

TOPIC 4: OPERATING ACCOUNTS

2º SEM /1º INTRODUCTION TO FINANCIAL ACCOUNTING. SAN PABLO CEU
UNIVERSITY

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CONTENT

- Operating accounts: concept and usage
- Purchases and expenses accounts: concept and usage
- Sales and income accounts: concept and usage
- Net income calculation process
- The impact on annual statements

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EXPENSES AND INCOMES CLASIFICACION

EXPENSES AND INCOMES ARE CLASIFIED
BY THE **NATURE OF EVENTS**

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Operating accounts

EXPENSE: Decrease Income statement. **Debit side on a Journal Entry. Impact net equity ▼**

- 600. Merchandise purchased
- 621. Leases and royalties
- 622. Repairs and maintenance
- 628 Utilities

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Let's practice

- Electricity bill paid by bank up to 150 €.
- Water consumed during the month up to 50€. Will be paid within 30 days.

Bookkeeping in General Ledger.

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Operating accounts

INCOME: Contrary to expenses, Income Statement will increase. **Credit side on a Journal Entry. Impact net equity ▲**

- 700. Merchandise sold
- 752. Income from lease agreements

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Let's practice

- Due to a report delivered to a Company, not being our main commercial goal, we have received 300€ by cash.
- A Company issues an invoice for 100€ due to transportation of goods to a customer. It will be recovered within 30 days.

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IMPORTANT!!!

INCOMES



RECEIPTS

EXPENSES



PAYMENTS

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OPERATING EXPENSES

- ✓ 62. External services
- ✓ 63. Taxes
- ✓ 64. Personnel expenses
- ✓ 65. Other expenses
- ✓ 66. Finance expenses
- ✓ 67. Losses on non-current assets and exceptional expenses

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EXTERNAL SERVICES

SUBGROUP (62X) EXTERNAL SERVICES

620 - Research and development expenses for the period

621 - Leases and royalties

622 - Repairs and maintenance

623 - Independent professional services

624 -Transport

625 - Insurance premiums

626 - Banking and similar services

627 - Advertising, publicity and public relations



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Lets practice

Lomitos, S.L., sausage factory, has the following economical events:

1. Marketing campaign, due for payment: 5.000€
2. Consulting service, due for payment: 2.500€
3. Vehicle insurance, paid by bank transfer: 3.200€
4. Machinery maintenance, paid by bank transfer: 1.200€
5. Employee travel expenses paid by the company by bank transfer: 500€

Bookkeeping in General Ledger.

The logo for Cartagena99 features the text 'Cartagena99' in a stylized, bold font. The 'C' is large and green, while the rest of the text is in a dark green color. Below the text is a horizontal line that is orange on the left and blue on the right, with a white shadow effect underneath.

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PERSONNEL EXPENSES

SUBGROUP (64x) PERSONNEL EXPENSES

(640) Salaries
and wages



Gross salary

(642) Social
Security payable
by the company



Company
contribution to
social security

(641)

Dismissal and

Canteen support for

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OTHER ACCOUNTS RELATED TO PERSONNEL EXPENSES

SUBGROUP (47x)
PUBLIC ENTITIES

SUBGROUP (46x)
PERSONNEL

(4751) Taxation
authorities,
withholding tax



Withholding
payable from
employees to
authorities

(465) Salaries
payable



Payables to
employees specified
in accounts 640 and
641

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PERSONNEL EXPENSES ENTRY

	460. Salary advances	572. Banks	For salary advances	4751. Withheld Tax payable	572. Banks	For the payment of debts owed to the Public Administration
Accrued gross salaries	640. Wages and salaries	4751. Withheld Tax payable	Withheld income tax			
		476. Social Security payable	Social security payable-worker	476. Social Security payable	572. Banks	
		460. Salary advances	Returns of salary advances			
		572. Banks or 465. Salaries payable	Net salaries			
	642. Social security	476. Social Security payable	Accrued employer's			

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Let's practice

A. Payroll paid by bank transfer as follows:

1. Gross salaries: 8.000€
2. Employees withholding taxes: 200€
3. Social Security employees contribution: 800€
4. Social Security company contribution: 2.500€
5. Net salaries to be paid: 7.000€

B. Scholarship 500€.

C. Advance payment to employee paid by bank transfer: 1.000€. It will be discounted

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FINANCE EXPENSES

SUBGROUP (66X) FINANCE EXPENSES

662 - Interest
on payables

- Interest on loans received and other payables

Counterp
(57X) Treo

669 - Other

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EXPENSES

Lets practice

1. Novaland, S.L. has definitely lost a right from customer for 12.000€. Furthermore, they won't commit the delivery date agreed for a construction project sum up to 5.000€.
1. The bank charger fee for creditor balance for 140€. Furthermore, interest on creditor balance has been charged sum up to 650€.

Bookeeping in General Ledger.

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OPERATING INCOMES

- ✓ 73. Work carried out by the company for assets
 - ✓ 74. Grants, donations and bequests
 - ✓ 75. Other income
 - ✓ 76. Finance income
- ✓ 77. Gains on non current assets and exceptional income
 - ✓ 79. Surplus and use of provisions and impairment losses

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OTHER INCOME

SUBGROUP (75x) OTHER INCOME

(752) Income
from lease
agreements



Rental
agreements or
operating leases

(755) Income
from services to
personnel



Canteen,
transportation...

(440) Other
receivables



If not
recovered.

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Let's practice

1. Laboratorios Madrileños, agreed a lease with a third party. Laboratorios Madrileños will receive by bank transfer 1.600€ monthly due to the agreement.
2. Laboratorios Madrileños will received yearly by banks transfer 300.000€ due to an income from transfer of industrial property.
3. Vuela, S.A., provides employee training to a third party, issuing an invoice for 250.000€ that will be recovered within 2 months.
4. The company receives interest on investment in the bank account summing up to 3.000€. Withholding tax: 19%.
5. The company receives interest on obligations in the bank account summing up to 2.000€. Withholding tax: 19%.
6. The company receives interest due to bank account summing up to 300€. Withholding tax: 19%.

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PREPARING FINANCIAL STATEMENTS AND ANNUAL CLOSING: CLOSING ENTRIES

STEP 1: Reducing incomes and expenses to zero.

- The difference will be transferred to Balance Sheet, account (129) Profit/loss for the period.
- Usually: Group 6 to credit side and group 7 to debit

STEP 2: Close assets, liabilities and net equity.

- Closed at the end of the financial year and then must be opened at the beginning of the next period, in the *opening entry*.
- Usually: assets to credit side

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Profit/loss for the period

129 Profit/loss for the period

Expenses (Group 6XX)

Incomes (Group 7XX)

Dr>Cr (E>I)

Cr>Dr (I>E)

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