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CAMBODIAN UNIVERSITY FOR SPECIALTIES
Education for an Excellent Career

RESEARCH WORKING PAPER

on

REAL ESTATE ACCOUNTING IN BUSINESS MANAGEMENT

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PREFACE

This research article is a kind of research paper for economics, accounting, business, management, which are the main subjects deeply related to economic-financial management, business, business of companies and public institutions: especially related to accounting management and finances company.

The management of the property of a company or a ministry-institution is the management of assets such as buildings, cars, machinery, equipment, furniture, etc. Where the Ministry-Institution-Company buys the goods, disburses the money from the cash to pay for the purchase of assets for their work operations every day, months, quarters, semesters and years for the purpose of use as a means of production to manage construction costs and capital expenditures. In addition, this research article also adds insights such as budgeting, financing, approving the budget for the purchase of assets, distribution to units and subordinates for use. These costs need to be ratified by the National Assembly or the Board of Directors to become It is a principle / financial law that is officially recognized for the management of revenue-expenditure by ministries-institutions-companies with responsibility and high efficiency in management.

In addition, this article is a help on economics, accounting, business, management, which professors or students of the university strive to research, such as real estate management process and depreciation methods, etc. Depreciation methods are made using the fixed depreciation method, the depreciation method gradually and the unit depreciation method. On the other hand, in the past, some students, intellectuals and property managers have faced many difficulties with insufficient documents for research, consultation and understanding. It should be remembered that in

the past, Cambodia was a country with rules, regulations, scriptures, books of all kinds, still have a rich library - pagodas, but lost a lot of damage, almost nothing left during the war of destruction from the era. From one epoch to the last few decades. Not only that, even a large number of scholars, doctors, poets and writers with high knowledge of science and composition died at that time. For the above reasons, I urge our team to do research and write this research article according to the level of ability and experience that they have for a compass to be given to students, intellectuals, managers, public sector: business people and the public. Some to be the basis for research, consultation and understanding, as well as to contribute to the restoration, development, promotion of the national economy, provide ideas, understanding of real estate management and finance, which is one of the priority sectors in the pursuit of national interests. And the Cambodian people for the better.

We strongly believe that this research article will be a key tool, a wisdom that can contribute to facilitate and increase understanding of the roles and responsibilities of leaders, managers and subordinates in ministries, institutions, national administrations. National grammar and companies in managing real estate operations and law enforcement more effectively. Finally, if there are any cases that should not be lacking, we look forward to hearing from you.

I wish all readers to meet only the four blessings of the Buddha: Long age, happiness, health, and strength.

Phnom Penh, April 2022

REVIEW COMMITTEE

RESEARCH WORKING PAPER

REAL ESTATE ACCOUNTING IN BUSINESS MANAGEMENT



Dr. Keo CHEA

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SUMMARY

According to the real estate accounting research study. It is an investment in real estate, at the expense of acquisitions, construction of infrastructure, expansion of production, which is a necessary factor to have assets for the operation of business operations, and at the same time, the company or enterprise must be in the management of assets for the period. The longer the better, the better the company has to make depreciation. Depreciation is the carrying amount of an asset that is depreciated as a result of a period of use, change in technology, or other factors, by dividing the carrying amount of the asset over its estimated useful lives. (Lifetime) In accordance with each annual depreciation plan included in the burden of annual expenses.

This depreciation is made on the basis of the cost of the asset to be depreciated and is deducted from the depreciation amount of any asset and cannot be deducted in excess of the cost of the asset. Although the revaluation is greater than the cost. Property cost is the initial value of an asset that is acquired at a given time and at the place where that asset is recorded in the books of account incorporated into the entity's assets. Depreciation is deducted from the historical value of the asset to reflect the net realizable value of the balance sheet assets. This asset consists of tangible and intangible assets.

These tangible assets are divided into the following four classes: -

Assets Class 1: Includes Construction structures, including buildings, structures of buildings that are

components of buildings, roads, railways, shipping vessels.

Assets Class 2 : Includes computers, information technology systems, electronic devices and data storage equipment.

Assets Class 3 : Includes cars, trucks, furniture and office equipment

Assets Class 4 : Includes all types of tangible assets other than Class 1, Class 2 and Class 3 assets

RESEARCH TOPIC ON REAL ESTATE ACCOUNTING IN BUSINESS MANAGEMENT

I. INTRODUCTION

In any business venture, no matter what the image, real estate generally plays an important role in the business process. Real estate is a large asset other than cash in cash or bank and commodities stockpiled to support production and goods for sale. Real estate is also a part of the property that serves direct production and administrative work, in which the technical and accounting-financial experts have divided the real estate classification into 4 levels from property class 1 to level 4 for ease of management. According to each class and easy to deduct from each year. Depreciation on a year-by-year basis avoids high production costs that make the commodity uncompetitive in the market.

Depreciation of real estate must be clearly recorded in accordance with generally accepted accounting principles and in accordance with Cambodian Accounting Standards and International Accounting Standards, as well as in accordance with the regulations of the Fiscal Administration of the Ministry of Economy and Finance.

How to record real estate accounting in business?

- What' is property depreciation included in the income statement in accordance with Cambodian Accounting Standards?
- Does the presentation of real estate in the balance sheet comply with Cambodian accounting standards?

- To better understand, the researcher needs to understand the definitions related to accounting, assets, real estate, depreciation, etc.

As shown below:

A – DEFINITION

A-1-Accounting

Accounting is the process of determining, measuring, recording, transmitting and interpreting an organization's economic operations over a specific period of time. All accounting information (economic transactions) must describe cash.

A-2- Assets

An asset is an economic resource that belongs to a business entity and is expected to generate revenue through the operation of the business. Types of assets are divided into two categories:

1. Current assets or assets (Current Assets), including cash, accounts receivable, etc.
2. Real estate or fixed assets (fixed assets) include land, buildings, houses, machinery, cars, furniture, computers, and equipment. Three things:
 - Ownership or control right of the unit
 - Calculated value
 - Important to the unit.

In asset management, they are divided into short-term assets and long-term assets. In each company or enterprise, asset management is carried out with its asset list and amortization

is calculated for long-term assets in accordance with the tax administration regulations for that asset class. Assets are always shown in the balance sheet of the company / enterprise financial statements.

The Real estate is immovable property, such as land, houses, buildings and other useful structures. If we compare real estate prices from the past to the present, real estate prices have risen steadily and increased tens to hundreds of times, which is due to a number of main reasons:

- Limited number
- Increasing population increases demand
- Foreign investors

Inflation increases as real estate is transferred from one owner to another, prices rise to the point of consumption (now higher than the market price since the 2000, with the population increasing by almost five times, not only from Three million to more than sixteen million (National Census 2019), leading to hundreds of times the increase in real estate, such as agriculture, industry, housing and business.

