

ACTIVELY-NOMINAL ACCOUNTS IN ACCOUNTING

P.L. Suk, doctor of economic sciences, professor, National University of Life and Environmental Sciences of Ukraine

Al-Ibbini Omran Ahmad Mohammad, Assistant Professor,
Al-Zaytoonah University of Jordan

Setting of the problem. Business transactions are grouped on corresponding accounts, which are combined in a single system in the chart of accounts. Account is a method of grouping and reflection of economic transactions on economically homogeneous signs. For each type of assets and liabilities (for each balance sheet item) necessary open an account that allows them counts. By the order of the Ministry of Finance of Ukraine dated November 30, 1999, №291 approved the Chart of accounts of accounting of assets, capital, liabilities and business transactions of enterprises and organizations (farther – Chart of accounts) [2]. It provides for the maintenance of active, nominal and off-balance sheet accounts. During the analysis, we can see that some of nominal accounts are not a nominal, and some of active accounts are not active. These are actually actively-nominal accounts. They were widely used before introduction in an action from January 01, 2000 new Chart of accounts.

Analysis of recent publications. To research of questions to improve the accounting system of accounts are devoted works of many scientists, but they require additional researches in modern economic conditions.

The aim of the article is a ground of necessity of use of actively-nominal accounts in accounting.

The main material. Accounts, as an instrument of accounting, designed for grouping and current accounting economically homogeneous transactions. In the asset of the balance represented means, in the liabilities – sources of means. In accordance with balance accounts divide into active and nominal. Active accounts are for the accounting of presence and changes in the means of the company, which is in the asset of the balance. Nominal accounts are for the accounting of presence and changes in the sources of means of the company, which is in the liabilities of the balance.

On active accounts in debit record the initial balance of means and increase, and in credit is decrease of means. The nominal accounts on the contrary, in credit represent the initial balance of sources and their increase, and in debit is reduction of sources.

To determine the balance on the end of the period in active account it is needed: to the sum of initial balance on the debit add the sum of the turnover on debit and subtract the amount of the turnover on the credit. The balance on the active account will be on debit, or it is absent if the initial balance on debit plus turnover on debit equal to the turnover on the credit.

To determine the balance on the end of the period in the nominal account it is needed: to the sum of initial balance on the credit add the sum of the turnover on credit and subtract the amount of the turnover on the debit. The balance on the nominal account will be on credit, or it is absent if the initial balance on credit plus turnover on credit equal to the turnover on the debit.

In the system of accounts there are also actively-nominal accounts, on that simultaneously take into account the company's means and their sources, i.e. combine

signs of active and nominal accounts. On these accounts, the balance can be simultaneously on a debit (means) and on a credit (sources) that is called a unfolded balance. Balances in the balance of these accounts are recorded as: debit balance in the asset of balance, the credit balance in the liabilities of balance. An example of such accounts may account “Settlements with debtors and creditors”. It debit represent accounts receivable increase or accounts payable decrease and credit – increase in accounts payable or decrease of accounts receivable. Currently, however, the use of actively-nominal accounts is limited. Debtors are counted separately from creditors.

The final balance in an actively-nominal accounts will be where there is a large amount of turnover plus initial balance. Therefore, it is necessary to the opening balance on debit add turnover on debit, and to the opening balance on the credit add turnover on credit and the difference between these two amounts will be the final balance. The final balance will be where there is a great amount. For example, the opening balance on debit is \$ 100, turnover on debit is \$ 200, turnover on credit is \$ 50. Therefore, the final balance will be on debit – \$ 250 ($100 + 200 - 50 = 250$).

Consider the structure of actively-nominal account on example of subaccount “Settlements with accountable persons” (table 1).

Table 1

Diagram of actively-nominal account

Debit	Credit
Balance on the begining of the period	Balance on the begining of the period
300	500
Turnover – increase (“+”) 400	Turnover – increase (“+”) 200
Turnover – decrease (“-”) 100	Turnover – decrease (“-”) 500
Turnover 500	Turnover 700
Balance on the end of the period	Balance on the end of the period
700	600

As seen from table 1, on actively-nominal accounts the final balance can be either debit or credit or a debit or credit simultaneously, which is called unfolded balance. Actively-nominal account is represented as active, when it has a balance on a debit, and as nominal, when – on a credit.

