significant increase in turnover compared to the same period of the previous year, both in terms of trade in food as well as non-food.

Some studies conducted by specialists (7) claim that by the end of 2020 online sales will be 28% higher than in the previous year, the growth trend continuing

throughout 2021, as they are expected to be 18% higher than in 2020, this dynamic of electronic commerce occurring against the background of a decrease in total retail sales.

Against the background of these realities, certain categories of accounting treatments have become increasingly accessed by professional accountants for the simple fact that the volume of certain transactions carried out by commercial economic entities, such as those sold at a reduced price (due to declining demand) or electronic commerce (due to the increasing share of these operations), have become increasingly numerous.

2. OBJECTIVES

In our study we proposed a detailing of the methodological and normative aspects related to the accounting treatments regarding the sales operations with reduced price and the operations specific to the electronic commerce.

Through the research we intend to provide those interested with a documentary material, which should be a useful guide and, at the same time, a representative synthesis of the main normative acts that regulate the issue that is the subject of our study.

Accessing online platforms dedicated to accounting professionals demonstrates an increase in the interest for accounting solutions and to know the regulatory aspects related to the issues to be addressed in our research. In addition, our approach is also motivated by the fact that the views expressed on these platforms do not always come from the most competent people and do not represent the most relevant solutions that can be offered.

Therefore, given the existence of a significant demand for knowledge of the issue that is the subject of our study, we will further present the documented opinion of the authors on the topic stated above.

3. METHODOLOGY

In order to achieve the previously stated objectives, the methodology of our research is based on the use of specific procedures, of which we mention those considered representative: analysis, synthesis, accounting monograph, data interpretation, etc.

The documentary sources used for the elaboration of this material are represented mainly by the legislation that regulates the approached issue, from which the main provisions are extracted, analysed, synthesized and interpreted, so that the solutions offered by the authors be characterized by rigor, both methodologically, as well as normatively.

In addition, in order to present relevant points of view, this study also capitalizes on the professional experience of authors in the field of accounting practice, so that the proposed solutions are a useful documentary tool for other experts in the field.

4. ANALYSES

4.1. Accounting treatments specific to sales of discounted goods

According to the legislation in force (6) the sales of goods at a reduced price refer to several particular situations, of which we will bring into discussion the ones representative for the trade activity, as follows:

- liquidation sales;
- clearance sales;
- sales made through shops or factory warehouses;
- promotional sales.

As a general rule, traders engaged in the sale of discounted goods must bear in mind that the rules referred to above prohibit selling at a loss, which means any sale at a price equal to or less than the purchase cost. There are a few exceptions to this rule, of which we mention those relating to liquidation and clearance sales, as well as those made through shops or factory warehouses.

The liquidation sales refer to marketing operations that are preceded or accompanied by advertising and announced as “liquidation” and which, through a price reduction, result in the accelerated sale of part or all of the existing stock in a retail entity, in one of the following situations:

- a) permanent cessation of the trader’s activity;
- b) cessation on his/her own initiative of the trader’s activity in the respective sales structure or as a result of the annulment of the lease, location or mandate agreement, based on a final court decision or based on a forced eviction court decision;
- c) the interruption of the seasonal commercial activity for a period of at least 5 months after the completion of the liquidation operations;
- d) the changing of the profile of the sales structure, suspending or replacing a commercial activity carried out in that structure;
- e) the amendment of the conditions of exploitation of the sales area, if the transformation and arrangement works exceed 30 days and are performed inside it, the sales structure being closed during all this period, or the modification of the conditions for exercising the activity in case of concluding or cancelling a distribution agreement with an exclusive supply clause;
- f) the sale of the stock of products by the legal heirs of the deceased trader;
- g) the serious damage, due to calamities or acts of vandalism, of a part or, as the case may be, of the entire stock of products, excluding food.

The trader making liquidation sales must make an inventory of the goods that are the subject of these operations and send a notification to the mayor’s office in the territorial area where the sales structure is located, within the period provided by the regulation.

The clearance sales refer to operations accompanied or preceded by advertising and advertised as “clearance/balances” and which, through a price reduction, result in the accelerated sale of the existing stock of seasonal goods in a retail entity.

This type of sales can be made only during two periods per year, with a maximum duration of 45 days each, as follows:

- 15 January – 15 April included, for autumn-winter products;
- 1 August – 31 October included, for spring-summer products.

The entities that carry out clearance sales must notify the mayor’s office in the territorial area where they carry out their activity regarding the period in which they carry out these operations at least 15 days before their start.

The sales made through shops or factory warehouses are those aimed at own production, which is sold by producers directly to consumers. For this type of sale at a reduced price, producers/traders are not obliged to make any notification.

With the exception of food products, this type of sale may be practiced for the part of the production which meets certain conditions, on which consumers must be informed, as follows: it has not previously been offered for sale due to manufacturing defects; is subject to returns from the commercial network; represents the stock from the production of the previous season left unsold.