A-3-Enterprise

Enterprise means a unit that provides goods and services to customers. Enterprises run for profit. Enterprises take the form of sole proprietorships, joint ventures and corporations. Enterprises consist of public and private enterprises.

There are many types of business in a free market economy, but economists classify an enterprise or company into three main types of business:

- 1-Manufacturing company
- 2-Company selling goods and
- 3-Service enterprise.

A-3-1-Manufacturing company

There are many manufacturers of such products, including major manufacturers of aircraft, automobiles, computers and furniture. Many large companies have assembled products for the market that customers need. For example, suppliers or suppliers of spare parts or computers, cars and home appliances, etc.

A-3-2-Merchandising Company

Merchants are businesses that help move goods by distributing goods to customers, engaging in wholesale or retail, or sometimes both. Wholesalers are traders who buy goods and then resell them to regular buyers or resellers.

A retailer is a merchant who sells goods to consumers.

A-3-3-Service Companies

Service enterprises include many types of businesses, for example: garment enterprises, shoe repair shops, barber shops, restaurants, ski resorts, hospitals and hotels, etc.

A-4- Form of business ownership of the enterprise

There are different forms of business ownership. These include

- a. Ownership
- b. Co-ownership or partnership,
- c. Corporation,
- d. Joint venture or joint venture and

e. Union.

A-4-1-Enterprise of ownership

- is the sole ownership of a business owned by an individual. At the beginning of the 21st century, there were more than 17 million companies in the United States.
- According to the Tax Foundation, there are more than 23 million sole proprietorships in the US, far more than any other type of business entity. This statistic means that the sole proprietorship is by far the most common business structure, even though the business is not legally separate from its owner. The Sole proprietorships are estimated to account for 73% of all businesses in the U.S. From my review of the numbers—comparing 2015 to 2016—it seems that more people have sole proprietorships.
- Percent of firms with legal status of Sole Proprietorship in Cambodia was reported at 93.9 % in 2016, according to the World Bank collection of development.
- Cambodia increased the number of business enterprises it had to 513,759 companies at the end of March last year, up from the 463,363 enterprises accounted for in 2011, according to the final results of the 2014 Cambodia Inter-Censal Economic Survey.
- The owner is also the owner and the owner is solely responsible for all business debts or profits.

II. UNDERSTANDING OF ENTERPRISE ASSET ACCOUNTING

To understand enterprise asset accounting, purchase of real estate through procurement, acquisition, acquisition of assets.

a) DEPRECIATION AND AMORTIZATION TERMS

Depreciation and amortization terms are determined as follows:

1. Acquisition (acquisition, acquisition, incorporation ...) of long-term assets does not result in a decrease in assets, as expenses are reimbursed in the assets of the enterprise for a new asset. Which does not affect the taxable results. Long-term assets are often eroded by use and by age or obsolescence, and this impairment is a real expense that is allowed to deduct from the enterprise's taxable income through depreciation.
2. Depreciation is a record of the depreciation of an asset arising from the use of time, use, technology change or other circumstances, by dividing the asset structure over a period of use (age). Use period) based on an amortization plan. Any major changes in the terms of use of the asset require a revision of the ongoing depreciation plan.
3. For the purpose of deductible amortization tax, the following five conditions are met:
 - a. Depreciation is required only on long-term assets recorded in the balance sheet assets of the enterprise.
 - b. Depreciation is required only on long-term assets that have been eroded.

- c. Depreciation is made on a local basis and within the limits of cost.
- d. Depreciation shall be calculated in the manner prescribed in the tax regulations in force.
- e. Depreciation is done exactly by the enterprise.

In particular, land is not a depreciable asset.

In determining taxable income, amortization is provided to the owner of an intangible asset or the lessee of a tangible asset in the event that the lessee is liable for the risk of loss or damage to the property. Typically for financial leases, the tenant is the heir to the original risk.

b) LONG-TERM ASSETS THAT ALLOW FOR DEPRECIATION

- 1.** The enterprise depreciates only on the long-term assets recorded in the assets of its balance sheet. Long-term assets are the portion (or component) of long-term assets used in the course of business and retain their original appearance from the date of commencement to the date of termination. An asset can be considered a long-term asset if it meets the following two criteria:
 - a. Target: All types of assets (intangible assets or tangible assets) that the enterprise has purchased or produced, not for conversion, for sale or not for sale, but for long-term use (for example, cars that the enterprise buys for sale). Part of the purchase and stock of vehicles for use in the enterprise business is a long-term asset). These assets can be resold only after they have been used.

- b. Term: Retention of assets in a business entity is defined as lasting if more than one year from the date of initial deployment.
2. Distinguish between long-term assets and expenses:
Costs that are commensurate with the inclusion of a new portion of an enterprise's assets are long-term assets. For expenses related to assets already recorded in the balance sheet.
3. Long-term assets are classified as follows: -
- a. Intangible assets:
Intangible assets that can be depreciated include:
- Enterprise start-up costs
 - Research and development costs: is the cost of research and development that the enterprise has made to serve the business. As with the cost of setting up an enterprise, this cost is irreversible in the assets of the enterprise. The accounts that record these expenses are non-real value assets. Therefore, in recording a long-term asset of any research and development project, this project must be able to identify and differentiate itself and be highly anticipated for commercial gain.
 - Computer software concession license (protected portion)
 - Trade Fund

- Business rights
- Other intangible long-term assets
- Intangible assets that cannot be depreciated include: securities, long-term assets, various finances and land use rights

b. Mutual assets: Mutual assets are divided into the following four classes: -

Assets Class 1: Includes construction structures, including buildings, structures of buildings that are components of buildings, roads, railways, shipping vessels

Assets Class 2: Includes computers, information technology systems, electronic devices and data storage equipment.

Assets Class 3: Includes cars, trucks, furniture and office equipment

Assets Class 4: Includes all types of tangible assets other than Class 1, Class 2 and Class 3 assets

In case of any tangible assets with special features, the General Department of Taxation may determine the depreciation method separately.

c) LONG-TERM ASSETS THAT ALLOW DEPRECIATION

How to record long-term assets

1. For intangible assets and assets in Class 1, the enterprise shall record separately on each asset account the amount associated with that asset (cost of goods, depreciation, refund, permanent improvement
2. For tangible assets in class 2, class 3 and class 4, the enterprise shall be recorded in the joint asset account for each class and shall be recorded in the amount that has not been amortized, all the amount related to the acquisition of additional assets (additional purchases, additional receipts, top-ups ...) and all amounts related to the release of assets in the tax year.
3. Natural resources: Expenses for exploration and development, including interest expenses related to exploration and development, are recorded in the natural resources account.
4. Long-term agriculture (biological assets)
 - a. Active crops: Accumulate in the biological asset account development costs directly related to cultivation, including interest expenses related to development and cultivation, and construction infrastructure costs.
 - b. Livestock: Accumulate in the account of biological assets the development costs directly related to animal husbandry, including interest expenses related to the development and raising of animals

and the cost of setting up infrastructure for animal husbandry.

