

European Polytechnical Institute, Ltd. in Kunovice
Subject: Finance and taxes

**E-learning form of learning book-keeping for the citizens of Uherské Hradiště and
Hodonin region**

(Bachelor Thesis)

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Kunovice, June 2006

I confirm that I am the sole author of this work under the supervision Mrs. Ing. Věra Hložková and Mrs. Ing. Jana Jelínková and that I listed all the utilized sources in the Bibliography.

Kunovice, June 2006

Jana Jelínková

I would like to thank to Mrs. Ing. Věra Hložková and Mrs. Ing. Jana Jelínková for their valuable methodical help during the preparation of this Bachelor Thesis.

Kunovice, June 2006
Ivana Horáková, DiS

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1. INTRODUCTION

These examples and exercises are made for the citizens of Uherské Hradiště and Hodonín as well as for students, teachers, and also for everybody interested in book-keeping in the Czech Republic.

This publication is focused on the individual parts of book-keeping such as a long-term property, inventories, capital, financial investments, and on their relation to the current Czech tax system. Every section of this handbook contains several exercises stemming from the practical book-keeping and related to the appropriate topic.

The methodical handbook can be used as an exercise book during consultations and lessons focused on book-keeping.

One part of this Thesis is also an e-learning study material. The handbook contains practical exercises with a key at the end.

I believe that the publication will be useful and helpful for all its readers. All comments concerning both contents and the form are welcome.

There are many new and difficult situations appearing during the practical book-keeping and then we have to ask for help those specialists who are in a day-to-day contact with book-keeping or have a company of their own.

This methodical handbook is written so as to help to understand some of the situations which might appear during the practice.

There are different book-keeping methods in every single country and as most of the methods and terms they use does not exist, it is not possible to compare our book-keeping with the book-keeping of other countries.

I would like to wish you good luck during the study.

2. INVENTORY

Example 1

Mr. Jan Novák is engaged in production of office furniture. There were property economic operations within January. Use account 395.343 for bookkeeping from import:

Title: Chipboard

| Date | Text | Amount in metres | Price per unit |
|------------|------------------------------------|------------------|----------------|
| 01-01-2005 | Initial inventory | 100 m | 720 |
| 15-01-2005 | Purchase | 200 m | 700 |
| 31-01-2005 | Issue – sold material out of stock | 20 m | |
| 31-01-2005 | Issue to usage | 260 m | |

Title: Laminate

| Date | Text | Amount in metres | Price per unit |
|------------|-------------------|------------------|----------------|
| 01-01-2005 | Initial inventory | 50 m | 800 |
| 20-01-2005 | Purchase | 25 m | 850 |
| 25-01-2005 | Purchase | 60 m | 808 |
| 31-01-2005 | Issue to usage | 90 m | |

Reckon the price for stuff issue, when the entrepreneur doesn't use the method of:

- Average prices
- FIFO

Average prices

Chipboard

| Date | Text | Amount | | | Price per unit | CZK | | |
|----------|------|--------|-------|--------|----------------|--------|-------|--------|
| | | Income | Issue | Supply | | Income | Issue | Supply |
| 01-01-05 | | | | | | | | |
| 15-01-05 | | | | | | | | |
| 31-01-05 | | | | | | | | |
| 31-01-05 | | | | | | | | |

| Date | Text | Amount | | | Price per unit | CZK | | |
|----------|------|--------|-------|--------|----------------|--------|-------|--------|
| | | Income | Issue | Supply | | Income | Issue | Supply |
| 01-01-05 | | | | | | | | |
| 20-01-05 | | | | | | | | |
| 25-01-05 | | | | | | | | |
| 31-01-05 | | | | | | | | |

MATERIAL BOOKKEEPING

Mr. Jan Novák (signed up in Trade Register) is engaged in production of office furniture. He is a VAT payer.

Initial state on the accounts on 1st January 2005: Variant A

| | | |
|-------|--|------------|
| 112/1 | Material – chipboard | 72 000 CZK |
| 112/2 | Material – laminate | 40 000 CZK |
| 211 | Cash desk | 40 000 CZK |
| 491 | Individual account of the entrepreneur | |

Accounting transactions in January 2005

Invoices in for material

| Doc. | Description of accounting transaction | CZK | DEBIT | CREDITOR |
|------|---------------------------------------|---------|-------|----------|
| F/1 | Chipboard 200 m for 700 CZK per m | | | |
| | Price without VAT | 140 000 | | |
| | VAT 19 % | 26 600 | | |
| | Price with VAT | 166 600 | | |
| F/2 | Laminate 40 m for 850 CZK per m | | | |
| | Price without VAT | 34000 | | |
| | VAT 19 % | 6460 | | |
| | Price with VAT | 40460 | | |

| | | | | |
|-----|---|--|--|--|
| F/3 | Laminate from an Austrian supplier: 60 m for 25 EUR per m | | | |
| | Exchange rate 31,5 CZK / 1 EUR | | | |

| | | | | |
|-----|-------------------------------|---------|--|--|
| F/4 | Import from EU | | | |
| | Aded tax 19% | 3 480 | | |
| | Return premium claim VAT 19 % | 9 638,7 | | |

Material intake on stock

| | | | | |
|-----|--|--|--|--|
| U/1 | Material intake on stock – chipboard (200 m for 700 CZK per m) | | | |
| U/2 | Material intake on stock – laminate (25 m for 850 CZK per m) | | | |
| U/3 | Material intake on stock – laminate (60 m for 808 CZK per m) | | | |

Credit note

Undelivered material (F/2 invoiced 40 m, u/2 – delivered 25 m) the supplier sent tax credit note.

| | | | | |
|-----|--|----------|--|--|
| D/1 | Credit note from the supplier for undelivered material | | | |
| | 15 m for 850 CZK per m | | | |
| | Price without VAT | 12 750 | | |
| | VAT 19 % | 2 422,5 | | |
| | Price with VAT | 15 172,5 | | |

Cash vouchers

| | | | | |
|-----|---|--------|--|--|
| P/1 | Settlement to the Austrian supplier (F/3) | 45 000 | | |
| P/3 | Revenue from the sale of material – chipboard 20 m for 820 CZK per m | | | |
| | Price without VAT | 16 400 | | |
| | VAT 19 % | 3 116 | | |
| | Price with VAT | 19 516 | | |

| | | | | |
|-----|---|--|--|--|
| U/1 | Issue of material – sold chipboard out of stock (20m) | | | |
| U/2 | Issue of material into the production – laminate (90m) | | | |
| U/3 | Issue of material into the production – chipboard (260m) | | | |

Pass FIFO

Title: Chipboard

| DATE | TEXT | Amount in metres | Price per unit |
|------------|---------------------------------------|------------------|----------------|
| 01-01-2005 | Initial inventory | 100 m | 720 |
| 15-01-2005 | Purchase | 200 m | 700 |
| 31-01-2005 | Issue – sold material out of stock | 20 m | |
| 31-01-2005 | Issue to usage | 80 m | |
| 31-01-2005 | Issue to usage | 180 m | |

Title: Laminate

| Date | Text | Amount in metres | Price per unit |
|------------|-------------------|------------------|----------------|
| 01-01-2005 | Initial inventory | 50 m | 800 |
| 20-01-2005 | Purchase | 25 m | 850 |
| 25-01-2005 | Purchase | 60 m | 808 |
| 31-01-2005 | Issue to usage | 90 m | |

Chipboard

| Date | Text | Amount | | | Price per unit | CZK | | |
|----------|------|--------|-------|--------|-------------------|--------|-------|--------|
| | | Income | Issue | Supply | | Income | Issue | Supply |
| 01-01-05 | | | | | | | | |
| 15-01-05 | | | | | | | | |
| 31-01-05 | | | | | | | | |
| 31-01-05 | | | | | | | | |
| 31-01-05 | | | | | | | | |

| Date | Text | Amount | | | Price per unit | CZK | | |
|----------|------|--------|-------|--------|----------------|--------|-------|--------|
| | | Income | Issue | Supply | | Income | Issue | Supply |
| 01-01-05 | | | | | | | | |
| 20-01-05 | | | | | | | | |
| 25-01-05 | | | | | | | | |
| 31-01-05 | | | | | | | | |

MATERIAL BOOKKEEPING

Mr. Jan Novák (signed up in Trade Register) is engaged in production of office furniture. He is a VAT payer.

Initial state on the accounts on 1st January 2005: Variant A

| | | |
|-------|--|------------|
| 112/1 | Material – chipboard | 72 000 CZK |
| 112/2 | Material – laminate | 40 000 CZK |
| 211 | Cash desk | 40 000 CZK |
| 491 | Individual account of the entrepreneur | |

Accounting transactions in January 2005

Invoice ins for material

| Doc. | Description of accounting transaction | CZK | DEBIT | CREDITOR |
|------|---------------------------------------|---------|-------|----------|
| F/1 | Chipboard 200 m for 700 CZK per m | | | |
| | Price without VAT | 140 000 | | |
| | VAT 19 % | 26 600 | | |
| | Price with VAT | 166 600 | | |
| F/2 | Laminate 40 m for 850 CZK per m | | | |
| | Price without VAT | 34000 | | |
| | VAT 19 % | 6460 | | |
| | Price with VAT | 40460 | | |

| | | | | |
|-----|---|--|--|--|
| F/3 | Laminate from an Austrian supplier: 60 m for 25 EUR per m | | | |
| | Exchange rate 31,5 CZK / 1 EUR | | | |

| | | | | |
|-----|-------------------------------|---------|--|--|
| F/4 | Import from EU | | | |
| | Added tax 19% | 3 480 | | |
| | Return premium claim VAT 19 % | 9 638,7 | | |

Material intake on stock

| | | | | |
|-----|--|--|--|--|
| U/1 | Material intake on stock – chipboard (200 m for 700 CZK per m) | | | |
| U/2 | Material intake on stock – laminate (25 m for 850 CZK per m) | | | |
| U/3 | Material intake on stock – laminate (60 m for 808 CZK per m) | | | |

Credit note

Undelivered material (F/2 invoiced 40 m, u/2 – delivered 25 m) the supplier sent tax credit note.

| | | | | |
|-----|--|----------|--|--|
| D/1 | Credit note from the supplier for undelivered material | | | |
| | 15 m for 850 CZK per m | | | |
| | Price without VAT | 12 750 | | |
| | VAT 19 % | 2 422,5 | | |
| | Price with VAT | 15 172,5 | | |

Cash vouchers

| | | | | |
|-----|---|--------|--|--|
| P/1 | Settlement to the Austrian supplier (F/3) | 45 000 | | |
| P/3 | Revenue from the sale of material – chipboard 20 m for 820 CZK per m | | | |
| | Price without VAT | 16 400 | | |
| | VAT 19 % | 3 116 | | |
| | Price with VAT | 19 516 | | |

| | | | | |
|-----|--|--|--|--|
| U/1 | Issue of material – delivering the sold chipboard from warehouse (20m) | | | |
| U/2 | Issue of material into the production – laminate (90m) | | | |
| U/3 | Issue of material into the production – chipboard (260m) | | | |

| N. | OPERATION | SUM | Variant A | | Variant B | |
|------|---|-----|-----------|----------|-----------|----------|
| | | | DEBIT | CREDITOR | DEBIT | CREDITOR |
| Doc. | Description of the accounting transaction | | | | | |
| F/1 | Chipboard 200 m for 700 CZK per m | | | | | |
| | Price without VAT | | | | | |
| | VAT 19 % | | | | | |
| | Price with VAT | | | | | |
| F/2 | Laminate 40 m for 850 CZK per m | | | | | |
| | Price without VAT | | | | | |
| | VAT 19 % | | | | | |
| F/3 | Price with VAT | | | | | |
| | Laminate from an Austrian supplier: 60 m for 25 EUR per m | | | | | |
| F/4 | Exchange rate 31,5 CZK / 1 EUR | | | | | |
| | Import from z EU | | | | | |
| | Added tax 19% | | | | | |
| | Return premium claim VAT 19 % | | | | | |

| | | | | | | |
|-----|---|--|--|--|--|--|
| U/1 | Material income to warehouse – chipboard (200 m for 700 CZK per m) | | | | | |
| U/2 | Material income to warehouse – laminate (25 m for 850 CZK per m) | | | | | |
| U/3 | Material income to warehouse – laminate (60 m for 808 CZK per m) | | | | | |
| | Credit note from the supplier for undelivered material 15 m for 850 CZK per m | | | | | |
| | Price without VAT | | | | | |
| | VAT 19 % | | | | | |
| | Price with VAT | | | | | |
| P/1 | Settlement to the Austrian supplier (F/3) | | | | | |
| P/3 | Revenue from the sale of material – chipboard 20 m for 820 CZK per m | | | | | |
| | Price without VAT | | | | | |
| | VAT 19 % | | | | | |
| | Price with VAT | | | | | |
| U/1 | Issue of material – delivering the sold chipboard from warehouse (20m) | | | | | |
| U/2 | Issue of material into the production – laminate (90m) | | | | | |
| U/3 | Issue of material into the production – chipboard (260m) | | | | | |

Example 2

A material stockaging was performed on 31st January. These actual stock levels were found out:

Laminate 50 m
Chipboard 8 m

Take over the accounting material state from the previous task.

Next specifications:

No natural material decrease norm is set.

Possible deficiency will be set for compensation to the storekeeper (employee) in full price.

Stockaging differences calculation:

| Material type | Actual state | Accounting state | Stockaging difference | |
|---------------|--------------|------------------|-----------------------|-----|
| | | | metres | CZK |
| Laminate | | | | |
| Chipboard | | | | |

Pass all the accounting transactions connected with the stockaging differences:

| Doc | Description of the accounting transaction | CZK | DEBIT | CREDITOR |
|-----|--|-------|-------|----------|
| U/1 | Stockaging difference – laminate | | | |
| U/2 | Stockaging difference – chipboard | | | |
| U/3 | Deficiency compensation precept (in full price) | | | |
| P/1 | Partial deficiency compensation by the storekeeper | 1 000 | | |

Example 3

Beta, Ltd. company, si engaged in purchasing and saling goods. It is a VAT payer. A synthetical account 132 – Goods on stock was set up for filing goods. It equals the sum total of the two analytical accounts 132/100 – Goods on stock in purchase price and 132/200 – Goods on stock, secondary purchase expenses. The account 131 – Goods purchase is not being used.

Initial states on the accounts on 1st January 2005:

| | |
|--|-------------|
| 211 – Cash | 70 000 CZK |
| 221 – Current account | 100 000 CZK |
| 132/100 – Goods on stock and for sale – purchase price | 250 000 CZK |
| 411 – Basic capital | 420 000 CZK |

There were the folowing events in January:

| Doc. | Description of the accounting transaction | CZK | DEBIT | CREDITOR |
|------|---|--------|-------|----------|
| P/1 | Purchase of goods in cash in wholesale | | | |
| | Price without VAT | 50 000 | | |
| | VAT 19 % | 9 500 | | |
| | Price with VAT | 59 500 | | |
| P/2 | Sale of goods for cash, price with VAT | 48 000 | | |
| | Price without VAT | | | |
| | VAT 19 % | | | |
| P/3 | Remittance of a part of the revenues to the bank (the Statement of account is not available so far) | 40 000 | | |

| | | | | |
|-----|---|---------|--|--|
| F/1 | Invoice in for goods from the manufacturing concern | | | |
| | Price without VAT | 90 000 | | |
| | VAT 19 % | 17 100 | | |
| | Price with VAT | 107 100 | | |

| | | | | |
|-----|---|-------|--|--|
| P/4 | Payed in cash to the supplier for transport of goods (to F/1) | | | |
| | Price without VAT | 3 000 | | |
| | VAT 19 % | 570 | | |
| | Price with VAT | 3 570 | | |

| | | | | |
|-----|--|--------|--|--|
| F/1 | Invoice set to the customer for the sold goods | | | |
| | Price without VAT | 25 000 | | |
| | VAT 19 % | 4 750 | | |
| | Price with VAT | 29 750 | | |

| | | | | |
|-----|------------------------|--------|--|--|
| F/2 | Goods purchase invoice | | | |
| | Price without VAT | 80 000 | | |
| | VAT 19 % | 15 200 | | |
| | Price with VAT | 95 200 | | |

| | | | | |
|-----|--|--------|--|--|
| F/3 | Tax credit note for missing goods from the supplier (to the delivery from the previous accounting transaction) | | | |
| | Price without VAT | 10 000 | | |
| | VAT 19 % | 1 900 | | |
| | Price with VAT | 11 900 | | |

| | | | | |
|------|--------------------|--------|--|--|
| F/2 | Goods sale invoice | | | |
| 5 % | Price without VAT | 30 000 | | |
| | VAT 5 % | 1 500 | | |
| | Price with VAT | 31 500 | | |
| 19 % | Price without VAT | 50 000 | | |
| | VAT 19 % | 9 500 | | |
| | Price with VAT | 59 500 | | |

| | | | | |
|-----|--|--|--|--|
| U/1 | Decrease of sold goods – in purchase price <i>Stock level in the sales room on 31st January was - 373 000 CZK (in purchase price) P.S. There was no stockaging diffenrence found out.</i> | | | |
| | Issue slip - warehouse | | | |

ER from the goods sale:

| Account | CZK |
|-------------------------------------|-----|
| 504 – Sold goods in purchase prices | |
| 604 – Revenue from the goods sale | |
| ER from the goods sale | |

Example 4

Mr. Josef Majzlik (keeping double-entry accounting) is engaged in producing of furniture. He is a VAT payer. He fines the inventory according to the variant A.

Product calculation:

| | |
|------------------------|-------|
| Direct material | 604 |
| Direct wages | 100 |
| Other direct expenses | 35 |
| Overhead costs | 75 |
| Own expenses in total | 850 |
| Profit planned | 150 |
| Sale price without VAT | 1 000 |
| VAT 19 % | 220 |
| Sale price with VAT | 1 220 |

On 1st January 2005 he proves the following initial balances:

| | |
|---------------------------------------|-----------------------|
| 112 – Material on stock | 489 000 CZK |
| 123 – Products | 170 000 CZK (200 pcs) |
| 211 – Cash | 11 000 CZK |
| 221 – Current account | 50 000 CZK |
| 491 – Individual entrepreneur account | 720 000 CZK |

There were 500 products made in January 2005. 50 pcs were sold.

| Doc. | Description of the accounting transaction | CZK | DEBIT | CREDITOR |
|------|---|---------|-------|----------|
| u/1 | Goods consumption in the production | 320 000 | | |
| m/1 | Full income of the workers within January | 50 000 | | |
| m/1 | Insurance from the staff wages within January (precept) | 17 500 | | |
| F/1 | Electric power consumption invoice within January | | | |
| | Price without VAT | 8 000 | | |
| | VAT 19 % | 1 520 | | |
| | Price with VAT | 9 520 | | |

| | | | | |
|-----|--|--------|--|--|
| b/1 | Payed for the rent of manufacturing areas within January (rent from a VAT non-payer) | 20 000 | | |
|-----|--|--------|--|--|

| | | | | |
|-----|---|--------|--|--|
| P/1 | Payed in cash for the services (advertising, advisory services), suppliers (providers of the services) are VAT non-payers | 10 000 | | |
|-----|---|--------|--|--|

| | | | | |
|-----|--|--|--|--|
| P/2 | Sale of the products to the customers (50 pcs) | | | |
| | Price without VAT | | | |
| | VAT 19 % | | | |
| | Price with VAT | | | |

| | | | | |
|-----|---|--|--|--|
| u/2 | Change of the product stock level – addition (450 pcs) P.S. May be also passed: produced 500 pcs, out of stock 50 pcs. | | | |
|-----|---|--|--|--|

There were 100 products made in February. 600 pcs were sold.

| | | | | |
|-----|----------------------|--------|--|--|
| u/3 | Material consumption | 64 000 | | |
|-----|----------------------|--------|--|--|

| | | | | |
|-----|--|--------|--|--|
| m/2 | Full income of the workers within February | 10 000 | | |
|-----|--|--------|--|--|

| | | | | |
|-----|--|-------|--|--|
| m/2 | Insurance from the staff wages within February (precept) | 3 500 | | |
|-----|--|-------|--|--|

| | | | | |
|-----|---|-------|--|--|
| F/2 | Electric power consumption invoice (February) | | | |
| | Price without VAT | 5 000 | | |
| | VAT 19 % | 950 | | |
| | Price with VAT | 5 950 | | |

| | | | | |
|-----|---|--------|--|--|
| b/2 | Payed for the rent of manufacturing areas within February | 20 000 | | |
| | Invoice payed F/1 | 9 760 | | |

| | | | | |
|-----|--|--|--|--|
| | Invoice on the sale of 600 products to the customers | | | |
| F/1 | Price without VAT | | | |
| | VAT 19 % | | | |
| | Price with VAT | | | |

150pcs*850,450*851/127500+382950

| | | | | |
|-----|---|--|--|--|
| u/4 | Change of the product stock level – decrease (500 pcs) | | | |
| | P.S. May be also passd: produced 100 pcs, out of stock 600 pcs. | | | |

3. LONG-TERM FINANCIAL PROPERTY

Example 1

Alfa, Ltd. company, non-payer of VAT (value added tax), owned a personal computer for purchase price 85 000,- CZK. The PC was purchased and installed on 15th February 2005. Depreciation: accounting double-quick DDB (begining of depreciation is from the following month up to instalation, presumption of service life is 3 years), tax double-quick 1st depreciation grade. Depreciation increase is 10% of the input price.

