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Vendors And Contractors' Payments: Current State And Development Perspective.

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ABSTRACT

In this manuscript studying the topical issues of developing relations between business entities and counterparties, increasing information support in the process of justifying and making management decisions when concluding and executing contracts.

Keywords: enterprises, vendors and contractors, accounting and tax accounting, accounts payable, improvement

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INTRODUCTION

In the difficult conditions that have arisen as a result of already occurring and current economic and political facts and processes, the role of high-quality, professional, open and competent accounting increases exponentially. Objective, competently compiled in accordance with the legislation of the Russian Federation, as well as reporting that does not contradict the tenets of international standards, is one of the main indicators of the development of not only an individual organization, but also the integrity of the entire economic space of one specific state and the world economy.

In the context of a particular organization, settlements with counterparties are basic procedures that determine the direction of development of an economic entity and reflect its financial well-being. Thus, the policy applied by a legal entity with respect to the accounting of settlements with suppliers, contractors and other entities, especially with problematic counterparties, in many respects makes it possible to evaluate the approach of this organization, its administrative and management staff and business owners to the activities of this organization, to achieve the goals of its creation, permanent development and its formation in the modern market of goods, works and services.

The purpose of the research: improvement of the economic mechanism of accounting and tax accounting of settlements with suppliers and contractors.

MATERIAL AND METHODS

The degree of substantiation of scientific and applied provisions, conclusions and recommendations presented in this article is confirmed by the use in the process of research of legal acts in the field of accounting regulation, works of domestic and foreign scientists, materials of reference and electronic media, accounting and analytical data commercial organizations of Krasnodar region. The reliability of the research results is ensured by the application of general scientific and special methods of scientific knowledge.

RESULTS AND DISCUSSION

In modern terms of settlements with counterparties, it is impossible not to note the great role of a well-composed accounting policy of an organization for financial and tax accounting purposes, in which the procedure for settlements with suppliers and contractors, the allocation of costs to cost, and their impact on the final financial result (taxable income tax base), the processes of reimbursement and accounting of VAT and excise taxes in the implementation of direct payments for the resulting products, goods, works and services.

It is because of the high importance of this area of accounting work, on the part of the management staff, special attention is required, decomposition of analytical accounting and control, as well as constructive analysis. The fundamental objectives of this kind of analysis are to prevent delays in settlements, leading, in turn, to the application of penalties against an economic entity; the compliance of transaction documentation with current legal requirements.

It is impossible not to note the fact that operational calculations are inextricably linked with the taxation process since, in the process of interaction between economic entities, bases are formed for calculating and paying VAT, excise taxes, and income taxes.

The value added tax, by its size, does not affect the cost of the directly purchased product, work or service, although it has a direct impact on the formation of a document such as an invoice, thus increasing the amount that the organization pays to its partner in accordance with the contract. In this situation, the state envisages such a process as the adoption of VAT deduction, for which the fulfillment of a number of conditions fixed by the RF Tax Code is required. On the contrary, the amount of excise tax - the amount of tax levied on excisable goods (tobacco, alcohol, gasoline), this tax is included in the cost of goods sold.

Also evaluating the taxation of the business entity, it is important to note the fact that, in general, the amount of debt to suppliers directly generates the cost of goods, work, services or products, which means that in the future it will participate in the process of forming the income tax. That is, the higher the amount of

settlement with suppliers, the higher the cost, and therefore the smaller the amount of the taxable base and the amount of income tax [3, 4].

The amount of value-added tax presented by suppliers of goods works and services must either be deductible (in taxable transactions) or included in the cost of production for the calculation of income tax (in exempt transactions). This is indicated in paragraph 4 of Art. 170 of the Tax Code of the Russian Federation. When purchasing goods (services, works) that will be used exclusively in taxable activities, the taxpayer has the right to deduct in full in accordance with the supplier’s invoice. The same rule applies to the acquisition of intangible assets, property rights and fixed assets.

If purchased goods (works, fixed assets, services, intangible assets or property rights) will be involved only in a tax-exempt activity, the taxpayer has the right to increase their value by the amount of VAT for the subsequent calculation of income tax.

VAT accounting involves not only the reflection of transactions in tax accounting registers but also a reflection on the accounts. Accounting records for VAT accounting are necessary for correct recognition of this tax in accounting when performing various operations. Within the framework of this article, we do not set as our goal the consideration of VAT accounting procedures, but only focus the reader’s attention on the fact that this tax is an integral part of the calculations of an economic entity with counterparties.

