

Landmarks regarding the accounting and management of receivables and payables specific to a household appliance manufacturer

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Abstract

The paper analyzes the specifics of accounting and the management of receivables and payables within a company manufacturing household appliances. It highlights the main accounting documents and procedures used in recording commercial relationships with clients and suppliers, with a focus on the industry's particularities. Additionally, it presents aspects related to the organization of the process for receiving raw materials and delivering finished products to customers. The importance of supporting documents, such as delivery notes and acceptance reports, is emphasized. The study includes practical examples and relevant financial analyses to provide a clear understanding of how these elements influence accounting records and the efficient management of commercial operations.

Keywords: Trade receivables, trade payables, supporting documents, accounting entries, accounting and tax policies.

1. Introduction

The paper focuses on the economic and accounting activities of CER Cleaning Equipment, a major manufacturer of household and industrial cleaning appliances, operating both in the domestic and international markets. In a sector where operational efficiency and accuracy of financial records are crucial, the company manages a significant volume of commercial transactions involving complex relationships with suppliers and clients.

The study highlights how operations related to trade receivables and payables are organized and recorded in the accounting system, emphasizing compliance with the legal framework and the use of supporting documents at all stages of the economic flow. The processes of receiving raw materials, delivering finished products, and their impact on financial statements are analyzed. Additionally, relevant case studies concerning the purchase and delivery of goods, conducted both within Romania and internationally, are included, illustrating the specific features of commercial accounting in both domestic and international contexts.

2. Presentation of the Analyzed Company

CER Cleaning Equipment SRL, founded in 2006 and headquartered in Curtea de Argeș, is a manufacturing unit that is part of the German Kärcher Group, a global leader in professional and household cleaning equipment. The company specializes in the production of household appliances, particularly vacuum cleaners and industrial cleaning equipment, and is a significant player in both the domestic and international markets. In the context of the equipment industry, its operational cycle combines medium-term orders, high turnover of standardized components, and lead times for subassemblies, which places pressure on supplier and client credit policies [8].

Equipped with a modern technological park, including plastic injection machines and automated assembly lines, the company operates according to European quality and efficiency standards. CER Cleaning Equipment reported a turnover of approximately 1.039 billion RON in 2023, a net profit of 19.09 million RON, and nearly 738 employees, reflecting a significant growth in economic performance. Through its activities, the company emphasizes innovation, quality, and continuous development, aiming to optimize production processes and enhance customer satisfaction. This strategic positioning contributes to strengthening commercial relationships and supporting rigorous accounting practices, essential for monitoring trade receivables and payables.

3. Accounting Treatments and Policies Related to Trade Payables

Domestic trade payables arise upon receipt of invoices for services, or upon procurement of inventories or fixed assets from suppliers within Romania. These payables are recorded in the accounting system in the national currency (RON) and are settled when payments to suppliers are made (via bank transfer, cash, etc.) on the due date specified in the document.

From an accounting standpoint, trade payables are recognized as present obligations arising from past events, the settlement of which is expected to result in an outflow of economic benefits. They are initially measured at the fair value of the consideration received and subsequently at amortized cost, where applicable [10].

CER Cleaning Equipment S.A. purchases inventories both domestically and internationally. As shown in the chart below, domestic purchases hold the dominant share in both year N-1 and year N, exceeding 65% of total acquisitions.