Pass the operations in following variants of the PC lay-up (in March of the following year):

- saled for the sale price 50 000,- CZK
- destroyed during the flood, recompense from the insurance company 40 000,- CZK
- stolen – police confirmation about stealing by unknown offender, recompense from the insurance company 12 000,- CZK (surmise)
- destroyed because of bursting of the duct footrest in the room, where it was located, recompense from the insurance company 40 000,- CZK
- not found during the stocktaking, set for compensation 46 041,- CZK to the employee, who had been using it.
- donated to Elementary school in basic price.

Determine tax acceptable and unacceptable expenses and find out the tax base for each of the instance.

Depreciation calculation chart

| YEAR | ACCOUNTING DDB | TAX DOUBLE-QUICK | DC |
|-------|----------------|------------------|----|
| 2005 | | | |
| 2006 | | | |
| 2007 | | | |
| 2008 | | | |
| 2009 | | | |
| TOTAL | | | |

Accounting operations within the year 2005

| OPERATION | SUM | DEBIT | CREDITOR |
|-----------------------|-----|-------|----------|
| Purchase of the PC | | | |
| Registration protocol | | | |
| Depreciation 2005 | | | |

Determination the tax base within the year of the purchase chart

| | REVENUES | EXPENSES | TAX REVENUES | TAX EXPENSES | TAX BASE |
|------|----------|----------|--------------|--------------|----------|
| 2005 | | | | | |
| 2005 | | | | | |

Accounting operation within the year 2005+1 – variant 1

| OPERATION | SUM | DEBIT | CREDITOR |
|-------------------------------------|-----|-------|----------|
| Sale for the sale price | | | |
| Proper depreciation within the year | | | |
| DC depreciation during the sale | | | |
| Demotion out of the property | | | |

Accounting operation within the year 2005+1 – variant 2

| OPERATION | SUM | DEBIT | CREDITOR |
|--|-----|-------|----------|
| Destroyed during the flood - recompense from the insurance company | | | |
| Proper depreciation within the year | | | |
| DC depreciation | | | |
| Demotion out of the property | | | |

Accounting operation within the year 2005+1 – variant 3

| OPERATION | SUM | DEBIT | CREDITOR |
|--|-----|-------|----------|
| Stolen – police confirmation - recompense from the insurance company | | | |
| Proper depreciation within the year | | | |
| DC depreciation | | | |
| Demotion out of the property | | | |

Accounting operation within the year 2005+1 – variant 4

| OPERATION | SUM | DEBIT | CREDITOR |
|--|-----|-------|----------|
| Destroyed because of bursting of the duct footrest | | | |
| Proper depreciation within the year | | | |
| DC depreciation | | | |
| Demotion out of the property | | | |

Accounting operation within the year 2005+1 – variant 5

| OPERATION | SUM | DEBIT | CREDITOR |
|--|-----|-------|----------|
| Not found during the stocktaking, set for compensation to the employee | | | |
| Proper depreciation within the year | | | |
| Demotion out of the property | | | |

Accounting operation within the year 2005+1 – variant 6

| OPERATION | SUM | DEBIT | CREDITOR |
|-------------------------------------|-----|-------|----------|
| Donation to Elementary school | | | |
| Proper depreciation within the year | | | |
| Demotion out of the property | | | |

Determination the tax base within the year of the demotion chart

| VARIANT | REVENUES | EXPENSES | TAX REVENUES | TAX EXPENSES | TAX BASE |
|---------|----------|----------|--------------|--------------|----------|
| 1 | | | | | |
| 2 | | | | | |
| 3 | | | | | |
| 4 | | | | | |
| 5 | | | | | |
| 6 | | | | | |

- Tax basis § 20 section 8 income tax of juristic persons JP 5% of tax basis

Example 2

BETA, Ltd. company, purchased an old warehouse for 1 000 000,- CZK in February. In March 2005 the warehouse was open and since April 2001 the depreciation had been started. Accounting depreciable plan corresponded with tax double-quick depreciation (5th depreciation grade). In March 2005+2 the store was demolished. The expenses on the demolition was 150 000,- CZK.

BETA, Ltd. built a new warehouse on the free lot. Total expenses 4 000 000,- CZK. The new warehouse was oped on 15th October 2005+2 and it will be purposefully depreciated according to the SYD methods from the following month (presumption of service life is 30 years, residual value 0,- CZK). For the tax purposes there will be used the double-quick depreciation (5th depreciation grade).

Pass the operations connected with the purchase of the old warehouse and the construction of the new one.

Reckon both accounting and tax depreciation of the new warehouse during the first 5 years of running.

Depreciation calculation chart – old warehouse

| YEAR | ACCOUNTING = TAX DEPRECIATION |
|-----------------|-------------------------------|
| 2005 | |
| 2005+1 | |
| 2005+2 | |
| Vestigial price | |

Accounting operation within the years 2001 – 2001+2

| OPERATION | SUM | DEBIT | CREDITOR |
|---|-----|-------|----------|
| Purchase of the warehouse in 2005 | | | |
| Put in use | | | |
| Depreciated | | | |
| Settlement of the invoice | | | |
| 2005+1 | | | |
| 2005+2 demolition of the warehouse | | | |
| New-built warehouse | | | |
| Warehouse depreciation | | | |
| Accounting for ZC | | | |
| Demotion out of the evidence | | | |
| Registration protocol – approval inspection | | | |
| Depreciation new warehouse 14 278*2 | | | |
| Settlement of the invoice | | | |
| Settlement of the demolition | | | |
| 2005+3 | | | |

Depreciation calculation chart – new warehouse

| YEAR | SYD | SYD – expense of the year | TAX DOUBLE-QUICK |
|--------|----------|---------------------------|------------------|
| 2005+2 | 1st year | | |
| 2005+3 | 2nd year | | |
| 2005+4 | 3rd year | | |
| 2005+5 | 4th year | | |
| 2005+6 | 5th year | | |

Example 3

GAMA, Ltd. company, bought a plot with a building for 2 000 000,- CZK. The supplement of the purchase contract included two expert reviews which estimated the plot to 500 000,- CZK and the building to 1 600 000,- CZK.

Pass the operations connected with the purchase of the property mentioned above.
1 500 000 20% : 80%

| OPERATION | SUM | DEBIT | CREDITOR |
|------------------------------|-----|-------|----------|
| Property – purchase contract | | | |
| Registration protocol | | | |
| Plot – purchase contract | | | |

Example 4

In 2005 DELTA, Ltd. company, VAT payer, purchased a lorry for commercial credit for 850 000,- CZK including VAT 19%. Supplier invoice was settled in time from the current account. Accounting depreciable plan of the lorry corresponds to tax double-quick depreciation (2nd depreciation grade). In 2005+1 the lorry was equipped with car-computer (from the VAT payer) paid by cash. The price was 41 500,- CZK including VAT 19%. In 2005+3 the company received an insurance benefit 10 000,- CZK onto its current account. By the end of the year the lorry was sold to a customer with invoice for tax depreciated price.

Pass the operations connected with the purchase, usage and sale of the lorry (when technical estimation, use the possibilities which are enabled by the law of Income tax). Reckon tax depreciation in case that DELTA, Ltd. is not VAT payer for the year 2005. Reckon tax depreciation in case that the company would have bought a car instead of the lorry (1st depreciation grade).

Depreciation calculation chart

| YEAR | LORRY VAT payer | LORRY VAT non-payer | CAR VAT payer |
|--------------|--------------------|------------------------|------------------|
| 2005 | | | |
| 2005+1 | | | |
| 2005+2 | | | |
| 2005+3 | | | |
| 2005+4 | | | |
| TOTAL | | | |

Accounting operations within the years 2005 – 2005+3 – lorry, VAT payer

| OPERATION | SUM | DEBIT | CREDITOR |
|---------------------------|-----|-------|----------|
| 2005 | | | |
| Invoice in CBD | | | |
| VAT | | | |
| Drawing of credit | | | |
| Settlement of the invoice | | | |
| Registration protocol | | | |
| Depreciation 2005 | | | |
| 2005+1 | | | |
| Purchase of car-computer | | | |
| VAT | | | |
| Put in use | | | |

| | | | |
|-----------------------------------|--|--|--|
| 2005+2 | | | |
| Purchase air-condition | | | |
| VAT | | | |
| Put in use | | | |
| Depreciation technical estimation | | | |
| 2005+3 | | | |
| Depreciation of the lorry | | | |
| Vestigial price for sale | | | |
| Demotion out of the property | | | |
| Invoice - sale | | | |
| VAT | | | |

Example 5

In 2005-4 OMEGA X company purchased a machine for 2 000 000,- CZK (from supplier by invoice). It is depreciated on the basis of accounting linear depreciation. Annual depreceable percentage is 12,5%. The machine is for tax purposes put in 2nd depreciation grade. The company uses linear tax depreciation for determination of tax base. In 2005 the machine was let for rent to ALFA company for certain time of 3 years. The renter pays annual rent 150 000,- CZK. In 2005+1 the renter, with permission of the owner, accomplished renovation for 350 000,- CZK (annual accounting depreciation of technical evaluation 100 000,- CZK).

This technical estimation was settled by the renter. The renter will also do the depreciation on base of written contract with the owner.

Pass the operation connected with the purchase and depreciation of the machine by the owner.

Depreciation calculation by the owner chart

| YEAR | ACCOUNT LINEAR | TAX LINEAR |
|--------------|----------------|------------|
| 2005-4 | | |
| 2005-3 | | |
| 2005-2 | | |
| 2005-1 | | |
| 2005 | | |
| 2005+1 | | |
| 2005+2 | | |
| 2005+3+TE | | |
| 2005+4 | | |
| TOTAL | | |

Accounting operations within the years 2005 - 4 - owner

| OPERATION | SUM | DEBIT | CREDITOR |
|-----------|-----|-------|----------|
| | | | |
| | | | |
| | | | |
| | | | |

Accounting operations within the years 2005 - 2005+2 - owner

| OPERATION | SUM | DEBIT | CREDITOR |
|-----------|-----|-------|----------|
| 2005 | | | |
| | | | |
| 2005+1 | | | |
| | | | |
| 2005+2 | | | |
| | | | |

Example 6

CAC leasing, the leasing company, rented a car (renter is VAT payer). Subject of the rental contract: Peugeot 206 1,1. Period of financial lease is 36 months. The price without VAT is 252 016,80 CZK and VAT is 19% on input 47 883,20 CZK. The price including VAT is 299 900 CZK. Time resolution charge 5 998 CZK. Tax base 280 033,20 CZK. VAT 19 % 53 206,30 CZK.

Mediate insurance 36 207,- CZK;
from which 24 800 CZK is breakdown rate
from which 9 927 CZK is compulsory Road Traffic Act Insurance
from which 1 480 CZK makes the additional insurance.
Extra leasing payment is 89 970 CZK. Vestigial value 10 000 CZK. Total to pay 279 476,50 CZK.

Payment schedule of the leasing contract

| DATE of realization of taxable performance | TAX BASE | VAT 19 % | Leasing payment | Mediate insurance | To pay |
|---|---------------------|---------------------|----------------------------|------------------------------|-----------------|
| 05-05-2005 | 0 | 0 | 0 | | |
| 05-05-2005 | 5998 | 1139,7 | 7137,7 | 0 | 7137,7 |
| 05-05-2005 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-06-2005 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-07-2005 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-08-2005 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-09-2005 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-10-2005 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-11-2005 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-12-2005 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-01-2006 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-02-2006 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-03-2006 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-04-2006 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-05-2006 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-06-2006 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-07-2006 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-08-2006 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-09-2006 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-10-2006 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-11-2006 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-12-2006 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-01-2007 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-02-2007 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-03-2007 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-04-2007 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-05-2007 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-06-2007 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-07-2007 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-08-2007 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-09-2007 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-10-2007 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-11-2007 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-12-2007 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-01-2008 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-02-2008 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-03-2008 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-04-2008 | 5513,41 | 1042,89 | 6556,3 | 1003 | 7559,3 |
| Total | 280033,2 | 53206,3 | 333239,5 | 36207 | 279476,5 |
| Vestigial value | 1000 | 1900 | | | |

| OPERATION | SUM | DEBIT | CREDITOR |
|---|-----|-------|----------|
| Advance payment formula and 1st linear leasing payments | | | |
| Price without VAT | | | |
| VAT 19 % | | | |
| Total | | | |
| Insurance | | | |
| Settlement of the advance payment | | | |
| Formula for contract settlement | | | |
| Price without VAT | | | |
| VAT 19 % | | | |
| Total | | | |
| Insurance | | | |
| Settlement | | | |
| 1st monthly linear payment formula | | | |
| Price without VAT | | | |
| VAT 19 % | | | |
| Total | | | |
| Insurance | | | |
| 1st monthly linear payment settlement | | | |
| 2nd monthly even payment formula | | | |
| Price without VAT | | | |
| VAT 19 % | | | |
| Total | | | |
| Insurance | | | |
| 2nd monthly linear payment settlement | | | |
| 3rd monthly linear payment formula | | | |
| Price without VAT | | | |
| VAT 19 % | | | |
| Total | | | |
| Insurance | | | |
| 3rd monthly linear payment settlement | | | |
| 4th monthly linear payment formula | | | |
| Price without VAT | | | |
| VAT 19 % | | | |
| Total | | | |
| Insurance | | | |
| 4th monthly linear payment settlement | | | |
| 5th monthly linear payment formula | | | |
| Price without VAT | | | |
| VAT 19 % | | | |
| Total | | | |
| Insurance | | | |
| 5th monthly linear payment settlement | | | |

| | | | |
|---------------------------------------|--|--|--|
| 6th monthly linear payment formula | | | |
| Price without VAT | | | |
| VAT 19 % | | | |
| Total | | | |
| Insurance | | | |
| 6th monthly linear payment settlement | | | |
| 7th monthly linear payment formula | | | |
| Price without VAT | | | |
| VAT 19 % | | | |
| Total | | | |
| Insurance | | | |
| 7th monthly linear payment settlement | | | |

| | | | |
|--|--|--|--|
| 8th monthly linear payment formula | | | |
| Price without VAT | | | |
| VAT 19 % | | | |
| Total | | | |
| Insurance | | | |
| 8th monthly linear payment settlement | | | |
| Proportion of leasing in 2005 (8 months) | | | |

Leasing licence number card

| | |
|---------------------------|------------|
| Subject of leasing | Car |
| Taking-over date | |
| Contract duration | |
| Leasing value | |
| Proportion for month | |

| | |
|-------------------------------|--|
| Tax acceptable expense | |
| 2005 (8 months) 10262,4*8 | |
| 2006 (12 months) | |
| 2007 (12 months) | |
| 2008 (4 months) | |
| Total | |

Example 7

In 2005 PI, Ltd. company, purchased the following property of long-term usage:

| Long-term property | Date of purchase, date of put in use | Purchase price | Annual accounting depreciation (service life) | Tax grade |
|-----------------------|--------------------------------------|----------------|---|-----------|
| 1. Warehouse building | 06-04-2005 | 1 500 000,- | 2,5% (40 years) | 5 |
| 2. High-lift truck | 08-07-2005 | 400 000,- | 10% (10 years) | 2 |
| 3. Personal computer | 05-08-2005 | 60 000,- | 25% (4 years) | 1 |

Reckon accounting depreciation (ADW) of above-mentioned property of long-term usage according to depreciable plan within the years 2005 - 2005+4 in case that the depreciation begins the following month after put in use.

Reckon tax double-quick depreciation (TDW) of above-mentioned property of long-term usage within the years 2005 - 2005+4.

Reckon total difference between accounting and tax depreciation and determine how this difference will be affected by adjustment of economic outcome (EO), (+ outstanding, - liability)

Reckon the sum of postponed tax when the following tax rate development:

| | | | | |
|------|--------|--------|--------|--------|
| 2005 | 2005+1 | 2005+2 | 2005+3 | 2005+4 |
| 28% | 26% | 24% | 22% | 20% |

481/594 - Postponed tax duty

Accounting depreciation calculation chart in 2005 - 2005+4

| Long-term property | 2005 | 2005+1 | 2005+2 | 2005+3 | 2005+4 |
|--------------------|------|--------|--------|--------|--------|
| Warehouse building | | | | | |
| High-lift truck | | | | | |
| PC | | | | | |
| TOTAL | | | | | |

Tax depreciation calculation chart in 2001 - 2001+4

| Long-term property | 2005 | 2005+1 | 2005+2 | 2005+3 | 2005+4 |
|--------------------|------|--------|--------|--------|--------|
| Warehouse building | | | | | |
| High-lift truck | | | | | |
| PC | | | | | |
| TOTAL | | | | | |

Postponed tax calculation chart in each of the years

| | 2005 | 2005+1 | 2005+2 | 2005+3 | 2005+4 |
|--------------------|------|--------|--------|--------|--------|
| Difference ADW-TDW | | | | | |
| Postponed tax | | | | | |

Accounting operation connected with deferred tax bookkeeping within each of the years

| YEAR | OB OF ACCOUNT 371 | OPERATION | SUM | DEBIT | CREDITOR |
|--------|-------------------|-----------|-----|-------|----------|
| 2005 | | | | | |
| 2005+1 | | | | | |
| 2005+2 | | | | | |
| 2005+3 | | | | | |
| 2005+4 | | | | | |
| 2005+5 | | | | | |

4. SHORT-TERM FINANCIAL PROPERTY

4.1 Securities

BETA Inc., the stock company, had the following balances on the accounts on 31st October:

| | | |
|------------------------------------|-----|-------------|
| 221 – Bank accounts | CZK | 1 220 500,- |
| 241 – Emited short-term debentures | CZK | 500 000,- |
| 251 – Property securities | CZK | 150 000,- |

In monitored period the following selected accounting transactions connected with securities appeared.

| OPERATION | SUM | DEBIT | CREDITOR |
|---|---------|-------|----------|
| Inner account voucher – subscribing of 100 pcs of shares in nominal value 1.000,- CZK per 1 share to newly founded stock company AGRA Inc. (10% part in basic property) | | | |
| Statement of account – purchase of shares of ABC company with intention to sell them within 1 year | 42 000 | | |
| Statement of account – settlement subscribed shares of AGRA Inc. (10% of total subscribed value) | | | |
| Statement of account – recieved dividend from short-term shares | 5 000 | | |
| Statement of account – sale of short-term shares of ZEBRA company | 20 000 | | |
| Inner account voucher – decrease of sold shares of ZEBRA company in purchase price | 10 000 | | |
| Statement of account – purchase of debentures with term of expiration within 1 year | 100 000 | | |
| Inner account voucher – presentation of formely | 220 000 | | |

| | | | |
|---|---------|--|--|
| emitted debentures to repayment | | | |
| Inner account voucher | | | |
| ▪ claim of the creditors for the debentures | 8 000 | | |
| ▪ interest | 2 000 | | |
| ▪ deduction interest tax | | | |
| Statement of account: | | | |
| ▪ remittance of interests deduction tax | 2 000 | | |
| ▪ paying out the obligation including taxed interest to the creditors | 226 000 | | |

5. SETTLING RELATIONS

Staff income tax calculation in May 2005

Beta, Ltd. sets up an settling document and a payroll within May 2005:

Ladislav Vaněk (fulltime employment)

Company partner, monthly full income 25 000 CZK, signed tax declaration. Except tax-free minimum he also claims tax-free sums for two under age children. The company provides him a car in purchase price 510 000 CZK which he can use to personal purposes. P.S. Within every month when the employer agrees with using the car to personal purposes, the base raises by 1% of the purchase price.