The promotional sales are the retail, cash and carry or provision of market services that may take place at any time of the year, without being subject to notification, provided that:

- a) they are not made at a loss;
- b) they refer to products available or that can be supplied, as well as to services sold or, as the case may be, currently provided;
- c) the promoted products and services must be on sale during the entire announced period of the promotional sales or the trader will inform the consumers that the offer is valid only within the limit of the available stock.

From the point of view of accounting records, sales at a reduced price cause the preparation of specific documents, as presented below:

- the decision of the administrator to reduce the prices;
- the inventory lists of all products for which price reductions will be made, in which the old prices must appear;
- the inventory lists with the new selling prices on each part and unit of measurement;

The difference between the total of the two inventory lists is registered in the accounting, as a price reduction by decreasing the mark-up and the related value added tax and not by highlighting some expenses. This difference must be deducted in the management report under "entries" to correct the balance of goods. On the other hand, the new prices must be introduced in the cash register, for each product, so that the tax receipts that will be issued after the reduction of prices highlight the new selling prices.

In order to present the accounting records that are made in this case, we will start from the following working hypotheses:

- cost of purchasing the goods: 2,000 lei;
- deductible VAT related to the supplier's invoice 19%: $2,000 \times 19\% = 380$ lei;
- mark-up applied 30%: $2,000 \times 30\% = 600$ lei;
- non-eligible VAT 19%: $2,600 \times 19\% = 494$ lei;
- retail price, including VAT: $2,000 + 600 + 494 = 3,094$ lei;
- it is decided to reduce the sale price by 15%: $3,094 \times 15\% = 464.1$ lei;
- the new retail price, including VAT will be $3,094 - 464.1 = 2,629.9$ lei.

a. the receipt of goods from suppliers, according to invoice and note of receipt and finding of differences:

	=		
371		%	<u>3.094</u>
<i>„Goods purchased for resale”</i>		401	2.000
		<i>„Suppliers”</i>	
		378	600
		<i>„Price differences on goods</i>	

		<i>purchased for resale</i>	
		4428	494
		<i>„VAT under settlement”</i>	
4426	=	401	380
<i>„Input VAT”</i>		<i>„Suppliers”</i>	

Note: In the case of sales made through shops or factory warehouses, this operation is replaced by that by which the managerial transfer of products is made on the basis of the delivery note, transfer, return or accompanying notice, depending on whether or not the dispatches are dispersed territorially, in accounting the following registration being made:

371	=	%	
<i>„Goods purchased for resale”</i>		345	
		<i>„Finished goods”</i>	Cost
		378	
		<i>„Price differences on goods purchased for resale”</i>	Price differences
		4428	VAT
		<i>„VAT under settlement”</i>	

b. reduction of the mark-up in order to decrease the price, according to the administrator’s decision:

371	=	%	<u>- 464,1</u>
<i>„Goods purchased for resale”</i>		378	- 390,0
		<i>„Price differences on goods purchased for resale”</i>	
		4428	- 74,1
		<i>„VAT under settlement”</i>	

c. sale of goods at the new price, according to the cash register:

5311	=	%	<u>2.629,9</u>
<i>„Petty cash in lei”</i>		707	2.210,0
		<i>„Sale of goods purchased for resale”</i>	
		4427	419,9
		<i>„Output VAT”</i>	

d. discharge from administration of the sold goods, according to the calculation entry and the book entry:

%	=	371	<u>2.629,9</u>
607		<i>„Goods purchased for resale”</i>	2.000,0
<i>„Goods for resale”</i>			

378	210,0
<i>„Price differences on goods purchased for resale”</i>	
4428	419,9
<i>„VAT under settlement”</i>	

Another issue that we can discuss in the same context refers to the products granted free of charge in promotional campaigns that aim to stimulate sales of other product categories.

From a fiscal point of view, these goods are included in the category of advertising and publicity expenses, which are deductible when determining the taxable profit, as they are expenses made in order to popularize the company, products or services, based on a written contract and generate taxable income.

From the point of view of VAT, according to the regulations in force (3), *“does not constitute a supply of goods the free of charge giving of goods for the purpose of advertising or for the purpose of stimulating sales or, more generally, for purposes related to the pursuit of economic activity”*.

In order to remove from the book-keeping the goods in question, a delivery order must be drawn up for their release from the warehouse and an accompanying notice for the goods for their removing from the book-keeping. For the transport of the goods transferred free of charge (samples, goods given to stimulate the sale or tests at the point of sale, prizes, promotional materials, etc.) on the notice accompanying the goods must be written “No invoice”.

4.2. Accounting treatments specific to online trading operations

The sale of goods can also be done through virtual shops, which do not require the physical existence of commercial spaces in which to produce the act of trade or direct contact between seller and buyer, as we are used to in traditional trade.

This method of sale is also called online or electronic commerce and is characterized by the presentation of goods offered for sale through web pages, which are accessed by buyers who have an internet connection, the actual purchase being made on the basis of firm orders registered on that site.

Based on the orders received from customers, the online shop ships the requested products to the address mentioned by the customer at the time of order registration.