In practice, the implementation of financial and economic activities are often cases of impossibility of timely payment of accounts payable in accordance with the terms of the agreement concluded between the parties. In relation to the accounting of overdue payables for its recognition it is necessary to issue:

- the contract in which the date of payment is indicated;
- shipping documents or acts of acceptance of services rendered.

At the same time, an account of the inventory of accounts payable at the end of the reporting (tax) period must be registered, indicating that at the time of writing off the specified debt has not been repaid, and the order of the director to write off accounts payable as a bad debt.

The conclusion of the contract implies the fulfillment by the parties of certain obligations, on the seller’s side, the obligation to deliver a quality product (work, service) within the contractual period, and the buyer to accept and pay for this product (work, service) and pay it on time [1, 6]. Settlements with suppliers and contractors are carried out on the basis of concluded contracts (Fig. 1).

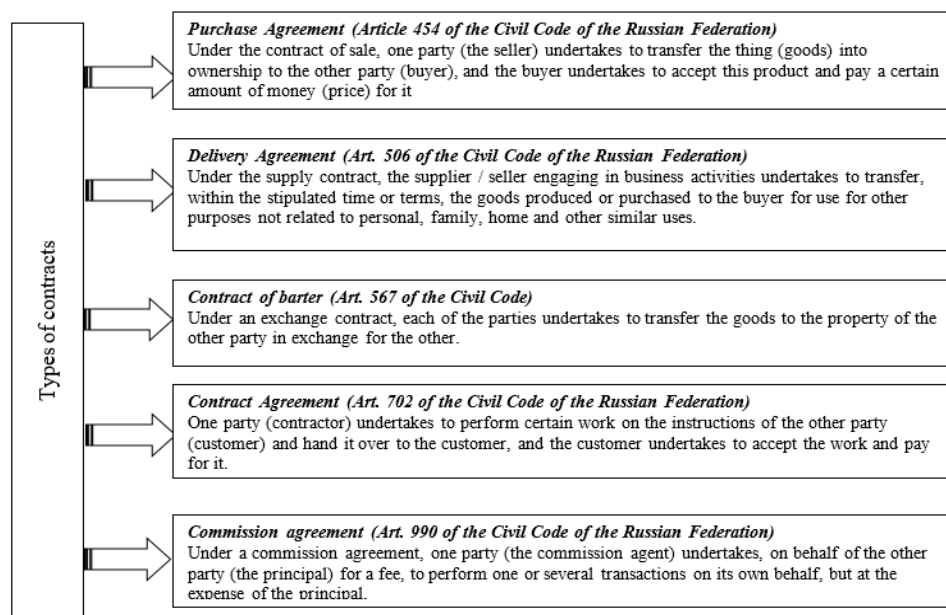


Figure 1: Types of contracts in accordance with the Civil Code

The existing Russian Accounting Standards (RAS) do not contain unified accounting regulations governing the accounting of settlements with suppliers and (or) customers. Therefore, issues related to this section of accounting are resolved only indirectly on the basis of the existing provisions on accounting, judgments of economic entities and emerging practice. In Russia, when conducting settlements, organizations are obliged to comply with a single chart of accounts established by the Ministry of Finance. According to the degree to which all accounting information is detailed, accounts in accounting are divided into synthetic and analytical.

The first ones are a generalized characteristic of the data, in which all information is presented concisely and without clarification, and accounting is entered in monetary terms [2]. Analytical accounts are used for a higher level of detail. In these accounts, the required information is displayed in detail, with the inclusion of all the necessary elements and nuances. In analytical accounts, accounting can be carried out in other equivalents: in meters, liters, pieces, etc.

The basis of accounting procedures is the primary accounting document, which reflects the fact of the transaction between counterparties (Fig. 2).

