

Seven lecture: Studying some accounts of the first class

1- Result of the year account (the account 12)

Account 12 is recorded as the balance of products accounts and expenses accounts for the fiscal year when settling accounts 7 and accounts 6.

The balance of A/12 is **credit** and represents profit (or surplus) if the products are in an amount that exceeds the expenses (here we use A/120).

		31/12/N		
7.	6. 120	products accounts expenses accounts result of the fiscal year (profit) (End of year works: products are more than expenses)	xxx	xx x

The A/12 balance is **debit** and represents a loss (or deficit) if the expenses are in an amount that exceeds the products (here we use A/129).

		31/12/N		
7. 129	6.	products accounts result of the fiscal year (loss) expenses accounts (End of year works: expenses are more than products)	xx x	xxx

In commercial companies: Account 12 (profit or loss) shall be liquidated according to the decision issued by the competent authorities (the ordinary general meeting of shareholders or partners).

➤ **In the case of a profit**, part of it is usually distributed to the partners, part is allocated for the formation of reserves, and another part may postpone the decision to allocate it to a later final decision, according to the following restriction:

		Date		
120	106 457 110	result of the fiscal year (profit) Reserves Partners: payable shares Result postponement (Minutes of the ordinary general meeting of shareholders or partners)	xxx	x x x

➤ **In the event that the result is a loss**, the decision to allocate it is usually postponed to a later final decision, according to the following constraint:

		Date		
119	110	result of the fiscal year (loss) Result postponement (Minutes of the ordinary general meeting of shareholders or partners)	xxx	xxx

In the individual establishments: Account 12 is transferred to account 101 "exploitation funds" on the first day of the opening of the fiscal year following the year of its completion. (The capital is increased if it is a profit and the capital is decreased if it is a loss) as following:

➤ **In the case of a profit,** Exploitation funds increase according to the following entry:

		01/01/N+1		
120	101	result of the fiscal year (profit) Exploitation funds (transfer of result (profit) into capital)	xxx	xxx

➤ **In the case of a loss,** Exploitation funds increase according to the following entry:

		01/01/N+1		
101	129	Exploitation funds result of the fiscal year (loss) (transfer of result (loss) into capital)	xxx	xxx

2- Carry forward account (the account 11)

Part of the result, whether profit or loss, which the general assembly of partners postponed the decision to allocate to a later final decision, is recorded in account 11 "postponement".

This account is divided into the following sub-accounts:

A/110: "postponement of Profit"

A/119: "postponement of Loss"

➤ **In the case of a profit :**

Part of the profit result, which the general assembly of partners postponed the decision to allocate to a later final decision, is recorded **on the creditor side of account 110** "profit postponement" according to the following entry:

		Date		
120	110	result of the fiscal year (profit) Profit postponement (Minutes of the ordinary general meeting of partners)	xxx	xxx

➤ **In the case of a loss :**

Part of the loss result, which the general assembly of partners postponed the decision to allocate to a later final decision, is recorded **on the debtor side of account 119** "loss postponement" according to the following entry:

		Date		
119	129	Loss postponement result of the fiscal year (Loss) (Minutes of the ordinary general meeting of partners)	xxx	xxx

3- Reserves account (the account 106)

The reserves are part of the profit permanently allocated to the entity unless otherwise decided by the competent authorities. It is divided into:

- Legal reservations (determined by Algerian commercial law)
- Optional reservations (decided by the General Assembly).
- Regulated reserves (determined by the statute of the company).

when forming reserves, the entry shall be:

		Date		
120	106	result of the fiscal year (profit) Reserves (Minutes of the ordinary general meeting of partners)	xxx	xxx

When using reserves (incorporating them into the capital or distributing them), the entry shall be:

		Date		
106	101 457	Reserves company's capital Partners: payable shares (Minutes of the ordinary general meeting of partners)	xxx	xxx