5. In case long-term assets are used both in business and in animal husbandry, the enterprise shall apply as follows:

The use of long-term assets for the direct needs of the business owner or to provide to employees or third parties is considered to have provided services at market value (recorded in secondary income). In this case, the employee is allowed to deduct expenses and is subject to tax on additional benefits.

- a. In the case of a sole proprietorship or a joint venture enterprise, the use of land and personal buildings for commercial enterprise shall not be recorded in the balance sheet and shall not be considered as repairs. In the case of an enterprise recorded in the balance sheet, amortization expenditures are not allowed to be deducted from taxable income and are not considered sold at the time of cessation of business use. Land and building owners include individuals named in the family book issued by the competent authority
- b. For enterprises that follow the rules, such as the diversified use of long-term assets recorded in the balance sheet, there is no effect on depreciation.

d) - HOW TO RECORD LONG-TERM ASSETS

Depreciation is to be made on a local basis and within the limits of cost

1. Depreciation is made on the basis of the cost of the assets to be depreciated. The carrying amount of an asset depreciation shall not exceed the cost of the asset, even if the revaluation is greater than the cost. Cost is the initial value of an asset at any time and at the place where that asset is to be recorded, in the period when the assets are added to the enterprise. The cost of an asset is called a historical foreclosure, which in principle is irreversible.
2. The cost or historical description of an asset to be included as an enterprise asset is determined as follows:
 - a. For the assets acquired by the enterprise shall be determined by the value of the assets acquired by: shall be recorded in the accounting book, the purchase price shall be deducted from the discount, plus any additional expenses (customs duties and expenses related to transportation). Transit and warehousing costs, long-term asset acquisition costs, transportation insurance premiums ...) and assembly costs necessary to put the assets into operation, general expenses and financial expenses related to long-term assets Long will not be included in the cost of purchase in the event of a delay in payment, the value of the asset to be recorded shall be based on the agreed price, so it does not apply to

the later payment procedure, even if the repayment price increases. Up or down

- b. Assets produced by the enterprise shall be determined at the cost of production by: to be recorded in the accounting records at the actual cost of production, which is the cost of purchase of used materials and supplies, plus all direct costs (labor costs). Expenditure on external services) and indirect costs of production in such a way that those costs can be determined and reasonable into the production costs of that asset. Production costs are calculated on a cost basis, or if there is no cost accounting, the cost method is calculated statistically. Stuff Separately, for the production costs of large assets, such as the construction of industrial plants, planting or long-term animal husbandry, the interest on the debts invested in the construction, cultivation or raising of these is allowed to be included. From the first loan until production
- c. Assets acquired by the enterprise from the public, public or private investor shall be recorded in the bookkeeping at the appraisal value as specified in the appraisal agreement.
- d. Assets acquired by the enterprise free of charge shall be recorded in the bookkeeping at market value or the cost at which the independent enterprises operate together.

3. Value-added tax paid on the purchase or production of an asset that is not permitted as a credit.
4. Ordinary depreciation method

The normal depreciation method of long-term assets is determined as follows: -

a. Intangible assets:

All intangible assets are amortized on a straight-line basis over their estimated useful lives, or 10 percent per annum, if the useful lives are not determined.

b. Tangible assets:

Assets Class 1: Depreciation is carried out separately at the rate of 5% per annum of the procurement agreement (cost). For non-concrete buildings, depreciation shall be made at the rate of 10% per annum.

Assets Class 2: Depreciation is calculated at the rate of 50% of the annual depreciation basis.

Assets Class 3: Depreciation is calculated at the rate of 25% of the annual depreciation basis.

Assets Class 4: Depreciation is calculated at the rate of 20% of the annual depreciation basis.

5. Natural Resources: The depreciation amount allowed to be deducted in a tax year is calculated by multiplying the balance of the Natural Resources account by the product of the volume produced during the tax year and the estimated amount of gross domestic product. Which can be downloaded from that resource.
6. Long-term agriculture: -
- a. Rubber Plant: Depreciation is allowed for 20 years at the following rates:
- | Benefit year | Depreciation rate |
|---|-------------------|
| 1 st Year and 2nd year | 3% |
| 3 rd Years and 4th year | 4% |
| 5 th Years to 10th year | 5% |
| 10 th Years and 12th year | 7% |
| 13 th Years to 15th year | 6% |
| 16 th Years to 19th year | 6% |
| 20 th Years, remaining balance | |
- b. Agricultural crops other than rubber: Depreciation amount allowed to be deducted in any taxable year shall be calculated by amortization equal to the useful life or 5% per annum, whichever is earlier.
- c. Livestock: The amortization amount allowed to be deducted in any taxable year shall be calculated by the method of amortization equal to the useful life or 10% per annum, whichever is earlier.

d. At the beginning of depreciation

Depreciation of assets by the equity method is as follows:

- Depreciation is provided from the time the asset is put to use and ending when the asset is depreciated (at which point the carrying amount is equal to the cost of the asset). End points can also occur before the expiration date, as in the case of the release of enterprise assets by sale, disposal or disposal. Assets put into use during any period of the taxable year are permitted to be amortized throughout the year.
- For amortization year:
 - In case the assets are released from the enterprise, the depreciation amount must be zero.
 - In the event that an asset expires, its depreciation shall be equal to the outstanding balance of the asset account of that asset. However, if the balance is greater than the annual depreciation (for example, there is a constant improvement), the relevant fixed assets are deemed to have increased useful life and will be amortized further until the balance is less than the annual depreciation is done to complete the depreciation.

- Depreciation of assets by the gradual depreciation method is as follows:
 - Depreciation is required from the time the assets are put into use. Assets put into use during any taxable year are allowed to depreciate throughout the year.
 - Depreciation allowed for each class is equal to the depreciation base multiplied by the depreciation rate for each class.
 - Depreciation basis for the first year of business is equal to the total cost of assets in the consolidated asset account by class.
 - For subsequent tax years, the amortization base is equal to the original balance of the combined asset account plus the cost of the assets used in the tax year minus the cost of assets withdrawn or sold during the tax year.
 - In a taxable year, if any of the assets in the consolidated assets are withdrawn or sold from the business, the enterprise is required to deduct from the depreciation basis the combined assets less the value of the assets withdrawn or sold.
 - If such recording makes the combined asset account balance negative, the

enterprise shall record taxable income equal to this negative balance and the consolidated asset account balance must be adjusted to zero.

