

ORGANIZING SINGLE ENTRY ACCOUNTING, IN AN AUTHORIZED NATURAL PERSON. CASE STUDY

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Abstract

In this paper it is showed how to implement the single entry accounting system with a case study in a P.F.A. (authorized natural person) in Călărași county, which has as main activity: "Growing of cereals (except rice), of vegetables and plants producing oil seeds" - CAEN code - 0111, which organizes and manages the single entry accounting in compliance with the regulations in force on accounting and complements the journal of receipts and payments, the inventory book and other accounting documents foreseen by the legislation in force on the activity of PFA. It is presented the circuit and how to register and use the financial accounting forms, with concrete data from accounting record of PFA taken into consideration in order to demonstrate the effectiveness of this accounting system, compared with the double entry accounting which requires the application of the regulations valid to economic operators, until and including the level of balance without preparing annual financial statements. Although, according to the new accounting regulations, the natural persons having incomes subject to taxation from agricultural activities, forestry and fisheries, can organize double entry accounting on their option, the analyzed PFA proposed to maintain single entry accounting.

Key words: accounting, single entry, authorized natural person, journal register, inventory register

INTRODUCTION

Patrimonial accounting organization is an obligation established by law for all legal entities and natural persons which were allowed to carry out their own activities and have the capacity of a trader [6].

Decentralization of the economy determined the occurrence and development of free initiative requiring the trader to take the risk in its activity because the activity it performs is made under competition conditions. In order to keep and resist this fight the trader must know the results of its activity so that from the incomes to cover its expenses and to obtain also profit [7].

Single entry accounting represents the set of records and financial accounting documents, which serve to record in the accounting, in a chronological and systematic way, of the economic and financial operations recorded in the justification documents [5].

The persons who manage the single entry accounting can use the accounting financial forms provided by the regulations in force or

part of them, depending on the specific elements of their activity, so that they allow determining the information needed to meet the obligations provided by the laws in force [1].

The authorized natural persons (other than the independent professions) intending to develop an economic activity as authorized natural persons are obliged to register and to authorize the Trade Registry Office. Single-entry accounting is kept in Romanian language and in national currency. Any economic and financial operation at the time of making them are recorded in a document highlighting the single-entry accounting, thus acquiring the status of justification document. The justification documents highlighted in single entry accounting make liable the persons who drawn them.

MATERIALS AND METHODS

In order to highlight the single entry accounting of the operations made by PFA, the following accounting records were used [8]: the journal

of receipts and payments (code 14-11/b) Inventory Register (code 14-1- 2/b), in strict accordance with their destination, in order and complete so as to allow at any time to identify and monitor the economic and financial operations carried out.

The journal register of receipts and payments (code 14-1-1/b) serves at the chronological record of all amounts received and paid both in cash and through bank accounts. The inventory register (code 14-1-2/b) serves to register the nature of the assets and inventoried debts. [2]

The patrimony elements are highlighted in the accounting, at the entry value, respectively cost of acquisition, production or market price, based on the justification documents certifying their acquisition. [9]. For each type of activity, *the sheet for various operations* was drawn, in which documents were recorded in chronological order, and monthly totals in the sheet for various operations were recorded in *the Journal on various operations*, grouped on types of activities. *The total incomes from the journal on various operations represents the income of PFA.*

RESULTS AND DISCUSSIONS

The case study on the system of implementing the single entry accounting was made within a P.F.A. (authorized natural person) in Călărași county, which has as main activity: "Growing of cereals (except rice), of vegetables and plants producing oil seeds" - CAEN code – 0111. [10]

The crop structure in the farm is specific to the plain area in the Southeast part of the country. When choosing the initial crops, it was considered how these crops use the productive potential of the land and the income generated from their sale.

