

Purchases of goods and services, personnel and debt payable

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Abstract— With the implementation of the Accounting Standardization System in Portugal (SNC), the area of purchases and payables started to be approached according to a new aspect, with the audit procedures assuming a crucial importance.

This work seeks to study this area as well as point out the main points of attention in auditing or tests to be carried out.

I. PURCHASES OF GOODS AND SERVICES, PERSONNEL AND DEBT PAYABLE (ACCOUNTING)

The main 1st degree accounts of the SNC that have to do with this audit area are as follows:

- 31 – purchases
- 62 - external supplies and services
- 63 – personnel expenses
- 22 – suppliers
- 23 – staff
- 25 – financing obtained
- 69 – financing expenses and losses

The scope of these accounts is as follows:

The purpose of account 31 – purchases is to record the cost of acquiring raw materials and provisionable goods for consumption or sale, regardless of whether the supplier's invoices have reached the company or not. According to NCRF18 - inventories "the costs of purchasing inventories include the purchase price, import duties and other taxes (other than those subsequently recoverable from tax entities by the entity) and costs of transport, handling and other

directly attributable costs acquisition of goods, materials and services. Commercial discounts, rebates and other similar items must be deducted in determining purchase costs"

With regard to expenses, it is necessary to comply with the provisions of the Conceptual Framework, in its paragraphs 76 and 77:

"76—The definition of expenses encompasses losses as well as those expenses that result in the course of the entity's current (or ordinary) activities. Expenses that result from the ordinary activities of the entity include, for example, the cost of sales, salaries and depreciation. They generally take the form of an outflow or depletion of assets such as cash and cash equivalents, inventories and property, plant and equipment.

77 — Losses represent other items that meet the definition of expenses and may or may not arise in the course of the entity's ordinary activities. Losses represent decreases in economic benefits and as such are in their nature no different from other expenses. Hence they are not seen as a separate element in this Conceptual Framework."

The Conceptual Structure also states that there must be a balance between expenses and income:

“92 — Expenses are recognized in the income statement when there has been a decrease in future economic benefits related to a decrease in an asset or an increase in a liability and that can be reliably measured. This means, in effect, that the recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets (for example, an increase in employee entitlements or a depreciation of equipment).

93 — Expenses are recognized in the income statement based on a direct association between the expenses incurred and the attainment of specific income. This process, commonly referred to as the matching of revenue expenses, involves the simultaneous or combined recognition of revenue and expenses that result directly and jointly from the same transactions or other events; for example, the various expense components constituting the cost of goods sold are recognized at the same time as the income derived from the sale of the goods.”

So,

Account 62 – External supplies and services is intended to record the acquisition of goods and services of immediate consumption related or not to the company's corporate purpose.

Account 63 - Personnel Expenses is intended to record the remuneration of the members of the management bodies and employees, as well as the respective charges

Account 69 – Financing gains and losses is intended to record interest paid, unfavorable exchange differences and other charges incurred with financing obtained, taking into account the provisions of the accrual accounting regime.

With regard to class 2 accounts, the provisions of the SNC framework notes must be taken into account. with third parties that do not fit in the previous accounts or in other specific classes. This class also includes deferrals (to allow recording of expenses and income in the periods to which they relate) and provisions"

Account 22 – suppliers registers movements with sellers of goods and services, with the exception of account 271 – Investment suppliers, which registers movements with sellers of goods and services towards the entity's investments. Account 228 — Advances to suppliers records deliveries made by the entity relating to deliveries (without a fixed price) to be made by third parties. This is an account of a monetary nature. Upon receipt of the invoice, these amounts will be transferred to the respective sub-accounts of account 22. If this is not the case, that is, with a previously fixed price, the advance must be registered in account 39 –

Advances on purchases. Also, upon receipt of the invoice, these amounts must also be transferred to account 22.

Account 23 – Personnel is intended to record debts payable (and eventually receivable) to members of corporate bodies and employees.

Account 25 – financing obtained registers debts payable resulting from financing obtained by the company, such as bank loans (including discounted bills), overdrafts, finance leases, factoring, debenture loans, supplies, etc. Depending on the term, the financing must be presented in current liabilities, those with a maturity of up to 1 year, in the remainder, they must be presented in non-current liabilities. Non-current liabilities must be measured at the balance sheet date at amortized cost as determined by NCRF27 “After initial recognition, an entity must measure, at each reporting date, all financial liabilities at amortized cost using the effective interest method, except as for financial liabilities classified as held for trading,

II. PURCHASES OF GOODS AND SERVICES, PERSONNEL AND DEBT PAYABLE (AUDIT)

As Costa and Alves (2001) refer, the audit objectives in this area include:

- Accounting procedures and internal control measures related to purchases of goods and services, personnel costs and debts payable are adequate and are, in fact, being applied;
- Purchases of goods and services and personnel expenses are related to the company's activity, relate to the period under analysis and are properly presented in the income statement;
- All significant liabilities existing or incurred at or up to the date to which the balance sheet refers are measured, recorded and classified in the balance at their appropriate values;
- All relevant information is properly disclosed in the annex.

The process relating to the economic-accounting cycle generally begins with a need to purchase. It is up to the body in charge of stock management to determine the opportunity or not to trigger a purchase, taking into account the observation of goods that are in warehouses or, through more complex mechanisms aimed at optimizing the system. It should be noted that the genesis of the need arises in the body responsible for production that detects the need to acquire certain goods. Currently, with the systems update, it is the stock management program itself that is predetermined to request the purchase of goods when they fall below a certain level

In the case of fixed assets, the process can be more complex, as it may be related to the implementation of new production lines, replacement of equipment or, eventually, an increase in production capacity.