Table 1: Distribution of Purchases in Years N-1 and N

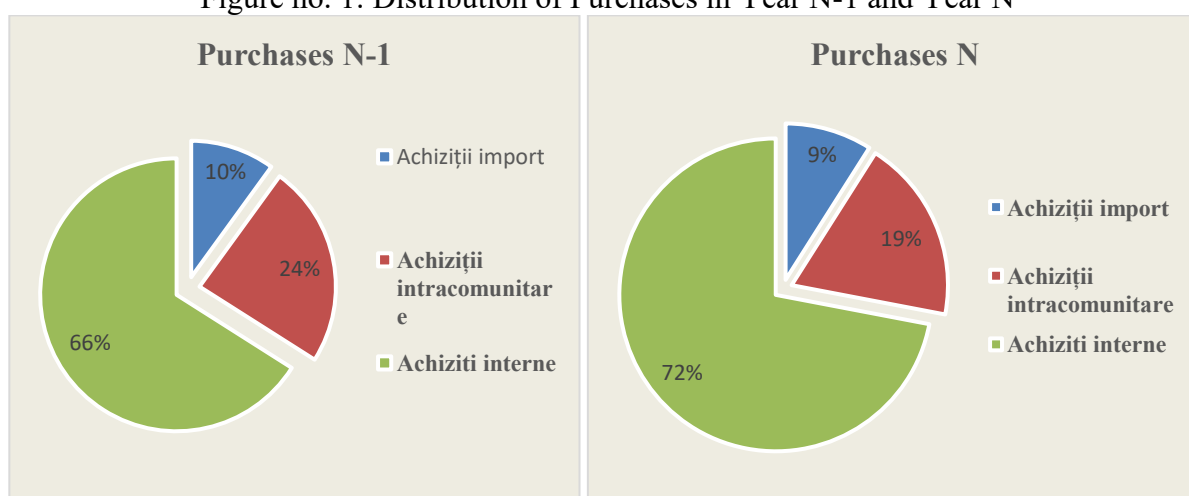
Nr. crt.	Indicatori	N-1		N		Indice (%)
		abs	%	abs	%	
1	Non-EU purchases	13.425.679	10,47	12.547.222	9,27	93,46
2	EU purchases	30.650.421	23,89	25.621.584	18,93	83,59

3	Domestic purchases	84.211.390	65,64	97.213.968	71,81	115,44
4	Total purchases (4=1+2+3)	128.287.490	100	135.382.774	100	105,53

Source: Author's own reasoning based on company data

It can be observed that the largest share of purchases comes from Romania. As shown, domestic purchases increased in year N compared to year N-1, indicating that the number of domestic suppliers has grown, while imports and intra-community acquisitions have decreased. In such procurement structures, the management of commercial terms (discounts, Incoterms, insurance) influences the recording and maturity of payables, directly impacting the cash conversion cycle (Deloof, 2003).

Figure no. 1: Distribution of Purchases in Year N-1 and Year N



Source: Author's own reasoning based on company data

Next, we will analyze the main accounting treatments specific to trade payables through a series of case studies, ranging from the use of labor leased from specialized companies to import and intra-community purchase operations.

3.1. Case Study on Accounting for Domestic Trade Payables (Staff Leasing)

On 11.12.N, the company receives the advance invoice for staff leasing amounting to 356,000 RON, with 19% VAT. The advance payment to the supplier is made on the due date specified in the fiscal invoice via bank transfer. On 29.12.N, the company receives the final invoice for the services rendered, totaling 2,437,335.34 RON, with 19% VAT.

- Recording the advance invoice:

%	=	401.Manpower	
4092		Suppliers	423.640 lei
Advance payments to suppliers for the purchase of services			356.000 lei

4426			67.640 lei
Input VAT			
- Payment of advance invoice from the current account:			
401.Manpower	=	5121	
Suppliers		Cash at bank in lei	423.640 lei
- Recording the final invoice and offsetting the advance:			
%	=	401.Manpower	2.900.429,05
628		Suppliers	lei
Other third party services			2.437.335,34
			lei
4426			463.093,71
Input VAT			lei
4092			
Advance payments to suppliers			(- 356.000 lei)
for the purchase of services			
4426			(- 67.640 lei)
Input VAT			

3.2 Accounting and Tax Treatments Specific to Intra-Community Acquisitions and the Import of Goods

It is well known that external trade payables arise from the purchase of goods and services from suppliers outside Romania. These are recorded in the accounting system both in the national currency (RON) and in foreign currencies (EUR, USD, CZK), depending on the supplier's country of origin, in accordance with the legal provisions of OMFP 1802/2014 (points 317–324). Exchange rate differences are recognized in profit or loss at the date of payment/settlement of the liability, in accordance with local accounting regulations and IFRS (OMFP 1802/2014; IASB, 2018).

According to Article 273, paragraph (1) of the Fiscal Code, “an intra-community acquisition of goods shall mean the obtaining of the right to dispose as owner of tangible movable property dispatched or transported to the destination indicated by the purchaser, by the supplier, the purchaser, or another person on behalf of either of them, to a Member State other than the Member State from which the dispatch or transport of the goods began.” At European level, intra-community supplies are exempt with the right of deduction when the transport and fiscal identification conditions are met (e.g., Article 138 of Directive 2006/112/EC), and the taxable base for imports includes the customs value plus taxes/expenses up to the EU frontier, in accordance with the Union Customs Code [6].

