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FINDINGS ON THE METHOD OF ACCOUNTING THE COSTS OF PURCHASED MATERIALS

VIZIUNI PRIVIND MODUL DE CONTABILIZARE A COSTURILOR LEGATE DE PROCURAREA MATERIALELOR

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Annotation: *Materials play an important role in the economic cycle of agricultural enterprises. Although their mode of measurement, recognition and accounting is governed by a number of legislative and normative acts and approached by many experts, there are still some problems and uncertainties that complicate the accounting treatment of costs related to the purchase of goods. The issues in question are to be solved so as to ensure the compatibility of the provisions of normative documents with information requirements of farmers.*

Adnotare: *Materialelor le revine un rol important în circuitul economic al întreprinderilor agricole. Deși modul lor de evaluare, recunoaștere și contabilizare este reglementat de un șir de acte legislative și normative în vigoare, precum și abordat de numeroși specialiști în domeniu, oricum există încă unele probleme și incertitudini care complică tratamentul contabil al costurilor legate de procurarea bunurilor respective. Problemele în cauză urmează a fi soluționate astfel, încât să asigure compatibilitatea prevederilor documentelor normative în vigoare cu cerințele informaționale ale producătorilor agricoli.*

Keywords: *evaluation, materials, recognition, stocks, transport costs.*

Cuvinte - cheie: *costuri, evaluare, materiale, recunoaștere, costuri de transportare.*

Introduction

One of the most discussible problems at the chapter of the estimation of the stocks of materials values shaves the accounting way of expense bind to supply. For sorrow the normative active acts don't show exhaustive all due questions about supply therefore there ax some improving suggestions to this chapter which will make easier the evidence of expenses of transport - supply and to calculate the effective price of bought stocks.

Materials and methodology

This analysis was focused on the National Accounting Standard Inventories, Plan of Accounts provisions, other normative references, and agriculture enterprises. The research methodology was based on the dialectical evaluation of the subject and its main constituents: analysis, synthesis, the primary and secondary interdependency.

Results and discussions

The existing practice of accounting for the costs related to the purchase of materials doesn't determine completely their input cost at initial recognition. According to NAS "Inventories" the purchased stocks are to be registered at input cost, which is difficult to achieve when the amount of the costs of transport- supply cannot be determined with certainty at the stage of entry of goods. As a result, the accountants face various difficulties not only in determining the cost of input materials,

but also thereafter, when assessing them in current accounting and financial statements. Therefore the current method of recognizing the cost of transport-supply requires a more efficient accounting treatment that would contribute to the liquidation of existing disadvantages.

The accounting for transactions concerning the purchase of materials is covered by the General Plan of accounts [4]. But this plan does not ensure to the necessary extent the collection and processing of the information about the entry cost of the purchased stocks. Particularly complicated is determining the size of transport-supply costs (T.S.C.) at the time of procurement of specific types of goods. If stocks are transported to the warehouse by the supplier company, then, based on the data from the invoice, the actual cost is determined quite simply, even if the transport costs refer to several types of goods. Otherwise, when the delivery is carried out by firm's own forces, the identification and distribution of T. S. C. becomes very complicated. This is explained by the fact that the value of services provided by own transport, the costs of the personnel employed in loading and unloading, as well as all other costs attributable to the purchased stock can be determined with certainty only at the end of the month, when respective documents are presented in the accounts.

Therefore, if the entry cost of the purchased materials were determined at their initial recognition, it wouldn't correspond to reality and wouldn't include all the necessary elements (unless transportation is carried out by third parties). The actual authentic cost can be determined uniquely only when the full amount of T.S.C. is stated [5, p. 84]. Lack of information on the actual cost per types of goods significantly complicates the realization of the NAS "Inventories", according to which stocks are to be evaluated at the reporting date at the lower value between the entry cost and net realizable value [2].

In addition, in many agricultural entities accounting departments neglect the legal provisions in force concerning the accounting for the procurement of material stocks. Thus, L.L.C. "Pîrjota Valley" in Riscani T.S.C. are attributed to distribution expenses which breaches the principles of prudence and consistency. In L.L.C. "Restore" in Briceni T.S.C. are fully included in the costs of ancillary activities without any further distribution to the costs of purchased stocks, which does not ensure prudency principle. In C.P. "Zimagrocol" in Ialoveni, in most cases, purchased materials are delivered by own transport. In this case the incurred costs are not included in the entry cost of goods, but are accumulated in account 812 "Ancillary activities", and at the end of the year they are allocated to the corresponding objects in proportion to the amount of the consumed or spent stocks. This violates the principle of periodicity. As the result, in most cases, the initial recognition of the materials is carried out at purchase prices, ignoring T.S.C., and respectively, the basic principles of accounting.

Since the materials used for the core business needs are the components of the cost of products obtained in the field, special attention is paid to T.S.C. included in the entry value of the assets [3]. According to some notorious local scholars and to the scholars from the Russian Federation accurate and timely accounting of T.S.C. contribute to their optimization, to the reduction of the purchased stocks costs and, respectively, of the products obtained in the field. Therefore it is necessary to exercise strict control over the size of the value of the materials included in the cost of commodities of agricultural producers, because it, along with the purchase price, includes T.S.C. In order to solve this problem it would be appropriate to return to the way of the supply operations recording used before the implementation of the National Accounting Standards and focused on the use of record prices [6, p. 178]. This approach was effective as the prices of materials stocks were basically stable, and the T.S.C. sizes varied slightly compared to those planned. Therefore, once companies resort to using predefined and invariable indicators during the year (for example, the planned cost of the products obtained from the processing of targeted biological assets), similar indicators (e.g. in the form of price records) may be used for current assessment of fertilizers, fuel and other materials stocks.