The production structure in the period 2013-2016 contained: wheat, maize, sunflower, barley, fodder plants, soya, rape seed and seed lot, an annual average area of about 170 hectares. [10]

It is noted that the incomes exceed the costs every year, so that the farm activity ends with profit. The year 2016 records the highest

efficiency of the activity, the profit recorded being the highest in the analyzed period, as it is showed in figure 1. [10]

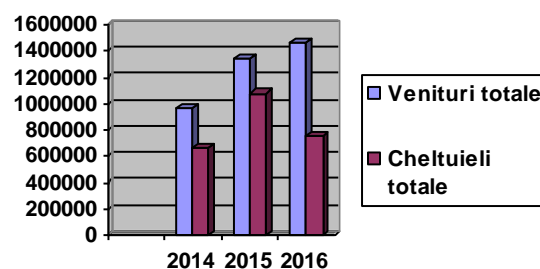


Fig. 1. Evolution of total incomes and costs (LEI)

The single entry accounting of the expenses is made on types of expenses incurred in the direct interest of the activity [11]: expenses for purchase of raw materials, supplies, inventory items and goods; expenses on works executed and services provided by third parties; expenses incurred by the taxpayer for the execution of works and services to third parties; the rent for the space in which the activity develops, for machinery and other equipment rented, used in developing the activity, based on a lease contract; interests on bank loans; expenses related to commissions and other banking services; expenses on insurance premiums; expenses on advertising and publicity; post expenses and telecommunications fees; energy and water expenses; Transport of goods and passengers; expenses on delegation, re-location and travel; Staff expenses; expenses with taxes other than income tax; expenses representing the state social security contributions etc.

For each type of expense, *the sheet for various operations* is drawn up and their total monthly is registered in *the Journal for various operations* for expenses and subsequently in *the Journal of receipts and payments*. Only those expenses that are related to the achievement of incomes and are paid during a fiscal year are allowed to deduct.

In order to record the incomes from independent activities, the taxpayers use, depending on the specific activities and own needs, specially printed forms, series marked and numbered: *receipt, invoice, purchase*

order, storage sheet of the forms with special regime, monetary, extract from the schedule of payments.

Gross income is the income collected during a calendar year, regardless of the period in which the benefits were made. For each type of activity developed *a sheet for various operations* will be drawn up, that will record all documents in chronological order, and monthly totals in the Sheet for various operations will record in the *Journal on various operations*, grouped by types of activities.

The total income in the Journal for various operations represents the taxpayer income.

The taxpayers who receive in cash all income they achieve can highlight these incomes only *in the Journal of receipts and payments*, it is no longer mandatory to draw up the Sheet for various operations and implicitly therefore the Journal for various operations.

If taxpayers paying value added tax (VAT), the incomes, excluding value added tax, are taken for determining the taxes of the columns of the Journal for sales, it is no longer mandatory to draw up the sheet for the various operations and implicitly the Journal for various operations for the incomes achieved.

If that fiscal electronic devices are used, in accordance with the legal provisions, the income record is made based on fiscal report of daily closing and the Special Register, made if the electronic devices are broken. [11]

Net income or tax loss is determined as the difference between total sums collected from *the journal of receipts and payments* and the tax depreciation expenses of the assets and rights, highlighted in the *Sheet for various operations*, and the total amounts paid, highlighted in the journal of receipts and payments, to which the sums paid to purchase depreciable assets, are added and total non-deductible expenses.

Net income or tax loss will be influenced by the payments and/or receipts made in advance, which relates to other future fiscal years.

Also, PFA makes the general inventory of the assets: at the beginning of the activity; at least once a year; at the ending of the activity; as

well as in other situations provided by law; in accordance with the laws on organizing and making the inventories of assets and liabilities.

In table 1, an extract is showed, as model of Register-Inventory, made by the analyzed PFA. [3]

Table 1. Register Inventory Code 14-1-2/a. at 31st December 2015

	Name of assets inventoried	Inventory number	Date of purchase	Type and number of document	Entry value	Exit value	Value included on expenses	Exit value
1	2	3	4	5	6	7	8	9
1	Furniture office	14	15.03.11	Invoice	1468	2021	913	-
2	Means of transport	15	05.04.11	Invoice	12,600	2021	72,560	-
3	Sprayer machine	16	11.02.12	Invoice	6,890	2022	26,340	-
4	Fertilizer spreading machine	17	15.03.12	Invoice	23,670	2022	11,540	-
5.	Hall	18	21.04.12	Expense estimate	54,670	2032	11,430	-
Made by,					Verified,			

This register is numbered and is completed without erasures and without leaving blank lines. It is archived together with the justification documents that were the basis for completing it. **In the Journal of receipts and payments, PFA** records both the economic and financial operations made in cash, and those made by the current account at the bank in chronological order, depending on the date of completion or entry of documents. It serves as: document for recording the receipts and payments; document for setting out the financial situation of the taxpayer which organizes double-entry accounting; evidence in litigation.