An intra-community acquisition of goods (AIB) refers to the purchase of goods by a company in one EU Member State from a company located in another Member State. This operation is exempt from VAT with the right of deduction.

The import of goods, or extra-community acquisition, represents the purchase of goods from suppliers located in third countries (non-EU). These transactions are subject to VAT. The taxable base for VAT is the customs value of the goods (including transport to the customs point paid by the supplier), taxes, excise duties, and any fees due both abroad and in Romania until the moment of import, excluding VAT. VAT is a customs liability recorded in the import customs declaration (DVI). Once all customs duties — particularly VAT — are paid, the imported goods are released for free circulation.

Following an order received on 30.03.N for product 1.654-002.0 WD2 Plus from the external client within the Kärcher group, AKW, the procurement department places an order for 4,200 carabiners ref. 5.038-186.0 via purchase order no. 60/02.04.N to the Italian supplier R.S SRL. The NBR exchange rate on the date of the external invoice is 4.97 RON/EUR, identical to the rate on the date of receipt.

For this purchase, the company chose the transport offer provided by the supplier, the transport cost being 1,500 EUR, included in the same invoice as the goods. On 15.05.N, the liability to the foreign supplier is paid at an NBR exchange rate of 4.98 RON/EUR, and the bank retained a commission of 40 EUR.

Acquisition cost in EUR: $4,200 \text{ pcs} \times 1.5 \text{ EUR/pc} + 1,500 \text{ EUR transport} = 7,800 \text{ EUR}$

- Recording the purchase invoice:

301	=	401.R S	
Raw materials		External suppliers	38.766 lei (7.800*4,97 lei/euro)

- Reverse charge accounting (38.766 lei * 19%):

4426	=	4427	
Input VAT		Output VAT	7.366 lei (38.766 lei * 19%)

Recording full payment to the external supplier: $7.800 \text{ euro} * 4,98 \text{ lei/euro} = 38.844 \text{ lei}$
 Amount paid: $7.800 \text{ euro} * 4,98 \text{ lei/euro} = 38.844 \text{ lei}$
 (-) Amount to be paid $7.800 \text{ euro} * 4,97 \text{ lei/euro} = 38.766 \text{ lei}$

= Unfavorable exchange rate difference = 78 lei

%	=	5124	
401. R S		Cash at bank in foreign currencies	38.844 lei
Foreign suppliers			38.766 lei
665			
Foreign exchange losses			78 lei

- Bank commission entry:

627	=	5124	
Bank commissions and similar charges		Cash at bank in foreign currencies	199,2 lei (40 * 4,98 lei/euro)

4. Accounting treatments and policies specific to trade receivables

Commercial receivables represent the patrimonial rights of an entity over third parties, arising from the sale of goods, the provision of services, or the execution of works based on commercial contracts. These receivables reflect the amounts to be collected from clients and other debtors and are recognized in accounting as current assets, as they are expected to be converted into cash within a relatively short period, usually within one year. Under IFRS 9, trade receivables fall under the simplified approach for expected credit losses (ECL), which requires recognizing a loss allowance over the entire lifetime from initial recognition, typically using an aging matrix [11], [13].

In a manufacturing company, such as CER Cleaning Equipment, trade receivables frequently arise from the delivery of products to customers with payment on credit. Efficient management of these receivables is essential for maintaining liquidity, assessing the risk of non-collection, and sustaining stable commercial relationships with partners. Literature shows that reducing the average collection period contributes to improved profitability, up to an optimal point determined by the opportunity cost of trade credit [7], [14].

Accounting for trade receivables is carried out in accordance with applicable accounting regulations (OMFP no. 1802/2014 or IFRS, as appropriate), and their monitoring and evaluation involve clear procedures regarding invoice issuance, payment terms, the establishment of provisions for doubtful receivables, and potential adjustments for impairment losses.

Domestic trade receivables represent the amounts to be collected by an entity from transactions conducted with partners in Romania. These receivables typically arise from the delivery of goods or the provision of services with deferred payment, in accordance with domestic commercial contracts.