Marek Mokroš (part-time employment)

Employee, monthly full income 21 000 CZK. Mr. Mokroš worked off 17 days within month, he was ill 4 days (i.e. 21 working days within month). That means that the monthly wages within the worked off time must be shorten by proportion. He signed tax declaration and claims tax-free sums for three children. He'll receive health insurance premium 1 560 CZK within the time of illness.

Petr Hudeček (part-time employment)

Full income 7 500 CZK. He signed tax declaration – except tax-free minimum he claims tax-free sum for the reason of daily University study (he delivered study confirmation) P.S. Health insurance base lowers by 3 250 CZK to those people whose health insurance is settled by the state.

Marie Tomčalová (agreement on work action)

Full income 12 000 CZK. She did not signed tax declaration.

Pavla Lukešová (contract of services)

Full income 2 800 CZK. She did not signed tax declaration. P.S. No health insurance is being payed when contract of servicest.

Note! In case of not signing tax declaration the wages taxation depends on the height of monthly reward:

Monthly reward up to 3 000 CZK – deduction tax 15 %

Monthly reward over 3 000 CZK – advance tax payment, at least 20 %

Staff income tax calculation

| | Vaněk | Mokroš | Hudeček | Tomčalová | Lukešová |
|------------------------|-------|--------|---------|-----------|----------|
| Full income | | | | | |
| Health insurance | | | | | |
| Social insurance | | | | | |
| Tax-free sums | | | | | |
| Tax-free minimum | | | | | |
| Deduction for children | | | | | |
| Deduction for study | | | | | |
| Other deductions | | | | | |
| Taxable wages | | | | | |
| Income tax | | | | | |

Height of tax-free sums concerned to chosen parts within the year 2004:

| | Annual | Monthly |
|----------------------------|------------|---------|
| Tax-free minimum CZK | 38 040 CZK | 3 170 |
| Deduction for children CZK | 23 520 CZK | 1 960 |
| For student | 11 400 CZK | 950 CZK |

Tax rates for calculation of monthly income tax advance payment within the year 2004:

| Taxable wages | Monthly income tax advance payment |
|---------------------|---|
| 0 – 9100 CZK | 15 % |
| 9100 – 18 200 CZK | 1365 CZK + 20 % of taxable wages ze zdanitelné mzdy exceeding 9 100 CZK |
| 18 200 – 27 600 CZK | 3 185 CZK + 25 % of taxable wages ze zdanitelné mzdy exceeding 18 200 CZK |
| 27 600 CZK and more | 5 535 CZK + 32 % of taxable wages ze zdanitelné mzdy exceeding 27 600 CZK |

Wages and HI (health insurance) premium payment calculation

| Name of the employee | Full income | Health insurance company | Social insurance company | Income tax | Other deductions | HI premium | Wages and HI premium payment |
|----------------------|-------------|--------------------------|--------------------------|------------|------------------|------------|------------------------------|
| Vaněk | | | | | | | |
| Mokroš | | | | | | | |
| Hudeček | | | | | | | |
| Tomčalová | | | | | | | |
| Lukešová | | | | | | | |
| Celkem | | | | | | | |

Pass the wages precept

| U/1 | Fulltime staff payroll – May 2004 | Total | DEBIT | CREDITOR |
|----------|---|-------|-------|----------|
| 31-05-04 | Admitted full income | | | |
| | Dependent activity income tax advance payment | | | |
| | Health insurance | | | |
| | Social insurance | | | |
| | Wages deduction | | | |
| | Admitted HI premium | | | |
| | Company staff wages insurance precept | | | |
| | Health insurance (9%) | | | |
| | Social insurance (24 %) | | | |

Example 2

KOMAKO, Ltd. company, has two fulltime employees and apart from that some external workers occasionally helps out the company on base of contract of services.

Fulltime employee data:

Mr. Josef Vaněk claims the following deductible entries:

- tax-free minimum 38 040,00 (3 170 CZK per month)
- Deduction for child 23 520,00 (1 960 CZK per month)

Regular wages deduction is 1 000 CZK (building savings), there are no other wages deductions.

Mr. Milan Pinkava claims only tax-free minimum. There are regular deduction 1 000 CZK from the dependent activity income (payment for private loan).

Wages are payed:

- to fulltime employees - by transfer onto their budget accounts
- to occasional workers - in cash

Staff wages data:

Fulltime employment:

| Name of the employee | Work-off hours | Hourly wages | Full income | Health insurance | Social insurance | Income tax | Net income | Wages deductions | To pay |
|----------------------|----------------|--------------|-------------|------------------|------------------|------------|------------|------------------|--------|
| Vaněk | 160 | 75 | 12 000 | 540 | 960 | 810 | | 1 500 | |
| Pinkava | 200 | 50 | 10 000 | 450 | 800 | 840 | | 1 000 | |
| Staff | | | | | | | | | |
| Company | | | | | | | | | |

Note:

Insurance within the year 2005:

health 4,5 + 9,0 %
social 8,0 + 26,0 %

Contracts of services:

| Name of the employee | Full income | Health insurance | Social insurance | Income tax | To pay |
|----------------------|-------------|------------------|------------------|------------|--------|
| Petr Kašný | 9 000 | X | X | 1 800 | |
| Libor Lukáš | 6 000 | X | X | 1 200 | |
| Total | | | | | |

| Doc. | Description of the accounting transaction | CZK | DEBIT | CREDITOR |
|------|---|-----|-------|----------|
|------|---|-----|-------|----------|

There were the following initial states on the accounts: 211 – Bank accounts 100 000 CZK,
411 – Basic capital
100 000 CZK

| | | | | |
|----------|---|--|--|--|
| u/1 | Fulltime staff payroll – September 2005 | | | |
| 30-09-05 | Admitted full income | | | |
| | Dependent activity income tax advance payment | | | |
| | Health insurance | | | |
| | Social insurance | | | |
| | Wages deduction | | | |
| | Company staff wages insurance precept | | | |
| | Health insurance | | | |
| | Social insurance | | | |

| | | | | |
|----------|---|--|--|--|
| u/2 | Contracts of services payroll – September 2005 | | | |
| 30-09-05 | Admitted rewards of contracts of services | | | |
| | Dependent activity tax advance payment (income tax) | | | |

| | | | | |
|-----------------|--|--------|--|--|
| 15-10-05 P/1 | Cash withdrawal from the current account for wages payment | 12 000 | | |
| 15-10-05 P/2 | Reward payment - contracts of services | 12 000 | | |

| | | | | |
|-------------------------------|--|--|--|--|
| b/1 | Statement of current account | | | |
| 15-10-05 | Remittance of the health insurance (for both stuff and company) | | | |
| | Remittance of the social insurance (for both stuff and company) | | | |
| | Remittance of the income tax advance payment to financial office (both fulltime staff wages and contract of servicest) | | | |
| | Remittance of the loan payment to monetary institution | | | |
| | Remittance of the building savings to monetary institution | | | |
| | Staff wages payment | | | |
| | Cash (cash withdrawal statement) | | | |
| | <i>Statement recapitulation:</i> | | | |
| | <i>Initial state 100 000 CZK</i> | | | |
| <i>Creditor</i> | | | | |
| <i>Debit 44 700 CZK</i> | | | | |
| <i>Final state 55 300 CZK</i> | | | | |

Reckon health insurance, social insurance and dependent activity tax advance payment for individual incomes and fill in the chart with the results.

Example 3

Mr. Josef Mikéska was receiving income of 178 020 CZK from one employer during the last taxable period (income of labourrelationlaw relation). There was deduction of 20 004 CZK according to appropriate rules. The tax payer signed the tax declaration within this taxable period and claimed basic tax-free sum and tax-free sum for two children living with him in common household. There was deduction of 13 295 CZK from advance payments by the employer within the taxable period 2004.

After the end of the year he asked the employer (to 15th February 2004 and because of that he still applied in his application) for his wife's annual tax-free sum settling (21 720 CZK). With the application for the annual settling he also presented confirmation from the transfusion station that last year he gave blood gratis twice (gratis blood giving is rewarded with 2 000 CZK per litre for the income tax purposes)

Annual settling calculation procedure:

| | |
|--------------------------------|--|
| Depended action total income | |
| Insurance | |
| Tax base | |
| Basic tax-free sum | |
| Deduction for 2 children | |
| Tax-free sum for wife | |
| Donation value | |
| Tax base without tax-free sums | |
| Tax | |
| Payed in advanced payments | |
| Tax overpayment/underpayment | |

Note: Income tax rates within the year 2004

| Tax base | | Tax | From base overlapping CZK |
|----------|----------|---------------|---------------------------|
| from CZK | to CZK | | |
| 0 | 109 200 | 15 % | |
| 109 200 | 218 400 | 16 380 + 20 % | 109 200 |
| 218 400 | 331 200 | 38 220 + 25 % | 218 400 |
| 331 200 | And more | 66 420 + 32 % | 331 200 |

5.1 Outstandings and liabilities from commercial relation

Example 1

In an engineering corporation there were the following selected events in the commercial settling relations sphere within December and January.

| OPERATION | SUM | DEBIT | CREDITOR |
|---|---------|-------|----------|
| Invoice in on purchasing of metal laths from abroad for EUR 1 500,- exchange rate 1 EUR = 30,16 | | | |
| Invoice out for sold products (measuring apparatuses) in total: | 244 000 | | |
| ▪ contractual price | 200 000 | | |
| ▪ VAT 19 % | 44 000 | | |
| Statement of account – settlement of a part of the invoice on the measuring apparatuses from the customer | 100 000 | | |
| Statement of account – settlement of the advance payment to the supplier for future accessory supply: - 19 % koeficient dolů | 50 000 | | |
| Inner account voucher – takeover of the bill of exchange for the measuring apparatuses, containing exchange sum, from the customer: | 160 000 | | |
| ▪ Invoiced sum | | | |
| ▪ interest | | | |
| Invoice in for the accessory in total: | 97 600 | | |
| ▪ contractual price | 80 000 | | |
| ▪ VAT 19 % | 17 600 | | |
| ▪ advance payment statement | | | |
| Statement of account – settlement of the invoice on the accessory | | | |
| Inner account voucher – exchange difference from unsettled exchange obligation (exchange rate within 1st January 1 EUR = 30,16) | | | |
| Inner account voucher – exchange difference reserve formation | | | |

| | | | |
|--|--------|--|--|
| Inner account voucher – formation of corrective accounting entry to disputable outstanding debt | 25 000 | | |
| Accounting transactions within the next accounting period: Inner account voucher: <ul style="list-style-type: none"> ▪ cancellation of exchange difference ▪ cancellation of reserve for exchange difference | | | |
| Statement of account – settlement to abroad for the metal laths, exchange rate 1 EUR = 30,10 | | | |
| Inner account voucher for raelized exchange difference | | | |
| Statement of account – settlement of the bill of exchange from the customer | | | |

5.2 Settling relations with abroad

Example 1

Bussines company, VAT payer and excise tax non-payer, engaged in purchasing and selling goods, using stock records variant A. In the monitored period there were the following accounting transactions:

| Text of the accounting transaction | CZK | DEBIT | CREDITOR |
|--|---------|-------|----------|
| Cash voucher out – intake for the purchase of goods in cash: <ul style="list-style-type: none"> ▪ contracting price ▪ VAT 19 % | 20 000 | | |
| Invoice in for the purchase of goods from abroad (10 000 EUR, 30,16 CZK per 1 EUR) – out of EU | | | |
| Inner account voucher – staff full wages | 60 000 | | |
| Integrated customs entry in total: <ul style="list-style-type: none"> ▪ customs duty 10 % ▪ excise tax ▪ VAT 19 % | | | |
| Takeover note – takeover of goods from abroad | | | |
| Statement of account: <ul style="list-style-type: none"> ▪ invoice settlement for goods to abroad supplier, exchange rate 1 EUR = 30,16 CZK ▪ rent payment for 1st quarter of the next year | 18 000 | | |
| Inner account voucher – exchange difference | | | |
| Cash voucher in for revenue in cash in total: <ul style="list-style-type: none"> ▪ contracting price ▪ VAT 19 % | 250 000 | | |
| Issue slip – sold goods decrease | 170 000 | | |

| | | | |
|--|--------|--|--|
| Invoice in for goods purchase in total: ▪ contracting price ▪ VAT 19 % | 32 000 | | |
| Accounting transaction in the end of the accounting period Inner account voucher – invoiced repudiate goods | 32 000 | | |
| Inner account voucher – during stockaging it was found out that market value of seasonal goods is 74 000,- CZK and its accounting value is 85 000,- CZK. | | | |

Task:

Fill in the chart with the missing sums and accounting precepts.

Determine the accounting changes in case that the bussines company is VAT and excise tax non-payer and inventory is filed by variant B.

6. ECONOMIC OUTCOME

6.1 Net profit partition in stock company

Example 1

In a stock company there were the following accounting transactions concerning to 350 000,- net profit partition. 5% to the statutory reserve fund, 30% to the statutory development fund, 10% the rewards fund, 30% admitted dividend to the shareholders, and the rest of the profit retained. Dividend were tax and payed to the shareholders in cash. There were profit shares admitted to the employees from the reward fund.

| OPERATION | SUM | DEBIT | CREDITOR |
|---|-----|-------|----------|
| Inner account voucher – net profit transfer at the beginning of the year | | | |
| Inner account voucher – profit ration: ▪ to the statutory reserve fund ▪ to the statutory development fund ▪ to the rewards fund | | | |
| Inner account voucher – admitted dividend to the shareholders | | | |
| Inner account voucher – retained profit transfer | | | |
| Inner account voucher – deduction tax from dividend | | | |
| Cash voucher out – payment of dividend to the shareholders | | | |
| Inner account voucher – profit shares admission to the employees from the reward fund | | | |

Task

Fill in the chart with the missing sums and accounting precepts or pass to the accounts.

Example 2

A Limited Company showed loss of 85 400,- CZK. Companion general meeting made a decision that the loss would be settled from the statutory reserve fund in the amount of 30 000,- CZK, 25 000,- CZK by the companions and the rest of the loss from the economic outcome of the next years.

| OPERATION | SUM | DEBIT | CREDITOR |
|--|-----|-------|----------|
| Inner account voucher – loss transfer at the beginning of the accounting period | | | |
| Inner account voucher – loss settlement: <ul style="list-style-type: none">▪ from statutory reserve fund▪ by the companions▪ by transfer to the next accounting period | | | |
| Cash voucher in – loss settled by the companions in cash | | | |

Task

Fill in the chart with the missing sums and accounting precepts or pass to the accounts.

7. EXPENSES AND REVENUES

7.1 Tax and donation posting

Example 1

Wholesale corporation Jandák Inc., VAT and excise tax payer, has balance of 4 250 500 CZK on its current account and economic outcome (profit) from common activity, before taxation, 2 375 000 CZK.

This profit is tax base at the same time.

| OPERATION | SUM | DEBIT | CREDITOR |
|---|--|-------|----------|
| Inner account voucher – common activity income tax precept (28 %) | | | |
| Inner account voucher – dependent activity income tax deduction | 133 000 | | |
| Inner account voucher – road-traffic tax precept | 6 200 | | |
| Inner account voucher – real estate-transfer tax precept | 28 000 | | |
| Common customs declaration for tobacco products import in total: <ul style="list-style-type: none">▪ customs duty▪ excise tax▪ VAT 19 % | 214 310 50 000 35 500 128 810 | | |
| Inner account voucher – feu duty precept | 32 000 | | |
| Invoice out to the customer for the sold goods in total: <ul style="list-style-type: none">▪ contractual price (taxable performance)▪ VAT 19 % | 854 000 700 000 154 000 | | |

| | | | |
|---|---------|--|--|
| Invoice in for equipment for laboratory in accordance with HELP program in total: | 610 000 | | |
| ▪ contractual price | 500 000 | | |
| ▪ VAT 19 % | 110 000 | | |
| Statement of account: | | | |
| ▪ Donation allowance for HELP program | 300 000 | | |
| ▪ Jurdical person income tax payment | | | |
| ▪ Depended action income tax payment | | | |
| ▪ Road-traffic tax payment | | | |
| ▪ Estate-transfer tax payment | | | |
| ▪ Feu duty payment | | | |
| ▪ Excise tax intake | | | |
| ▪ Immoderate VAT deduction intake | | | |
| ▪ Settlement of the invoice on the equipment for laboratory | | | |
| Inner account voucher – using the dotation for the investment | | | |

7.2 Final accounts on taxation

Example 1

31st December 2004, before income tax posting ALFA, Ltd. company, showed the following final states (balances) on result accounts:

| | CZK |
|--|-----------|
| 501 – Material consumption | 262 950,- |
| 502 – Power consumption | 99 000,- |
| 511 – Repairs and maintenance | 19 950,- |
| 512 – Travelling expenses | 141 450,- |
| 512/1 – Travelling expenses up to the limit | 78 750,- |
| 512/2 – Travelling expenses over the limit | 62 700,- |
| 513 – Representation expenses | 7 500,- |
| 521 – Wages expenses | 227 250,- |
| 522 – Dependent activity incomes of the companions and cooperative members | 110 500,- |
| 524 – Statutory social insurance | 81 810,- |
| 543 – Donations (according to the income tax law) | 4 200,- |
| 551 – Tangible and intangible investment property depreciation (tax depreciation 185 300,- CZK) | 170 250,- |
| 552 – Legal reserves formation | 9 600,- |
| 554 – Other reserves formation | 3 000,- |
| 561 – Sold securities | 150 000,- |
| 562 – Interest | 40 590,- |
| 582 – Shortfalls and damages | 13 500,- |
| 582/1 – Natural disaster shorfalls and damages | 12 000,- |
| 582/2 – Other shorfalls and damages | 1 500,- |
| 591 – Common aktivty income tax | ? |
| 593 – Uncommon activity income tax | ? |
| 601 – Self-production revenue | 766 000,- |
| 602 – Service revenue | 344 860,- |
| 611 – Production in progress status change (Creditor) | 60 000,- |

| | |
|--|-----------|
| 613 – Product status change (Debit)(-) | 90 000,- |
| 622 – Interdepartmental services activation | 210 390,- |
| 652 – Legal reserves settling | 20 250,- |
| 661 – Revenue from sold securities | 207 000,- |
| 662 – Interest (untaxed) | 37 650,- |
| 663 – Exchange-rate profits | 23 250,- |
| 688 – Other uncommon revenues | 19 050,- |
| 688/1 – Natural disaster damage compensations | 3 750,- |
| 688/2 – Shortfalls and other damages compensations | 1 050,- |
| 688/3 – Other uncommon revenues | 14 250,- |

Tasks:

- Find out accounting economic outcome before taxation in division of common and uncommon activity.
- Adjust the accounting economic outcome to tax base and reckon:
 - common activity income tax due
 - uncommon activity income tax due
- Determine accounting precepts for income tax due provided that within the year there were 60 000,- CZK paid for income tax advance payment.
- Reckon net profit.

