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**FINANCIAL PERFORMANCE REPORTING: SEASONAL SALES  
INFORMATION DISCLOSURES FOR TRADING COMPANIES**

*SUMMARY. The article examines and analyzes the issue of informative value of a report of a trading company on financial results during seasonal sales. Measures for the organization of accounting procedures, documentation and disclosure of information on discounts in financial statements have been proposed. Requirements of the Russian accounting standards and international financial reporting standards on the order of preparation, content and deadline for financial statements have been studied. The article presents the order of itemization of financial statement lines by segments, which can be represented by seasons and collections in trading companies. A procedure for the distribution of proceeds from the sale of goods, the prime cost and distribution cost related to different seasons is proposed. A method of a financial statement generation with seasonal itemization is suggested.*

*Segment disclosure will help to generate more accurate and understandable for users financial statements; it will also assist in the cost-benefit analysis of an enterprise on the whole and by separate seasons.*

*KEY WORDS. Accounting, trading companies, costs, discounts, accounting statements.*

In the competitive environment and exposure of trade organizations to greater risks, business development is achieved through sales promotion, for example, through discount systems. The term “discount” stands for reduction in the basic (initial) price of goods (services) to be sold in accordance with the contracts made [1; 182]. Overcharging for products and, at the same time, providing customers with various kinds of discounts for them allows both stimulating demand and increasing commodity turnover. This approach allows trading enterprises to improve their lucrativeness and profitability. However, introduction of discounts into practice creates certain difficulties when showing them in accounting reports as well as analyzing financial and economic activity. In addition, the value of an organization’s financial results depends upon the method of factual presentation of discounted goods sales, as well as the possibility to analyze economic feasibility, timeliness of the discounts provided, their size, etc. Consequently, for users, a trade organization has to generate financial statements containing parameters describing the size of discount.

Gross profit of a trade organization is equal to the difference between gross income and the cost of turnover [2; 123]. Gross income is known as the difference between

the sale and the purchase price indices of goods sold or the amount of the trade margin, net of tax [3; 217]. The costs associated with the process of circulation of commodities mean the total costs associated with the commodities turnover [4; 370]. As a rule, in managerial accounting much attention is paid to expenses, costs and trading costs, yet, discounts stimulate the sale of goods, increasing revenues and, consequently, profits. Thus, trade companies have to manage the size of discounts offered as well as the frequency of the offer.

This problem is partially solved in the trade organization by drawing up a marketing plan, nevertheless, while analysing its implementation there arises a need for information on the actual provision of discount that can be accumulated in accounting by compiling an accounting ledger on discount based on the initial document on discounted rates. The main condition for a document to be accepted in accounting is the mandatory inclusion of the requisite data from the initial document listed in paragraph 2, Article 9 of the Federal Law "On Accounting" [5]. For a ledger to be reportable the mandatory requirement is the availability of the requisite data listed in paragraph 4, Article 10 of the Law "On Accounting" [5]. The initial document can generate accounting data on the discount provided, for example, Account No. 90 "Sales". Currently, accounting does not stipulate storing data on discounts provided in Account No. 90 "Sales". To prompt that it is suggested that separate accounts be introduced into accounting in order to keep record of discounts received and granted. The turnover in accounts will adjust the financial result of a trade company for the reporting period i.e. they will be reflected in the income statement. Thus, the statement should be supplemented with items that show the amount of discount provided or received.

However, the formation of the financial result should be further explored not only as to the time of formation, but also with regard to the seasons, for, on the reporting date, it may include profit from the sale of goods in season, and a loss from the sale of discounted goods during the previous season as well. Consequently, the problem is that, when issuing statements strictly according to the reporting periods: 1 quarter, six months, nine months and a year, the financial result that can be obtained in different periods is the one which demonstrates only the total amount of profit or loss that the trade organization has made. But it is not enough when analysing and deciding on the effectiveness of the marketing policy. For example, a profit was made during the autumn-winter season of the reporting year, but at the sale in January, that is during the first quarter of the next reporting period, a loss has been sustained. In actual fact, it turns out that the result correcting the profit in the reporting year is indicated in the statements of the next reporting period.

In accordance with paragraph 4 and paragraph 13 AR (Accounting Regulations) 4/99 "Accounting of Organizations", a reporting period is the period in which an enterprise is supposed to complete its statements and a reporting year is the calendar year from January 1 to December 31 inclusive [6]. Therefore, in Russian practice an organization is to issue its annual financial statements strictly for the period specified in the regulations.

In the international accounting standards (IAS) 1 “Presentation of Financial Statements” an enterprise is provided with a reporting period longer or shorter than one year. In this case, an enterprise shall disclose the reason for taking a longer or shorter period and the fact that the amounts reported in the financial statements are not fully comparable [7]. Thus, according to the International Accounting Standards, trade organizations could set up frequency of issuing financial statements by seasons.

Also, to solve this problem an organization can generate accounting reports by segments. Organizations, in case they decide on presentation of segment information in financial statements, apply AR 12/2010 “Segment Information.” In accordance with paragraph 4 AR 12/2010, segment presentation should provide users interested in financial statements of organizations with the data that allow evaluation of an organization’s industry-specific activities, its economic structure, and financial performance in certain areas of activity. For users of financial statements of trade organizations, it is advisable to provide the information by individual seasons, collections.

