

ACCOUNTING AND TAX REPORTING OF FINANCIAL RESULTS

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ABSTRACT

This article presents a synthetic and analytical accounting of financial result from the sale of products and the final financial result; reflects the operational and non-operating income and expenses from fines, penalties. And, also in this paper, we consider the differences, similarities and the interaction of tax and accounting.

KEYWORDS: synthetic and analytical approach, balance, profit, income tax, taxpayer

RESULT OF STUDY

Sales

Organizations receive the bulk of the profits from the sale of products, goods and services (follow-up financial result). Gains from the sale of goods (works, services) is defined as the difference between the proceeds from the sale of goods (works, services) at current prices without VAT and excise, export duties and other deductions provided by the legislation of the Russian Federation, and the cost of its production and sale. The financial result from the sale of goods (works, services) is determined by the account 90 «Sales». This account is intended for summarizing information about the income and expenses associated with the usual activities of the organization, as well as to determine the financial result for them.

The following sub-accounts can be opened to the account 90 «Sales»:

- 1 «Revenue»;
- 2 «Cost of sales»;
- 3 «Value Added Tax»;
- 4 «Excise»;
- 9 «Profit / loss on sales».

subaccount 1 «Revenue» of the account 90 «Sales» and debit account 62 «Settlements with buyers and customers».

At the same time the cost of sold products, goods, works and services, and others are deducted from the credit account 43 «Finished goods», 41 «Goods», 44 «Cost of sales», 20 «Primary production» ... and reflected on debit subaccount 2 «Cost of sales» of account 90 «Sales».

Accrued on the sold goods (works, services) the amount of VAT and excise duties are reflected on debit of subaccounts 3 «Value Added Tax» and 4 «Excise» of account 90 and on credit of accounts 68 «Payment of taxes and levies».

Sub-account 9 «Profit / loss on sales» is intended to identify the financial results from sales of the reporting month.

Records on sub-accounts 1-4 of account 90 are made accumulatively during the reporting year. The financial results from sales during the reporting month are determined by monthly comparison of aggregate debit turnover on

loss of each month through closing entries debited from the account 90-9 to the account 99 «Gains and losses». Thus, synthetic account 90 «Sales» closed monthly and do not have balance for the reported period.

At the end of the reporting year, all sub-accounts opened to the account 90«Sales» (except subaccounts 9) are closed with the internal records on account 90-9 «Profit/loss on sales».

Analytical account under account 90 «Sales» are kept for each kind of sold products, goods, fulfilled works and shown services, and if necessary in other directions (sales by region, etc.).

Operating and non-operating income and expenses

To summarize the information about operating and non-operating income and expenses account 91 «Other income and expenses» is used. The following sub-accounts can be opened to this account:

- 1 «Other income»;
- 2 «Other expenses»;
- 9 «Balance of other income and expenses».

The subaccount 1 «Other income» is designed for income assets are recognized as other income (except emergency one). The subaccount 2 «Other expenses» reflects the operating and non-operating expenses recognized as other expenses (except emergency one). Subaccount 9 «Other income and expenses» is used to identify the balance of other income and expenses during the reporting month. Entries on sub-accounts 1 and 2 account 91 are made cumulatively during the reporting year. The balance of other income and expenses is determined by comparing monthly debits turnover on subaccount 1 and credit turnover on subaccount 2. This balance on a monthly basis (closing turnover) debited from 91 -9 to account «Gains and losses». Thus, at the reporting date account 91 «Other income and expenses» does not have a saldo.

At the end of the reporting year, the sub-account 1 and 2 are closed by the internal records on the subaccount of account 9.

Content of operating income and expenses is determined by PBU 9/99 and 10/99 AR.

The main part of operating income and expenses comprise income and expenses from the disposal of property (other than the sale of

finished goods (works, services and goods)) and participation in other organizations (the income and expenses associated with the provision of loans (the temporary use of the organization's assets, rights, arising from patents for inventions, industrial designs and other forms of intellectual property, the income and expenses associated with participation in the authorized capital of other organizations, profit / loss in joint ventures).