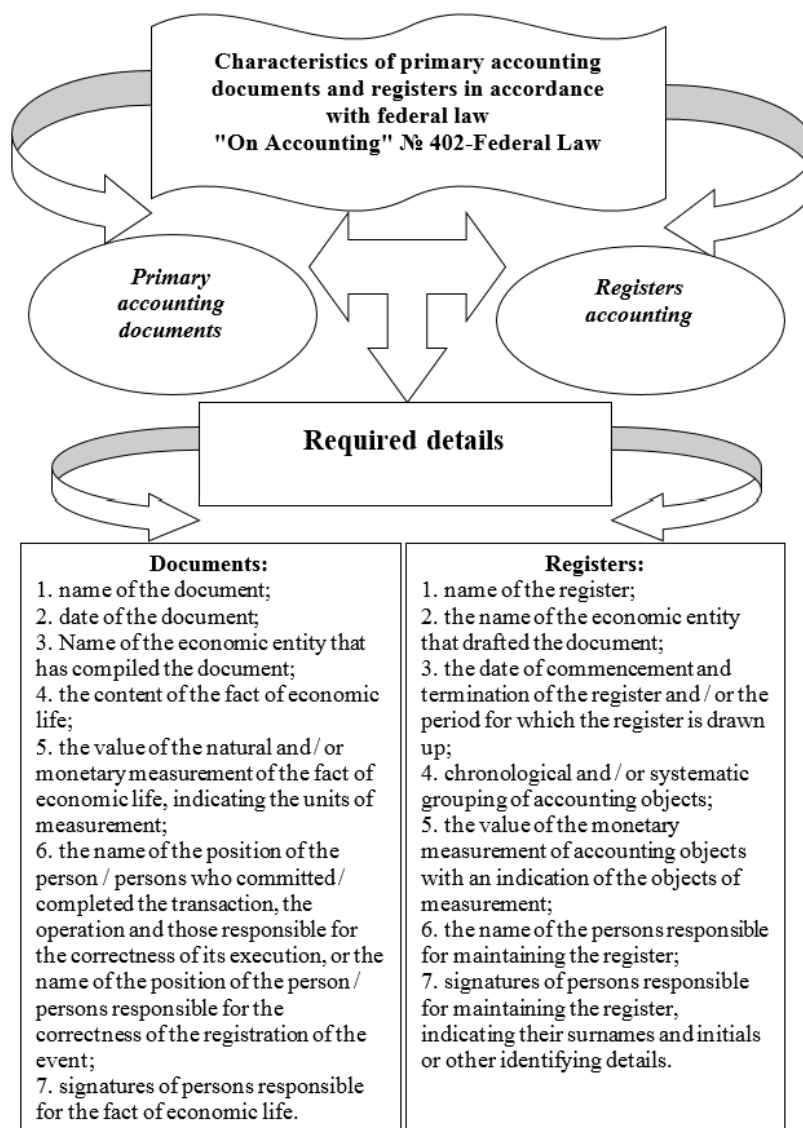


Figure 2: Characteristics of primary accounting documents and registers in accordance with Russian accounting standards

Analytical accounting of settlements with suppliers and contractors is conducted for each supplier individually, for each contractor invoice submitted [5]. At the same time, information should be grouped by payment terms and provide the necessary data on unpaid documents, advance payments issued, unbilled deliveries, etc.

Having deepened in more detail in particular the functioning of organizations in this area of the market as plant protection products, seeds, through detailed study and analysis of three specific economic entities - one of the most common and well-known in the Southern Federal District of the Russian Federation: DORF LLC, Himsnab LLC , LLC YugRas - it is established that all of them are located on the territory of the Krasnodar Territory and are distributors of the largest international corporations producing various types of fertilizers and plant protection products.

For this kind of production and financial activities characteristic and often applicable settlement scheme with suppliers in the form of bonuses, which are reflected in other incomes of the organization, therefore, the indicator "Profit (loss)" from sales should be evaluated based on this information. Thus, DORF LLC during the study period, a loss (except for 2015), and Himsnab LLC, on the contrary, in 2017 received 135 million rubles. profit, which is 5.5 times more than in 2013. In YugRas LLC, the largest amount of profit from sales was recorded in 2016 - 82.5 million rubles, but in 2017 there was a significant decline to 41 million This is due to the trends in the dumping policy pursued by the producers of fertilizers and remedies, as a result of which the economic agents themselves cannot control prices for the products.

For a complete picture of the features of the functioning of each of the pilot organizations, it is necessary to calculate the operational cycle, which largely determines their policies in planning to attract third-party funding sources (bank loans), the settlement scheme with customers and suppliers, the number of days of delay.

To determine the operating cycle, it is necessary to calculate such indicators as the turnover of payables and receivables, as well as inventory turnover, which is especially important for the specifics of the work of the studied organizations (Table 1).