Intra-community delivery of goods is defined in Article 270(9) of the Fiscal Code as the delivery of goods transported from one EU Member State to another by the supplier, the buyer, or a person acting on behalf of either. The place of delivery of an intra-community supply of goods is where the transport of the goods begins, according to Article 275(1)(a) of the Fiscal Code. An intra-community supply is considered to take place in Romania if the transport of the goods begins in Romania, and such deliveries must be declared in Romania in the 390 declaration.

Export of goods represents the delivery of products from Romania to partners outside the European Union. These operations involve the physical transport of goods across EU borders and require the preparation of an export customs declaration, as well as the application of the VAT exemption with the right to deduction. In accounting, exports are recorded based on the commercial invoice and customs documents, and receipts are usually in foreign currency, requiring the tracking of exchange rate differences. In practice, supporting documents (CMR, DVE) are essential for the correct fiscal treatment of exemptions [6].

For example, let us analyze the accounting treatments related to an export of goods produced by our factory. CER Cleaning Equipment sells, on 14.05.N according to the Delivery Note, 1,000 vacuum cleaners ref. 1.628-210.0 at a unit price of 50 euros each to the client in the United Kingdom, Kärcher UK, with transport costs included in the price of the goods. After loading the goods, the invoice is generated along with the CMR. The BNR exchange rate at the invoicing date is 4.90 RON/euro, while the rate on the payment date, 28.05.N, has increased to 4.95 RON/euro. On 15.05.N, the goods are inspected at the Nădlac customs, and the Export Customs Declaration (DVE) and invoice for customs services provided, amounting to 12,500 RON plus 19% VAT, are issued.

- recording external sales invoice:

4111. Kärcher UK	=	7015	245.000 lei
Customers		Sales of finished goods	(50.000 euro * 4,90 lei/euro)

- recording the release of delivered inventory from stock:

711	=	345	
Revenues associated with the costs of the completed production		Finished goods	150.000 lei

- customs broker invoice entry:

%	=	401	14.827,5 lei
		Suppliers	
628			12.500 lei
Other third party services			
4426			2.327,5 lei
Input VAT			

Recording receipt from the client:

Amount collected: 50.000 euro * 4,95 lei/euro = 247.500 lei

(-) Amount to be collected: 50.000 euro * 4,90 lei/euro = 245.000 lei

= Favourable exchange rate difference = 2.500 lei

5124	=	%	
Cash at bank in foreign currencies		4111. Kärcher UK	247.500 lei

Foreign customers	245.000 lei
7651	
Foreign exchange gains	2.500 lei

5. Financial indicators analysis

Financial indicators represent analytical tools used in diagnosing and evaluating the economic and financial performance of an entity. they are calculated based on data provided by the financial statements (balance sheet, profit and loss account, cash flow statement) and are used to interpret how the company manages its resources, generates profit, meets its financial obligations, and maintains financial stability in the short and long term. typically, current liquidity = current assets / current liabilities; quick liquidity excludes inventories from the numerator; the debt ratio correlates total liabilities with equity; and profitability (roa/roe) relates profit to assets/equity [2].

Financial indicators are grouped into several categories, depending on the aspects analyzed:

- a) **liquidity indicators** measure the company's ability to meet its current obligations (e.g., current liquidity, quick liquidity);
- b) **solvency indicators** reflect the level of indebtedness and the ability to meet long-term debts (e.g., general solvency, debt ratio);
- c) **profitability indicators** show how efficiently the company generates profit from its resources (e.g., return on equity, return on assets);
- d) **activity indicators** highlight the turnover of assets and the efficiency of resource use (e.g., inventory turnover, average collection period for receivables).

Analyzing these indicators is essential for the company's internal management, as they provide a clear view of strengths and financial risks. they are also of interest to investors, banks, partners, and other external users of financial information who wish to assess the investment or commercial risk associated with the company. recent research confirms strong links between working capital management (receivables/liabilities) and performance, especially in manufacturing [12], [14]. In the case of a company like cer cleaning equipment, operating both domestically and internationally, periodic monitoring of these indicators is vital to maintain competitiveness, efficiently manage cash flows, and support strategic decisions related to investment, financing, and expansion.

