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**Accounting Monograph on the
Accounting for the Movement of Timber
to Forest Exploitation Companies**

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Accounting Monograph on the Accounting for the Movement of Timber to Forest Exploitation Companies

SECȚIUNEA FINANȚE, CONTABILITATE, ASIGURĂRI

ABSTRACT: The paper deals with practical aspects on how to point out in the economic units accounting the operations generated by exploitation, processing, storage and marketing of timber. In this approach, we have initially presented the legal provisions in force since 1 October 2008 in the exploitation of timber and we concluded with an accounting monograph of the main operations regarding its exploitation, processing and marketing. The paper also presents the simplification measures (reverse charge) applied in compliance with the Tax Code provisions on marketing of timber.

Keywords: timber, SUMAL (Timber Movement Tracking System), shipment slip, forest fund, reverse charge

Next we shall present an *accounting*

a) The company shall pay the Forest Administration a bail of 5,000.00 lei to attend the tender, according to the receipt, preparing in this respect the accounting article:

267 "Long-term receivables"	x	5311 "Petty cash in lei"	5,000.00
	=		
	x		

b) The tender specifications amounting to 100 shall be acquired according to the invoice:

628 "Other third party services"	x	401 "Suppliers"	100.00
	=		
	x		

c) The specifications shall be paid according to the receipt:

401 "Suppliers"	x	5311 "Petty cash in lei"	100.00
	=		
	x		

After winning by bidding the right to exploit an area of 1800 cubic meters of standing trees (there shall be concluded a contract for exploitation over a period of 9 months), the company shall pay the National Forest Administration RA, Forestry Directorate branch of Târgu-Jiu, Tismana Forest Division, the equivalent value of timber to be exploited in the first month and a performance guarantee of 5%, based on payment order and statement of account.

Therefore:

- quantity exploited monthly: $1,800 \text{ m}^3 / 9 \text{ months} = 200 \text{ m}^3 / \text{month}$
- equivalent value of timber exploited monthly: $200 \text{ m}^3 \times 100.00 \text{ lei/m}^3 = 20,000.00 \text{ lei}$

409 "Advance payments to suppliers"	x	5121 "Cash at bank in lei"	24,000.00
	=		
	x		

monograph of the main operations generated by the exploitation, circulation and marketing of timber to a company in Târgu-Jiu registered for VAT purposes.

Thus, before the exploitation itself the company shall prepare a file proving that it has qualified personnel and the equipment necessary for exploitation and this file shall be submitted to the National Forest Administration RA, Forestry Directorate branch of Târgu-Jiu in order to participate in tender for the award of exploitable areas.

Therefore:

- guarantee provided by the contract for performance, determined at the award value of the area: $5\% \times 1,800 \text{ m}^3 \times 100.00 \text{ lei/m}^3 = 9,000.00 \text{ lei}$

- the amount that will be charged by Tismana Forest Division for the first month: $20,000.00 \text{ lei} + 9,000 \text{ lei} = 29,000.00 \text{ lei}$

amount paid in advance to Tismana Forest Division, while settling the bail to attend the tender, previously paid (in compliance with the contract provisions): $29,000.00 \text{ lei (due)} - 5,000.00 \text{ lei (bail to attend the tender, previously paid)} = 24,000.00 \text{ lei}$.

The accounting article prepared by the company is as follows:

The company for timber exploitation receives the invoice for the timber exploited in the first month (200 m³), including the performance guarantee of 5%, preparing the acceptance and difference inspection report for timber (during transportation the primary shipment slip must be used):

Note that for the standing timber charged by the Forest Administration, there shall be applied the reverse charge provided by Article 160 of the Tax Code (both partners are registered

for VAT purposes, and goods are included in the timber material category to which the simplification measures apply according to the legal provisions) and the performance guarantee falls within the exemption from VAT. Therefore, the Forest Administration shall specify "reverse charge" on the invoice without calculating VAT for the timber charged, and for the guarantee it shall specify free of charge in the VAT column.