- At the end of the tax year, if there is obviously no asset balance left in the consolidated asset account, the positive balance of that asset is recognized as a deductible loss. Consolidated assets are adjusted to zero.

- Depreciation of natural resources or long-term agriculture: Enterprises must start depreciating natural resources or long-term agriculture in the year in which production begins. Production start year is the year that an enterprise receives from long-term exploitation of natural resources or agriculture. For long-term assets acquired or created after the year of commencement of production, the enterprise is depreciated at the end of the taxable year in which the assets are put to use in the way of natural resources and long-term agriculture. If the business on natural resources or long-term agriculture is terminated in any tax year, the enterprise is allowed to deduct expenses in the tax year on all remaining asset values, including exploration and development costs. Expenses for planting and raising animals.

e) - DEPRECIATION IS ACTUALLY DONE BY THE ENTERPRISE

1. In each taxable year, the enterprise must make amortization to insure against deduction in that taxable year, whether there is sufficient or insufficient taxable income for the deduction. Depreciation is done exactly by the enterprise under the historical precedent. In case at the end of any tax year, the enterprise evaluates the current value of its assets (detailed inventory), the enterprise shall inform the tax administration about the result of that assessment. For tax purposes, if the appraisal result changes the value of the asset in the tax year, the excess of the revaluation value shall be considered as taxable income and as an additional basis for further amortization.
2. The deductible amount must be calculated in accordance with the tax regulations and recorded in the amortization table of the annual income tax return for each taxable year.
3. Enterprises are not allowed to defer any assets.
4. Amortization or any portion of the amortization amount for any taxable year which is not recorded in the amortization calculation table of the annual income tax return is not allowed to be deducted in other taxable years. No more.
5. Depreciation, which is deducted from deductible expenses, is considered to be made normally for the calculation of excess or short-term selling value.

6. Example:

- a. An enterprise bought a warehouse on October 15, 2014 at a cost of 400,000,000 Riels.
- b. The enterprise regularly depreciates the depreciation at the rate of 5% for a service life of 20 years, except in 2016, as in the tax year the enterprise incurred serious losses.
- c. The warehouse was sold on June 10, 2028 for 150,000 Riels
- d. Situations related to the calculation of excess depreciation or depreciation of this warehouse are as follows:
 - Depreciation rate: 5% (Warehouse with a shelf life of 20 years as class 1 tangible asset)
 - Depreciation is recorded as an expense for each year.
 - Depreciation in 2014 ($400,000,000 \text{ Riels} \times 5\%$) = 20,000,000 Riels (Depreciation year is equal to annual depreciation)
 - Depreciation in 2015 = 20,000,000 Riels
 - Depreciation 2016 = 20,000,000 Riels
 - Depreciation in 2017 = 20,000,000 Riels
 - Depreciation 2018 = 20,000,000 Riels

- Depreciation 2019 = 20,000,000 Riels
- Depreciation 2020 = 20,000,000 Riels
- Depreciation in 2021 = 20,000,000 Riels
- Depreciation of 2022 = 20,000,000 Riels
- Depreciation of 2023 = 20,000,000 Riels
- Depreciation of 2024 = 20,000,000 Riels
- Depreciation in 2025 = 20,000,000 Riels
- Depreciation in 2026 = 20,000,000 Riels
- Depreciation in 2027 = 20,000,000 Riels
- Depreciation year 2028 = 0 Riels (Depreciation year is zero)

Remaining value not yet depreciated = cost (historical description) Depreciation value plus reference

- Cost (Historical description) = 400,000,000 Riels
- Depreciation value plus reference = 260,000,000 Riels
- Remaining value = 140,000,000 Riels
- Excess price = selling price, the remaining price has not been depreciated
- Selling price = 150,000,000 Riels
- Remaining value = 140,000,000 Riels
- Excess price = 10,000,000 Riel

e. For the tax target, the excess value must be added to the overdue installment of 20,000,000 Riels in 2016. Therefore, the taxable value is 30,000,000 Riels (10,000,000 Riels + 20,000,000 Riels)

f. Case of missing value:

If the warehouse sells for 110,000,000 Riel, the missing price is:

- Selling price = 110,000,000 Riels
- Remaining value = 140,000,000 Riels
- Lack of value (loss) = 30,000,000 Riel

The deductible amount (loss) for the purpose of the present is only = 10,000,000 Riels, the recorded value of the loss of 30,000,000 Riels is reduced by the amortization value in 2016 by 20,000,000 Riels.

7. Correction of income tax return:

- a. Following this example, the enterprise is subject to income tax on deferred amortization. For practical purposes, the enterprise has to adjust the asset depreciation account of the erroneous tax year by recalculating the amortization amount.
- b. For depreciation or provision which is made in violation of the policy or in excess of the allowable amount, the enterprise shall adjust the wrong amount of depreciation or provision for the taxable year in error.

- c. For such cases, the enterprise shall submit an amendment to the annual income tax declaration in accordance with the provisions of the tax law.
- d. After the enterprise has complied with this provision, the enterprise may make further depreciation or provision in accordance with the principles permitted by the tax law.

f) - SPECIAL DEPRECIATION METHOD

Special depreciation is determined as follows:

1. Special amortization is allowed to be deducted in the first year of acquisition or at a later date in the first year of deployment of tangible assets. The deductible amount equals 40% of the capital value of the new or used tangible assets put into production or processing. In the same taxable year, the capital value of the remaining tangible assets is allowed to be amortized on a straight-line basis over the estimated useful lives of the assets.
2. The special depreciation of tangible assets will be deducted to determine the taxable income of the qualifying investment project for the taxable year if the investor does not choose to exercise the tax exemption period as stated in paragraph 3. Of the new Article 20 (a) of the Law on Taxation.
3. Intangible assets that have received a special amortization deduction shall be put to use at least 4

taxable years after which the special amortized taxable year is deducted. If the tangible asset is derecognized before this period, the investor must record a tax return equal to the deductible special amortization amount, minus one percent equal to 2% of the depreciation amount. Deducted for each month or portion of the month in which the asset is put to use. This amount will not affect the accounting value of the tangible assets for the determination of capital gains under Article 7 (a) of the Fiscal Law.

4. Example: An investment enterprise started its business at the beginning of the tax year 2014 with 3 machines for business use. For the target income tax, the machine is in Class 4 assets recorded in the depreciation table, valued at 26,000,000 Riels.

- The first machine: 10,000,000 Riels
- Second machine: 10,000,000 Riels and
- Third machine: 6,000,000 Riels.

In 2015, the enterprise sold a third machine to another enterprise for 5,000,000 riels and bought a new prototype machine for 20,000,000 riels.