Table 1: Business activity evaluation of the studied organizations

Indicator / year	LLC "DORF"	LLC "Himsnab"	LLC "YugRas"
Accounts payable turnover			
2013	5,3736	2,9714	5,9824
2014	4,9684	3,0371	5,9322
2015	5,7961	5,0360	6,4095
2016	4,3483	5,2650	7,7171
2017	3,3143	3,0944	6,4863
Deviation of 2017 from 2013 (+, -)	x	x	x
Deviation of 2017 from 2016 (+, -)	x	x	x
The repayment period of accounts payable, days:			
2013	68	123	61
2014	73	120	62
2015	63	72	57
2016	84	69	47
2017	110	118	56
Deviation of 2017 from 2013 (+, -)	42	-5	-5
Deviation of 2017 from 2016 (+, -)	26	49	9
Turnover of receivables			
2013	4,6338	2,7828	11,2767
2014	5,2566	3,3110	7,1111
2015	8,8773	4,7981	5,3074
2016	14,9272	5,0242	4,4825
2017	9,4643	4,2692	4,0277

Deviation of 2017 from 2013 (+, -)	x	x	x
Deviation of 2017 from 2016 (+, -)	x	x	x
Redemption period, days:			
2013	79	131	32
2014	69	110	51
2015	41	76	69
2016	24	73	81
2017	39	85	91
Deviation of 2017 from 2013 (+, -)	-40	-46	59
Deviation of 2017 from 2016 (+, -)	15	12	10
Inventory turnover, days			
2013	37	50	27
2014	23	61	31
2015	24	73	32
2016	85	105	44
2017	99	116	71
Deviation of 2017 from 2013 (+, -)	62	66	44
Deviation of 2017 from 2016 (+, -)	14	11	27
Operational cycle, days			
2013	48	58	-2
2014	22	51	20
2015	19	77	44
2016	25	109	78
2017	28	83	106
Deviation of 2017 from 2013 (+, -)	-20	25	108
Deviation of 2017 from 2016 (+, -)	3	-26	28

Analyzing the data in the table, we can conclude that during the study period (2013-2017) the turnover periods of stocks, receivables, and payables are subject to constant changes. Thus, the LLC "DORF" maturity of debts to creditors increased by 42 days from 2013 and by 26 days, as compared to 2016. The delay provided to customers in 2017 was 39 days, and the average shelf life of stocks in stock is 99 days.

In this regard, the operating cycle was 28 days in 2017, as it is calculated as the difference between the sum of days of receivables and inventory turnover, as well as accounts payable turnover.

The indicators for Himsnab LLC indicate a longer financial cycle (83 days) due to a longer period of inventory turnover (116 days), the period for receiving revenue from customers is 85 days and the maturity of payables in 2017 is 118 days, which is 49 days more than in 2016

The longest operating cycle is observed in OOO YugRas. In 2017, the operating cycle was 106 days, which is 108 days more than in 2013 and 28 days more than in 2016. The joint-stock company provides an average delay of 90 days for buyers, while it itself has to pay to suppliers for 56 days, and the average shelf life of stocks is about 71 days.

The operating cycle in organizations specializing in the sale of plant protection products is long, and it is subject to considerable seasonality. As a rule, an economic entity places an order with counterparties in October-November, deliveries start from December and lasts until April, payment varies by supplier, but on average involves 50% payment in the spring period, 50% before November.

Shipments to customers also begin in January, with the average payment terms suggesting a 30% down payment and a 70% deferment maximum until October-November. Thus, in the spring-summer period, economic entities have a cash gap, to cover which organizations attract short-term loans in the form of revolving credit lines or overdrafts.

The study found that the customer base is well diversified: there are no contractors in the structure with a share of sales of > 10%. Among the buyers are various agrarian formations, the negotiating position is assessed as average. The share of intragroup sales for 2016-2017 amounted to 10 and 8%, respectively.

Organizations cooperate with customers both on deferred payment terms (up to 210 days) and on partial prepayment, depending on the contracts. However, among the debtors of DORF LLC there are problematic counterparties, the amount of overdue receivables in 2017 amounted to 21 million rubles. By insuring risks, the company creates reserves for overdue receivables. During 2017, 9.5 million rubles were written off. overdue receivables of Kuban Lux LLC as a result of the bankruptcy of the latter.