In the debit of actively-nominal accounts recorded accounts receivable increase or accounts payable decrease and in credit – increase in accounts payable or decrease of accounts receivable.

Actively-nominal accounts were used in the USSR, and then in Ukraine until 2000 year and proved its necessity and effectiveness. A conduct of them is comfortable technique for simplification of accounting. One actively-nominal account replaces at least two accounts: active and nominal. In accounting there are transactions for conducting separately active and separately nominal accounts is expedient to replace by one collective actively-nominal account. And sometimes it is very inconvenient to register information on several accounts.

In Instruction on application of Chart of accounts of accounting of assets, capital, liabilities and business transactions of enterprises and organizations, approved by order of the Ministry of Finance of Ukraine on November 30, 1999, № 291 (farther –

Instruction) [1] it is marked that on some subaccounts of synthetic accounts 63, 64, 65, 68 balance at the end of the month can be not only in credit and in debit. Such indexes are not added, and balance of synthetic account is determined deployed by debit and credit as the amount of the related balances on subaccounts (analytical accounts).

That is, accounts 63 “Settlements with suppliers and contractors”, 64 “Settlements with taxes and payments”, 65 “Settlements on insurance”, 685 “Settlements with other creditors” are recognized by the Instruction as actively-nominal. Besides, accounts 372 “Settlements with accountable persons”, 377 “Settlements with other debtors”, 36 “Settlements with buyers and customers”, etc. may have both a debit and credit balance. In Chart of accounts there are other accounts, which, under certain circumstances and under certain transactions (although not required by the Instruction) may have the credit balance (active accounts) and debit (nominal accounts). This means that these accounts do not meet the criteria purely active, or purely nominal account, that is, should be considered as actively-nominal accounts.

The necessity of the use of actively-nominal accounts will show on examples.

Example 1. The firm “Dnipro” have to pay to our company (debtor) of \$ 200000. On account of the debt on the mentioned amount, it put us goods and common consents in a way its arrears. In this case, it would be logical for goods enter in the books and thus pay off receivables that hold offset, no listing any money.

However, according to the new Chart of accounts, it is needed to do a few records: a) posted supplies from a firm – debit of accounts 28 “Goods” (the value of goods without VAT) and 64 “Settlements with taxes and payments” (for the amount of VAT), the credit of the account 63 “Settlements with suppliers and contractors”, or subaccount 685; b) paid the company for goods received – debit of account 63 or subaccount 685 and credit of account 31 “Bank accounts”, c) repaid by the accounts receivable – debit of account 31 and credit of subaccount 377. As we can see, for settlements with one firm it is needed to use two sub-accounts, that is not convenient.

Example 2. Company “Mayak” received from the agricultural company “Niva” planking for \$ 500. Tables are made of them and sold to agricultural company “Niva” for \$ 900. Using actively-nominal accounts the company “Mayak” should reflect settlements with agricultural company “Niva” in two subaccounts 377 and 685 (table 2).

Table 2

Accounting of transactions on purchase of planking*

The contents of transactions	Correspondence of accounts		Amount, \$
	debit	credit	
Obtained planking from agricultural company “Niva”	201	685	500
Written off the cost of shipped tables	90	26	700
Accrued for the sold tables	377	701	900
Accepted receivable for planking	685	377	500
Money has been received from the agro-firm for the sold tables	31	377	400

* In order to reduce entries VAT not show

This example shows that for settlements with agricultural company “Niva” it is need to use two synthetic subaccounts: 377 “Settlements with other debtors” (active) and 685 “Settlements with other creditors” (nominal). That is, to one analytical account use two synthetic accounts, that is absurd in accounting.

If this is the case open two analytical account for settlements with the agricultural company “Niva”, it also contradicts common sense.

