# Short-term financial assets

Short-term financial assets can be defined as assets with financial nature with term of usage maximally equal to 1 year. Short-term financial assets are charged on accounts under accounting class 2 – Financial accounts. Accounting class 2 is also used for charging about short-term bank credits.

As examples of short-term financial assets can be named especially: cash, money on bank accounts, valuables (stamps, vouchers, phone cards, etc.) and short-term securities (stocks held for trade, bonds held for trade, bonds with term of maturity not longer than 1 year, etc.).

#### Valuation of short term financial assets

Valuation of short-term financial assets is made in two special moments:

- 1. In the moment of acquisition (primal valuation)
- 2. In the moment of financial statements compilation (revaluation, concerns short-term securities)

In the moment of acquisition there can be used three basic types of valuation prices:

- 1. Acquisition costs (used for purchased securities),
- 2. Executant acquiring costs (used for items acquired for free),
- 3. Face value (used for valuables and money).

In the moment of financial statements compilation some kinds of short-term financial assets must be revalued by so called fair value. Obligatory revalued short-term financial assets are especially securities held for trade. The fair value can be determined either as a market value or (when the market value is unknown) as expert's estimation of the value based on some procedures of financial mathematics.

Charging about short-term financial assets

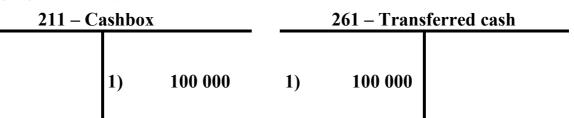
The short-term financial assets are charged on accounts under accounting class 2. The accounting class 2 is divided into 7 special accounting groups.

1. Charging about transfers between cashbox and bank accounts.

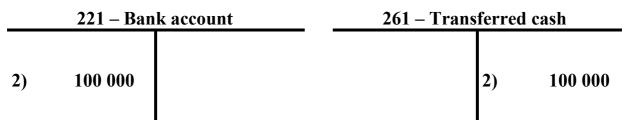
The problem in charging about transfers between cashbox and bank account is fact, that the transaction is made in one day, but all necessary accounting documents aren't available in one moment (especially bank statement isn't usually available immediately). In this case it is not possible to charge immediately on account 221 - Bank account, but instead of this account some account from accounting group 26 - Transfers between financial accounts must be used.

Example 1: A company PLD transfers 100 000 CZK from cashbox on its bank account. Expense cashbox statement issued by company is available immediately, but the bank statement confirming the transaction will not be received until 14 days. Charge it.

Charging on the day of transaction:



Charging after 14 days (on the day of bank statement receiving):



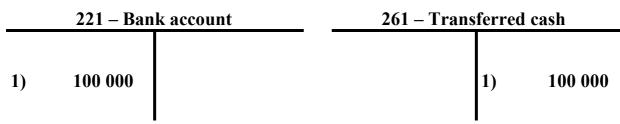
**Transactions:** 

- 1. Transfer (only expense cashbox statement available)
- 2. Transfer completed (bank statement received)

Very similar situation is in the case of transfers between bank account and bank credit account. Again, in this moment it is necessary to have bank statement available for charging directly on account 221 - Bank account and to have bank credit statement available for charging on account 231 - Short-term bank credit. If the documents aren't available at the same time, it is necessary to charge on account 261 - Transferred cash.

Example 2: On January 21 a company received bank account statement. Due to this statement amount 100 000 CZK as bank credit was received on this bank account. The bank credit statement was not received until January 31. Charge all necessary transaction:

**Charging on January 21:** 



**Charging on January 31:** 

231 – Short-term bank credits

2)

261 – Transferred cash 2) 100 000

**Transactions:** 

- 1. Receiving on bank account (bank account statement available)
- 2. Bank credit charged (bank credit statement available)

100 000

## Charging about valuables

Under accounting class 2 we can usually find a special account for charging about valuables. As valuables we can name especially phone cards, post stamps, fee stamps, vouchers, etc. The valuables are valued by face value.

Example 3: A company bought phone cards in value 1 000 CZK, post stamps in value 100 CZK and fee stamps in value 500 CZK, all paid in cash. After two weeks one half of phone cards, post stamps and fee stamps was used. Charge all transactions.

213 – Valuables					211 -	Cashbo	X
1)	1 000					1)	1 000
2)	100					2)	100
3)	500					3)	500
Trans	actions:						
<ol> <li>Purchase of phone cards</li> <li>Purchase of post stamps</li> <li>Purchase of fee stamps</li> <li>213 – Valuables</li> </ol>			5	18 – Consı	umed sei	rvices	
	1) 500			1)	500		
		2)	50	2)	50		
		3)	250				
538 – Other taxes and fees							
3)	250						

## **Transactions:**

1. Consumption of phone cards

- 2. Consumption of post stamps
- **3.** Consumption of fee stamps

#### Charging about short-term securities

Short-term securities are valued in two specific moments:

- 1. In the moment of acquisition (especially acquiring costs used, sometimes executant acquiring costs),
- 2. In the moment of financial statements compilation (fair value used)

Short term securities can be divided into two basic groups:

- 1. Stocks and bonds held for trade,
- 2. Bonds held to maturity date.