Proceeds from fines, penalties, various penalties) and other types of sanctions are reflected on credit account 91 «Other income and expenses» and debit accounts reflecting cash and receivable.

The fines, penalties, penalties and other sanctions paid by organization are reflected on the debit account 91 «Other income and expenses» from the credit accounts for money. In this case, the amount entered in the budget in the form of sanctions, does not reflect on non-sale operations' expenses, while it attributed to a decrease in profits (on account 99 «Gains and losses»).

Profit of previous years, identified in the reporting year, reflected on debit account 51 "Settlement Account" and credit of account 91 "Other income and expenses", losses managed by reverse accounting entry.

Amounts payable, for which the statute of limitations has expired, write on the debit account 76 and credit account 91. Receivables, for which the statute of limitations has expired, is deducted from the credit account 76 as doubtful debts (through 63) or on debit account 91.

Other non-operating expenses and losses are deducted from the debit or credit the respective accounts at the time of detection to the account 91.

For example, the cost of the canceled production orders write off from credit accounts with 20 «Primary production» (at the cost of unused semi-finished products, parts and assemblies) into debit account 91, 97 «Deferred expenses» (the amount of pre-production costs related to canceled orders) and ect.

Analytical account under account 91 is conducted for each type of other income and expenses. In this case, the construction of the analytical account of other income and

expenses relating to the same financial, economic operation, should provide an opportunity to identify the financial results of each operation. [2]

The final financial result of the organization

To summarize the information about the formation of the final financial result of the organization in a financial year is used account 99 «Gains and losses». The credit of this account reflects the income and profit, while on the debit side - costs and losses.

Business transactions reflected on the account 99 by so-called cumulative basis, i.e. cumulative from the beginning of the year. By comparing the credit and debit operations on account 99, the final financial result for the period is determined.

The financial result from the sale of property, operating and non-operating income and expenses are reflected on account 91 «Other income and expenses» at the beginning, of which it is written off into account 99 every month.

In addition, the debit account 99 reflects the accrued expense for income tax, constant obligations and amounts owed tax penalties in correspondence with account 68 «Settlements on Taxes and Duties». Payments by recalculation of income tax is also reflected on accounts of 99 and 68.

The tax accounting

With the introduction of Chapter 25 of the Tax Code in the Russian legislation it was decided for the first time that the taxpayers have to keep tax accounting. Chapter 25 merely codifies the procedure of tax accounting in a unique form and legally fixes the duty of tax accounting. However, it is indisputable that tax accounting for income taxes is in the strongest interaction with the accounting system. Profit is the main economic indicator of the organization's activity. All accounting rules, in fact, intended to form a complete and accurate information about the profit. Therefore, tax accounting for income tax can not be regarded as a mere addition to the normal accounting. This is an independent system of accounting.

Amount of income is determined by the primary documents and documents of tax accounting. The amount of tax, imposed by taxpayer to the buyer of goods (works,

services, property rights), is excluded from the income.

The taxpayer determines the tax base on the basis of income from sales. These revenues include:

- income from sale of goods (works, services) of own production;
- income from the sale of previously purchased goods;
- income from the sale of property rights.

For non-operating income of the reporting period, in accordance with Article 250 of the Tax Code, it should include only taxpayer's income, which do not related to the proceeds from the sale of goods (works, services) on ordinary activities of the organization.

To determine the tax base for income tax, the organization must reduce the amount of received income by the costs incurred for the implementation of activities aimed at generating income.

In accordance with Article 252 of the Tax Code, any costs can decrease a taxable income then the following conditions are met:

- Expenses related to income-generating activities
- The cost is economically justified
- Costs documented

Comparing of accounting and tax records

Comparing the accounting and tax records, we can say that among them there are some differences in the composition of revenues and expenditures, as well as in terms of their recognition.