The enterprise has chosen a special depreciation method for the investment process. Depreciation is calculated as follows:

- Depreciation of 3 machines for 2014:
Special Depreciation $(26,000,000 \times 40\%) = 10,400,000$
Riels

- Normal depreciation basis $(26,000,000 - 10,400,000) = 15,600,000$ Riels
- Normal amortization $(15,600,000 \times 20\%) = 3,120,000$ Riels

Total Depreciation for 2014

- $(10,400,000 + 3,120,000) = 13,520,000$ Riels
- Depreciation basis with reference to 2015
 $(26,000,000 - 13,520,000) = 12,480,000$ Riels

Depreciation for 2015:

- Special discount for new machine
 $(20,000,000 \times 40\%) = 8,000,000$ Riels
- Normal depreciation basis for new purchase machines
 $(20,000,000 - 8,000,000) = 12,000,000$ Riels

Normal depreciation basis for all machines:

$12,480,000 + 12,000,000 - 5,000,000$ (income from the sale of old machines) = $19,480,000$ Riels

- Ordinary amortization amount $(19,480,000 \times 20\%) = 3,896,000$ Riels

Total Amortization Amount for 2015

$(8,000,000 + 3,896,000) = 11,896,000$ Riels

Depreciation basis refers to 2016

$(19,480,000 - 11,896,000) = 7,584,000$ Riels

Adjustment of income tax related to the sale of machines in 2015 (after 16 months of use):

The taxable income for the year 2015 is increased due to the need to deduct the special amortization amount of 2% for each month in which the assets are put into use. The taxable income to be reimbursed for 2015 is calculated as follows:

- Special Depreciation $(6,000,000 \times 40\%) = 2,400,000$ Riels
- Subtract the adjustment for the period in which the assets are used $(2,400,000 \times 2\%) \times 16 \text{ months} = 768,000$ Riels

Taxable income to be refunded for 2005

$$(2,400,000 - 768,000) = 1,632,000 \text{ Riels}$$

Excess or deficit from the sale of the machine shall apply in accordance with Chapter 8 of this Prakas.

G)-PRINCIPLES

1. Pursuant to the new Article 7 (a) of the Law on Taxation, the surplus value arises from the sale of parts of assets during the course of business or at the end of business as part of taxable income.
2. An excess or impairment loss arises on the basis of the difference between the selling price and the carrying amount of an asset or the recoverable amount of an asset.
3. Excess or deficit values are defined as follows:
 - a. Achievable or excess value: This value arises from the release of any long-term asset. Disclosures can be sales (in most cases), betrayal into another enterprise, exchange, distribution, gift giving, takeover of the business owner while doing

business or at the end of the business, dismantling, decommissioning. ... This disclosure may be the intentional act of the business owner or enterprise manager or as a consequence of legal confiscation or disaster ...

- b. Excess value recorded: A revaluation of the assets recorded in the ledger to the present value of those assets instead of the old value leads to an increase in the excess value. This excess is a net calculation and has no effect on taxable income in the event that it is not used for tax purposes.
- c. Deferred value under the provision is not allowed to be deducted as an expense unless the deficit is achieved.

h) - CALCULATING EXCESS OR DEFICIENT VALUE

- 1. The sale of a long-term asset creates a surplus if the selling price is greater than the remaining value of the asset sold.
- 2. Remaining value not yet amortized:
 - a. For long-term assets that are amortized on a straight-line basis over their estimated useful lives, the carrying amount of the asset is depreciation cognized as property
 - b. For long-term assets that are amortized on a straight-line basis over the term of the asset: For the issuance of any of these long-term assets, the enterprise does not have to calculate the excess

or depreciation directly on that asset. The enterprise shall comply with the regulations and the excess or deficit value shall be expressed for the consolidated asset account in each class.

3. Example:

a. The enterprise purchased and put into use some first-class assets worth 250,000,000 Riels. In the third year, the enterprise made a continuous improvement of 50,000,000 Riels. In the fifth year, the enterprise sold the assets for 350,000,000 Riels.

b. Depreciation calculation:

Depreciation rate: 5% (Class 1 tangible assets)

Depreciation is recorded as an expense for each year:

- 1st year depreciation: $250,000,000 \times 5\% = 12,500,000$ Riels
- Depreciation for the second year: $250,000,000 \times 5\% = 12,500,000$ Riels
- 3rd year depreciation: $(250,000,000 + 50,000,000) \times 5\% = 15,000,000$ Riels
- 4th year amortization: $(250,000,000 + 50,000,000) \times 5\% = 15,000,000$ Riels

Total Amortization Amount = 55,000,000 Riels

c. Excess or deficit:

- Historical description = 250,000,000 Riels
- Continuous improvement = 50,000,000 Riels

- Depreciation plus reference = 55,000,000 Riels
- Remaining value = 245,000,000 Riels
- Selling price = 350,000,000 Riel
- Excess price $(350,000,000 - 245,000,000) = 105,000,000$ Riels

I) - SPECIAL CASES

Some special cases related to high or low prices are defined as follows: -

1. Losses from the sale or exchange of property, directly or indirectly, between related persons who do not comply with the principles of the position must comply with the provisions of Prakas No. 986 MEF.PrK dated 10 October 2017 on the rules and procedures for Divide income and expenses among related persons.
2. For a conspiracy to enter the company, the excess or deficit value shall be calculated according to the actual value of the shares issued in exchange for the conspiracy. Normally, the actual value of a share is equal to the estimated value of the assets that are credited to the consolidated enterprise.
3. For transactions, whether or not there is a surcharge, it is considered a normal sale and purchase transaction. An excess or an impairment loss is the difference between the fair value of the asset acquired and the carrying amount of the asset. Transactions are

taxable in the taxable year in which the transaction takes place.

4. For the donation or withdrawal of assets from the assets of the enterprise or the cessation of business activities, the excess or deficit value of the gift or property shall be calculated at the market value on the day of donation or the date of withdrawal or termination of activities.

j) - ACCOUNTING CYCLE RECORDING (EVENTS)

Event 1. Angkor Construction Company was established on January 1, 2022 with a capital of US \$ 900,000 in cash and US \$ 100,000 in buildings.

Event 2. On February 19, 2022, the company provided construction services but did not receive \$ 280,000 in cash.

Event 3. On May 8, the company received \$ 150,000 in cash from customers

Event 4. On June 16, the company paid the workers \$ 50,000.

Event 5. On July 1, the company bought a car for \$ 10,000, bought furniture for \$ 8,000 and bought a computer for \$ 4,000.

Event 6. On August 1, the company paid the advertiser \$ 3,000 in advance.

Event 7. On September 10, the company received a construction worth \$ 160,000

Event 8. On September 15, the company received another \$ 130,000 in cash

Event 9. On December 30, the company paid the workers \$ 50,000.