Charging about stocks and bonds held for trade

Example 4: An enterprise bought stocks with the aim to trade with them on stock exchange. The purchase price was 100 000 CZK, provision paid to broker was 1 % of the purchase price. Except the stocks the bonds held for trade in value 110 000 CZK were bought. All paid from bank account. The bonds were sold before the end of accounting period, the selling price was 120 000 CZK, payment on bank account, the stocks remained in the accounting period (financial statements compilation date) the market price of stocks at the stock exchange is a) 80 000 CZK, b) 125 000 CZK. Charge all necessary transactions.

259 – Acquisition of short-term

	financial assets				221 – Bank account				
1) 2)	100 000 1 000	4)	101 000	5)	120 000	1) 2) 3)	100 000 1 000 110 000		
253 – Bonds held for trade			251 – Stocks held for trade						
3)	110 000	6)	110 000	4)	101 000				
	561 – Secu	rities	sold	<u>661 – Revenues from sale of securiti</u>					
6)	110 000					5)	120 000		

**Transactions:** 

- 1. Purchase of stocks
- 2. Paid provision
- 3. Purchase of bonds
- 4. Taking of stocks into accounting evidence
- 5. Sale of bonds
- 6. Removing of sold bonds from accounting evidence

In case of the stocks, at the end of accounting period it is necessary to revaluate the stocks by fair value. The fair value can be found as a market value (when it is possible) or as expert's estimation (when the market value is unknown). The change of the valuation resulting from revaluation by fair value is charged either as financial cost (accounting group 56) or as financial revenue (accounting group 66).

Charging in situation when the fair value is lower than acquiring costs:

564 – Revaluation costs connected

with stocks			251 – Stocks held for trade				
1)	21 000		OS	101 000	1)	21 000	

**Transaction:** 

1. Charging about lower fair value of stocks to the date of financial statements compilation

Charging in situation when the fair value is higher than acquiring costs:

664 – Revalua	tion revenues	connected
	uon i cychucs	connected

wit	with stocks			251 – Stocks held for trade			
			OS	101 000			
	1)	24 000	1)	24 000			

**Transaction:** 

1. Charging about higher fair value of stocks to the date of financial statements compilation

In case of charging about fair value of bonds, accounts 566 – Revaluation costs connected with bonds and 666 – Revaluation revenues connected with bonds are used.

Charging about short-term bonds held to maturity date

Example 5: An enterprise bought bonds with the aim to hold them to maturity date. The purchase price is 46 000 CZK, provision paid to broker

1 000 CZK, face value of bonds is 45 000 CZK. The enterprise will cash interests from bonds in amount 10 % of face value in the moment of maturity. All payments realized on or from bank account.

259 – Acquisition of short-term financial assets				221 – Bank account			
1)	46 000			4)	45 000	1)	46 000
2)	1 000	3)	47 000	5)	4 500	2)	1 000
25	l 256 – Short-term bonds held to maturity date			l 662 – Revenue interests			ests
		4)	45 000				
3)	47 000	6)	2 000			5)	4 500
5	568 – Other 1	l financia	l costs			I	
6)	2 000						

**Transactions:** 

- 1. Purchase of short-term bonds held to maturity date
- 2. Provision paid to broker
- 3. Taking of bonds into accounting evidence
- 4. Replacement of bonds cashed on bank account (face value)
- 5. Interests from bonds cashed on bank account
- 6. Charging about the difference between acquiring costs and face value of bonds (charged to the date of maturity)

Charging about issued short-term bonds

In contrast to acquired bonds, the issued bonds mean a creation of equity in the balance sheet of enterprise. When enterprise issues the bonds, it means creation of the debt, because of the obligation to repay the bonds in the moment of their maturity.

Example 6: An enterprise issued bonds in face value 1 000 000 CZK. 90 % of issued bonds were sold, 10 % didn't and the enterprise took them back from the market and removed them from accounting evidence. The enterprise pays to buyers interests from bonds in amount 10 % from the face value, the interests were admitted first and then paid from bank

account. After six months the bonds were repaid from bank account. Charge all transactions.

375 – Receivables from issued bonds			241 – Short – term issued bonds				
1)	1 000 000	2) 3)	900 000 100 000	4) 7)	100 000 900 000	1)	1 000 000
221 – Bank account			252 – Own bonds				
2)	900 000	6) 7)	90 000 900 000	3)	100 000	4)	100 000
	562 – Paid	l inter	ests		379 – Other liabilities		
5)	90 000			6)	90 000	5)	90 000

**Transactions:** 

- 1) Short-term bonds issued face value
- 2) Part of issued bonds sold
- 3) Unsold bonds taken back from market
- 4) Unsold bonds removed from accounting evidence
- 5) Interests from bonds admitted
- 6) Interests from bonds paid from bank account
- 7) Bonds repaid from bank account

The buyer of the issued bonds charges about bonds held to maturity date or about bonds held for trade.