The diversification of suppliers in this organization is quite low, the structure is transparent and stable: the three main suppliers account for 62/69/75% of all purchases according to 2015-2017.

Table 2: Diversification of suppliers, LLC “DORF”

Major suppliers	Share in procurement,%			Terms of payment
	2015	2016	2017	
Sigenta	31	39	32	Delay of up to 210 days
BASF	20	19	25	Delay of up to 210 days
Bayer	11	11	18	Delay of up to 210 days
Dup on Russia	8	5	6	Delay of up to 210 days
Other (less than 3%)	29	25	19	---

The key suppliers of DORF LLC are the Russian divisions of the world's leading manufacturers of plant protection products (Syngenta-Switzerland, Basf and Bayer-Germany, Dupont-USA), with whom the joint-stock company has been cooperating for more than 13 years. Due to the weak diversification of suppliers, of course, there is a risk of losing them and the difficulty of replacing one contractor with another, as the market for plant protection products is limited.

The study found that all accounts payable LLC “DORF” is urgent, overdue debt is not identified. Product purchases are subject to partial deferment of payment (up to 210 days). All calculations are made in rubles, prices are also set in rubles, but part of the contracts involves pricing in foreign currency. The share of payments under supply contracts linked to foreign currency was 6% / 5% in 2016-2017 accordingly (for comparison, in 2015, the calculations amounted to 11%).

In the organizations of the Russian Federation, in order to improve the accounting of settlements with suppliers and contractors, it is necessary to constantly modernize not only the fundamental parameters of the accounting system of current settlements, but also the practice of their implementation. For example, it is necessary to develop a scheme for documenting the process of mutual settlements between suppliers and customers, depending on the timing and form of payment, as well as the schedule of workflow. These activities will allow to fully reflect accounting information for more efficient management of economic activities.

Improving the quality of the current accounting system in the LLC “DORF” is possible only under the condition of its unification with the international practice of accounting and parallel accounting of the national characteristics of the economy and the market. The implementation of competent control over settlement transactions between counterparties is possible with the continuous monitoring of the following elements (Fig. 3).



Figure 3: Elements of the settlement process, LLC “DORF” with counterparties

Objects in this scheme are directly goods, works or services provided by LLC “DORF” by its suppliers and contractors, which in turn are provided with contracts concluded by the organization, settlement operations, records in primary accounting documents, accounting registers and financial statements, business transactions on accounting for changes in obligations in the context of settlements with suppliers and contractors, information on violations and abuses in accounting, which have found documentary evidence waiting in the acts of internal control, audits, conclusions of auditors, decisions of law enforcement agencies.

Regulation of the supply process begins with an assessment of the potential supplier and the quality of raw materials, materials, equipment, energy carriers, other resources and services acquired by DORF LLC.

After signing the contracts, a special official in the form of an internal controller monitors the implementation of contractual obligations and payment discipline.

In order to improve the efficiency of the functioning of the internal control system, we offer DORF LLC to regulate its implementation, that is, to fix the developed control procedure in orders and regulations. A very important document in such a situation is the order on the accounting policy of LLC DORF regarding the settlement of the features of the reflection of performance and change of obligations in the accounting and tax accounting.

To minimize errors in the system of accounting for settlements with suppliers and contractors, OOO DORF recommends a reconciliation of calculations on a permanent, systematic basis. Inventory of such operations should be carried out:

- in the preparation of the annual report to confirm the account balances in the account;
- when fulfilling contractual obligations and closing settlements on them;
- with current debts - to confirm them.

When choosing a reconciliation period, you should also pay attention to the reasons for which it is produced:

- 1) confirmation of the amount of debt in the annual reporting of LLC “DORF” - according to the results of the calendar year;
- 2) upon termination of the contract validity period - after all settlements on it have been made.

In the process of building a partnership between the buyer and the supplier, both parties, of course, bear certain risks, which, in turn, have a great influence on the formation of reliable reporting in accounting and tax accounting. And the accuracy of this data directly affects the opinion of both internal and external users of the reporting.

The main suppliers of LLC "DORF" are presented in the table below (table 3).