An important distinction between the structure of income and expenses in the accounting and tax accounting is that accounting distinguishes the income and expenses from ordinary activities, operating, non-operating and extraordinary income and expenses, while tax accounting classifies revenues from the sale of goods, the cost of production and sales, and non-operating income. For example, income and expenses on leasing property, income from participations in other companies, costs related to credit institutions, interest receivable or payable, etc... in accounting they are referred as operational, while in tax accounting as non-operating. Also it is noteworthy that the other operating income and expenses from the sale of other assets in tax accounting referred as

income from the sale and the costs associated with production and sales, respectively.

An interesting point is about gratuitously received property. In tax accounting gratuitously received property (works, services) is included in non-operating income in the period in which the income was received. In accounting the cost of such property after receiving is reflected on account 98 «Deferred income», but on account 91 «Other income and expenses» its value is deducted partly according to amortization (for other assets – as it used for production).

Attention should to be paid to the reflection of the interest on the debt in the accounting and tax purposes. In accounting purpose the interest on loans obtained for the implementation of the pre-payment for inventories, before payment included in their cost, but after payment - as an operating expense, and for tax purposes as a non-operating expense in the period incurred. The situation is similar, related to interest on borrowings, directly attributable to the acquisition, and (or) construction investment asset: for accounting purposes percentages refer to the value of the assets, and for tax purposes - in non-operating expenses in the period it was estimated [4].

In addition, a number of differences in the formation of the financial result in the accounting and tax accounting derives from the right of the taxpayer to determine the income and expenses on the basis of two ways: either as payment or either according to transportation of goods, work and service. Given that the accounting data is generated based on an assumption of time certainty of economic activity (accrual), the application for tax purposes is face with difficulty with the formation of the tax base, especially in the part of the expenses, which are deductible .

Number of differences arising in the accounting and tax accounting, is due to

CONCLUSION

The article presented a synthetic and analytical accounting of financial result from the sale of products and the differences, similarities and the interaction of tax and accounting.

Comparing the accounting and tax records, it can be said that there are few differences in the

deviation from the norms, limits and regulations. Despite the fact that all actual costs, associated with the production and sale of products, goods and services, form their costs, for tax purposes, a number of expenditures are made within the established government restrictions.

Calculation of amortization

According to the item 259 of the Tax Code the amortization is calculated by two methods:

- Straight-line method;
- Non-linear method.

Differences may also arise in connection with the use of different methods of calculating depreciation for accounting purposes and the purposes of determining income tax. Thus, according to AR 6.1, depreciation of fixed assets is calculated by one of the following ways:

- Straight-line method;
- Declining balance method;
- Method of depreciation by the sum of the number of years of useful life;
- A way of writing off the costs in proportion to the volume of production (work).

In this regard, the amount of depreciation, which accrued in the accounting records, may be greater than the one that is calculated on the tax accounting rules, and vice versa, the amount of depreciation, accrued for tax purposes, may be greater than that which is calculated on the accounting rules [1].

An interesting point is about the amount of VAT, which remained on the account 19 «Value-added tax on acquired values» and cannot be claimed for deduction as liabilities that are not extinguished. On writing off a debt with the finished of lawsuit status or "for other reasons" (p.18 Article 250 of the Tax Code) the taxpayer have not only non-operating income, but also a non-operating expenses in the form of not deducted sum of VAT.

their composition of revenues and expenditures, as well as in terms of their recognition.

An important distinction between the structure of income and expenses in the accounting and tax accounting is that accounting distinguish

the income and expenses from ordinary activities, operating, non-operating and extraordinary income and expenses, while tax accounting classifies revenues from the sale of goods, the cost of to production and sales, and non-operating income.

There are a number of differences arising in the accounting and tax accounting, is due to deviation from the norms, limits and regulations.

Attention should to be paid to the reflection of the interest on the debt in the accounting and tax purposes.

Differences may also arise in connection with the use of different methods of calculating depreciation for accounting purposes and the purposes of determining income tax. Hence, the amount of depreciation, which accrued in the accounting records, may be greater than the one that is calculated on the tax accounting rules.

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