It is drawn up in a single copy, making the recording of the operations based on the justification documents, separately, on each operation, without leaving any blank lines. The operations recorded are totalized annually.

In the Journal of receipts and payments operations **are recorded not only in cash but also those made by the current account at the bank.**

In Table 2, it is showed an extract - model of centralizing situation on the records of invoices received and settled during December 2015 - March 2016, drawn up by PFA.

Table 2. Centralizing situation. Invoices to be paid to providers

	Date of invoice issue	Due date	Number of invoice	Provider	Sum -LEI-
1	2	3	4	5	6
1	11.12.2015	20.02.2016	TSV05779	S.C. Turist service S.R.L.	18,709.68
2	14.12.2015	20.01.2016	CTPRO1022792	S.C. PROAGROSER VICE	63,471.74
3	09.01.2016	18.02.2016	ILENE28239	S.C. Enedum Com.SRL	3,580.00
4	06.02.2016	24.03.2016	14246	S.C. Mag Distributie SRL	7,142.40
5	12.02.2016	24.03.2016	12509	S.C. EURO Consult SRL	596.00
TOTAL					

This centralizing situation allows authorized natural persons to have access to rapid and accurate information on payments to be made on the due date and to follow the due date of each invoice.

As a corollary of this centralizing situation, a summary of the debts may also be made, following the same model, allowing to monitor in the available account the amounts to be received for the issued invoices.

Table 3. Sheet for various operations- Depreciation of tangible assets

N crt	Date	Document Type / Number	Explanations	Sum
1	10.01	Accounting note 02	Depreciation of fixed assets	11,340
Total Month				11,340
2	10.02	Accounting note 07	Depreciation of fixed assets	11,340
Total month				11,340
Cumulated from the beginning of the year				22,680
3	10.03	Accounting note 13	Depreciation of fixed assets	11,340
Total month				1,340
Cumulated from the beginning of the year				34,020

For these categories of operations either sheet for separate various operations are opened or statements are prepared using cumulative documents reflecting such amounts. So, **the issued invoices and not collected and the invoices received and unpaid** are highlighted in the sheets for various transactions or cumulative documents are drawn, reflecting the situation of these amounts, **not in the**

Journal of receipts and payments.

Table 4. Sheet for various operations – Obligations to social insurance budget

No crt	Date	Document Type / Number	Explanations	Sum
1	09.01	OP 107	Registration and payment of obligations to BAS	712
Total month				712
2	18.02	OP 119	Registration and payment of obligations to BAS	384
Total month				384
Cumulated at the beginning of the month				1096

Table 5. Sheet for various operations-Obligations to the State Budget

N crt	Date	Document type / Number	Explanations	Sum
1	09.01	Payment order OP 108	Payment of salary tax	96
2	20.01	OP 111	Payment of income tax from agricultural activities	15,480
TOTAL MONTH				15,576
3	18.02	OP 120	Payment of salary tax	58
TOTAL MONTH CUMULATED FROM THE BEGINNING OF THE YEAR				58
				15,634

Table 6. Sheet for various operations- APIA Subsidies

N crt	Date	Document Type / Number	Explanations	Sum
1	23.01	OP 1412	Recording and collecting subsidy	51,034.15
Total month				51,034.15
2	03.02	OP 2763	Recording and collecting subsidy	14,364.73
Total month				14,364.73
Cumulated from the beginning of the year				65,398.88

Table 7. Sheet for various operations – Diesel Provider S.C. OMV PETROM

N crt	Date	Document Type / Number	Explanations	Sum
1	18.02	BF 263	Fuel purchase	1654.12
Total month				1654.12
2	27.03	BF 643	Fuel purchase	1210.42
Total month				1210.42
Cumulated from the beginning of the year				2,864.54

By the position “amounts collected” it means that the invoice issued but not collected in the same year, is not considered gross income.

Further on, for each activity is opened the Sheet for various operations- Depreciation of tangible assets.