Thus, when there is a need to trigger the purchase, the stock management body must send a request to the body responsible for purchasing, which should start the process of purchasing and selecting suppliers

Almeida (2017) states that a procurement process involves the following steps that, whenever practicable, must respect the segregation of functions, with the verification of the work of each worker or agency being responsible for another worker or agency:

1. Requisition of goods and/or services;
2. Purchase order issuance;
3. Receipt of goods;
4. Verification and confirmation of the supplier's invoice;
5. Accounting for the obligation;
6. payment of obligation
7. Payment accounting

Thus, the most relevant documents are purchase orders, which is a request to a supplier to provide certain goods or services under certain conditions, receipt notes, goods delivery documents, and invoices that are issued by Providers. The purchase order must be approved not only by the person in charge of the purchasing agency, but also by the financial officer, in order to include the future payment in the treasury budget.

The purchase order must mention the quantities and all specifications of the items to be purchased, unit price, discounts, delivery and payment terms

Costa (1998) recommends that the purchase order be issued in four copies, namely:

- Original intended for the supplier;
- Duplicated for accounting, in order to be later checked with the other documents originated by the purchase (invoice, delivery note, receipt note, etc.);
- Tripled for reception so that they know that the purchase has been launched;
- Quadrupled for the temporary file of the purchasing agency to be attached to the purchase order and which will be transferred to the defined file after the entry of the article

The next stage is the reception of the goods sent by the suppliers and must comprise two aspects: the quantitative and the qualitative. In terms of quantity, it is important to verify the count (weighing or measurement) of the goods. In qualitative terms, it is important to verify if the

specifications correspond to what was requested. A delivery note must be issued which must refer to the supplier's purchase order and delivery note numbers and itemize the items and quantities counted. This receipt form must be issued in quadruplicate: the original will be sent to accounting, the duplicate to the warehouse, the triplicate to the purchasing agency and one filed at reception.

This is followed by posting, which under normal conditions occurs when the vendor's invoice arrives at accounting. By that time, all the documents necessary for its proper verification should already be available (purchase order, delivery note, reception note and warehouse entry note). Checking the invoices includes confirming that the supplier is billing for what has been ordered (and received) and under the agreed conditions, and verifying that the invoice calculations are arithmetically correct. Therefore, the invoice must provide proof (evidence) that payment has been properly verified and authorized.

Finally, invoice maturities must be properly controlled by accounting. It is incumbent upon the treasury to make the payment, preferably by check or bank transfer, after authorization of the payment, keeping proof, such as a copy of the check or transfer order. Within the scope of function segregation, whoever authorizes payment should not interfere in the purchase process.

Almeida (2017) summarizes the most relevant aspects in the context of testing the internal control of the procurement process, namely:

- Documents are pre-numbered and properly filed;
- All internal operations are authorized by competent persons;
- There is a clear identification of the supplier, quantity, prices and terms in the purchase order;
- There is proof of comparison of receipt guides with purchase orders. In case of discrepancies, they were duly identified and investigated;
- There is a record of invoices proving their arithmetic accuracy and comparison with purchase orders and receipt guides;
- Adequate control of invoice maturities;
- Adequate accounting of payments;
- Conducting bank reconciliations.

Almeida (2017) states that as a starting point he should check whether the opening balance sheet is in accordance with the closing of the previous year. By extension, all outstanding debt balances on the balance sheet must be in accordance with the respective balance sheets.

As in the other items of the balance sheet, detailed tests and analytical procedures must be carried out

Within the tests of detail, one can mention the tests on the balances, which are tests aimed at verifying whether the final balances present material distortions or not, and the tests on the transactions, which are tests with the objective of verifying whether the transactions occurred throughout the year. were correctly accounted for.

In testing the balances, the main procedure is the confirmation of credit balances, which can be materialized through circularization (in the case of debts to current account suppliers, investment suppliers, financing creditors, etc.) or through obtaining certificates (in the case of debts to the Tax Administration and Social Security).

Thus, circularization is a specific type of inquiry from a third party. It consists of sending a letter in which each selected creditor is asked to confirm the balance. It is recommended that you be blind, that is, in the letter sent to suppliers you do not send the balance including its composition, as well as other information that the company has with the supplier. It is also recommended that the response be sent directly to the auditor in an RSF envelope (response without postage). The way to select can be different, but it is recommended to select the suppliers with whom the company normally works, those with the most significant balances and some suppliers with null balances.

With regard to the testing of transactions, the following can be mentioned: a) the vouching, which consists of the balance sheet of purchases and other acquisitions, reaching the supporting documents (purchase order, receipt guide and invoice) and b) the tracing that consists of in the reverse process, that is, from the supporting documents to reach the balance. A review of the documentation must also be carried out, such as, for example, verifying the arithmetic accuracy and agreement between the quantities and prices in the purchase order and those contained in the invoice, and the review of the cut of operations whose main objective is to verify that purchases carried out up to the closing date were accounted for in that period.

Regarding the analytical procedures, the following can be mentioned: a) procedures related to purchases and supplies and b) procedures related to balances – debts payable. In the procedures relating to purchases, it is important to identify relative and absolute variations, as well as analysis of the behavior of purchases in relation to other items in the income statement, such as gross margins, personnel expenses, supplies and external services, etc. With regard to the procedures relating to balances, it is also important to analyze the absolute and relative variations, as well as the reasonableness of the balances, namely, rotation of debts payable and average payment terms. Unusual behavior in the balances of debts payable may indicate situations of late payment to suppliers,

III. CONCLUSION

This area is an area likely to have a high inherent risk, as there is a significant number of transactions and allows for the emergence of distortions. The central issue is the emergence of undervalued liabilities, as there may be a temptation to present financial statements with a more favorable financial position.

Thus, we conclude that the audit procedures pointed out in this work must be considered in terms of the need for application, and must never be neglected.

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