The common and uncommon activity tax base may be round down on entire thousands only once (for both of the activities)

| OPERATION | SUM | DEBIT | CREDITOR |
|------------------------------|-----|-------|----------|
| Income tax advance payment | | | |
| Common activity income tax | | | |
| Uncommon activity income tax | | | |
| Tax extra | | | |

7.3 Stock company basic capital increase

ROKO Inc., the stock company, had the following initial states in the selected accounts on 1st of January 2004:

| | CZK |
|---|-------------|
| 411/1 – Basic capital signed up in Trade Register | 5 000 000,- |
| 421 – Statutory reserve fund | 125 000,- |
| 431 – Economic outcome in SB (profit) | 750 000,- |
| 473 – Emitted debentures | 250 000,- |

In accounting period there were the following transactions in a stock company with foreign property participation:

| OPERATION | SUM | DEBIT | CREDITOR |
|---|-----|-------|----------|
| Inner account voucher – subscribing of the new shares by foreign shareholder: <ul style="list-style-type: none"> ▪ Sale price (2 000 pcs of shares for 550,- CZK per 1 share) exchange rate 1 EUR = 30,16 (= 36 472,- CZK) ▪ nominal value of subscribed shares (2 000 pcs of shares for 500,- CZK) ▪ difference – share premium | | | |
| Statement of foreign currency account – payment of subscribed stock to the foreign shareholders, exchange rate 1 EUR = 30,16 CZK | | | |
| Inner account voucher – exchange difference | | | |
| Inner account voucher – exchange of long-term debentures for shares | | | |
| Inner account voucher – recording the basic capital increase into the Trade Register | | | |

Example 2

7.4 Basic capital reduction in a stock company

DIXI Inc., the stock company, considering its economic activity volume decrease, determined to decrease its basic capital from 2 500 000 CZK to 2 000 000 CZK by buying out a part of shareholder's treasury stock. Nominal value of buy-out treasury stock was 1 000 CZK per 1 stock, purchase price of the buy-out treasury stock was 1 100 CZK per 1 stock. There were 700 stocks bought out.

| OPERATION | SUM | DEBIT | CREDITOR |
|---|-----|-------|----------|
| Statement of account – buying out the treasury stock (700 pcs for 1 100,- CZK per 1 piece) | | | |
| Inner account voucher – basic capital decrease by destruction of 500 pcs of buy-out treasury stock: <ul style="list-style-type: none"> ▪ nominal price ▪ purchase price ▪ difference | | | |
| Statement of account – revenue from selling of 200 pcs of treasury stock in market price 1 200 CZK per 1 stock | | | |
| Inner account voucher – decrease of 200 pcs of sold treasury stock | | | |
| Record of the basic capital decrease in Trade Register | | | |

8. CLOSING OF BOOK AND FINAL ACCOUNTS

FALKO, Ltd., the business company, is engaged in manufacturing activity and providing of consultancy service. It is a VAT payer.

Initial states on the accounts on 1st January.2004:

| | |
|--|-------------------------|
| 112 – Material on stock | 140 000 CZK |
| 123 – Products | 260 000 CZK |
| 211 – Cash (211001) | 120 000 CZK |
| 221 – Current account (221001) | 480 000 CZK |
| 311 – Customers | 50 000 CZK (f/2003 159) |
| 321 – Suppliers | 200 000 CZK (F/105) |
| 341 – Income tax | 35 000 CZK |
| 411 – Basic capital | 100 000 CZK |
| 413 – Other capital funds | 650 000 CZK |
| 428 – Economic outcome in approval procedure | 65 000 CZK |

Accounting transactions in 2005:

| Doc. | Description of the accounting transaction | CZK | DEBIT | CREDITOR |
|------|---|-----|-------|----------|
|------|---|-----|-------|----------|

Invoice in

| | | | | |
|-----|--|---------|--|--|
| F/1 | For the purchase of used processing machine (put in use) | | | |
| | Price without tax | 240 000 | | |
| | VAT 19 % | 45 600 | | |
| | Price with tax | 285 600 | | |

| | | | | |
|-----|--|---------|--|--|
| F/2 | For the purchase of material (takeover in stock) | | | |
| | Price without tax | 90 000 | | |
| | VAT 19 % | 17 100 | | |
| | Price with tax | 107 100 | | |

Invoice out

| | | | | |
|-----|--------------------------|---------|--|--|
| F/1 | For the sale of products | | | |
| | Price without tax | 170 000 | | |
| | VAT 19 % | 32 300 | | |
| | Price with tax | 202 300 | | |

| | | | | |
|-----|----------------------------------|---------|--|--|
| F/2 | For provided consultancy service | | | |
| | Price without tax | 200 000 | | |
| | VAT 19 % | 38 000 | | |
| | Price with tax | 238 000 | | |

Cash vouchers

| | | | | |
|-----|----------------------------------|--------|--|--|
| P/1 | Revenue from consultancy service | | | |
| | Price without tax | 25 000 | | |
| | VAT 19 % | 4 750 | | |
| | Price with tax | 29 750 | | |

| | | | | |
|-----|--------------------------------------|--------|--|--|
| V/1 | Paid penalty to the financial office | 35 000 | | |
|-----|--------------------------------------|--------|--|--|

| | | | | |
|-----|---|--------|--|--|
| P/2 | Partial settlement of the invoice from the customer (f/2) | 50 000 | | |
|-----|---|--------|--|--|

Statements of the current account

| | | | | |
|-----|---|---------|--|--|
| B/1 | Settlement of the invoice from the customer from the year 2003 (f/2003 159) | 50 000 | | |
| | Paid supplier invoice for the machine (F/1) – partial settlement | 240 000 | | |
| | Customer payed the rest of the invoice (f/2) | 188 000 | | |
| | Paid supplier invoice from 2003 (F/105) | 200 000 | | |

| | | | | |
|-----|--|---------|--|--|
| B/2 | Provision of the long-term bank credit | 500 000 | | |
| | Partial settlement of the invoice from the customer for sold product (f/1) | 85 000 | | |
| | Paid income tax of accounting entity within the year 2003 | 35 000 | | |

| | | | | |
|-----|--|--------|--|--|
| B/3 | Credit payment | 20 000 | | |
| | Credit interest | 25 000 | | |
| | Attributed interest from the current account | 1 000 | | |
| | Bank charges | 4 000 | | |

Inner account vouchers

| | | | | |
|-----|---|--------|--|--|
| U/1 | Issue slip – expenditure of the material into the production, where it was used | 60 000 | | |
|-----|---|--------|--|--|

| | | | | |
|-----|--|---------|--|--|
| U/2 | Putting sold products out of the warehouse in own expenses | 115 000 | | |
|-----|--|---------|--|--|

| | | | | |
|-----|---|---------|--|--|
| U/3 | Material destroyed by fire depreciated from stock | 150 000 | | |
|-----|---|---------|--|--|

| | | | | |
|-----|---|---------|--|--|
| U/4 | Expected (assessed) compensation from the insurance company | 110 000 | | |
|-----|---|---------|--|--|

| | | | | |
|-----|---|--------|--|--|
| U/5 | Accounting depreciation long-term properte (LP) – purchased machine | 24 000 | | |
|-----|---|--------|--|--|

| | | | | |
|-----|-------------------------------|---------|--|--|
| U/6 | Machine transfer (putting in) | 240 000 | | |
|-----|-------------------------------|---------|--|--|

| | | | | |
|-----|-----------------|--------|--|--|
| U/7 | Intake in stock | 90 000 | | |
|-----|-----------------|--------|--|--|

| | | | | |
|-----|-----|--------|--|--|
| U/8 | Tax | 42 560 | | |
|-----|-----|--------|--|--|

Tax depreciation = machine put in second depreciation grade, double-quick depreciation, coefficient in the 1st year = 6

Adjust accounting economic result (ER) to tax base, reckon tax duty within the year 2004 and pass it.

Form account sheets BALANCE and PROFIT AND LOSS SHEET.

EXPENSES (5th grade) =CZK
 REVENUES (6th grade) =CZK
 ACCOUNTING ECONOMIC OUTCOME =CZK

Adjusting economic outcome to tax base, tax duty calculation and posting

Note:

Accounting entity cannot claim reinvestment deduction, because it is not the first owner of the purchased machine.

Add-on entries (tax-free expenses)

| Account title | CZK |
|---------------|-----|
| | |
| | |
| TOTAL | |

Difference between accounting and tax depreciation

| Account title | CZK |
|-------------------------------|-----|
| Accounting depreciation of LP | |
| Tax depreciation LP | |
| Difference | |

TAX BASE = CZK

Round down the tax base on entire thousands = CZK

Tax rate 28 %

Tax duty of the accounting entity = CZK

| | | | |
|---|--|--|--|
| Tax duty of the accounting entity within the year 2004 | | | |
|---|--|--|--|

Account sheets

BALANCE

| Marking | ASSETS | | | | Last period |
|---------|---|-------|------------|------|-------------|
| | | GROSS | Correction | NETT | NETT |
| | <u>Assets in total</u> | | | | |
| A. | Outstandings for subscribed basic capital | | | | |
| B. | Long-term property | | | | |
| B.I. | Long-term intangible property | | | | |
| B.II. | Long-term tangible property | | | | |
| B.III. | Long-term financial property | | | | |
| C. | Circular assets | | | | |
| C.I. | Inventory | | | | |
| C.II. | Long-term outstandings | | | | |
| C.III. | Short-term outstandings | | | | |
| C.IV. | Short-time financial property | | | | |
| D. | Time resolution | | | | |

Note:

- gross = the amount of assets according to individual entries unadjusted with correction entries and depreciation reserves
- correction = amount of correction entries and depreciation reserves to appropriate assets
- nett = amount of assets reduced by correction entries and depreciation reserves

| Marking | DEBTS | Common accounting period | Last accounting period |
|---------|---|--------------------------|------------------------|
| | | | |
| | <u>Debts in total</u> | | |
| A. | Own capital | | |
| A.I. | Basic capital | | |
| A.II. | Capital funds | | |
| A.III. | Reserve funds, invisible fund and other funds of the profit | | |
| A.IV. | Economic outcome within last years | | |
| A.V. | Economic outcome within common year | | |
| B. | Foreign sources | | |
| B.I. | Reserves | | |
| B.II. | Long-term liabilities | | |
| B.III. | Short-term liabilities | | |
| B.IV. | Bank credits and helps | | |
| C. | Time resolution | | |

PROFIT and LOSS REPORT in simplified scale:

| Line | Entry content | Fact in the accounting period | |
|-------|---|-------------------------------|------|
| | | monitored | last |
| I. | Revenue from sold goods | | |
| A. | Expenses spent for the sold goods | | |
| + | Business margin (I.-A.) | | |
| II. | Performances | | |
| B. | Performance depletion | | |
| + | Added value (II.-A.+II.-B) | | |
| C. | Personal expenses | | |
| D. | Taxes and charges | | |
| E. | Long-term tangible and intangible property depreciation | | |
| III. | Revenue from the sale of long-term property and material | | |
| F. | Depreciated price of sold long-term property and material | | |
| G. | Change of reserve state and correction entries in operating area and komplex expenses of next periods | | |
| IV. | Other operating revenues | | |
| H. | Other operating expenses | | |
| V. | Operating revenues transfer | | |
| I. | Operating expenses transfer | | |
| * | Operating economic outcome (regarding revenue entries (I.to V.) and expenses entries (A to I.) | | |
| VI. | Revenue from the sale of securities and shares | | |
| J. | Sold securities and shares | | |
| VII. | Revenue from long-term-financial property | | |
| VIII. | Revenue from short-term-financial property | | |
| K. | Expenses from financial property | | |
| IX. | Revenue from overestimating of securities and derivatives | | |
| L. | Expenses from overestimating of securities and derivatives | | |
| M. | Change of reserve state and correction entries in financial area | | |
| X. | Revenues interest | | |
| N. | Expenses interest | | |
| XI. | Other financial revenues | | |
| O. | Other financial expenses | | |
| XII. | Financial revenues transfer | | |
| P. | Financial expenses transfer | | |
| * | Financial economic outcome (regarding revenue entries (VI. to XII.) and expenses entries (J. to P.)) | | |
| Q. | Common activity income tax | | |
| ** | Common activity economic outcome (operating | | |

| | | | |
|-------|--|--|--|
| | EO + financial EO – Q) | | |
| XIII. | Uncommon revenues | | |
| R. | Uncommon expenses | | |
| S. | Uncommon activity income tax | | |
| * | Uncommon economic outcome (XIII.-R – S) | | |
| T. | Transfer of economic outcome shares to companions (+/-) | | |
| *** | Economic outcome within accounting period (+/-) (common activity economic outcome and uncommon EO) | | |

9. CONCLUSION

The aim of my Bachelor Thesis was to make a methodical handbook of „learning book-keeping in the form of distant studies for the citizens of Uherské Hradiště a Hodonín“ – a practical basis for the study of this subject. I tried to make it as helpful as possible for the public, students, and teachers.

Book-keeping is governed by many laws concerning its individual parts. Individual sections of the handbook are e.g. inventories, property, wages and salaries, taxes, equity capital, statement of finances, and statement of balances.

This publication is designed to give to its readers knowledge regarding gathering and processing economic information necessary for both managing the in-house departments and managing the enterprise as a whole. After studying the handbook, you should understand the economic activities in a company and carry out the basic activities related to accounting. The strongest emphasis is laid on systematic and continuous preparation by the means of which you can get the necessary knowledge.

In the individual sections I focused on:

- inventories
- long-term financial property
- short- term financial property
- debtors and creditors
- economic result
- costs and returns
- statement of finances and statement of balances

I tried to summarize book-keeping into a methodical handbook which would make the orientation in and understanding of the book-keeping easier. I work in the sphere of commercial services and working on this Thesis is a great benefit for me and I hope that so will be for other readers.

10. RESUMÉ

This methodical handbook is a practical basis for learning book-keeping. I dealt with basic examples from this field. This handbook offers examples concerning keeping the books. I made a selection according to the accounting system ranging from inventories to statement of finances and statement of balances.

The methodical handbook should be used by schools, the public, students, and teachers during teaching the subject of book-keeping. The public from Uherské Hradiště and Hodonín can take the advantage of using the handbook too.

One part of this thesis is also an e-learning study material. Hopefully, this methodical handbook will contribute to better understanding and easier orientation in the field of book-keeping.

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12. ENCLOSURE

INVENTORY

Example 1

Mr. Jan Novák is engaged in production of office furniture. There were property economic operations within January. Use account 395.343 for bookkeeping from import:

Title: Chipboard

| Date | Text | Amount in metres | Price per unit |
|------------|------------------------------------|------------------|----------------|
| 01-01-2005 | Initial inventory | 100 m | 720 |
| 15-01-2005 | Purchase | 200 m | 700 |
| 31-01-2005 | Issue – sold material out of stock | 20 m | 706,6 |
| 31-01-2005 | Issue to usage | 260 m | |

Title: Laminate

| Date | Text | Amount in metres | Price per unit |
|------------|-------------------|------------------|----------------|
| 01-01-2005 | Initial inventory | 50 m | 800 |
| 20-01-2005 | Purchase | 25 m | 850 |
| 25-01-2005 | Purchase | 60 m | 808 |
| 31-01-2005 | Issue to usage | 90 m | |

Reckon the price for stuff issue, when the entrepreneur doesn't use the method of:

- Average prices
- FIFO

Average prices

Chipboard

| Date | Text | Amount | | | Price per unit | CZK | | |
|----------|------|--------|-------|--------|----------------|--------|--------|--------|
| | | Income | Issue | Supply | | Income | Issue | Supply |
| 01-01-05 | | | | 100 | 720 | | | 72000 |
| 15-01-05 | | 200 | | | 700 | 140000 | | |
| 31-01-05 | | | 20 | | 706,6 | | 14134 | |
| 31-01-05 | | | 260 | | 706,6 | | 183742 | |
| 31-01-05 | | | | 20 | 706,6 | | | 14132 |

| Date | Text | Amount | | | Price per unit | CZK | | |
|----------|------|--------|-------|--------|----------------|--------|-------|--------|
| | | Income | Issue | Supply | | Income | Issue | Supply |
| 01-01-05 | | | | 50 | 800 | | | 40000 |
| 20-01-05 | | 25 | | | 850 | 21250 | | |
| 25-01-05 | | 60 | | | 808 | 48480 | | |
| 31-01-05 | | | 90 | | 812,8 | | 73152 | |
| 31-01-05 | | | | 45 | 812,8 | | | 36576 |

MATERIAL BOOKKEEPING

Mr. Jan Novák (signed up in Trade Register) is engaged in production of office furniture. He is a VAT payer.

Initial state on the accounts on 1st January 2005: Variant A

| | | |
|-------|--|------------|
| 112/1 | Material – chipboard | 72 000 CZK |
| 112/2 | Material – laminate | 40 000 CZK |
| 211 | Cash desk | 40 000 CZK |
| 491 | Individual account of the entrepreneur | |

Accounting transactions in January 2005

Invoices in for material

| Doc. | Description of accounting transaction | CZK | DEBIT | CREDITOR |
|------|---------------------------------------|---------|-------|----------|
| F/1 | Chipboard 200 m for 700 CZK per m | | | |
| | Price without VAT | 140 000 | 111 | 321 |
| | VAT 19 % | 26 600 | 343 | |
| | Price with VAT | 166 600 | | 321 |
| F/2 | Laminate 40 m for 850 CZK per m | | | |
| | Price without VAT | 34000 | 111 | |
| | VAT 19 % | 6460 | 343 | |
| | Price with VAT | 40460 | | 321 |

| | | | | |
|-----|---|--------|-----|-----|
| F/3 | Laminate from an Austrian supplier: 60 m for 25 EUR per m | | | |
| | Exchange rate 31,5 CZK / 1 EUR | 47 250 | 111 | 321 |

| | | | | |
|-----|-------------------------------|---------|---------|---------|
| F/4 | Import from EU | | | |
| | Aded tax 19% | 3 480 | 395.343 | 343.1 |
| | Return premium claim VAT 19 % | 9 638,7 | 343.1 | 395.343 |

Material intake on stock

| | | | | |
|-----|--|---------|-----|-----|
| U/1 | Material intake on stock – chipboard (200 m for 700 CZK per m) | 140 000 | 112 | 111 |
| U/2 | Material intake on stock – laminate (25 m for 850 CZK per m) | 21 250 | 112 | 111 |
| U/3 | Material intake on stock – laminate (60 m for 808 CZK per m) | 48 480 | 112 | 111 |

Credit note

Undelivered material (F/2 invoiced 40 m, u/2 – delivered 25 m) the supplier sent tax credit note.

| | | | | |
|-----|--|------------|-----|-----|
| D/1 | Credit note from the supplier for undelivered material | | | |
| | 15 m for 850 CZK per m | | | |
| | Price without VAT | - 12 750,0 | 111 | |
| | VAT 19 % | - 2 422,5 | 343 | |
| | Price with VAT | - 15 172,5 | | 321 |

Cash vouchers

| | | | | |
|-----|--|----------|-----|-----|
| P/1 | Settlement to the Austrian supplier (F/3) | 45 000 | 321 | 211 |
| P/3 | Revenue from the sale of material – chipboard 20 m for 820 CZK per m | | | |
| | Price without VAT | 16 400,0 | 211 | 602 |
| | VAT 19 % | 3 116,0 | | 343 |
| | Price with VAT | 19 516,0 | 211 | |

| | | | | |
|-----|--|---------|-----|-----|
| U/1 | Issue of material – sold chipboard out of stock (20m) | 14 134 | 542 | 112 |
| U/2 | Issue of material into the production – laminate (90m) | 73 152 | 501 | 112 |
| U/3 | Issue of material into the production – chipboard (260m) | 183 742 | 501 | 112 |

Pass FIFO

Title: Chipboard

| DATE | TEXT | Amount in metres | Price per unit |
|------------|------------------------------------|------------------|----------------|
| 01-01-2005 | Initial inventory | 100 m | 720 |
| 15-01-2005 | Purchase | 200 m | 700 |
| 31-01-2005 | Issue – sold material out of stock | 20 m | 420 |
| 31-01-2005 | Issue to usage | 80 m | 720 |
| 31-01-2005 | Issue to usage | 180 m | 700 |

Title: Laminate

| Date | Text | Amount in metres | Price per unit |
|------------|-------------------|------------------|----------------|
| 01-01-2005 | Initial inventory | 50 m | 800 |
| 20-01-2005 | Purchase | 25 m | 850 |
| 25-01-2005 | Purchase | 60 m | 808 |
| 31-01-2005 | Issue to usage | 90 m | 800 |

Chipboard

| Date | Text | Amount | | | Price per unit | CZK | | |
|----------|------|--------|-------|--------|----------------|---------|---------|--------|
| | | Income | Issue | Supply | | Income | Issue | Supply |
| 01-01-05 | | | | 100 | 720 | | | 72 000 |
| 15-01-05 | | 200 | | | 700 | 140 000 | | |
| 31-01-05 | | | 20 | | 720 | | 14 400 | |
| 31-01-05 | | | 80 | | 720 | | 57 600 | |
| 31-01-05 | | | 180 | | 700 | | 126 000 | |

| | | | | | | | | |
|----------|--|--|--|----|-----|--|--|--------|
| 31-01-05 | | | | 20 | 700 | | | 14 000 |
|----------|--|--|--|----|-----|--|--|--------|

| Date | Text | Amount | | | Price per unit | CZK | | |
|----------|------|--------|-------|--------|----------------|--------|--------|--------|
| | | Income | Issue | Supply | | Income | Issue | Supply |
| 01-01-05 | | | | 50 | 800 | | | 40 000 |
| 20-01-05 | | 25 | | | 850 | 21 250 | | |
| 25-01-05 | | 60 | | | 808 | 48 480 | | |
| 31-01-05 | | | 90 | | 800 | | 72 000 | |
| 31-01-05 | | | | 45 | 838 | | | 37 730 |

MATERIAL BOOKKEEPING

Mr. Jan Novák (signed up in Trade Register) is engaged in production of office furniture. He is a VAT payer.

