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BOOK KEEPING OF INTERNATIONAL COMMERCIAL TRANSACTIONS

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Abstract

The entrance of our country in European Union determined modifications in the Romanian fiscal system, this one must adapt to community demands/wants.

Taking into account the fact that commercial transactions made in community space are not included in the international transactions category, in the present work I have proposed to approach the manner to illustrate into accounting/book-keeping the international commercial operations, respectively the import and the export of goods, marking the fiscal issues which influence the book-keeping.

1. Introduction

The evolution of contemporary society, characterized by increasing freedom of action, offers to businesses a large field of functional integration in intracommunity commercial systems and international commercial systems.

Foreign trade, seen as a separate branch of a national economy includes the operations of commercial or economic, technical, scientific cooperation in relationships with entities from abroad on issues regarding the sale-purchase of goods, works, services, licenses, junk shop or warehouse, representation or commission, financial operations, insurance, tourism in general, any acts or deeds of trade.

Accordingly to this definition, the external trade comprises two basic components, namely:

- international trade operations,
- alliances and economic international cooperation.

Taking into account the fact that commercial transactions made in community space are not included in the international transactions category, in the present work I have proposed to approach the manner to illustrate into accounting/book-keeping the international commercial operations, respectively the import and the export of goods, marking the fiscal issues which influence the book-keeping, after I will make a short presentation of international commercial operations.

2. The components of external trade and ways/modalities of making international trade transactions

Transactions of international trade represents a form of interdependence between the entities belonging to national economies situated outside the Community area in the sphere of space trade and include:

- *international goods trade*, which consists of :

- *export of goods/wares* which consists of all the commercial operations, throughout a country sells to another country a part from the products made or manufactured;
 - *import of goods/wares* which consists of all the commercial operations throughout a country buys goods from other countries in order to satisfy the productive and reproductive consumption.
- ***international trade with commercial services***, named also the invisible trade, which consist of connex services from export-import (transports, insurances, licenses) international tourism;
 - ***mixed commercial operations*** are related to the techniques used in order to ease the exchanges and the capitalization of commercial profit opportunities, such as: export again, offset, switch, Lohn manufactured, perfection operations etc.

Taking into account the way to access on external markets, the external trade activity can be done through **two methods**: direct and indirect.

The direct method involves insurance of organization and running operations of export-import by the producing units on their account and risk.

Typically, this method is practiced by large entities who create specialized compartments of export-import and have qualified personnel in the field of international relations, such entities having the opportunity to keep in direct contact with the market and can respond to the operational changes in the international supply and demand of goods.

Using this method leads to additional costs generated by the establishment of specialized departments within the organizational structure and classification of their personnel.

The Indirect method involves ensuring the organization and running operations of import-export through foreign trade companies, representing the interface between production units and customers and may act on the external markets either *on its own account* or *as errands*.

If the foreign trade companies operating on their own, they purchased goods from internal or external suppliers to then resell them to external or internal name, account and risk.

If the operations of foreign trade is done in the commission of foreign trade companies conduct operations of import-export on their behalf but on the account and risk of establishments producing or receiving the goods from import.

3. ACCOUNTING/BOOK KEEPING OF INTERNATIONAL COMMERCIAL TRANSACTIONS

The method of making international trade transactions by direct or indirect method on their own or commission cause the emergence of peculiarities of legal, financial, tax and accounting issues.

Without develop too much, in the following I will refer how is reflecting in accounting/book keeping the import and export of goods/wares on their own.

a) Accounting of wares import on their own

In the case of imports of goods on their own the foreign trade companies operate on foreign markets and continue on the domestic market in the name, account and risk of their own, the financial results reflect fully in management entity that imports.

Economic relations of foreign trade companies have the legal basis of economic contracts concluded with external suppliers, internal customers and service providers, the key feature of contracts with external suppliers being the price of goods that are negotiating the terms of delivery.

Externally import price, which is the custom value includes:

- import price of the wares;
- expenses related to transport of transport costs during the external;
- expenses related to transport of goods imported, paid during the external;
- cost of insurance;
- other expenses during externally.

To the entrance of wares in custom are made the following *payments*:

- *duty* is calculated for all goods listed in import custom tariff and import quota is fixed in percentage differentiated by commodity/goods groups, applying them to the customs value transformed in lei to the course from import custom declaration/paper;
- *customs commission* is determined by applying the flat rate to 0,5% to customs value of goods;
- *excise duties* are calculated for certain goods based on differentiated rates specified in the laws governing the sum of amount applied to the elements: the custom value in lei at the rate from the custom declaration of import, duty and custom commission;
- *value added tax* is determined based on percentage law rates applied to the customs value of goods to which are added the payments listed above.