Event 10. On December 31, the company paid \$ 5,000 for water and electricity.

Instructions:

Summarize the above business accounting operations in December as follows:

CASE (A)

- 1-Transaction
- 2-Basic Analysis
- 3-Accounting Equation Analysis
- 4-Debit-Credit Analysis
- 5- Journal Entry
- 6-Posting Entry

CASE (B)

- 1- Recording Equation Account Summary
- 2- General Journal
- 3- General ledger recording
4. Create financial statements of the company

k) -SOLUTION

a)-Solution

1-CASE(a)

Event 1. Angkor Construction Company was established on January 1, 2022 with its capital of US \$ 900,000 in cash and US \$ 100,000 in cash base, \$ 900,000 increase in cash assets, increased assets. Increased by \$ 100,000, owner capital increased by \$ 1,000,000.

b)-Accounts

Required for buildings, facilities, accounts to repay the capital of Mr. Bo

-Analysis of accounting equations

Assets				=	Liabilities	+	Equity capital
Cash	A/R	Building	Equipment		A/P		Capital
							Mr.Bo
+900,000		+100,000		=			+1,000,000

- Debit-Credit Analysis

Dr	Cash	Cr	Dr	Building	Cr
\$ 100,000			\$ 100,000		

Dr	Equity capital	Cr
	\$ 1,000,000	

Journal Recording

Date	Description	Account	Amounts
Jan 1	Cash	101	\$ 100,000
	Building	103	\$ 100,000
	Owner Capital (Capital invest)	301	\$ 1,000,000

The Posting

Cash on hand 101		Building 103	
Jan 1		Jan 1	
900,000		\$ 100,000	
Owner's Equity 301			
		Jan 1 \$ 1,000,000	

Event 2. On February 19, 2022, the company provided construction services but did not receive \$ 280,000 in cash. Basis of account analysis requires \$ 280,000 increase in revenue, \$ 280,000 increase in revenue

Analysis of accounting equations

Assets				=	Liabilities	+	Owner's Equity
Cash	A/R	Building	Equipment		A/P		Capital Mr.Bo
+900,000		+100,000					+1,000,000
	+280,000						+280,000

Debit-Credit Analysis

A/R		Revenues	
Debit	Credit	Debit	Credit
\$ 280,000			\$ 280,000

Journal Recording

Feb,19	A/R	102	\$ 280,000	
	Revenues	401		\$ 280,000
	(Revenues from building services)			

The Posting

A/R 102		A/R 401	
Feb 19		Feb 19	
\$ 280,000		\$ 280,000	

EVENT 3 . On May 8, the company received \$ 150,000 in cash from customers. Basis of cash analysis increased by \$ 150,000 and A / R decreased by \$ 150,000.

ANALYSIS OF ACCOUNTING EQUATIONS

Assets

= Liabilities + Owner's Equity

Cash	A/R	Building	Equipment	A/P	Capital Mr.Bo
+900,000		+100,000			+1,000,000
	+280,000				+280,000
+150,000	- 150,000				

Debit-Credit Analysis

Cash

A/R

Debit	Credit
\$ 150,000	

Debit	Credit
	\$ 150,000

Journal Recording

May 8	Cash	101	\$ 150,000	
	A/R	102		\$ 150,000
	(Clients Paid)			

The Posting

Cash 101

A/R 102

May 8	
\$ 150,000	

May 8	
\$ 150,000	

EVENT 4. On June 16, the company paid the workers \$ 50,000, the basis of cost analysis increased by \$ 50,000, Cash decreased by \$ 50,000.

Analysis of accounting equations

Assets				= Liabilities		+	Owner's
							Equity
Cash	A/R	Building	Equipment	A/P			Capital
							Mr.Bo
+900,000		+100,000					+1,000,000
	+280,000						+280,000
+150,000	- 150,000						
-50,000							-50,000

Debit-Credit Analysis

Cash

Debit	Credit
\$ 50,000	

Wage Expense

Debit	Credit
	\$ 50,000

Journal recording

Date	Description	Account	Debit	Credit
June 16	Wage Expense	501	\$ 50,000	
	Cash	101		\$ 50,000
	(Paid Wage to Employment)			

The Posting

Wage Expense 501

June 16	
\$ 50,000	

Cash 101

	June 16
	\$ 50,000

Event 5. On July 1, the company bought a car for \$ 10,000, \$ 8,000 for furniture and \$ 4,000 for a computer.

Equipment Analysis Base Increases by \$ 22,000
Cash Decreases by \$ 22,000.

Analysis of accounting equations

Assets				= Liabilities		+ Owner's Equity	
Cash	A/R	Building	Equipment	A/P		Capital Mr.Bo	
+900,000		+100,000					+1,000,000
	+280,000						+280,000
+150,000	-150,000						
-50,000							-50,000
-22,000			+10,000 +8,000 +4,000				

Debit-Credit Analysis

Equipment		Cash	
Debit	Credit	Debit	Credit
\$ 10,000			\$ 300
\$ 8,000			
\$ 4,000			

Journal recording

July 1	Equipment	104	\$ 22,000	
	Cash	101		\$ 22,000
	(Buy Equipment)			

The Posting

Equipment		104	Cash		101
July 1			July 1		
\$ 22,000			\$ 22,000		

Event 6. On August 1, the company paid the advertising company \$ 3,000.

Basis of cost analysis increased by \$ 3,000 and cash decreased by \$ 3,000.

Analysis of accounting equations

Assets				=	Liabilities	+	Owner's
							Equity
Cash	A/R	Building	Equipment		A/P		Capital
							Mr.Bo
+900,000		+100,000					+1,000,000
	+280,000						+280,000
+150,000	-150,000						
-50,000							-50,000
-22,000			+10,000 +8,000 +4,000				
-3,000							-3,000

Debit-Credit Analysis

Advertising Expense		Cash	
Debit	Credit	Debit	Credit
\$ 3,000			\$ 3,000

Journal recording

August 1	Advertising Expense	502	\$ 3,000	
	Cash	101		\$ 3,000
	(Pay to advertising company)			

The Posting

Advertising Expense 502

Cash 101

August 1		August 1
\$ 3,000		\$ 3,000

Event7. On September 10, the company received a construction worth \$ 160,000, the basis of the Revenues analysis increased by \$ 160,000 A / R, an increase of \$ 800.