Initial state on the accounts on 1st January 2005: Variant A

| | | |
|-------|--|-------------|
| 112/1 | Material – chipboard | 72 000 CZK |
| 112/2 | Material – laminate | 40 000 CZK |
| 211 | Cash desk | 40 000 CZK |
| 491 | Individual account of the entrepreneur | 152 000 CZK |

Accounting transactions in January 2005

Invoice ins for material

| Doc. | Description of accounting transaction | CZK | DEBIT | CREDITOR |
|------|---------------------------------------|-----------|-------|----------|
| F/1 | Chipboard 200 m for 700 CZK per m | | | |
| | Price without VAT | 140 000,0 | 111 | 321 |
| | VAT 19 % | 26 600,0 | 343 | |
| | Price with VAT | 166 600,0 | | 321 |
| F/2 | Laminate 40 m for 850 CZK per m | | | |
| | Price without VAT | 34000 | 111 | |
| | VAT 19 % | 6460 | 343 | |
| | Price with VAT | 40460 | | 321 |

| | | | | |
|-----|---|--------|-----|-----|
| F/3 | Laminate from an Austrian supplier: 60 m for 25 EUR per m | | | |
| | Exchange rate 31,5 CZK / 1 EUR | 47 250 | 111 | 321 |

| | | | | |
|-----|-------------------------------|---------|---------|---------|
| F/4 | Import from EU | | | |
| | Added tax 19% | 3 480 | 395.343 | 343.1 |
| | Return premium claim VAT 19 % | 9 638,7 | 343.1 | 395.343 |

Material intake on stock

| | | | | |
|-----|--|---------|-----|-----|
| U/1 | Material intake on stock – chipboard (200 m for 700 CZK per m) | 140 000 | 112 | 111 |
| U/2 | Material intake on stock – laminate (25 m for 850 CZK per m) | 21 250 | 112 | 111 |

| | | | | |
|-----|--|--------|-----|-----|
| U/3 | Material intake on stock – laminate (60 m for 808 CZK per m) | 48 480 | 112 | 111 |
|-----|--|--------|-----|-----|

Credit note

Undelivered material (F/2 invoiced 40 m, u/2 – delivered 25 m) the supplier sent tax credit note.

| | | | | |
|-----|--|------------|-----|-----|
| D/1 | Credit note from the supplier for undelivered material | | | |
| | 15 m for 850 CZK per m | | | |
| | Price without VAT | - 12 750 | 111 | |
| | VAT 19 % | - 2 422,5 | 343 | |
| | Price with VAT | - 15 172,5 | | 321 |

Cash vouchers

| | | | | |
|-----|--|--------|-----|-----|
| P/1 | Settlement to the Austrian supplier (F/3) | 45 000 | 321 | 211 |
| P/3 | Revenue from the sale of material – chipboard 20 m for 820 CZK per m | | | |
| | Price without VAT | 16 400 | 211 | 602 |
| | VAT 19 % | 3 116 | | 343 |
| | Price with VAT | 19 516 | 211 | |

| | | | | |
|-----|--|---------|-----|-----|
| U/1 | Issue of material – delivering the sold chipboard from warehouse (20m) | 14 400 | 542 | 112 |
| U/2 | Issue of material into the production – laminate (90m) | 72 000 | 501 | 112 |
| U/3 | Issue of material into the production – chipboard (260m) | 183 600 | 501 | 112 |

| N. | OPERATION | SUM | Variant A | | Variant B | |
|------|---|---------|-----------|----------|-----------|----------|
| | | | DEBIT | CREDITOR | DEBIT | CREDITOR |
| Doc. | Description of the accounting transaction | | | | | |
| F/1 | Chipboard 200 m for 700 CZK per m | | | | | |
| | Price without VAT | 140 000 | 111 | 321 | 501 | |
| | VAT 19 % | 26 600 | 343 | | 343 | |
| | Price with VAT | 166 600 | | 321 | | 321 |
| F/2 | Laminate 40 m for 850 CZK per m | | | | | |
| | Price without VAT | 340 000 | 111 | | 501 | |
| | VAT 19 % | 6 460 | 343 | | 343 | |
| | Price with VAT | 40 460 | | 321 | | 321 |
| F/3 | Laminate from an Austrian supplier: 60 m for 25 EUR per m | | | | | |
| | Exchange rate 31,5 CZK / 1 EUR | 47 250 | 111 | 321 | 501 | |
| F/4 | Import from z EU | | | | | |

| | | | | | | |
|-----|---|----------|---------|---------|-----|-----|
| | Added tax 19% | 3 480 | 395.343 | 343.1 | 395 | 343 |
| | Return premium claim VAT 19 % | 9 638,7 | 343.1 | 395.343 | 343 | 315 |
| U/1 | Material income to warehouse – chipboard (200 m for 700 CZK per m) | 140 000 | 112 | 111 | - | - |
| U/2 | Material income to warehouse – laminate (25 m for 850 CZK per m) | 21 250 | 112 | 111 | - | - |
| U/3 | Material income to warehouse – laminate (60 m for 808 CZK per m) | 48 480 | 112 | 111 | - | - |
| | Credit note from the supplier for undelivered material 15 m for 850 CZK per m | | | | | |
| | Price without VAT | 12 750 | | 111 | | 501 |
| | VAT 19 % | 2 422,5 | | 343 | | 343 |
| | Price with VAT | 15 172,5 | 321 | | 321 | |
| P/1 | Settlement to the Austrian supplier (F/3)) | 45 000 | 321 | 211 | 321 | 211 |
| P/3 | Revenue from the sale of material – chipboard 20 m for 820 CZK per m | | | | | |
| | Price without VAT | 16 400 | | 642 | | 642 |
| | VAT 19 % | 3 116 | | 343 | | 343 |
| | Price with VAT | 19 516 | 211 | | 211 | |
| U/1 | Issue of material – delivering the sold chipboard from warehouse (20m) | 14 400 | 542 | 112 | - | - |
| U/2 | Issue of material into the production – laminate (90m) | 72 000 | 501 | 112 | - | - |
| U/3 | Issue of material into the production – chipboard (260m) | 183 600 | 501 | 112 | - | - |
| | Chipboard | 72 000 | - | - | 501 | 112 |
| | Laminate | | - | - | 501 | 112 |
| | Chipboard | 14 000 | - | - | 112 | 501 |
| | Laminate | 37 730 | - | - | 112 | 501 |

Example 2

A material stockaging was performed on 31st January. These actual stock levels were found out:

Laminate 50 m
Chipboard 8 m

Take over the accounting material state from the previous task.

Next specifications:

No natural material decrease norm is set.

Possible deficiency will be set for compensation to the storekeeper (employee) in full price.

Stockaging differences calculation:

| Material type | Actual state | Accounting state | Stockaging difference | |
|---------------|--------------|------------------|-----------------------|---------|
| | | | metres | CZK |
| Laminate | 50 | 45 | 5 | 4 064 |
| Chipboard | 8 | 20 | 12 | 8 497,2 |

Pass all the accounting transactions connected with the stockaging differences:

| Doc | Description of the accounting transaction | CZK | DEBIT | CREDITOR |
|-----|--|-------|-------|----------|
| U/1 | Stockaging difference – laminate | | 112 | 688 |
| U/2 | Stockaging difference – chipboard | | 501 | 112 |
| U/3 | Deficiency compensation precept (in full price) | | 335 | 112 |
| P/1 | Partial deficiency compensation by the storekeeper | 1 000 | 211 | 335 |

Example 3

Beta, Ltd. company, si engaged in purchasing and saling goods. It is a VAT payer. A synthetical account 132 – Goods on stock was set up for filing goods. It equals the sum total of the two analytical accounts 132/100 – Goods on stock in purchase price and 132/200 – Goods on stock, secondary purchase expenses. The account 131 – Goods purchase is not being used.

Initial states on the accounts on 1st January 2005:

| | |
|--|-------------|
| 211 – Cash | 70 000 CZK |
| 221 – Current account | 100 000 CZK |
| 132/100 – Goods on stock and for sale – purchase price | 250 000 CZK |
| 411 – Basic capital | 420 000 CZK |

There were the folowing events in January:

| Doc. | Description of the accounting transaction | CZK | DEBIT | CREDITOR |
|------|---|--------|-------|----------|
| P/1 | Purchase of goods in cash in wholesale | | | |
| | Price without VAT | 50 000 | 131 | |
| | VAT 19 % | 9 500 | 343 | |
| | Price with VAT | 59 500 | | 211 |
| P/2 | Sale of goods for cash, price with VAT | 48 000 | | 604 |
| | Price without VAT | 38 880 | | 343 |
| | VAT 19 % | 9 120 | 211 | |

| | | | | |
|-----|--|---------|-----|-----|
| P/3 | Remittance of a part of the revenues to the bank (the Statement of account is not available so far) | 40 000 | 261 | 211 |
| F/1 | Invoice in for goods from the manufacturing concern | | | |
| | Price without VAT | 90 000 | | 604 |
| | VAT 19 % | 17 100 | | 343 |
| | Price with VAT | 107 100 | 311 | |
| P/4 | Payed in cash to the supplier for transport of goods (to F/1) | | | |
| | Price without VAT | 3 000 | 131 | |
| | VAT 19 % | 570 | | 343 |
| | Price with VAT | 3 570 | | 211 |
| f/1 | Invoice set to the customer for the sold goods | | | |
| | Price without VAT | 25 000 | | 604 |
| | VAT 19 % | 4 750 | | 343 |
| | Price with VAT | 29 750 | 311 | |
| F/2 | Goods purchase invoice | | | |
| | Price without VAT | 80 000 | 131 | |
| | VAT 19 % | 15 200 | | 343 |
| | Price with VAT | 95 200 | | 211 |
| F/3 | Tax credit note for missing goods from the supplier (to the delivery from the previous accounting transaction) | | | |
| | Price without VAT | 10 000 | | 131 |
| | VAT 19 % | 1 900 | | 343 |
| | Price with VAT | 11 900 | 321 | |
| F/2 | Goods sale invoice | | | |
| 5 % | Price without VAT | 30 000 | 311 | |
| | VAT 5 % | 1 500 | | 343 |
| | Price with VAT | 31 500 | | 604 |
| 19% | Price without VAT | 50 000 | 311 | |
| | VAT 19 % | 9 500 | | 343 |
| | Price with VAT | 59 500 | | 604 |
| U/1 | Decrease of sold goods – in purchase price <i>Stock level in the sales room on 31st January was - 373 000 CZK (in purchase price) P.S. There was no stockaging diffenrence found out.</i> | | | |
| | Issue slip - warehouse | 123 000 | 504 | 132 |

ER from the goods sale:

| Account | CZK |
|-------------------------------------|----------------|
| 504 – Sold goods in purchase prices | 0 |
| 604 – Revenue from the goods sale | 243 000 |
| ER from the goods sale | 243 000 |

Example 4

Mr. Josef Majzlík (keeping double-entry accounting) is engaged in producing of furniture. He is a VAT payer. He fines the inventory according to the variant A.

Product calculation:

| | |
|------------------------|-------|
| Direct material | 604 |
| Direct wages | 100 |
| Other direct expenses | 35 |
| Overhead costs | 75 |
| Own expenses in total | 850 |
| Profit planned | 150 |
| Sale price without VAT | 1 000 |
| VAT 19 % | 220 |
| Sale price with VAT | 1 220 |

On 1st January 2005 he proves the following initial balances:

| | |
|---------------------------------------|-----------------------|
| 112 – Material on stock | 489 000 CZK |
| 123 – Products | 170 000 CZK (200 pcs) |
| 211 – Cash | 11 000 CZK |
| 221 – Current account | 50 000 CZK |
| 491 – Individual entrepreneur account | 720 000 CZK |

There were 500 products made in January 2005. 50 pcs were sold.

| Doc. | Description of the accounting transaction | CZK | DEBIT | CREDITOR |
|------|---|---------|-------|----------|
| u/1 | Goods consumption in the production | 320 000 | 501 | 112 |

| | | | | |
|-----|---|--------|-----|-----|
| m/1 | Full income of the workers within January | 50 000 | 521 | 331 |
|-----|---|--------|-----|-----|

| | | | | |
|-----|---|--------|-----|-----|
| m/1 | Insurance from the staff wages within January (precept) | 17 500 | 524 | 336 |
|-----|---|--------|-----|-----|

| | | | | |
|-----|---|-------|-----|-----|
| F/1 | Electric power consumption invoice within January | | | |
| | Price without VAT | 8 000 | 502 | |
| | VAT 19 % | 1 520 | | 343 |
| | Price with VAT | 9 520 | | 321 |

| | | | | |
|-----|--|--------|-----|-----|
| b/1 | Payed for the rent of manufacturing areas within January (rent from a VAT non-payer) | 20 000 | 518 | 211 |
|-----|--|--------|-----|-----|

| | | | | |
|-----|---|--------|-----|-----|
| P/1 | Payed in cash for the services (advertising, advisory services), suppliers (providers of the services) are VAT non-payers | 10 000 | 518 | 211 |
|-----|---|--------|-----|-----|

| | | | | |
|-----|--|--------|-----|-----|
| P/2 | Sale of the products to the customers (50 pcs) | | | |
| | Price without VAT | 61 000 | | 601 |
| | VAT 19 % | 11 590 | | 343 |
| | Price with VAT | 72 590 | 311 | |

| | | | | |
|-----|---|---------|-----|-----|
| u/2 | Change of the product stock level – addition (450 pcs) P.S. May be also passed: produced 500 pcs, out of stock 50 pcs. | 425 500 | 123 | 613 |
| | | 42 500 | 613 | 123 |

There were 100 products made in February. 600 pcs were sold.

| | | | | |
|-----|----------------------|--------|-----|-----|
| u/3 | Material consumption | 64 000 | 501 | 112 |
|-----|----------------------|--------|-----|-----|

| | | | | |
|-----|--|--------|-----|-----|
| m/2 | Full income of the workers within February | 10 000 | 521 | 331 |
|-----|--|--------|-----|-----|

| | | | | |
|-----|--|-------|-----|-----|
| m/2 | Insurance from the staff wages within February (precept) | 3 500 | 524 | 336 |
|-----|--|-------|-----|-----|

| | | | | |
|-----|---|-------|-----|-----|
| F/2 | Electric power consumption invoice (February) | | | |
| | Price without VAT | 5 000 | 502 | |
| | VAT 19 % | 950 | 343 | |
| | Price with VAT | 5 950 | | 321 |

| | | | | |
|-----|---|--------|-----|-----|
| b/2 | Payed for the rent of manufacturing areas within February | 20 000 | 518 | 221 |
| | Invoice payed F/1 | 9 760 | 321 | 221 |

| | | | | |
|-----|--|--|-----|-----|
| F/1 | Invoice on the sale of 600 products to the customers | | | |
| | Price without VAT | | | 601 |
| | VAT 19 % | | | 343 |
| | Price with VAT | | 311 | |

150pcs*850,450*851/127500+382950

| | | | | |
|-----|--|--------------------|------------|------------|
| u/4 | Change of the product stock level – decrease (500 pcs) | | | |
| | May be also passd: produced 100 pcs, out of stock 600 pcs. | 102 500 510 450 | 123 613 | 613 123 |

LONG-TERM FINANCIAL PROPERTY

Example 1

Alfa, Ltd. company, non-payer of VAT (value added tax), owned a personal computer for purchase price 85 000,- CZK. The PC was purchased and installed on 15th February 2005. Depreciation: accounting double-quick DDB (begining of depreciation is from the following month up to instalation, presumption of service life is 3 years), tax double-quick 1st depreciation grade. Depreciation increase is 10% of the input price.

Pass the operations in following variants of the PC lay-up (in March of the following year):

- sold for the sale price 50 000,- CZK
- destroyed during the flood, recompense from the insurance company 40 000,- CZK
- stolen – police confirmation about stealing by unknown offender, recompense from the insurance company 12 000,- CZK (surmise)
- destroyed because of bursting of the duct footrest in the room, where it was located, recompense from the insurance company 40 000,- CZK
- not found during the stocktaking, set for compensation 46 041,- CZK to the employee, who had been using it.
- donated to Elementary school in basic price.

Determine tax acceptable and unacceptable expenses and find out the tax base for each of the instance.