Suppose that a romanian legal person registered for value added tax goals imports goods to external price of 10.000 euro at the exchange rate of 3,50 lei/euro. The customs duties are 10% and customs commission is 0,5% from the price of foreign goods. It is known that customs duties and customs commission are paid in lei currency through the bank account opened to the bank and the external supplier is paid from available cash account open to the bank in the moment of time when the exchange rate is 3,60 lei/euros.

This situation generates in the accounting/book keeping the following *records* :

- are illustrating the reception of imported wares :

371 „Good purchased for resale	=	%	<u>38.675,00</u>
		401 „Suppliers”	35.000,00
		446 „Other taxes and similar liabilities”	3.500,00
		- <i>analytic: custom tax</i>	
		446 „Other taxes and similar liabilities”	175,00
		- <i>analytic: custom comission</i>	
		➤ reflected payment of duty, commission of customs and value added tax related :	
		%	
	=	5121 „Cash at bank in lei”	<u>11.023,25</u>
446 „Other taxes and similar liabilities”			3.500,00
- <i>analytic: custom tax</i>			
446 „Other taxes and similar liabilities”			175,00
- <i>analytic: custom comission</i>			
4426 „Input VAT”			7.348,25

➤ payment of external supplier:			
%	=	5124 „Cash at bank in foreign currencies”	<u>36.000,00</u>
401 „Suppliers”			35.000,00
665 „Foreign exchange expenses”			1.000,00

If at the beginning of 2007, the new variant of Fiscal Code provide as element of novelty that persons registered for VAT purposes under art.153 are not pay value added tax to the taxation authorities, but also illustrate the taxation register VAT both as deductible tax and collected as tax, the regulation has changed only a few months later, with effect from the 15 April 2007, when was introduced the obligation to pay value added tax inside the custom.

This modify would apply until 31 December 2008 but through the OUG 106/2007 was imposed the obligation to pay value added tax to custom until the end of 2011, except the cases when are obtained certificates of deferment/postpone.

Persons who are not registered for VAT's purposes under Article. No.153 or are registered under the regulation of Article. 153'1, continue to pay value added tax to the customs authorities based on import customs declaration.

b) accounting/book keeping export of goods on their own

Export of goods on their own constitutes a form of organizing the indirect modality of export in which the foreign trade companies buy the wares/goods from the producing units and selling them to customers outside the European Union on their risk and their delivery is not subject to value added tax.

Indirect economic contracts with foreign customers includes the essential elements of internal contracts and selling price of goods in different conditions negotiated to delivery.

External price may include:

- selling price of goods;
- transport and insurance during the external;
- various commissions (intermediation, control of goods/wares);
- levels of services;
- interest, if the sale is made on commercial credit.

Because/due the fact that export on their own account involves the purchase of goods prior, the economic and financial operations are in two different categories:

- ✓ operations on the stocks of goods;
- ✓ operations on the sale of goods to foreign/abroad.

In the following I will refer to the second category of operations starting from a practical example.

Suppose that a foreign trade company export goods/wares at the externally price of 10.000 euros at the rate of 3,5 lei/euro. The external transport route is 1.000 euros and insurance value is 100 euros, services are charged units providing the same course, invoicing by the units to the same exchange rate, their payment being done to the course of 3,6 lei / euro from the account available from the bank in foreign currency. The value of goods exported by the bank shall be cashed at the rate of 3,65 lei/euro.

This situation generates in the accounting/book keeping the following *records*:

➤ delivery the goods/wares to export:			
4111 „Customers”	=	%	<u>38.850,00</u>
		707 „Sale of goods purchased for resale”	35.000,00

	708 „Revenues from sundry activities”	3.850,00
	➤ are illustrating expenses during export and foreign insurance charged by service units and supported by foreign trade company :	
	% = 401 „Suppliers”	<u>3.850,00</u>
624 „Transport of goods and personnel”		3.500,00
613 „Insurance premiums”		350,00
	➤ are illustrating the cash get of exported goods:	
5124 „Cash at bank in foreign currencies”	= %	<u>40.515,00</u>
	4111 „Customers”	38.850,00
	765 „Foreign exchange gains”	1.665,00
	➤ are illustrating paying transport services and ensuring service units :	
	% = 5124 „Cash at bank in foreign currencies”	<u>3.960,00</u>
401 „Suppliers”		3.850,00
665 „Foreign exchange expenses”		110,00

Depending on the currency exchange rate fluctuation between the date of registration the nominal value of the debt and the date of cash get or payment date, the foreign trade company calculated and recorded the favorable or adversely differences which affecting the yearly financial exercise.

4. Conclusions

Given/taking into account the complexity of the activity of foreign trade, we can say/conclude that the way/modality to achieve the operations of export and import put their imprint on the organization and the processing of these issues by producing units or by companies specialized to foreign trade assuming a series of legal, financial, taxation and accounting implications/consequences.

If we take into account the fact that the import-export operations may precede or follow to some inter-community commercial transactions then, before illustrating these operations in the accounting/book keeping should be reviewed their taxation treatment.

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