The accounting article is as follows:

%	x	=	401 "Suppliers"	29,000.00
301 "Raw materials"				20,000.00
267 "Long-term receivables"				9,000.00

Simultaneously, the exploitation company taken as an example (as a beneficiary) shall calculate the related value added tax to be included in the invoice and purchase order log, charge which shall be considered both as output and input tax in the tax return. Therefore the

recipient company shall record self-liquidation of value added tax (20,000.00 lei * 19%) (the collection of value added tax at the input tax shall be treated as tax payment to the supplier / provider):

4426 "Input VAT"	x	=	4427 "Output VAT"	3,800.00
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After receiving the invoice, the exploitation company shall record the settlement of advance payment and bail to attend the tender in

compliance with the contract, drawing up in this respect the accounting article:

401 "Suppliers"	x	=	%	29,000.00
			409 "Advance payments to suppliers"	24,000.00
			267 "Long-term receivables"	5,000.00

After reception, the exploited timber shall be entered for consumption (processing) (200

m³ x 100.00 lei/mc = 20,000.00 lei), according to the consumption note:

601 "Raw material expenses"	x	=	301 "Raw materials"	20,000.00
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At the end of the month, the company taken as an example shall draw up the production report (taking into account the

direct and indirect costs from the accounting management) which shall include:

- logs: 1st class 16 m³ x 290.00 lei/m³ = 4,640.00 lei;
- logs: 2nd class 32 m³ x 200.00 lei/m³ = 6,400.00 lei;
- logs: 3rd class 62 m³ x 180.00 lei/m³ = 11,160.00 lei;
- Total logs: 110 m³ 22,200.00 lei;
- fuel wood: 1st class 54 m³ x 100.00 lei/m³ = 5,400.00 lei;
- fuel wood: 2nd class 36 m³ x 66,66.00 lei/m³ = 2,400.00 lei;
- Total fuel wood: 90 m³ x 290.00 lei/m³ = 7,800.00 lei;
- Total: 200 m³ 30,000.00 lei.

The accounting article is as follows:

345 "Finished goods"	x	=	711 "Variation in inventory"	30,000.00
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The company sells exploited timber (logs and fuel wood), as follows:

a) first class logs to legal persons registered

for VAT purposes, directly from the storehouse, based on the invoice (16 m³ x 330 lei/m³) (reverse charge applies):

4111 "Customers"	5,280.00	x	=	701 "Income from selling finished goods"	
Concomitantly the discharge from administration shall be reflected (records are		x		kept in terms of quantity and value) (16 m ³ x 290 lei/m ³):	
711 "Variation in inventory"		x	=	345 "Finished goods"	4,640.00
<i>b)</i> second and third class logs to legal person registered for VAT purposes from the presentation store, based on invoice:		x		- the formation of the selling price of goods (timber becomes goods), the mark-up is about 19,60% (with rounding):	
371 "Goods"		x	=	%	<u>21,000.00</u>
				345 "Finished goods"	17,560.00
				378 "Price differences on goods"	3,440.00
- sale of goods based on invoices		x		(reverse charge applies):	
4111 "Customers"		x	=	707 "Income from selling goods"	21,000.00
- simultaneously the discharge from administration is registered, given that records are kept in terms of quantity and value		x		(otherwise the average coefficient of mark-up distribution must be calculated):	
	%	x	=	371 "Goods"	<u>21,000.00</u>
378 "Price differences on goods"					3,440.00
607 "Expenses related to goods"					17,560.00
- customers are charged (points a and b) by bank, according to payment orders and		x		statements of account:	
5121 "Cash at bank in lei"		x	=	411 "Customers"	26,280.00
<i>c)</i> fuel wood to individuals directly from the storehouse, based on the voucher from the cash-register (until 1 st October 2008 the voucher for sale - special document - shall be		x		used) (the reverse charge can no longer be applied whereas the condition on registration for VAT purposes of both partners of the sale / purchase operation is no longer met):	
5311 "Petty cash in lei"		x	=	701 "Income from selling finished goods"	8,970.00
- concomitantly the discharge from administration shall be reflected (records are		x		kept in terms of quantity and value):	
711 "Variation in inventory"		x	=	345 "Finished goods"	7,800.00

Conclusions

In conclusion, from October 1 important legislative changes were made in the exploitation, movement, storage and marketing of timber. In accounting, the changes apply primarily to documents prepared for the records of origin and movement of timber. Special attention should be paid to defining timber falling within the

simplification measures (reverse charge), any error resulting leading to tax issues with serious implications on the treasury of economic agents marketing wooden products. As implications of the new regulations (GD 996/2008) can be identified those related to the increased volume of work determined by the use of SUMAL application as from 5th December 2008, and by

the benefits that this application will bring at the national level on the growth of effectiveness of crime control in forestry, by preventing and combating illegal activities in the field.

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