Depreciation calculation chart

| YEAR | ACCOUNTING DDB | TAX DOUBLE-QUICK | DC |
|--------------|----------------|------------------|----------|
| 2005 | 17 709 | 36 834 | 48 166 |
| 2006 | 21 250 | 32 111 | 16 055 |
| 2007 | 21 250 | 16 055 | - |
| 2008 | 21 250 | - | - |
| 2009 | 3 541 | - | 0 |
| TOTAL | 85 000 | 85 000 | 0 |

Accounting operations within the year 2005

| OPERATION | SUM | DEBIT | CREDITOR |
|-----------------------|--------|-------|----------|
| Purchase of the PC | 85 000 | 321 | 211 |
| Registration protocol | 85 500 | 022 | 042 |
| Depreciation 2005 | 17 709 | 551 | 082 |

Determination the tax base within the year of the purchase chart

| | REVENUES | EXPENSES | TAX REVENUES | TAX EXPENSES | TAX BASE |
|------|----------|----------|--------------|--------------|----------|
| 2005 | 0 | 17 709 | 0 | 36 834 | - 36 834 |
| 2005 | 0 | 0 | 0 | 0 | |

Accounting operation within the year 2005+1 – variant 1

| OPERATION | SUM | DEBIT | CREDITOR |
|-------------------------------------|--------|-------|----------|
| Sale for the sale price | 50 000 | 211 | 641 |
| Proper depreciation within the year | 21 250 | 551 | 082 |
| DC depreciation during the sale | 46 041 | 541 | 082 |
| Demotion out of the property | 85 000 | 082 | 022 |

Accounting operation within the year 2005+1 – variant 2

| OPERATION | SUM | DEBIT | CREDITOR |
|--|--------|-------|----------|
| Destroyed during the flood - recompense from the insurance company | 40 000 | 378 | 688 |
| Proper depreciation within the year | 21 250 | 551 | 082 |
| DC depreciation | 46 041 | 582.A | 082 |
| Demotion out of the property | 85 000 | 082 | 022 |

Accounting operation within the year 2005+1 – variant 3

| OPERATION | SUM | DEBIT | CREDITOR |
|--|--------|-------|----------|
| Stolen – police confirmation - recompense from the insurance company | 12 000 | 388 | 688 |
| Proper depreciation within the year | 21 250 | 551 | 082 |
| DC depreciation | 46 041 | 582.A | 082 |
| Demotion out of the property | 85 000 | 082 | 022 |

Accounting operation within the year 2005+1 – variant 4

| OPERATION | SUM | DEBIT | CREDITOR |
|--|--------|-------|----------|
| Destroyed because of bursting of the duct footrest | 40 000 | 315 | 688 |
| Proper depreciation within the year | 21 250 | 551 | 082 |
| DC depreciation | 46 041 | 582.A | 082 |
| Demotion out of the property | 85 000 | 082 | 022 |

Accounting operation within the year 2005+1 – variant 5

| OPERATION | SUM | DEBIT | CREDITOR |
|--|--------|-------|----------|
| Not found during the stocktaking, set for compensation to the employee | 46 041 | 335 | 688 |
| Proper depreciation within the year | 21 250 | 551 | 082 |
| Demotion out of the property | 85 000 | 082 | 022 |
| DC depreciation | 46 041 | 551 | 082 |

Accounting operation within the year 2005+1 – variant 6

| OPERATION | SUM | DEBIT | CREDITOR |
|-------------------------------------|--------|-------|----------|
| Donation to Elementary school | 46 041 | 543 | 082 |
| Proper depreciation within the year | 21 250 | 551 | 082 |
| Demotion out of the property | 85 000 | 082 | 022 |

Determination the tax base within the year of the demotion chart

| VARIANT | REVENUES | EXPENSES | TAX REVENUES | TAX EXPENSES | TAX BASE |
|---------|----------|----------|--------------|--------------|----------|
| 1 | 50 000 | 21 250 | 50 000 | 16 056 | |
| | | 46 041 | | 32 110 | |
| 2 | 40 000 | 21 250 | 40 000 | 32 111 | |
| | | 46 041 | | 16 055 | |
| 3 | 12 000 | 21 250 | 12 000 | 32 111 | |
| | | 46 041 | | 16 055 | |
| 4 | 40 000 | 21 250 | | 32 111 | |
| | | 46 041 | | 10 000 | |
| 5 | 46 041 | 21 250 | | 32 111 | |
| | | 46 041 | | 46 041 | |
| 6 | | 21 250 | | 32 111 | |
| | | 46 041 | | 16 055 | |

- Tax basis § 20 section 8 income tax of juristic persons JP 5% of tax basis

Example 2

BETA, Ltd. company, purchased an old warehouse for 1 000 000,- CZK in February. In March 2005 the warehouse was open and since April 2001 the depreciation had been started. Accounting depreciable plan corresponded with tax double-quick depreciation (5th depreciation grade). In March 2005+2 the store was demolished. The expenses on the demolition was 150 000,- CZK.

BETA, Ltd. built a new warehouse on the free lot. Total expenses 4 000 000,- CZK. The new warehouse was opened on 15th October 2005+2 and it will be purposefully depreciated according to the SYD methods from the following month (presumption of service life is 30 years, residual value 0,- CZK). For the tax purposes there will be used the double-quick depreciation (5th depreciation grade).

Pass the operations connected with the purchase of the old warehouse and the construction of the new one.

Reckon both accounting and tax depreciation of the new warehouse during the first 5 years of running.

Depreciation calculation chart – old warehouse

| YEAR | ACCOUNTING = TAX DEPRECIATION |
|-----------------|-------------------------------|
| 2005 | 33 334 |
| 2005+1 | 64 445 |
| 2005+2 | 62 223 |
| Vestigial price | 989 998 |

Accounting operation within the years 2001 – 2001+2

| OPERATION | SUM | DEBIT | CREDITOR |
|---|-----------|-------|----------|
| Purchase of the warehouse in 2005 | 1 000 000 | 042 | 321 |
| Put in use | 1 000 000 | 021 | 042 |
| Depreciated | 33 334 | 551 | 081 |
| Settlement of the invoice | 1 000 000 | 321 | 221 |
| 2005+1 | 64 445 | 551 | 081 |
| 2005+2 demolition of the warehouse | 150 000 | 042 | 321 |
| New-built warehouse | 4 000 000 | 042 | 321 |
| Warehouse depreciation | 62 223 | 551 | 081 |
| Accounting for ZC | 989 998 | 042 | 081 |
| Demotion out of the evidence | 1 000 000 | 081 | 021 |
| Registration protocol – approval inspection | 5 139 998 | 021 | 042 |
| Depreciation new warehouse 14 278*2 | 28 556 | 551 | 081 |
| Settlement of the invoice | 4 000 000 | 321 | 221 |
| Settlement of the demolition | 150 000 | 321 | 211 |
| 2005+3 | 171 316 | 551 | 081 |

Depreciation calculation chart – new warehouse

| YEAR | SYD | SYD – expense of the year | TAX DOUBLE-QUICK |
|--------|----------|---------------------------|------------------|
| 2005+2 | 1st year | 28 556 | 138 334 |
| 2005+3 | 2nd year | 171 336 | 267 444 |
| 2005+4 | 3rd year | 171 336 | 258 222 |
| 2005+5 | 4th year | 171 336 | 249 000 |
| 2005+6 | 5th year | 171 336 | 239 777 |

Example 3

GAMA, Ltd. company, bought a plot with a building for 2 000 000,- CZK. The supplement of the purchase contract included two expert reviews which estimated the plot to 500 000,- CZK and the building to 1 600 000,- CZK.

Pass the operations connected with the purchase of the property mentioned above.
1 500 000 20% : 80%

| OPERATION | SUM | DEBIT | CREDITOR |
|------------------------------|-----------|-------|----------|
| Property – purchase contract | 1 280 000 | 042 | 321 |
| Registration protocol | 1 280 000 | 021 | 042 |
| Plot – purchase contract | 320 000 | 031 | 321 |

Example 4

In 2005 DELTA, Ltd. company, VAT payer, purchased a lorry for commercial credit for 850 000,- CZK including VAT 19%. Supplier invoice was settled in time from the current account. Accounting depreciable plan of the lorry corresponds to tax double-quick depreciation (2nd

depreciation grade). In 2005+1 the lorry was equipped with car-computer (from the VAT payer) paid by cash. The price was 41 500,- CZK including VAT 19%. In 2005+3 the company received an insurance benefit 10 000,- CZK onto its current account. By the end of the year the lorry was sold to a customer with invoice for tax depreciated price.

Pass the operations connected with the purchase, usage and sale of the lorry (when technical estimation, use the possibilities which are enabled by the law of Income tax).

Reckon tax depreciation in case that DELTA, Ltd. is not VAT payer for the year 2005.

Reckon tax depreciation in case that the company would have bought a car instead of the lorry (1st depreciation grade).

Depreciation calculation chart

| YEAR | LORRY VAT payer | LORRY VAT non-payer | CAR VAT payer |
|--------------|--------------------|------------------------|------------------|
| 2005 | 146 400 | 174 216 | 217 770 |
| 2005+1 | 234 240 | 278 746 | 326 655 |
| 2005+2 | 175 680 | 209 059 | 217 770 |
| 2005+3 | 177 120 | 139 373 | 108 885 |
| 2005+4 | 58 560 | 69 686 | - |
| TOTAL | 732 000 | 871 080 | 871 080 |

Accounting operations within the years 2005 – 2005+3 – lorry, VAT payer

| OPERATION | SUM | DEBIT | CREDITOR |
|---------------------------|---------|-------|----------|
| 2005 | | | |
| Invoice in CBD | 732 000 | 042 | 321 |
| VAT | 139 080 | 343 | 321 |
| Drawing of credit | 871 080 | 221 | 461 |
| Settlement of the invoice | 871 080 | 321 | 221 |
| Registration protocol | 732 000 | 022 | 042 |
| Depreciation 2005 | 146 400 | 551 | 082 |
| 2005+1 | | | |
| Purchase of car-computer | 36 906 | 042 | 211 |
| VAT | 7 014 | 343 | |
| Put in use | 36 906 | 022 | 042 |

| | | | |
|-----------------------------------|---------|-----|-----|
| 2005+2 | | | |
| Purchase air-condition | 61 000 | 042 | 321 |
| VAT | 11 590 | 343 | 321 |
| Put in use | 61 000 | 022 | 042 |
| Depreciation technical estimation | 217 252 | 551 | 082 |
| 2005+3 | | | |
| Depreciation of the lorry | 144 834 | 551 | 082 |
| Vestigial price for sale | 72 417 | 541 | 082 |
| Demotion out of the property | 829 906 | 082 | 022 |
| Invoice - sale | 72 417 | 641 | 343 |
| VAT | 13 759 | 311 | 343 |

Example 5

In 2005-4 OMEGA X company purchased a machine for 2 000 000,- CZK (from supplier by invoice). It is depreciated on the basis of accounting linear depreciation. Annual depreciable percentage is 12,5%. The machine is for tax purposes put in 2nd depreciation grade. The company uses linear tax depreciation for determination of tax base. In 2005 the machine was let for rent to ALFA company for certain time of 3 years. The renter pays annual rent 150 000,- CZK. In 2005+1 the renter, with permission of the owner, accomplished renovation for 350 000,- CZK (annual accounting depreciation of technical evaluation 100 000,- CZK).

This technical estimation was settled by the renter. The renter will also do the depreciation on base of written contract with the owner.

Pass the operation connected with the purchase and depreciation of the machine by the owner.

Depreciation calculation by the owner chart

| YEAR | ACCOUNT LINEAR | TAX LINEAR |
|--------------|------------------|------------------|
| 2005-4 | 250 000 | 220 000 |
| 2005-3 | 250 000 | 445 000 |
| 2005-2 | 250 000 | 445 000 |
| 2005-1 | 250 000 | 445 000 |
| 2005 | 250 000 | 445 000 |
| 2005+1 | 250 000 | - |
| 2005+2 | 250 000 | - |
| 2005+3+TE | 250 000 | - |
| 2005+4 | - | - |
| TOTAL | 2 000 000 | 2 000 000 |

Accounting operations within the years 2005 - 4 - owner

| OPERATION | SUM | DEBIT | CREDITOR |
|--|-----------|-------|----------|
| Purchased a machine - to buy from supplier | 2 000 000 | 042 | 321 |
| Put in use | 2 000 000 | 022 | 042 |
| Settlement of the invoice | 2 000 000 | 321 | 221 |
| Depreciation | 250 000 | 551 | 082 |

Accounting operations within the years 2005 - 2005+2 - owner

| OPERATION | SUM | DEBIT | CREDITOR |
|----------------------------|------------|--------------|-----------------|
| 2005 | 150 000 | 221 | 602 |
| Depreciation of the car | 250 000 | 551 | 082 |
| 2005+1 | 150 000 | 221 | 602 |
| Depreciation of the car | 250 000 | 551 | 082 |
| 2005+2 | 150 000 | 221 | 602 |
| Depreciation of the car in | 250 000 | 551 | 082 |

Example 6

CAC leasing, the leasing company, rented a car (renter is VAT payer). Subject of the rental contract: Peugeot 206 1,1. Period of financial lease is 36 months. The price without VAT is 252 016,80 CZK and VAT is 19% on input 47 883,20 CZK. The price including VAT is 299 900 CZK. Time resolution charge 5 998 CZK. Tax base 280 033,20 CZK. VAT 19 % 53 206,30 CZK.

Mediate insurance 36 207,- CZK;

from which 24 800 CZK is breakdown rate

from which 9 927 CZK is compulsory Road Traffic Act Insurance

from which 1 480 CZK makes the additional insurance.

Extra leasing payment is 89 970 CZK. Vestigial value 10 000 CZK. Total to pay 279 476,50 CZK.

Payment schedule of the leasing contract

| DATE of realization of taxable performance | TAX BASE | VAT 19 % | Leasing payment | Mediate insuranc e | To pay |
|---|---------------------|---------------------|----------------------------|-----------------------------------|-----------------|
| 05-05-2005 | 0 | 0 | 0 | | |
| 05-05-2005 | 5998 | 1139,7 | 7137,7 | 0 | 7137,7 |
| 05-05-2005 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-06-2005 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-07-2005 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-08-2005 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-09-2005 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-10-2005 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-11-2005 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-12-2005 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-01-2006 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-02-2006 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-03-2006 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-04-2006 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-05-2006 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-06-2006 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-07-2006 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-08-2006 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-09-2006 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-10-2006 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-11-2006 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-12-2006 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-01-2007 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-02-2007 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-03-2007 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-04-2007 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-05-2007 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-06-2007 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-07-2007 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-08-2007 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-09-2007 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-10-2007 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-11-2007 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-12-2007 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-01-2008 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-02-2008 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-03-2008 | 5512 | 1047,3 | 6559,3 | 1003 | 7562,3 |
| 05-04-2008 | 5513,41 | 1042,89 | 6556,3 | 1003 | 7559,3 |
| Total | 280033,2 | 53206,3 | 333239,5 | 36207 | 279476,5 |
| Vestigial value | 1000 | 1900 | | | |

| OPERATION | SUM | DEBIT | CREDITOR |
|---|-----------|-------|----------|
| Advance payment formula and 1st linear leasing payments | | | |
| Price without VAT | 75 601,79 | 381 | |
| VAT 19 % | 14 368,21 | 381 | |
| Total | 89 970 | | 379 |
| Insurance | 99 | | |
| Settlement of the advance payment | 89 970 | 379 | 211 |
| Formula for contract settlement | | | |
| Price without VAT | 5 998 | 381 | |
| VAT 19 % | 1 139,7 | 381 | |
| Total | 7 137,7 | | 379 |
| Insurance | 0 | 379 | 211 |
| Settlement | 7 137,7 | 379 | 211 |
| 1st monthly linear payment formula | | | |
| Price without VAT | 5 512 | 381 | |
| VAT 19 % | 1 047,3 | 381 | |
| Total | 6 559,3 | | 379 |
| Insurance | 1 000,3 | 379 | 211 |
| 1st monthly linear payment settlement | 7 562,3 | 379 | 211 |
| 2nd monthly even payment formula | | | |
| Price without VAT | 5 512 | 381 | |
| VAT 19 % | 1 047,3 | 381 | |
| Total | 6 559,3 | | 379 |
| Insurance | 1 000,3 | 379 | 211 |
| 2nd monthly linear payment settlement | 7 562,3 | 379 | 211 |
| 3rd monthly linear payment formula | | | |
| Price without VAT | 5 512 | 381 | |
| VAT 19 % | 1 047,3 | 381 | |
| Total | 6 559,3 | | 379 |
| Insurance | 1 000,3 | 379 | 211 |
| 3rd monthly linear payment settlement | 7 562,3 | 379 | 211 |
| 4th monthly linear payment formula | | | |
| Price without VAT | 5 512 | 381 | |
| VAT 19 % | 1 047,3 | 381 | |
| Total | 6 559,3 | | 379 |
| Insurance | 1 000,3 | 379 | 211 |
| 4th monthly linear payment settlement | 7 562,3 | 379 | 211 |
| 5th monthly linear payment formula | | | |
| Price without VAT | 5 512 | 381 | |
| VAT 19 % | 1 047,3 | 381 | |
| Total | 6 559,3 | | 379 |
| Insurance | 1 000,3 | 379 | 211 |
| 5th monthly linear payment settlement | 7 562,3 | 379 | 211 |

| | | | |
|---------------------------------------|---------|-----|-----|
| 6th monthly linear payment formula | | | |
| Price without VAT | 5 512 | 381 | |
| VAT 19 % | 1 047,3 | 381 | |
| Total | 6 559,3 | | 379 |
| Insurance | 1 000,3 | 379 | 211 |
| 6th monthly linear payment settlement | 7 562,3 | 379 | 211 |
| 7th monthly linear payment formula | | | |
| Price without VAT | 5 512 | 381 | |
| VAT 19 % | 1 047,3 | 381 | |
| Total | 6 559,3 | | 379 |
| Insurance | 1 000,3 | 379 | 211 |
| 7th monthly linear payment settlement | 7 562,3 | 379 | 211 |

| | | | |
|--|----------|-----|-----|
| 8th monthly linear payment formula | | | |
| Price without VAT | 5 512 | 381 | |
| VAT 19 % | 1 047,3 | 381 | |
| Total | 6 559,3 | | 379 |
| Insurance | 1 000,3 | 379 | 211 |
| 8th monthly linear payment settlement | 7 562,3 | 379 | 211 |
| Proportion of leasing in 2005 (8 months) | 82 099,2 | 518 | 381 |

Leasing licence number card

| | |
|----------------------|------------|
| Subject of leasing | Car |
| Taking-over date | 6. 5. 2005 |
| Contract duration | 36 |
| Leasing value | 369 446,5 |
| Proportion for month | 10 262,4 |

| | |
|---------------------------|-----------|
| Tax acceptable expense | |
| 2005 (8 months) 10262,4*8 | 82 099,2 |
| 2006 (12 months) | 123 148,8 |
| 2007 (12 months) | 123 148,8 |
| 2008 (4 months) | 41 041,6 |
| Total | 369 438,4 |

Example 7

In 2005 PI, Ltd. company, purchased the following property of long-term usage:

| Long-term property | Date of purchase, date of put in use | Purchase price | Annual accounting depreciation (service life) | Tax grade |
|-----------------------|--------------------------------------|----------------|---|-----------|
| 1. Warehouse building | 06-04-2005 | 1 500 000,- | 2,5% (40 years) | 5 |
| 2. High-lift truck | 08-07-2005 | 400 000,- | 10% (10 years) | 2 |
| 3. Personal computer | 05-08-2005 | 60 000,- | 25% (4 years) | 1 |

Reckon accounting depreciation (ADW) of above-mentioned property of long-term usage according to depreciable plan within the years 2005 - 2005+4 in case that the depreciation begins the following month after put in use.

Reckon tax double-quick depreciation (TDW) of above-mentioned property of long-term usage within the years 2005 - 2005+4.