Analysis of accounting equations

Assets				= Liabilities		+	Owner's Equity
Cash	A/R	Building	Equipment	A/P			Capital Mr.Bo
+900,000		+100,000					+1,000,000
	+280,000						+280,000
+150,000	-150,000						
-50,000							-50,000
-22,000			+10,000 +8,000 +4,000				
-3,000							-3,000
	+160,000						+160,000

Debit-Credit Analysis

A/R

Revenues

Debit	Credit
\$ 160,000	

Debit	Credit
	\$ 160,000

Journal recording

September 10	A/R Revenues (Revenues from Services construction)	102 401	\$ 160,000	\$ 160,000
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The Posting

A/R	102	Revenues	401
September 10		September 10	
\$ 160,000		\$ 160,000	

Event 8. On September 15, the company received another \$ 130,000 in cash.

Basis of cash analysis increased by \$ 130,000 A / R decreased by \$ 130,000.

Analysis of accounting equations

Assets				=	Liabilities	+	Owner's Equity
Cash	A/R	Building	Equipment		A/P		Capital Mr.Bo
+900,000		+100,000					+1,000,000
	+280,000						+280,000
+150,000	-150,000						
-50,000							-50,000
-22,000			+10,000 +8,000 +4,000				
-3,000							-3,000
	+1,600,000						+160,000
+130,000	-130,000						

Debit-Credit Analysis

Cash

A/R

Debit	Credit
\$ 130,000	

Debit	Credit
	\$ 130,000

Journal Recording

September 15	Cash	101	\$ 130,000	
	A/R	102		\$ 130,000
	(Client Paid)			

The Posting

Cash 101

A/R 102

September 15	
\$ 130,000	

September 15	
\$ 130,000	

EVENT 9. On December 30, the company paid the workers \$ 50,000, the basis of cost analysis increased by \$ 50,000, Cash decreased by \$ 50,000.

Analysis of accounting equations

Assets

= Liabilities + Owner's Equity

Cash	A/R	Building	Equipment	A/P	Capital Mr.Bo
+900,000		+100,000			+1,000,000
	+280,000				+280,000
+150,000	-150,000				
-50,000					-50,000
-22,000			+10,000 +8,000 +4,000		
-3,000					-3,000
	+1,600,000				+160,000
+130,000	-130,000				
-50,000					-50,000

Debit-Credit Analysis

Cash

Debit	Credit

Wage Expense

Debit	Credit
	\$ 50,000

Journal recording

December 30	Wage Expense	101	\$ 50,000	
	Cash	501		\$ 50,000
	(Paid wages to worker)			

The Posting

Wage Expense 501

December 30
\$ 50,000

Cash 101

December 30
\$ 50,000

Event 10. On December 31, the company paid \$ 5,000 for water and electricity. Basis of cost analysis increased by \$ 5,000, Cash decreased by \$ 5,000.

Analysis of accounting equations

Assets

= Liabilities + Owner's Equity

Cash	A/R	Building	Equipment	A/P	Capital Mr.Bo
+900,000		+100,000			+1,000,000
	+280,000				+280,000
+150,000	-150,000				
-50,000					-50,000
-22,000			+10,000 +8,000 +4,000		
-3,000					-3,000

	+1,600,000						+160,000
+130,000	-130,000						
-50,000							-50,000
-5,000							-5,000

Journal recording

December 31	Utility Expenses Cash (Utility Expenses annual)	103 501	\$ 50,000	\$ 50,000
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The Posting

Utility Expenses 503	Cash 101
December 31 \$ 5,000	December 31 \$ 5,000

Case(B)**1-Equation Account Summary**

Assets				=	Liabilities	+	Owner's Equity
Cash	A/R	Building	Equipment		A/P		Capital Mr.Bo
+900,000		+100,000					+1,000,000
	+280,000						+280,000
+150,000	-150,000						
-50,000							-50,000
-22,000			+10,000 +8,000 +4,000				
-3,000							-3,000
	+160,000						+160,000
+130,000	-130,000						
-50,000							-50,000
-5,000							-5,000
1,050,000	160,000	100,000	22,000	=			1,332,000

2-General Journal

General Journal		Page1	
Date	Description	Debit	Credit
Jan 1	Cash Building Owner's Equity (Owner's Capital)	\$ 900,000 \$ 100,000	\$ 1,000,000
Feb 19	A/R Revenues (Revenues from services construction)	\$ 280,000	\$ 280,000
May 8	Cash A/R (Clients paid)	\$ 150,000	\$ 150,000
June 16	Wage Expense Cash (Paid to the worker wage)	\$ 50,000	\$ 50,000
July 1	Equipment Cash (Buy Equipment)	\$ 22,000	\$ 22,000
August 1	Advertising Expense Cash (Paid to advertising company)	\$ 3,000	\$ 3,000
September 10	A/R Revenues	\$ 160,000	\$ 160,000
	(Revenues from services of construction)		
September 15	Cash A/R (Clients paid)	\$ 130,000	\$ 130,000
December 30	Wage Expense Cash (Paid to the worker wage)	\$ 50,000	\$ 50,000
December 31	Utility Expenses Cash (Utility Expenses annual)	\$ 5,000	\$ 5,000

3-General ledger

Cash					Account: 101
Date	Description	Ref	Debit	Credit	Balance
	Beg. Balance				\$ 0
Jan 1	Owner's capital	J1	\$ 900,000		\$ 900,000
May 8	Clients paid	J1	\$ 150,000		\$ 1.050,000
June 16	Paid to the worker wage	J1		\$ 50,000	\$ 1,000,000
July 1	Buy Equipment	J1		\$ 22,000	\$ 978,000
August 1	Paid to advertising Company	J1		\$ 3,000	\$ 975,000
September 15	Clients paid	J1	\$ 130,000		\$ 1.105,000
December 30	Paid to the worker wage	J1		\$ 50,000	\$ 1.055,000
December 31	Utility Expenses annual	J1		\$ 5,000	\$ 1.050,000

A/R					Account: 102
Date	Description	Ref	Debit	Credit	Balance
	Beg Balance				\$ 0
Feb 19	Revenues from services construction	J1	\$ 280,000		\$ 280,000
May 8	Clients paid	J1		\$ 150,000	\$ 130,000
September 10	Revenues from services construction	J1	\$ 160,000		\$ 290,000
September 15	Clients paid			\$ 130,000	\$ 160,000

Building					Account: 103
Date	Description	Ref	Debit	Credit	Balance
	Beg Balance				\$ 0
Jan 1	Owner's capital	J1	\$ 100,000		\$ 100,000

Equipment					Account: 104
Date	Description	Ref	Debit	Credit	Balance
	Beg Balance				\$ 0
July 1	Buy Equipment	J1	\$ 22,000		\$ 22,000

A/P					Account: 201
Date	Description	Ref	Debit	Credit	Balance
	Beg Balance				\$ 0
					\$ 0