As there is no obligation to use tax cash registers for mail order retail and travel agents, it results it is not necessary to issue a tax receipt in electronic commerce, the transaction being recorded in invoices and receipts.

With regard to the operations related to the actual stocks of goods, we note that the transactions carried out through virtual shops do not involve accounting records other than those recorded in the case of ordinary trade, as the same main steps are followed: procurement from suppliers, reception and formation of the sale price, sale and discharge.

The particularities of this form of trade are generated by the delivery-settlement modalities of the sold goods, under the circumstances in which the most used forms are:
 delivery of goods ordered by courier companies, with cash on delivery;
 delivery of goods ordered by post, with cash on delivery;

delivery of goods ordered by courier or postal companies, with advance payment by bank transfer.

The accounting records specific to the entities that sell goods through virtual stores are presented below:

a. purchase and receipt of goods from suppliers, according to invoice and note of receipt and finding of differences (purchase cost 2,000 lei and mark-up 30%):

371	=	%	<u>3.094</u>
„Goods purchased for resale”		401	2.000
		„Suppliers”	
		378	600
		„Price differences on goods purchased for resale”	
		4428	494
		„VAT under settlement”	
4426	=	401	380
„Input VAT”		„Suppliers”	

b. the sale of goods to customers, based on orders registered online, according to the invoice issued, assuming that the transport of goods, amounting to 20 lei, is paid by the buyer:

4111	=	%	<u>3.117,8</u>
„Customers”		707	2.600,0
		„Sale of goods purchased for resale”	
		708	20,0
		„Revenues from sundry activities”	
		4427	497,8
		„Output VAT”	

If the trader decides to pay for the transport costs for his customer, the previous registration must no longer contain account 708 “Revenue from miscellaneous activities”.

c. discharge from administration of the sold goods, according to the calculation entry and the book entry:

%	=	371	<u>3.094</u>
607		„Goods purchased for resale”	2.000
„Goods for resale”			
378			600
„Price differences on goods purchased for resale”			
4428			494
„VAT under settlement”			

d. registration of operations regarding the shipping and settlement of goods:

A. Transport carried out through a courier company, with cash on delivery

- issuing the settlement invoice to the courier company:

461	=	4111	3.117,8
„Sundry debtors”		„Customers”	

- registration of the invoice issued by the courier company for the transport service provided, amounting to 20 lei, 19% VAT:

%	=	401	<u>23,8</u>
624		„Suppliers”	20,0
„Transport of goods and personnel”			
4426			3,8
„Input VAT”			

- payment by bank transfer of the invoice issued by the courier company:

401	=	5121	23,8
„Suppliers”		„Cash at bank in lei”	

If the payment of the transport service is made on the spot, in cash, at the moment of depositing the package with the shipped goods, in the accounting are registered:

%	=	542	<u>23,8</u>
624		„Cash advances”	20,0
„Transport of goods and personnel”			
4426			3,8
„Input VAT”			

- collection of the value of the goods sold from the courier company, which received the amounts from the customers to whom it handed over the goods, according to the bank statement:

5121	=	461	3.117,8
„Cash at bank in lei”		„Sundry debtors”	

B. Transport by post, cash on delivery

- registration of the invoice issued by the Romanian Post for the transport service provided, in the amount of 20 lei, 19% VAT, on the occasion of submitting the package:

%	=	542	<u>23,8</u>
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626		„Cash advances”	20,0
„Postage and telecommunications”			
4426			3,8
„Input VAT”			

- collection from the Romanian Post of the value of the sold goods, according to the bank statement:

5121	=	461	3.117,8
„Cash at bank in lei”		„Sundry debtors”	

- closing the accounts based on the contract concluded with the post office and the settlement invoices:

461	=	4111	3.117,8
„Sundry debtors”		„Customers”	

C. Transport performed through a courier company or post office, with advance payment by bank transfer

- early collection, by transfer of the value of the goods, according to the bank statement:

5121	=	4111	3.117,8
„Cash at bank in lei”		„Customers”	

- registration of shipping costs, according to the invoice issued by the courier company or post office:

%	=	542	<u>23,8</u>
624/626		„Cash advances”	20,0
„Transport of goods and personnel”/ „Postage and telecommunications”			
4426			3,8
„Input VAT”			

5. CONCLUSIONS

For the correct settlement of commercial transactions that involve making reduced priced sales or those carried out online, it is important to know very well the legal provisions, both those governing the marketing of market products and services, and those of an accounting and tax nature.

As previously pointed out, these transactions have a special specificity and can be carried out only in compliance with the conditions provided by the rules in force, the main aspects relating to the conduct of these operations concerning:

- their correct classification in the category to which they belong, depending on the reasons for the sale and the conditions under which they are made;

- compliance with the restrictions provided by law regarding the time intervals or periods during which reduce price sales operations may take place;
- the correct application of professional judgment relating to the appropriate accounting treatments to be taken into account;
- the correct solution from the fiscal point of view, taking into account the legal provisions regarding VAT and taxation of the results.

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