Reckon total difference between accounting and tax depreciation and determine how this difference will be affected by adjustment of economic outcome (EO), (+ outstanding, - liability)

Reckon the sum of postponed tax when the following tax rate development:

| | | | | |
|------|--------|--------|--------|--------|
| 2005 | 2005+1 | 2005+2 | 2005+3 | 2005+4 |
| 28% | 26% | 24% | 22% | 20% |

481/594 - Postponed tax duty

Accounting depreciation calculation chart in 2005 - 2005+4

| Long-term property | 2005 | 2005+1 | 2005+2 | 2005+3 | 2005+4 |
|--------------------|---------------|---------------|---------------|---------------|---------------|
| Warehouse building | 25 000 | 37 500 | 37 500 | 37 500 | 37 500 |
| High-lift truck | 16 667 | 40 000 | 40 000 | 40 000 | 40 000 |
| PC | 5 000 | 15 000 | 15 000 | 15 000 | 15 000 |
| TOTAL | 46 667 | 92 500 | 92 500 | 92 500 | 92 500 |

Tax depreciation calculation chart in 2001 - 2001+4

| Long-term property | 2005 | 2005+1 | 2005+2 | 2005+3 | 2005+4 |
|--------------------|----------------|----------------|----------------|----------------|----------------|
| Warehouse building | 50 000 | 96 667 | 93 334 | 90 000 | 86 667 |
| High-lift truck | 80 000 | 128 000 | 96 000 | 64 000 | 32 000 |
| PC | 20 000 | 26 667 | 13 333 | - | - |
| TOTAL | 150 000 | 251 334 | 202 667 | 154 000 | 118 667 |

Postponed tax calculation chart in each of the years

| | 2005 | 2005+1 | 2005+2 | 2005+3 | 2005+4 |
|--------------------|-----------|-----------|-----------|----------|----------|
| Difference ADW-TDW | - 103 333 | - 158 834 | - 110 167 | - 61 500 | - 26 167 |
| Postponed tax | 28 840 | 41 080 | 24 400 | 13 530 | 5 200 |

Accounting operation connected with deferred tax bookkeeping within each of the years

| YEAR | OB OF ACCOUNT 371 | SUM | DEBIT | CREDITOR |
|--------|-------------------|--------|-------|----------|
| 2005 | 0 | | | |
| | | 28 840 | 592 | 481 |
| 2005+1 | 28 840 | | | |
| | | 41 080 | 592 | 481 |
| 2005+2 | 69 920 | | | |
| | | 24 400 | 592 | 481 |
| 2005+3 | 94 320 | | | |
| | | 13 530 | 592 | 481 |
| 2005+4 | 107 850 | | | |
| | | 5 200 | 592 | 481 |
| 2005+5 | 123 050 | - | - | - |

SHORT-TERM FINANCIAL PROPERTY

Securities

BETA Inc., the stock company, had the following balances on the accounts on 31st October:

| | | |
|--------------------------------------|-----|-------------|
| 221 – Bank accounts | CZK | 1 220 500,- |
| 241 – Emittted short-term debentures | CZK | 500 000,- |
| 251 – Property securities | CZK | 150 000,- |

In monitored period the following selected accounting transactions connected with securities appeared.

| OPERATION | SUM | DEBIT | CREDITOR |
|---|---------|-------|----------|
| Inner account voucher – subscribing of 100 pcs of shares in nominal value 1.000,- CZK per 1 share to newly founded stock company AGRA Inc. (10% part in basic property) | 100 000 | 063 | 367 |
| Statement of account – purchase of shares of ABC company with intention to sell them within 1 year | 42 000 | 251 | 221 |
| Statement of account – settlement subscribed shares of AGRA Inc. (10% of total subscribed value) | | 367 | 221 |
| Statement of account – recieved dividend from short-term shares | 5 000 | 221 | 666 |
| Statement of account – sale of short-term shares of ZEBRA company | 20 000 | 221 | 661 |
| Inner account voucher – decrease of sold shares of ZEBRA company in purchase price | 10 000 | 561 | 251 |
| Statement of account – purchase of debentures with term of expiration within 1 year | 100 000 | 253 | 221 |

| | | | |
|--|---------|-----|-----|
| Inner account voucher – presentation of formerly emitted debentures to repayment | 220 000 | 241 | 379 |
| Inner account voucher | | | |
| ▪ claim of the creditors for the debentures interest | 8 000 | 562 | 379 |
| ▪ deduction interest tax | 2 000 | 379 | 342 |
| Statement of account: | | | |
| ▪ remittance of interests deduction tax | 2 000 | 342 | 221 |
| ▪ paying out the obligation including taxed interest to the creditors | 226 000 | 379 | 221 |

SETTLING RELATIONS

Staff income tax calculation in May 2005

Beta, Ltd. sets up an settling document and a payroll within May 2005:

Ladislav Vaněk (fulltime employment)

Company partner, monthly full income 25 000 CZK, signed tax declaration. Except tax-free minimum he also claims tax-free sums for two under age children. The company provides him a car in purchase price 510 000 CZK which he can use to personal purposes. P.S. Within every month when the employer agrees with using the car to personal purposes, the base raises by 1% of the purchase price.

Marek Mokroš (part-time employment)

Employee, monthly full income 21 000 CZK. Mr. Mokroš worked off 17 days within month, he was ill 4 days (i.e. 21 working days within month). That means that the monthly wages within the worked off time must be shorten by proportion. He signed tax declaration and claims tax-free sums for three children. He'll receive health insurance premium 1 560 CZK within the time of illness.

Petr Hudeček (part-time employment)

Full income 7 500 CZK. He signed tax declaration – except tax-free minimum he claims tax-free sum for the reason of daily University study (he delivered study confirmation) P.S. Health insurance base lowers by 3 250 CZK to those people whose health insurance is settled by the state.

Marie Tomčalová (agreement on work action)

Full income 12 000 CZK. She did not signed tax declaration.

Pavla Lukešová (contract of services)

Full income 2 800 CZK. She did not signed tax declaration.
P.S. No health insurance is being payed when contract of servicest.

Note! In case of not signing tax declaration the wages taxation depends on the height of monthly reward:

Monthly reward up to 3 000 CZK – deduction tax 15 %

Monthly reward over 3 000 CZK – advance tax payment, at least 20 %

Staff income tax calculation

| | Vaněk | Mokroš | Hudeček | Tomčalová | Lukešová |
|------------------------|--------|--------|---------|-----------|----------|
| Full income | 25 000 | 17 000 | 7 500 | 12 000 | 2 800 |
| Health insurance | 1 125 | 765 | 180 | 540 | - |
| Social insurance | 2 000 | 1 360 | 600 | 960 | - |
| Tax-free sums | 7430 | 9 560 | 4 120 | - | - |
| Tax-free minimum | 3170 | 3 170 | 3 170 | - | - |
| Deduction for children | 4 260 | 6 390 | - | - | - |
| Deduction for study | - | - | 950 | - | - |
| Other deductions | 5 100 | - | - | - | - |
| Taxable wages | 19 545 | 5 400 | 2600 | 10 500 | 2 800 |
| Income tax | 3 535 | 810 | 390 | 2 100 | 420 |

Height of tax-free sums concerned to chosen parts within the year 2004:

| | Annual | Monthly |
|------------------------|------------|-----------|
| Tax-free minimum | 38 040 CZK | 3 170 CZK |
| Deduction for children | 23 520 CZK | 1 960 CZK |
| For student | 11 400 CZK | 950 CZK |

Tax rates for calculation of monthly income tax advance payment within the year 2004:

| Taxable wages | Monthly income tax advance payment |
|---------------------|---|
| 0 – 9100 CZK | 15 % |
| 9100 – 18 200 CZK | 1365 CZK + 20 % of taxable wages ze zdanitelné mzdy exceeding 9 100 CZK |
| 18 200 – 27 600 CZK | 3 185 CZK + 25 % of taxable wages ze zdanitelné mzdy exceeding 18 200 CZK |
| 27 600 CZK and more | 5 535 CZK + 32 % of taxable wages ze zdanitelné mzdy exceeding 27 600 CZK |

Wages and HI (health insurance) premium payment calculation

| Name of the employee | Full income | Health insurance company | Social insurance company | Income tax | Other deductions | HI premium | Wages and HI premium payment |
|----------------------|-------------|--------------------------|--------------------------|------------|------------------|------------|------------------------------|
| Vaněk | 25 000 | 1125 | 2 000 | 3 535 | - | - | 18 340 |
| Mokroš | 17 000 | 765 | 1 360 | 810 | - | 1 560 | 15 625 |
| Hudeček | 7 500 | 180 | 600 | 390 | - | - | 6 330 |
| Tomčalová | 12 000 | 540 | 960 | 2 100 | - | - | 8 400 |
| Lukešová | 2 800 | - | - | 420 | - | - | 2 380 |
| Celkem | 64 300 | 2 610 | 4 920 | 7 255 | 0 | 1 560 | 51 075 |

Pass the wages precept

| U/1 | Fulltime staff payroll – May 2004 | Total | DEBIT | CREDITOR |
|----------|---|--------|-------|----------|
| 31-05-04 | Admitted full income | 64 300 | 521 | 331 |
| | Dependent activity income tax advance payment | 7 255 | 331 | 342 |
| | Health insurance | 2 610 | 331 | 336.2 |
| | Social insurance | 4 920 | 331 | 336.1 |
| | Wages deduction | 0 | 331 | 379 |
| | Admitted HI premium | 1 560 | 336 | 331 |
| | Company staff wages insurance precept | | | |
| | Health insurance (9%) | 5 787 | 524 | 336.2 |
| | Social insurance (24 %) | 15 432 | 524 | 336.1 |

Example 2

KOMAKO, Ltd. company, has two fulltime employees and apart from that some external workers occasionally helps out the company on base of contract of services.

Fulltime employee data:

Mr. Josef Vaněk claims the following deductible entries:

- tax-free minimum 38 040,00 (3 170 CZK per month)
- Deduction for child 23 520,00 (1 960 CZK per month)

Regular wages deduction is 1 000 CZK (building savings), there are no other wages deductions.

Mr. Milan Pinkava claims only tax-free minimum. There are regular deduction 1 000 CZK from the dependent activity income (payment for private loan).

Wages are paid:

- to fulltime employees - by transfer onto their budget accounts
- to occasional workers - in cash

Staff wages data:

Fulltime employment:

| Name of the employee | Work-off hours | Hourly wages | Full income | Health insurance | Social insurance | Income tax | Net income | Wages deductions | To pay |
|----------------------|----------------|--------------|-------------|------------------|------------------|------------|------------|------------------|--------|
| Vaněk | 160 | 75 | 12 000 | 540 | 960 | 810 | 9 690 | 1 500 | 8 190 |
| Pinkava | 200 | 50 | 10 000 | 450 | 800 | 840 | 7 910 | 1 000 | 6 910 |
| Staff | | | | 990 | 1 760 | 1 650 | 17 600 | 2 500 | 15 100 |
| Company | | | 22 000 | 1 980 | 5 720 | | | | |

Note:

Insurance within the year 2005:

health 4,5 + 9,0 %
social 8,0 + 26,0 %

Contracts of services:

| Name of the employee | Full income | Health insurance | Social insurance | Income tax | To pay |
|----------------------|-------------|------------------|------------------|------------|--------|
| Petr Kašný | 9 000 | X | X | 1 800 | 7 200 |
| Libor Lukáš | 6 000 | X | X | 1 200 | 4 800 |
| Total | 15 000 | | | 3 000 | 12 000 |

| Doc. | Description of the accounting transaction | CZK | DEBIT | CREDITOR |
|------|---|-----|-------|----------|
|------|---|-----|-------|----------|

There were the following initial states on the accounts: 211 – Bank accounts 100 000 CZK, 411 – Basic capital 100 000 CZK

| | | | | |
|----------|---|--------|-----|-----|
| u/1 | Fulltime staff payroll – September 2005 | | | |
| 30-09-05 | Admitted full income | 22 000 | 521 | 331 |
| | Dependent activity income tax advance payment | 1 650 | 366 | 342 |
| | Health insurance | 990 | 331 | 336 |
| | Social insurance | 1 760 | 331 | 336 |
| | Wages deduction | 2 500 | 331 | 342 |
| | Company staff wages insurance precept | | | |
| | Health insurance | 1 980 | 524 | 336 |
| | Social insurance | 5 720 | 524 | 336 |

| | | | | |
|----------|---|--------|-----|-----|
| u/2 | Contracts of services payroll – September 2005 | | | |
| 30-09-05 | Admitted rewards of contracts of services | 15 000 | 521 | 331 |
| | Dependent activity tax advance payment (income tax) | 3 000 | 331 | 342 |

| | | | | |
|--------------|--|--------|-----|-----|
| 15-10-05 P/1 | Cash withdrawal from the current account for wages payment | 12 000 | 211 | 261 |
| 15-10-05 P/2 | Reward payment - contracts of services | 12 000 | 331 | 211 |

| | | | | |
|----------------------------------|--|--------|-------|-----|
| b/1 | Statement of current account | | | |
| 15-10-05 | Remittance of the health insurance (for both stuff and company) | 2 970 | 336.2 | 221 |
| | Remittance of the social insurance (for both stuff and company) | 7 480 | 336.1 | 221 |
| | Remittance of the income tax advance payment to financial office (both fulltime staff wages and contract of servicest) | 4 650 | 342 | 221 |
| | <i>Remittance of the loan payment to monetary institution</i> | | | |
| | Remittance of the building savings to monetary institution | 1 000 | 379 | 221 |
| | Staff wages payment | 1 500 | 379 | 221 |
| | Cash (cash withdrawal statement) | 15 100 | 331 | 221 |
| | <i>Statement recapitulation:</i> | | | |
| <i>Initial state 100 000 CZK</i> | | | | |
| <i>Creditor</i> | | | | |
| <i>Debit 44 700 CZK</i> | | | | |
| <i>Final state 55 300 CZK</i> | | 12 000 | 261 | 221 |

Reckon health insurance, social insurance and dependent activity tax advance payment for individual incomes and fill in the chart with the results.

Example 3

Mr. Josef Mikéska was receiving income of 178 020 CZK from one employer during the last taxable period (income of labourrelationlaw relation). There was deduction of 20 004 CZK according to appropriate rules. The tax payer signed the tax declaration within this taxable period and claimed basic tax-free sum and tax-free sum for two children living with him in common household. There was deduction of 13 295 CZK from advance payments by the employer within the taxable period 2004.

After the end of the year he asked the employer (to 15th February 2004 and because of that he still applied in his application) for his wife's annual tax-free sum settling (21 720 CZK). With the application for the annual settling he also presented confirmation from the transfusion station that last year he gave blood gratis twice (gratis blood giving is rewarded with 2 000 CZK per litre for the income tax purposes)

Annual settling calculation procedure:

| | |
|--------------------------------|-----------------|
| Depended action total income | 178 020 |
| Insurance | 20 004 |
| Tax base | 158 016 |
| Basic tax-free sum | 38 040 |
| Deduction for 2 children | 51 120 |
| Tax-free sum for wife | 21 720 |
| Donation value | 4 000 |
| Tax base without tax-free sums | 43 136 = 43 100 |
| Tax | 6 465 |
| Payed in advanced payments | 13 295 |
| Tax overpayment/underpayment | + 6830 |

Note: Income tax rates within the year 2004

| Tax base | | Tax | From base overlapping CZK |
|----------|----------|---------------|---------------------------|
| from CZK | to CZK | | |
| 0 | 109 200 | 15 % | |
| 109 200 | 218 400 | 16 380 + 20 % | 109 200 |
| 218 400 | 331 200 | 38 220 + 25 % | 218 400 |
| 331 200 | And more | 66 420 + 32 % | 331 200 |

Outstandings and liabilities from commercial relation

Example 1

In an engineering corporation there were the following selected events in the commercial settling relations sphere within December and January.

| OPERATION | SUM | DEBIT | CREDITOR |
|---|---------|-------|----------|
| Invoice in on purchasing of metal laths from abroad for EUR 1 500,- exchange rate 1 EUR = 30,16 | 45 240 | 111 | 321 |
| Invoice out for sold products (measuring apparatuses) in total: | 238 000 | 311 | |
| ▪ contractual price | 200 000 | | 601 |
| ▪ VAT 19 % | 38 000 | | 343 |
| Statement of account – settlement of a part of the invoice on the measuring apparatuses from the customer | 100 000 | 221 | 311 |
| Statement of account – settlement of the advance payment to the supplier for future accessory supply: | 50 000 | 314 | 221 |
| - 19 % koeficient dolů | 7 983 | 343 | |
| Inner account voucher – takeover of the bill of exchange for the measuring apparatuses, containing exchange sum, from the customer: | 154 000 | 312 | |
| ▪ Invoiced sum | 138 000 | | 311 |
| ▪ interest | 16 000 | | 662 |
| Invoice in for the accessory in total: | 97 600 | 111 | 321 |
| ▪ contractual price | 80 000 | 343 | |
| ▪ VAT 19 % | 15 200 | 321 | 314 |
| ▪ advance payment statement | 50 000 | | 343 |
| | 7 983 | | 343 |
| Statement of account – settlement of the invoice on the accessory | 47 600 | 321 | 221 |
| Inner account voucher – exchange difference from unsettled exchange obligation (exchange rate within 1st January 1 EUR = 30,16) | 75 | 386 | 321 |
| Inner account voucher – exchange difference reserve formation | 75 | 574 | 454 |

| | | | |
|---|--------|-----|-----|
| Inner account voucher – formation of corrective accounting entry to disputable outstanding debt | 25 000 | 559 | 391 |
| Accounting transactions within the next accounting period: | | | |
| Inner account voucher: | | | |
| ▪ cancellation of exchange difference | 75 | 321 | 386 |
| ▪ cancellation of reserve for exchange difference | 75 | 454 | 574 |
| Statement of account – settlement to abroad for the metal laths, exchange rate 1 EUR = 30,10 | 45 150 | 321 | 221 |
| Inner account voucher for raelized exchange difference | 75 | 321 | 663 |
| Statement of account – settlement of the bill of exchange from the customer | 154000 | 221 | 312 |

Settling relations with abroad

Example 1

Bussines company, VAT payer and excise tax non-payer, engaged in purchasing and selling goods, using stock records variant A. In the monitored period there were the following accounting transactions:

| Text of the accounting transaction | CZK | DEBIT | CREDITOR |
|--|---------|-------|----------|
| Cash voucher out – intake for the purchase of goods in cash: | 23 800 | | |
| ▪ contracting price | 20 000 | 132 | 211 |
| ▪ VAT 19 % | 3 800 | 343 | |
| Invoice in for the purchase of goods from abroad (10 000 EUR, 30,16 CZK per 1 EUR) – out of EU | 301 600 | 131 | 321 |
| Inner account voucher – staff full wages | 60 000 | 521 | 331 |
| Integrated customs entry in total: | 98 386 | | 379 |
| ▪ customs duty 10 % | 30 160 | 131 | |
| ▪ excise tax | 6 400 | 131 | |
| ▪ VAT 19 % | 61 826 | 349 | 343 |
| Takeover note – takeover of goods from abroad | 325 400 | 132 | 131 |
| Statement of account: | | | |
| ▪ invoice settlement for goods to abroad supplier, exchange rate 1 EUR = 30,16 CZK | 300 600 | 321 | 221 |
| ▪ rent payment for 1st quarter of the next year | 18 000 | 381 | 221 |
| Inner account voucher – exchange difference | 1 000 | 321 | 663 |
| Cash voucher in for revenue in cash in total: | 297 500 | | |
| ▪ contracting price | 250 000 | 211 | 604 |
| ▪ VAT 19 % | 47 500 | | 343 |
| Issue slip – sold goods decrease | 170 000 | 504 | 132 |
| Invoice in for goods purchase in total: | 38 080 | | 321 |

| | | | |
|--|-----------------|------------|-----|
| <ul style="list-style-type: none"> ▪ contracting price ▪ VAT 19 % | 32 000 6 080 | 131 343 | |
| Accounting transaction in the end of the accounting period | | | |
| Inner account voucher – invoiced repudiate goods | 32 000 | 139 | 131 |
| Inner account voucher – during stockaging it was found out that market value of seasonal goods is 74 000,- CZK and its accounting value is 85 000,- CZK. | 11 000 | 559 | 196 |

Variant B

| | CZK | DEBIT | CREDITOR |
|-----|-----------------------|------------|----------|
| 1. | 23 800 | 504 | 211 |
| 2. | 301 600 | 504 | 321 |
| 3. | 60 000 | 521 | 331 |
| 4. | 98 386 | 504 | 379 |
| 5. | - | - | - |
| 6. | a. 30 160 b. 6 400 | 131 131 | |
| 7. | 1 500 | 321 | 663 |
| 8. | 297 500 | 211 | 604 |
| 9. | - | - | - |
| 10. | 38 080 | 139 | 504 |
| 11. | - | - | - |

Task:

Fill in the chart with the missing sums and accounting precepts.

Determine the accounting changes in case that the bussines company is VAT and excise tax non-payer and inventory is filed by variant B.

EXPENSES AND REVENUES

Tax and donation posting

Example 1

Wholesale corporation Jandák Inc., VAT and excise tax payer, has balance of 4 250 5000 CZK on its current account and economic outcome (profit) from common activity, before taxation, 2 375 000 CZK.