Table 3: The main suppliers of LLC "DORF", 2017

The main external suppliers of LLC "DORF"	Purchased product	Procurement share of total purchases in 2017,%	Terms of payment	Period of cooperation
Syngenta LLC	Plant Protection & Seeds	32	Partial postponing -210 days	18 years
LLC "BASF"	Plant Protection Products	25	Partial Delay - 210 days	18 years
LLC "BAYER"	Plant Protection Products	18	Partial postponing -210 days	13 years old
DuPont Science LLC	Plant Protection Products	6	Partial postponing -210 days	13 years old
and Technologies "	Plant ProtectionSeeds	19	x	x

After analyzing the current status of settlements with existing suppliers, it is possible to identify certain risks associated with the management of accounts payable:

- 1) the decision on granting a deferral is made solely by the supplier due to its influence on the segment market, therefore this issue is almost not controlled by LLC DORF. A change in the settlement procedure may lead to a shortage of working capital or a liquidity crisis;
- 2) low diversification of accounts payable increases the risk for LLC "DORF", especially if the lender has a strong bargaining position;
- 3) foreign currency payables may lead to unplanned losses with an increase in the exchange rate;
- 4) if there is a delay in the payment of accounts payable, there is a high risk of going to the supplier's court for debt collection, which will lead to deterioration of relations with other counterparties;
- 5) accounts payable may be technical, which would entail increased tax risks;
- 6) accounts payable can mask the end creditor, namely: accounts payable to DORF LLC are funded by banks, and the end creditor is not the organization, but the crediting bank;
- 7) through the repayment of technical accounts payable, you can quickly withdraw money from circulation - the risk of deliberate bankruptcy.

In order to prevent the realization of the risks described above, the analysts of the economic entity should monitor a number of parameters shown in Figure 4.

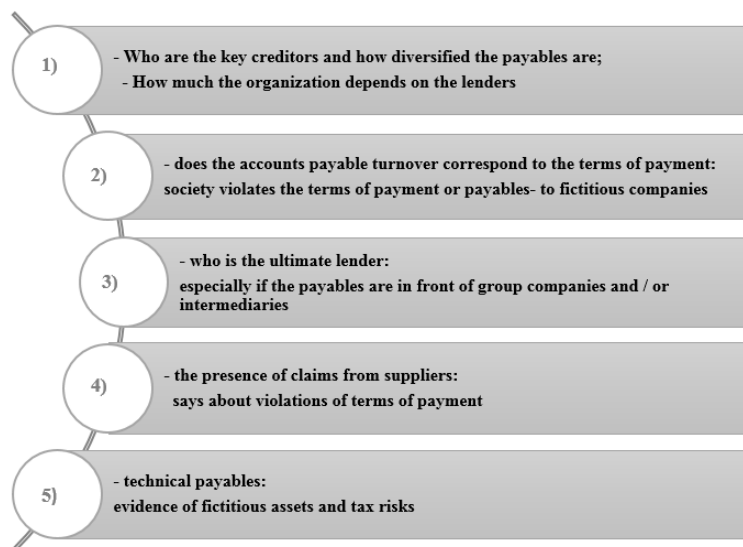


Figure 4: Aspects of accounts payable, OOO "DORF" to analyze its condition

According to the results of the analysis, it is recommended to do one or several of the following activities:

- 1) accounts payable are reclassified as a loan or loan;
- 2) if the ultimate source of financing is capital, then consolidation of financial statements can be carried out.

Consider the example of LLC "DORF" directions of optimization of the taxable base through operations with non-negotiable payables (Figures 5-8).

The study found that a large share of the balance sheet total of LLC "DORF" is occupied by stocks and payables in the item of assets and liabilities, respectively (Fig. 5).

ACTIVE, thousand rubles		LIABILITY, thousand rubles	
01.01.2018		01.01.2018	
Stocks	385712	Equity	22354
Receivables	96503	Borrowed funds	50000
Cash	20426	Accounts payable	231287
Total:	502641	Total:	502641

Figure 5: Balance sheet fragment of LLC "DORF", 2017

Next, optimizing the value added tax (Fig. 6).

ACTIVE, thousand rubles		LIABILITY, thousand rubles	
01.01.2018		01.01.2018	
Stocks	485712	Equity	221354
Receivables	96503	Borrowed funds	50000
Cash	20426	Accounts payable	331287
Total:	602641	Total:	602641

Figure 6: Balance sheet fragment of LLC "DORF" with VAT optimization 2017

There are fictitious payables and fictitious goods in stocks that are artificially inflated by 100 million rubles. to increase the amount of value added tax, the expected reimbursement from the budget.