Itemising segments consists in sectioning information about the organization’s specific business activities:

a) that is capable of bringing economic benefits and estimating the related costs (including projected benefits and expenses from transactions with other segments);

b) the results of which are systematically analyzed by those in the organization authorised to make decisions on the allocation of resources within the organization and evaluation of these results;

c) on which the financial performance indices can be computed separately from those of the other parts of the organization’s business activities.

Depending on the organizational and management structure of the organization and its internal reporting system, the principle of segmentation can be, for instance, manufactured products, procured goods, work performed, services rendered [8]. So, in trade organizations, there can be listed segments on separate seasons (winter, spring, summer, autumn). Illustrative seasonal presentation of data in a statement of income is given in Table 1.

Table 1

**Illustrative seasonal presentation of data in a statement of income  
in retail clothing trade**

Statement indicator	for 2012	for 2011
1	2	3
Total revenue, including:	1 710 000	1 650 000
Revenue for the autumn-winter season 2010	-	100 000
Revenue for the spring-summer season 2011	-	800 000
Revenue for the autumn-winter season 2011	120 000	750 000
Revenue for the spring-summer season 2012	780 000	-
Revenue for the autumn-winter season 2012	810 000	-

1	2	3
Cost of all, including:	1 500 000	1 450 000
Cost of the autumn-winter season 2010	-	150 000
Cost of the spring-summer season 2011	-	690 000
Cost of the autumn-winter season 2011	130 000	610 000
Cost of the spring-summer season 2012	710 000	-
Cost of the autumn-winter season 2012	660 000	-
Gross profit total, including:	210 000	200 000
Gross profit for the autumn-winter season 2010	-	(50 000)
Gross profit for the spring-summer season 2011	-	110 000
Gross profit for the autumn-winter season 2011	(10 000)	140 000
Gross profit for the spring-summer season 2012	70 000	-
Gross profit for the autumn-winter season 2012	150 000	-
And other indicators of the report on financial results:	-	-

Introduction of this type of itemization into a trade organization can be pursuant to paragraph 3 of the Order of the Ministry of Finance «On the forms of accounting reports of organizations» in accordance with which an organization is entitled to independently determine details of the statement indicators [9].

According to AR 12/2010 «Segment Information», managerial planning documents, such as a marketing plan, can be taken into account in segmenting.

A segment is considered reportable if, at least one of the following conditions has been complied with:

a) segment revenue from sales to an organization's buyers (customers) and revenue projected from transactions with other segments is not less than 10 per cent of the total revenue of all the segments;

b) financial result (profit or loss) of a segment is not less than 10 per cent of the maximum of the two values: total segment income, which is the result of financial profit, or total loss of segments, which is the result of financial loss;

c) segment assets are not less than 10 per cent of the total assets of all the segments.

The reportable segment is valued, and the value is presented to those in the organization authorized to make decisions (on the basis of management accounting data) [8]. Consequently, trade organizations are supposed to collect data on the proceeds from the sale of goods and the size of discounts offered. The value of discount can be perceived as a loss of potential economic benefit, although, without providing the discount, the organization could have incurred a loss of the cost of the product, the cost of its delivery and storage, in case this product has not been sold to customers.

According to paragraph 19 AR 12/2010 «Segment Information», revenues, expenses, assets and liabilities related to more than one reportable segment are subject to justified distribution of data between these particular segments. The distribution method adopted by the organization is dictated by the nature of the accounting entities,

the organization's business activities, and the validity of the reportable segmentation. The organization has to consistently apply this principle of distribution of indices between the reportable segments [8].

In trade organizations the cost of goods sold and the distribution costs are to be apportioned among the segments. The cost of goods sold is directly related to the proceeds from the sale of goods, so it is easy enough to span across segments. The distribution process of commodity turnover costs is more complicated. In our opinion, they should be grouped on the calculation principle into direct and indirect costs [10; 150]. Direct costs may include transportation and procurement costs related to a particular product, this product may be part of one collection as well as another. In this case, the purchase price of the goods can be assumed to be the basis for allocation. The management and sales staff's salaries can perform the same function in treatment of the indirect costs. In our view, the choice of an allocation method must take into account profitability of goods that is the size of the retail margin. Nevertheless, the basis for allocation of indirect costs of commodity turnover may be:

- purchase price of the goods;
- proceeds from the sale of goods;
- size of the retail margin;
- amount of discount.

The distributed revenues and expenses are included in the financial result (profit, loss) of the reportable segment given in the financial statements if such data are used for making decisions by the authorized persons in the organization. The availability of the data on the discount received and granted in the statement of financial performance will allow its users to get the necessary information in order to:

- 1) analyze implementation of the marketing plan based on the financial statements;
- 2) make decisions on discount provision, forms of discount that are most effective; whether the size of discount is justified or inflated, which has led the organization to receiving less revenue from the sale of goods;
- 3) calculate the size of the taxes paid on revenues and profits from the sale of goods.

Thus, in the course of the preparation of reliable information for users of financial statements it is necessary for a trade organization to:

- 1) include separate synthetic accounts for discount received and provided into the work plan of accounts and open sub-accounts in the financial results accounts in order to reflect the profit or loss from obtaining and providing discount;
- 2) draw up an initial document and an account book for grouping data on discount;
- 3) supplement the statement of financial performance with the indicators of the amount of profit (loss) from the discount received and granted;
- 4) give information concerning discounting methods, size, and rules in the notes to the balance sheet on financial results;
- 5) compile a statement on financial results with segmentation according to seasonal sale of goods.

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