Based on the above mentioned, it is recommended to evaluate materials both at initial recognition, and subsequently in the current accounting according to one of two ways:

- at record prices including the average purchasing prices of materials, including T.S.C;
- at purchase prices, without T.S.C.

In order to assess and record materials according to the respective variants we consider it appropriate to open a first degree additional account in management accounting system. This possibility derives from Article 16 of the Accounting Law, which states that if the regulatory system of accounting does not establish methods of record keeping on a specific issue, the entity has the right to develop this method independently or to attract a consulting firm [1]. Also, according to the provisions of the General Plan of accounts, entities may introduce first degree additional accounts in management accounts in accordance with domestic needs. Therefore, according to the selected option of recording transactions relating to the purchase of materials there can be used:

- account 818 "Purchasing and deviations in the value of materials" – when the company decides to evaluate and account for purchased materials at record prices, or
- account 818 "Transport-supply costs" - when the entity estimates the purchased goods at both entrances and exits at acquisition prices, and T.S.C. are accumulated separately and are assigned at the end of the month to costs and expenses proportionally to outgoing materials value.

In accordance with its economic content, account 818 "Purchasing and deviations in the value of materials" serves to generalize and systematize information on the stocks of purchased materials. The debit accumulates the data necessary to determine the actual cost of purchased goods, including T.S.C., and the credit accumulates the value of goods entered in heritage at record prices. The deviations between actual costs and record prices at the end of each month are reported on the directions of stocks exits, i.e. in the accounts for costs and expenses records. When registering purchase costs account 818 debits in counterpart to the credit of accounts 521, 544, 226, 531 etc. At the same time the heritage stocks are valued at record prices and are recorded in the debit of account 211 from the credit of account 818.

Monthly on the basis of the data from account 818 there is determined the difference between the actual cost and the value of the purchased stocks at record prices, which are accounted in the debit of costs and expenses accounts. The amount of deviations, which is to be settled from the credit of account 818, is calculated as the product of the outgoing stocks value (generalized by subaccounts or record groups) and the coefficient of the distribution of these differences, which is determined as the ratio between the total deviations amount (taking into account the amount of deviations related to the goods left in stock from the previous month) by the value of the materials existing in stock at the beginning of the month and the value of the materials entered during the month and assessed at record prices.

At the end of the reporting period account 818 closes and its balance, which actually represents the deviations of goods in stock, is accounted in the debit of account 211. At the beginning of the next reporting period the amount of these deviations is restored in account 818 which allows continuing their control.

When applying the second variant of assessment and accounting for materials, assets are estimated both at entrances and exits at purchase prices. The value of purchased materials is directly debited in account 211 from the credit of accounts 521, 226 etc. T.S.C., conditioned by supply operations, are accumulated, in this case, in account 818 "Transport-supply costs". In the debit of this account only T.S.C. accumulate without purchasing value of the materials, and their distribution on items of costs and expenses records is reflected in credit.

Monthly T.S.C. are distributed on the objects of costs and expenses records. Their value is determined as the product of the distribution ratio of T.S.C. and the value of consumed stocks (systematized by sub-groups or by groups of materials evidence). At the same time, when determining the distribution ratio, T.S.C. and stocks value are taken into account both at the beginning of the month and included in the respective debtor turnovers during the reference period.

Stocks write-offs in the second variant of their assessment can be carried out according to the established order of average cost and FIFO methods. In this case only T.S.C are depersonalized, but their subsequent settlement occurs proportionately to the purchase value of goods. Thus, materials with higher purchase price get higher amounts of costs and vice versa.

At the end of each reporting period when the financial statements are made, account 818 "Transport-supply costs" closes with account 211. At the beginning of the subsequent reporting period, the amount of T.S.C. restores in account 818 for their further raising and distribution.

It should be noted that both the use of account 818 "Purchasing and deviations in the value of materials" and Account 818 "Transport-supply costs" do not oppose to the legislation in force and allows, without any difficulty, to determine the actual cost of outgoing stocks. In this regard, and based on the provisions of Accounting Law, which says that when the entities develop independently the chart of accounts of work and determine the classification of accounts for information processing, agricultural enterprises can select one of the recommended accounts.

Conclusions

1. The existing practice of accounting for costs related to the purchase of materials does not determine sufficiently well the input cost at their initial recognition, which complicates their further evaluation in current accounting and financial statements.
2. The reflection of operations of stocks purchase in accounting management system simplifies the accounting method of transport- supply costs, facilitates control over the size and composition of those costs, as well as calculating actual cost of purchased goods in accordance with the provisions NAS "Inventories".
3. Application of record prices for stocks recognition in current accounting clearly simplifies and reduces valuation operations of current material assets, as it excludes the necessity to determine the actual cost for each type of purchased goods at the time of their entry, also it mitigates inflation level and influences the size of the financial result.

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