Table 8. Sheet for various operations- Spare parts - Provider S.C. Enedum SRL

Nocrt	Data	Document Type / Number	Explanations	Sum
1	09.01	INVOICE FACT. ILENE28239	Purchase from provider	3,580
Total month				3,580

Table 9. Sheet for various operations- Spare parts- Provider S.C. PROAGROSERVICE

Nocrt	Date	Document Type / Number	Explanations	Sum
1	14.12	INVOICE FACT. CTPRO1022792	Purchase from provider	63,471.74
Total month				63,471.74

Monthly total in the sheet for various operations will be recorded in *the Journal for various operations*, grouped on types of activities, as it is showed in Table 10.

Table 10. Journal for various operations

Date	Document Type / Number	Operation	Receipts	Payments
09.01	N.C. 1	Recording of deductions and salary deduction to social insurance budget	-	96
09.01	N.C. 2	Recording salary tax	-	712
04.01	Fact. ILENE28239	PURCHASE of spare parts	-	3,580
10.01	N.C.03	Recording depreciation of fixed assets	-	11,340
15.01	F 051, of 28.11. 2014	Collects from S.C. Pioneer Hibrid Seeds Agro	330.147,36	-
20.01	OP	Tax on agricultural income	-	15,480
20.01	Invoice TSV05779	Purchase and settlement of fuel	-	18,709.68
2.01	OP	Collecting subsidy from APIA	51.034,15	-
31.01	Statement of account	Bank fee	-	155.50
03.02	OP	Collecting subsidy from	14.364,73	-

		APIA		
06.02	Fact. Nr. 14246	Purchase of chemical fertilizers from S.C. Mig Distributie	-	7,142.40
10.02	N.C.7	Recording of depreciation of fixed assets	-	11,340
12.02	invoice 12509	Recording of consulting services	-	248
18.02	N.C. 10	Recording of deductions and salary deductions from social insurances budget	-	384
18.02	N.C. 11	Recording of tax on salaries	-	58
18.02	BF 263	Purchase of fuel from S.C. OMV	-	1654.12
20.02	FACT. 0111	Purchase of spare parts S.C. Tadis	-	540.32
28.02	Statement of account	Bank fee	-	19
10.03	N.C.13	Recording depreciation	-	11,340
27.03	BF 643	Purchase of fuel from S.C. OMV	-	1210.42
Total cumulated from the beginning of the year				

Total receipts and payments made, during the month, are recorded in the Journal of receipts and payments, as it showed in table 4. [11]

Table 11. Journal of receipts and payments Cod 14-1-1/b

Date	Document	Type of operation	Receipts		Payments	
			cash	Bank	cash	Bank
2	3	4	5			6
09.01	OP	Payment of BAS	-	-	-	712.00
09.01	OP	Payment of salary tax				96
15.01	OP	Collected from S.C. PIONEER HIBRID	-	330.147,36	-	-
20.01	OP	CASS at lease contract	-	-	-	5,321.00
20.01	OP	Payment of tax on agricultural activities	-	-	-	15480.00
20.01	OP	Paid invoice. S.C. TURIST SERVICE	-	-	-	18709.68
20.01	OP	Paid invoice S.C. proagroservice SRL	-	-	-	63471.74

20.01	OP	Paid invoice S.C. Folisol Trading	-	-	-	54838.80
23.01	OP	Collected subsidy APIA	-	51034,15	-	-
30.01	OP	Payment of invoice S.C. Porsche Inter Auto	-	-	-	112148.15
31.01	Extras cont	Payment of bank fees				155.50
TOTAL MONTH 1			-	381181,49	-	270932.87

The authorized natural persons which keep single entry accounting do not draw up annual financial situations. The information on expenses, incomes and results is held in the Journal of receipts and payments.

CONCLUSIONS

Single entry accounting is a simplified accounting system, which is defined mainly by the following characteristics: it is an accounting based on highlighting receipts and payments; it does not work or operate such accounts; it requires simplicity and reduced workload; the number of documents and accounting records used is low compared to the double entry accounting; the number of tax statements mandatory to be submitted is low; verification balance or financial statements are not drawn up.

In general, PFA are liable for all assets as the natural persons. So, if there is a creditor of PFA, it may act also on PFA assets.

In order to avoid the risk of assets liability, PFA can separate the individual assets from PFA assets.

Although, according to the new accounting regulations [6], the natural persons which achieve incomes subject to taxation, in real system, from independent activities, assets leasing, if applicable, and those which achieve incomes from agricultural activities, forestry and fisheries, may organize double entry accounting by their option. The analyzed PFA proposed to maintain simple entry accounting.

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