Owner's Equity					Account: 301
Date	Description	Ref	Debit	Credit	Balance
	Beg Balance				\$ 0
Jan 1	Owner's capital	J1		\$ 1,000,000	\$ 1,000,000
Feb 19	Revenues from services construction	J1		\$ 280,000	\$ 1,280,000
June 16	Paid to the worker wage	J1	\$ 50,000		\$ 1,230,000
August 1	Paid to advertising Company	J1	\$ 3,000		\$ 1,227,000
September 10	Revenues from service construction	J1		\$ 160,000	\$ 1,387,000
December 30	Paid to the worker wage	J1	\$ 50,000		\$ 1,337,000
December 31	Utility Expenses annual	J1	\$ 5,000		\$ 1,332,000

Revenues					Account: 401
Date	Description	Ref	Debit	Credit	Balance
Feb 19	Revenues from services construction	J1		\$ 280,000	\$ 280,000
September 10	Revenues from services construction	J1		\$ 160,000	\$ 440,000

Wage Expense					Account: 501
Date	Description	Ref	Debit	Credit	Balance
June 16	Paid to the worker wage	J1	\$ 50,000		\$ 50,000
December 30	Paid to the worker wage	J1	\$ 50,000		\$ 100,000

Advertising Expense					Account: 502
Date	Description	Ref	Debit	Credit	Balance
August 1	Paid to advertising Company	J1	\$ 3,000		\$ 3,000

Utility Expenses					Account: 503
Date	Description	Ref	Debit	Credit	Balance
December 31	Utility Expenses annual	J1	\$ 5,000		\$ 5,000

4- List Assets and Depreciation

Assets			Life of Using	Percentage/year		
Building			20Year	5% per Year		
Computer			2Year	50%per Year		
Vehicle			4Year	25%per Year		
Furniture			5Year	20%per Year		
Date	Description	Costs	Percentage	Month	Depreciation Expenses December 31,2022	Net Book value
Jan 1,22	Building	100,000	5%	12	5,000	95,000
July 1,22	Computer	4,000	50%	6	1,000	3,000
July 1,22	Vehicle	10,000	25%	6	1,250	8,750
July 1,22	Furniture	8,000	20%	6	800	7,200
				Total	8,050	113,950

I) - WORKSHEET

Angkor Construction Worksheet December 31, Year 2022

Account	Balance Before Adjustment		Adjustment		Balance after Adjustment	
	Debit	Credit	Debit	Credit	Debit	Credit
Cash	\$ 1,050,000				\$1,050,000	
A/R	\$ 160,000				\$ 160,000	
Building	\$ 100,000			\$ 5,000	\$ 95,000	
Equipment	\$ 22,000			\$ 3,050	\$ 18,950	
A/P		\$ 0				\$ 0
Owner's Equity		\$1,000,000				\$1,000,000
Revenues		\$440,000				\$440,000
Wage Expense	\$ 100,000				\$ 100,000	
Advertising	\$ 3,000				\$ 3,000	
Utility Expenses	\$ 5,000				\$ 5,000	
Depreciation Expenses			\$ 8,050		\$ 8,050	
	1,440,000	1,440,000	8,050	8,050	1,440,000	1,440,000

m)-Journal Closing Accounts

Journal closing accounts			
Date	Description	Debit	Credit
December 31	Revenues Account Profit/Loss Summary (Closing Account Revenues)	\$ 440,000	\$ 440,000
December 31	Account Profit/Loss Summary Wage Expense Advertising Expense Utility Expenses Depreciation Expenses (Closing Account expense and Costs)	\$ 116,050	\$ 100,000 \$ 3,000 \$ 5,000 \$ 8,050
December 31	Account Profit/Loss Summary Retained Earning (Closing Account net Profit/Loss to Retained Earning)	\$ 323,950	\$ 323,950
December 31	Retained Earning Owner's withdrawal capital (Closing Owner's withdrawal capital)	\$ 0	\$ 0

n) - FINANCIAL STATEMENT

a-Income Statement

**Angkor Construction
Income Statement
December 31,2022**

Revenues		\$440,000
Operating Expenses		
Wage Expense	\$ 100,000	
Advertising Expense	\$ 3,000	
Depreciation	\$ 8,050	
Expenses		
Utility Expenses	\$ 5,000	
Operating Expenses		\$116,050
total		
Net Income		<u>\$323,950</u>

b-Owner's Equity Statement

**Angkor Construction
Owner's Equity Statement
December 31,2022**

Shareholders' capital invested at the beginning of the period	Date Jan 1	\$ 0
Add:	Investment	\$ 1,000,000
	Net Income	\$323,950
	Capital Withdrawal	(\$ 0)
Withdraw:		
Shareholders' capital invested at the ending of the period	December 31	<u>\$1,323,950</u>

C-Balance Sheet

Angkor Construction Balance Sheet December 31,2022

<u>I-Assets</u>	<u>Amounts</u>
1. <u>Current Assets</u>	
Cash	\$ 1,050,000
A/R	\$ 160,000
2. <u>Long term Assets</u>	
Building	\$ 100,000
Equipment	\$ 22,000
Accumulated depreciation	(\$ 8,050)
Total Assets	<u>\$1,323,950</u>
 <u>II-Liabilities and Owner's Equity</u>	 <u>Amounts</u>
1. <u>Liabilities</u>	
A/P	\$ 0
2. <u>Owner's Equity</u>	
<u>Capital</u>	\$ 1,323,950
Total Liabilities and Capital	<u>\$ 1,323,950</u>

D-Cash Flow statements

Angkor Construction Cash Flow Statement December 31,2022

	<u>Amounts</u>	
I-Cash Flow from operating activities		
– Net Income	\$ 323,950	
– A/R Increase	(\$160,000)	
– Depreciation Expenses	8,050	
Net Cash Flow from operating activities		<u>\$172,000</u>
II-Cash Flow from Investment activities		
– Buy Equipment	(\$ 22,000)	
– Building Office	(\$ 100,000)	
Cash Flow from Investment		<u>(\$ 122,000)</u>
III-Cash Flow from Financial Activities		
– Owner's investment	\$ 1,000,000	
– Owner's withdrawal	(\$ 0)	
Cash flow from Financial Activity		<u>\$ 1,000,000</u>
Beg Cash Balance	\$ 0	
Ending Cash Balance		<u>\$ 1,050,000</u>

III. CONCLUSION

Assets of each enterprise include both short-term assets and long-term assets, where long-term assets are depreciated. The cost of long-term assets is depreciated and net realizable value from year to year, minus accumulated depreciation. Depreciation methods are made using the fixed depreciation method, the depreciation method gradually and the unit depreciation method. For example, in the financial statements of Angkor Construction Company, which includes Building office, car purchase, computer purchase, furniture purchase, and is depreciated using the fixed depreciation method. Company Assets also show strength when the Company has more Assets compared to Liabilities.

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