When using an actively-nominal accounts maintenance 377 and 685 subaccounts is expedient to replace by the one account “Settlements with different debtors and creditors”, in accordance opening subaccounts of subsequent orders and analytical accounts for different debtors and creditors.

The payments is conveniently to carry on actively-nominal accounts. Accounts receivable is reflected in the asset of the balance and accounts payable – in the liabilities of the balance. But when calculating the debtors can become the creditors and vice versa, depending on the state of debts. For the accounting of settlements with a specific person, it is impractical to open two analytical accounts, and better to have one.

An account 37 “Settlements with different debtors” is intended for record of payments on current accounts receivable with various debtors for advances given, with accountable persons, for accrued incomes, for pretences, for reimbursement of losses incurred and others. On the debit of account 37 record accounts receivable, on the credit – it is recovered or written off.

The balance on account 37 usually is in debit. However, in some cases it may be in a credit, for example, for settlements with accountable persons. The balance can be both on the debit and on the credit, that is typical for actively-nominal accounts.

This is in the case when one person owes to the company previously received money (debit balance) and company must to other employees reimburse the costs incurred (credit balance).

Example. An accountable person Reva V.V. owe a \$ 40 to the enterprise, that is, he is a debtor. This person gave Advance statement on that it is needed to write off from him and carry on the production of \$ 45. Now we (enterprise) must return to him a \$ 5 ($45 - 40 = 5$), and by the time until we return money to this person, he shall be considered as creditor. That is the same accountable person has evolved from the debtor to the creditor. Certainly, calculations with him it is expedient to take into account on one analytical account, but not on two.

On the basis of turnover sheet on analytical accounts set that on a subaccount “Settlements with accountable persons” by the state on February, 1 a balance on a debit is \$ 66, and on a credit is \$ 5. These amounts should be included in the balance sheet: \$ 66 – in the asset of the balance, \$ 5 in the liabilities of the balance. This account is actively-nominal and has both balance on debit and on credit, that is, the unfolded balance. It can be defined only with the help of turnover sheet on analytical accounts. They displayed a unilateral balance.

Balance on the debit of all analytical accounts is represent the debit balance of synthetic account; balance on the credit of all analytical accounts is represent the credit balance of corresponding synthetic account. Thus, two-way balance is calculated in an actively-nominal accounts.

Thus, for the accounting of settlements necessary to use the actively-nominal accounts, that allows to carry accounting according to the business processes. Foreign practice is not widely uses actively-nominal accounts.

Their absence makes it necessary to conduct a variety of samples and calculations and confuses the accounting process at all stages of the cycle of resources: supply, production, sales.

Conclusions. Actively-nominal accounts are for the account of calculations with such legal and natural persons, character of debt of that constantly changes: debtors become creditors and vice versa. In analytical accounts of this group balance show on a debit or on a credit depending on the state of debt. Balance on a synthetic account consists of sum of balances on all analytical accounts and shows unfolded: on debit is an accounts receivable, on credit is an accounts payable. Therefore, these accounts are called actively-nominal.

The unfolded (bilateral) balance on the actively-nominal synthetic account can only be determined on the analytical accounts that can only be determined on the basis of the turnover sheet.

In actively-nominal accounts: on a debit represent a presence and increase of accounts receivable or accounts payable decrease, on a credit – presence and increase accounts payable or increase of accounts receivable.

Thus, the practice of using of accounts has proved the necessity of carrying along with active and nominal accounts of actively-nominal accounts.

Literature:

1. Instruction on application of Chart of accounts of accounting of assets, capital, liabilities and business transactions of enterprises and organizations, approved by order of the Ministry of Finance of Ukraine on November 30, 1999, № 291. – <http://www.rada.gov.ua>.

2. Chart of accounts of accounting of assets, capital, liabilities and business transactions of enterprises and organizations, approved by order of the Ministry of Finance of Ukraine on November 30, 1999, № 291. – <http://www.rada.gov.ua>.

3. Suk L. K., Suk P.L. Accounting : school-book. – 2and ed. – Kyiv. : Znannya, 2008. – 507 pp.

The structure of actively-nominal account is considered. The necessity of actively-nominal accounts maintenance is shown.