This profit is tax base at the same time.

| OPERATION | SUM | DEBIT | CREDITOR |
|---|---------|-------|----------|
| Inner account voucher – common activity income tax precept (28 %) | 665 000 | 591 | 341 |
| Inner account voucher – dependent activity income tax deduction | 133 000 | 331 | 342 |
| Inner account voucher – road-traffic tax precept | 6 200 | 531 | 345 |
| Inner account voucher – real estate-transfer tax precept | 28 000 | 538 | 345 |
| Common customs declaration for tobacco products import in total: | 214 310 | | 379 |
| ▪ customs duty | 50 000 | 131 | |
| ▪ excise tax | 35 500 | 345 | |
| ▪ VAT 19 % | 128 810 | 349 | 343 |
| Inner account voucher – feu duty precept | 32 000 | 532 | 345 |
| Invoice out to the customer for the sold goods in total: | 833 000 | 311 | |
| ▪ contractual price (taxable performance) | 700 000 | | 604 |
| ▪ VAT 19 % | 133 000 | | 343 |
| Invoice in for equipment for laboratory in accordance with HELP program in total: | 595 000 | | 321 |
| ▪ contractual price | 500 000 | 042 | |
| ▪ VAT 19 % | 95 000 | 343 | |
| Statement of account: | | | |
| ▪ Donation allowance for HELP program | 300 000 | 221 | 346 |
| ▪ Juridical person income tax payment | 665 000 | 341 | 221 |
| ▪ Depended action income tax payment | 133 000 | 342 | 221 |
| ▪ Road-traffic tax payment | 6 200 | 345 | 221 |
| ▪ Estate-transfer tax payment | 28 000 | 345 | 221 |
| ▪ Feu duty payment | 32 000 | 345 | 221 |
| ▪ Excise tax intake | 35 500 | 221 | 345 |
| ▪ Immoderate VAT deduction intake | 84 810 | 221 | 343 |
| ▪ Settlement of the invoice on the equipment for laboratory | 595 000 | 321 | 221 |
| Inner account voucher – using the dotation for the investment | 300 000 | 346 | 042 |

Final accounts on taxation

Example 1

31st December 2004, before income tax posting ALFA, Ltd. company, showed the following final states (balances) on result accounts:

| | |
|---|---------------|
| 501 – Material consumption | CZK 262 950,- |
| 502 – Power consumption | 99 000,- |
| 511 – Repairs and maintenance | 19 950,- |
| 512 – Travelling expenses | 141 450,- |
| 512/1 – Travelling expenses up to the limit | 78 750,- |

| | |
|--|-----------|
| 512/2 – Travelling expenses over the limit | 62 700,- |
| 513 – Representation expenses | 7 500,- |
| 521 – Wages expenses | 227 250,- |
| 522 – Dependent activity incomes of the companions and cooperative members | 110 500,- |
| 524 – Statutory social insurance | 81 810,- |
| 543 – Donations (according to the income tax law) | 4 200,- |
| 551 – Tangible and intangible investment property depreciation (tax depreciation 185 300,- CZK) | 170 250,- |
| 552 – Legal reserves formation | 9 600,- |
| 554 – Other reserves formation | 3 000,- |
| 561 – Sold securities | 150 000,- |
| 562 – Interest | 40 590,- |
| 582 – Shortfalls and damages | 13 500,- |
| 582/1 – Natural disaster shorfalls and damages | 12 000,- |
| 582/2 – Other shorfalls and damages | 1 500,- |
| 591 – Common aktivity income tax | ? |
| 593 – Uncommon activity income tax | ? |
| 601 – Self-production revenue | 766 000,- |
| 602 – Service revenue | 344 860,- |
| 611 – Production in progress status change (Creditor) | 60 000,- |
| 613 – Product status change (Debit)(-) | 90 000,- |
| 622 – Interadepartmental services activation | 210 390,- |
| 652 – Legal reserves settling | 20 250,- |
| 661 – Revenue from sold securities | 207 000,- |
| 662 – Interest (untaxed) | 37 650,- |
| 663 – Exchange-rate profits | 23 250,- |
| 688 – Other uncommon revenues | 19 050,- |
| 688/1 – Natural disaster damage compensations | 3 750,- |
| 688/2 – Shortfalls and other gamages compensations | 1 050,- |
| 688/3 – Other uncommon revenues | 14 250,- |

Tasks:

- Find out accounting economic outcome before taxation in division of common and uncommon activity.
- Adjust the accounting economic outcome to tax base and reckon:
 - common activity income tax due
 - uncommon activity income tax due
- Determine accounting precepts for income tax due provided that within the year there were 60 000,- CZK payed for income tax advance payment.
- Reckon net profit.

The common and uncommon activity tax base may be round down on entire thousands only once (for both of the activities)

| OPERATION | SUM | DEBIT | CREDITOR |
|------------------------------|--------|-------|----------|
| Income tax advance payment | 60 000 | 341 | 221 |
| Common activity income tax | 86 520 | 591 | 341 |
| Uncommon activity income tax | 1 680 | 593 | 341 |
| Tax extra | 50 250 | 341 | 221 |

Own capital

Example 1

Stock company basic capital increase

ROKO Inc., the stock company, had the following initial states in the selected accounts on 1st of January 2004:

| | CZK |
|---|-------------|
| 411/1 – Basic capital signed up in Trade Register | 5 000 000,- |
| 421 – Statutory reserve fund | 125 000,- |
| 431 – Economic outcome in SB (profit) | 750 000,- |
| 473 – Emitted debentures | 250 000,- |

In accounting period there were the following transactions in a stock company with foreign property participation:

| OPERATION | SUM | DEBIT | CREDITOR |
|--|-----------|-------|----------|
| Inner account voucher – subscribing of the new shares by foreign shareholder: | | | |
| ▪ Sale price (2 000 pcs of shares for 550,- CZK per 1 share) exchange rate 1 EUR = 30,16 (= 36 472,- CZK) | 1 100 000 | | |
| ▪ nominal value of subscribed shares (2 000 pcs of shares for 500,- CZK) | 1 000 000 | 353 | 411/2 |
| ▪ difference – share premium | 100 000 | | 412 |
| Statement of foreign currency account – payment of subscribed stock to the foreign shareholders, exchange rate 1 EUR = 30,16 CZK | 1 111 832 | 221 | 353 |
| Inner account voucher – exchange difference | 111 832 | 353 | 663 |
| Inner account voucher – exchange of long-term debentures for shares | 250 000 | 473 | 411/2 |
| Inner account voucher – recording the basic capital increase into the Trade Register | 1 250 000 | 411/2 | 41/1 |

Example 2

Basic capital reduction in a stock company

DIXI Inc., the stock company, considering its economic activity volume decrease, determined to decrease its basic capital from 2 500 000 CZK to 2 000 000 CZK by buying

out a part of shareholder's treasury stock. Nominal value of buy-out treasury stock was 1 000 CZK per 1 stock, purchase price of the buy-out treasury stock was 1 100 CZK per 1 stock. There were 700 stocks bought out.

| OPERATION | SUM | DEBIT | CREDITOR |
|--|---------|-------|----------|
| Statement of account – buying out the treasury stock (700 pcs for 1100,- CZK per 1 piece) | 770 000 | 252 | 221 |
| Inner account voucher – basic capital decrease by destruction of 500 pcs of buy-out treasury stock: | | | |
| ▪ nominal price | 500 000 | 411/2 | |
| ▪ purchase price | 550 000 | | 252 |
| ▪ difference | 50 000 | 568 | |
| Statement of account – revenue from selling of 200 pcs of treasury stock in market price 1 200 CZK per 1 stock | 240 000 | 221 | 661 |
| Inner account voucher – decrease of 200 pcs of sold treasury stock | 220 000 | 561 | 252 |
| Record of the basic capital decrease in Trade Register | 500 000 | 411/2 | 411/1 |

ECONOMIC OUTCOME

Example 1

Net profit partition in stock company

In a stock company there were the following accounting transactions concerning to 350 000,- net profit partition. 5% to the statutory reserve fund, 30% to the statutory development fund, 10% the rewards fund, 30% admitted dividend to the shareholders, and the rest of the profit retained. Dividend were tax and paid to the shareholders in cash. There were profit shares admitted to the employees from the reward fund.

| OPERATION | SUM | DEBIT | CREDITOR |
|---|---------|-------|----------|
| Inner account voucher – net profit transfer at the beginning of the year | 350 000 | 701 | 431 |
| Inner account voucher – profit ration: | | | |
| ▪ to the statutory reserve fund | 17 500 | 431 | 421 |
| ▪ to the statutory development fund | 105 000 | 431 | 423 |
| ▪ to the rewards fund | 35 000 | 431 | 427 |
| Inner account voucher – admitted dividend to the shareholders | 105 000 | 431 | 364 |
| Inner account voucher – retained profit transfer | 87 500 | 431 | 428 |
| Inner account voucher – deduction tax from dividend | 26 250 | 364 | 342 |
| Cash voucher out – payment of dividend to the shareholders | 78 750 | 364 | 211 |
| Inner account voucher – profit shares admission to the employees from the reward fund | 35 000 | 427 | 331 |

Task

Fill in the chart with the missing sums and accounting precepts or pass to the accounts.

Example 2

A Limited Company showed loss of 85 400,- CZK. Companion general meeting made a decision that the loss would be settled from the statutory reserve fund in the amount of 30 000,- CZK, 25 000,- CZK by the companions and the rest of the loss from the economic outcome of the next years.

| OPERATION | SUM | DEBIT | CREDITO R |
|---|--------|-------|--------------|
| Inner account voucher – loss transfer at the beginning of the accounting period | 85 400 | 431 | 701 |
| Inner account voucher – loss settlement: | | | |
| ▪ from statutory reserve fund | 30 000 | 421 | 431 |
| ▪ by the companions | 25 000 | 354 | 431 |
| ▪ by transfer to the next accounting period | 30 400 | 429 | 431 |
| Cash voucher in – loss settled by the companions in cash | 25 000 | 211 | 354 |

Task

Fill in the chart with the missing sums and accounting precepts or pass to the accounts.

CLOSING OF BOOK AND FINAL ACCOUNTS

FALKO, Ltd., the business company, is engaged in manufacturing activity and providing of consultancy service. It is a VAT payer.

Initial states on the accounts on 1st January.2004:

| | |
|--|-------------------------|
| 112 – Material on stock | 140 000 CZK |
| 123 – Products | 260 000 CZK |
| 211 – Cash (211001) | 120 000 CZK |
| 221 – Current account (221001) | 480 000 CZK |
| 311 – Customers | 50 000 CZK (f/2003 159) |
| 321 – Suppliers | 200 000 CZK (F/105) |
| 341 – Income tax | 35 000 CZK |
| 411 – Basic capital | 100 000 CZK |
| 413 – Other capital funds | 650 000 CZK |
| 428 – Economic outcome in approval procedure | 65 000 CZK |

Accounting transactions in 2005:

| Doc. | Description of the accounting transaction | CZK | DEBIT | CREDITOR |
|------|---|-----|-------|----------|
|------|---|-----|-------|----------|

Invoice in

| F/1 | Description of the accounting transaction (put in use) | CZK | DEBIT | CREDITOR |
|-----|--|---------|-------|----------|
| | Price without tax | 240 000 | 042 | |
| | VAT 19 % | 45 600 | 343 | |
| | Price with tax | 285 600 | | 321 |

| | | | | |
|-----|--|---------|-----|-----|
| F/2 | For the purchase of material (takeover in stock) | | | |
| | Price without tax | 90 000 | 111 | |
| | VAT 19 % | 17 100 | 343 | |
| | Price with tax | 107 100 | | 321 |

Invoice out

| | | | | |
|----|--------------------------|---------|-----|-----|
| F1 | For the sale of products | | | |
| | Price without tax | 170 000 | | 601 |
| | VAT 19 % | 32 300 | | 343 |
| | Price with tax | 202 300 | 311 | |

| | | | | |
|----|----------------------------------|---------|-----|-----|
| F2 | For provided consultancy service | | | |
| | Price without tax | 200 000 | | 602 |
| | VAT 19 % | 38 000 | | 343 |
| | Price with tax | 238 000 | 311 | |

Cash vouchers

| | | | | |
|-----|----------------------------------|--------|--------|-----|
| P/1 | Revenue from consultancy service | | | |
| | Price without tax | 25 000 | | 602 |
| | VAT 19 % | 4 750 | | 343 |
| | Price with tax | 29 750 | 211001 | |

| | | | | |
|-----|--------------------------------------|--------|-----|--------|
| V/1 | Paid penalty to the financial office | 35 000 | 545 | 211001 |
|-----|--------------------------------------|--------|-----|--------|

| | | | | |
|-----|---|--------|--------|-----|
| P/2 | Partial settlement of the invoice from the customer (f/2) | 50 000 | 211001 | 311 |
|-----|---|--------|--------|-----|

Statements of the current account

| | | | | |
|-----|---|---------|--------|--------|
| B/1 | Settlement of the invoice from the customer from the year 2003 (f/2003 159) | 50 000 | 221001 | 311 |
| | Paid supplier invoice for the machine (F/1) – partial settlement | 240 000 | 321 | 221001 |
| | Customer paid the rest of the invoice (f/2) | 188 000 | 221001 | 311 |
| | Paid supplier invoice from 2003 (F/105) | 200 000 | 321 | 221001 |

| | | | | |
|-----|--|---------|--------|--------|
| B/2 | Provision of the long-term bank credit | 500 000 | 221001 | 461 |
| | Partial settlement of the invoice from the customer for sold product (f/1) | 85 000 | 221001 | 311 |
| | Paid income tax of accounting entity within the year 2003 | 35 000 | 341 | 221001 |

| | | | | |
|-----|--|--------|--------|--------|
| B/3 | Credit payment | 20 000 | 461 | 221001 |
| | Credit interest | 25 000 | 562 | 221001 |
| | Attributed interest from the current account | 1 000 | 221001 | 662 |
| | Bank charges | 4 000 | 568 | 221001 |

Inner account vouchers

| | | | | |
|-----|---|---------|-----|-----|
| U/1 | Issue slip – expenditure of the material into the production, where it was used | 60 000 | 501 | 112 |
| U/2 | Putting sold products out of the warehouse in own expenses | 115 000 | 613 | 123 |
| U/3 | Material destroyed by fire depreciated from stock | 150 000 | 549 | 112 |
| U/4 | Expected (assessed) compensation from the insurance company | 110 000 | 388 | 688 |
| U/5 | Accounting depreciation long-term properte (LP) – purchased machine | 24 000 | 551 | 082 |
| U/6 | Machine transfer (putting in) | 240 000 | 022 | 042 |
| U/7 | Intake in stock | 90 000 | 112 | 111 |
| U/8 | Tax | 42 560 | 591 | 341 |

Tax depreciation = machine put in second depreciation grade, double-quick depreciation, coefficient in the 1st year = 6

Adjust accounting economic result (ER) to tax base, reckon tax duty whithin the year 2004 and pass it.

Form account sheets BALANCE and PROFIT AND LOSS SHEET.

EXPENSES (5th grade) = 298 000 CZK

REVENUES (6th grade) = 399 000 CZK

ACCOUNTING ECONOMIC OUTCOME = 93 000 CZK

Adjusting economic outcome to tax base, tax duty calculation and posting.

Note:

Accounting entity cannot claim reinvestment deduction, because it is not the first owner of the purchased machine.

Add-on entries (tax-free expenses)

| Account title | CZK |
|---------------|---------------|
| 545 | 35 000 |
| 549 | 40 000 |
| TOTAL | 75 000 |

Difference between accounting and tax depreciation

| Account title | CZK |
|-------------------------------|--------|
| Accounting depreciation of LP | 24 000 |
| Tax depreciation LP | 40 000 |
| Difference | 16 000 |

TAX BASE = 152 000 CZK

Round down the tax base on entire thousands = 152 000 CZK

Tax rate 28 %

Tax duty of the accounting entity = 42 560 CZK

| Tax duty of the accounting entity within the year 2004 | 42 560 | 591 | 371 |
|--|--------|-----|-----|
| | | | |

Account sheets

BALANCE

| Marking | ASSETS | | | | Last period |
|---------|---|-----------|------------|-----------|-------------|
| | | GROSS | Correction | NETT | NETT |
| | <u>Assets in total</u> | 1 577 050 | - 24 000 | 1 553 050 | 0 |
| A. | Outstandings for subscribed basic capital | 0 | 0 | 0 | 0 |
| B. | Long-term property | 240 000 | - 24 000 | 216 000 | 0 |
| B.I. | Long-term intangible property | 0 | 0 | 0 | 0 |
| B.II. | Long-term tangible property | 240 000 | - 24 000 | 216 000 | 0 |
| B.III. | Long-term financial property | 0 | 0 | 0 | 0 |
| C. | Circular assets | 1 337 050 | 0 | 1 337 050 | 0 |
| C.I. | Inventory | 165 000 | 0 | 165 000 | 0 |
| C.II. | Long-term outstandings | 0 | 0 | 0 | 0 |
| C.III. | Short-term outstandings | 227 300 | 0 | 227 300 | 0 |
| C.IV. | Short-time financial property | 944 750 | 0 | 944 750 | 0 |
| D. | Time resolution | 0 | 0 | 0 | 0 |

Note:

- gross = the amount of assets according to individual entries unadjusted with correction entries and depreciation reserves
- correction = amount of correction entries and depreciation reserves to appropriate assets
- nett = amount of assets reduced by correction entries and depreciation reserves

| Marking | DEBTS | Common accounting period | Last accounting period |
|---------|---|--------------------------|------------------------|
| | | 1 553 050 | 0 |
| | <u>Debts in total</u> | 865 440 | 0 |
| A. | Own capital | 200 000 | 0 |
| A.I. | Basic capital | 550 000 | 0 |
| A.II. | Capital funds | 0 | 0 |
| A.III. | Reserve funds, invisible fund and other funds of the profit | 65 000 | 0 |
| A.IV. | Economic outcome within last years | 50 440 | 0 |
| A.V. | Economic outcome within common year | 687 610 | 0 |
| B. | Foreign sources | 0 | 0 |
| B.I. | Reserves | 0 | 0 |
| B.II. | Long-term liabilities | 207 610 | 0 |
| B.III. | Short-term liabilities | 480 000 | 0 |
| B.IV. | Bank credits and helps | 0 | 0 |
| C. | Time resolution | | |

PROFIT and LOSS REPORT in simplified scale:

| Line | Entry content | Fact in the accounting period | |
|------|---|-------------------------------|------|
| | | monitored | last |
| I. | Revenue from sold goods | 0 | 0 |
| A. | Expenses spent for the sold goods | 0 | 0 |
| + | Business margin (I.-A.) | 0 | 0 |
| II. | Performances | 280 000 | 0 |
| B. | Performance depletion | 60 000 | 0 |
| + | Added value (II.-A.+II.-B) | 220 000 | 0 |
| C. | Personal expenses | 0 | 0 |
| D. | Taxes and charges | 0 | 0 |
| E. | Long-term tangible and intangible property depreciation | 24 000 | 0 |
| III. | Revenue from the sale of long-term property and material | 0 | 0 |
| F. | Depreciated price of sold long-term property and material | 0 | 0 |
| G. | Change of reserve state and correction entries in operating area and komplex expenses of next periods | 0 | 0 |
| IV. | Other operating revenues | 0 | 0 |
| H. | Other operating expenses | 185 000 | 0 |
| V. | Operating revenues transfer | 0 | 0 |
| I. | Operating expenses transfer | 0 | 0 |
| * | Operating economic outcome (regarding revenue entries (I.to V.) and expenses entries (A to I.) | 11 000 | 0 |

| | | | |
|-------|--|---------|---|
| VI. | Revenue from the sale of securities and shares | 0 | 0 |
| J. | Sold securities and shares | 0 | 0 |
| VII. | Revenue from long-term-financial property | 0 | 0 |
| VIII. | Revenue from short-term-financial property | 0 | 0 |
| K. | Expenses from financial property | 0 | 0 |
| IX. | Revenue from overestimating of securities and derivatives | 0 | 0 |
| L. | Expenses from overestimating of securities and derivatives | 0 | 0 |
| M. | Change of reserve state and correction entries in financial area | 0 | 0 |
| X. | Revenues interest | 1 000 | 0 |
| N. | Expenses interest | 25 000 | 0 |
| XI. | Other financial revenues | 0 | 0 |
| O. | Other financial expenses | 4 000 | 0 |
| XII. | Financial revenues transfer | 0 | 0 |
| P. | Financial expenses transfer | 0 | 0 |
| * | Financial economic outcome (regarding revenue entries (VI. to XII.) and expenses entries (J. to P.)) | -28 000 | 0 |
| Q. | Common activity income tax | 42 560 | 0 |
| ** | Common activity economic outcome (operating EO + financial EO – Q) | -59 560 | 0 |
| XIII. | Uncommon revenues | 110 000 | 0 |
| R. | Uncommon expenses | 0 | 0 |
| S. | Uncommon activity income tax | 0 | 0 |
| * | Uncommon economic outcome (XIII.-R – S) | 110 000 | 0 |
| T. | Transfer of economic outcome shares to companions (+/-) | 0 | 0 |
| *** | Economic outcome within accounting period (+/-) (common activity economic outcome and uncommon EO) | 50 440 | 0 |
| | | 93 000 | 0 |