Turnover represents one of the most important economic and financial indicators of an entity, reflecting the total volume of revenues obtained from its core activities, namely from the sale of goods, provision of services, or execution of works, excluding revenues from financial or extraordinary activities. it expresses the company's operational performance over a specific period

and is an essential element in profitability analysis and in assessing the firm's ability to generate profit from its ongoing activities. the evolution of turnover allows the identification of growth or decline trends in economic activity and provides valuable information for decision-makers, investors, or business partners. in the context of a manufacturing company, such as cer cleaning equipment, turnover reflects both the volume of finished product deliveries and the capacity to maintain and expand commercial relationships at the national and international level.

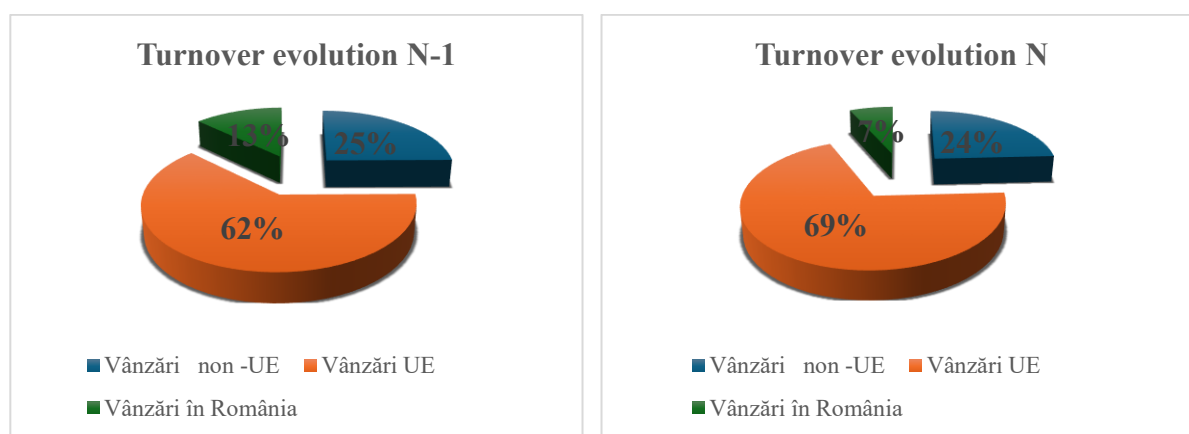
Table 2. Turnover

Nr. crt.	Indicatori	N-1		N		Indices (%)
		abs	%	abs	%	
1	Non-EU sales	212.413.521	24,85	251.431.643	24,20	118,37
2	UE sales	532.421.713	62,29	719.534.612	69,24	135,14
3	Local sales	109.856.397	12,85	68.152.778	6,56	62,04
4	Turnover (4=1+2+3)	854.691.631	100	1.039.119.033	100	121,58

Source: Company database

From the table above, it can be observed that the turnover increased by 22% in year N compared to year N-1, due to a 35.14% increase in sales revenues in the EU region and an 18.37% increase in sales in the non-EU region.

Figure no. 2. Turnover evolution



Source: own reasoning based on company data

6. Conclusions and proposals

The analysis of accounting and the management of trade receivables and payables at CER Cleaning Equipment SRL highlighted the importance of a well-organized accounting system and effective control over collection and payment terms. The company demonstrates strong

adaptability to market requirements, maintaining a balance between domestic and international commercial relationships. From both theoretical and practical perspectives, aligning client/supplier credit policies with the operational cycle and consistently applying Expected Credit Loss (ECL) for receivables contributes to a faithful representation and a controlled risk profile [11], [12].

Additionally, active efforts were observed in optimizing procurement and delivery processes, as well as in implementing a computerized system for monitoring receivables and payables, which helps reduce financial risks. The positive evolution of turnover and the stable workforce confirm the company's stability and sustainable development.

The improvement proposals focus on the following aspects:

Implementing an automated alert system for due receivables that sends automatic notifications to clients and responsible accounting staff, reducing the risk of delayed collections.

Periodically reviewing contractual payment terms and adjusting them according to clients' creditworthiness to prevent the accumulation of doubtful receivables.

Optimizing relationships with suppliers by renegotiating more flexible payment terms based on sales seasonality and existing inventory levels.

Organizing training sessions for accounting staff on legislative changes and best practices in managing domestic and intra-community trade receivables.

Enhancing collaboration between the finance-accounting, logistics, and commercial departments to ensure efficient communication regarding deliveries, invoicing, and monitoring of collections.

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