1. Goods received from the supplier:

Debit account 41 "Goods" 331287 thousand rubles.

Credit account 60 "Calculations with suppliers" 331287 thousand rubles;

2. Added VAT on purchased goods:

Debit account 19 "VAT on acquired values" 59,632 thousand rubles.

Thus, as a result of overstatement of accounts payable and reserves in the amount of 100 million rubles. The amount of VAT recoverable is overestimated by 18 million rubles.

Now, we optimize the amount of income tax (figure 7). Profit increases due to a technical increase in accounts payable due to quasi-capital. The size of the goods (stocks) is real and confirmed by documentation.

ACTIVE, thousand rubles		LIABILITY, thousand rubles	
01.01.2018		01.01.2018	
Stocks	385712	Equity	221354
Receivables	96503	Borrowed funds	50000
Cash	20426	Accounts payable	131287
Total:	502641	Total:	502641

Figure 7: Fragment of the balance sheet of LLC “DORF” in the optimization of VAT, 2017

Quasi-capital is the volume of the organization’s own funds, which is hidden in the liabilities items other than Capital. In this case, it appears when a hidden part of the profit arises through optimization of the income tax. In this situation, it is reflected in the article “Accounts payable” to fictitious suppliers.

Next, we implement simultaneous optimization of VAT and income tax on the balance of LLC “DORF” (Fig. 8).

ACTIVE, thousand rubles		LIABILITY, thousand rubles	
01.01.2018		01.01.2018	
Stocks	285712	Equity	171354
Receivables	96503	Borrowed funds	50000
Cash	20426	Accounts payable	181287
Total:	402641	Total:	402641

Figure 8: Fragment of the balance sheet of LLC “DORF” in the optimization of VAT and income tax, 2017

Payables in LLC “DORF” are partially represented by quasi-capital, the goods (stocks) are also partially fictitious (in the amount of quasi-capital). Artificially lowering the taxable base for VAT and income tax leads to a distortion of financial statements, an overstatement of own capital and an underestimation of accounts payable, which in turn leads to the confusion of users of financial statements. Previously put on the balance of fictitious stocks partially (or completely) are written off in the cost of sales, the VAT payable is underestimated, the profit is underestimated, the income tax is underestimated.

CONCLUSION

Making current settlements with counterparties is one of the most important components of the life cycle of any organization. It is in the process of carrying out these operations that the business entity forms the basis for stable work and profit. The economic growth of an economic entity is necessarily accompanied by the occurrence or even increase in accounts payable, since current trends dictate precisely such a settlement scheme, which involves deferring payment to improve the quality of mutual settlements, increase financial leverage and increase the effectiveness of the organization’s own working capital.

This problem is particularly relevant in trade organizations, where the settlement system with counterparties largely determines the final financial result. So, from the ability of a legal entity to respond to the supplier for its obligations: to pay in a timely manner the subject of the contract; not to allow overdue payments, violation of the payment schedule - in many respects depends on its investment attractiveness, market value, place occupied in the market, and relationships with partners. In the case of negative dynamics of payment discipline, both internal and external users of financial and tax reporting can negatively interpret the processes occurring in the organization, hence the withdrawal of funds from the business, and an increase in the level of distrust towards the company, and deterioration in relations with business partners.

In the course of the study, it was revealed that in the current conditions and over the past few years in the field of accounting for settlements with suppliers and contractors in the Russian Federation, the accounting methodology has undergone significant changes. Particularly relevant is the concept of "optimization" of the taxable base for income tax and VAT, since modern conditions dictate to organizations the need to reduce the expenditure side and maximize revenue.

In order to regulate the current state of mutual settlements and minimize the risk of overdue debts, we recommend developing a system of operational control over the state of payments in the form of a specialized calendar in which all counterparties will be fixed, information on payment terms, form of payment and type of contractual security will be provided.

To ensure a high-tech structure of payables and receivables, we suggest that the special division of internal control should continuously monitor the ratio of these types of debts, because otherwise there is a high probability of an imbalance between them, which in turn can lead to loss of financial stability and increase the volume of borrowed funds.

We consider it necessary in order to minimize the risk of quasi-capital formation due to the volumes of bad debts and its write-off from own capital in a timely manner to monitor it and write off the relevant balance sheet items. To this end, it is advisable to develop an appropriate regulation and form an internal control unit.

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