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AN INTRODUCTION TO A UNIFORM ACCOUNTING SYSTEM: THE EGYPTIAN EXPERIENCE

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Abstract *This paper is an attempt to give an insight into the Egyptian Uniform Accounting System, which has sought to achieve the following objectives:*

1. To provide the necessary accounting information for planning and control at all levels of the economy.
2. To coordinate financial accounting with national accounting in order to facilitate the computation of the gross national product (GNP). This is done through unifying terminology, standards, accounting concepts, and so on.
3. To facilitate the tabulation and storage of data by an enterprise so that it would be easy for each enterprise to supply the information needed by the governmental bodies.

The paper has highlighted the Egyptian Chart of Accounts and how financial and control accounts have been classified and coded in such a manner that links the micro-accounting with macro-accounting.

Finally, an empirical case study has been examined where the Current Operations Account has been prepared in addition to the Value Added Statement (VAS). Such a VAS has been prepared on the basis of:

1. The factor income model which is adopted by the Egyptian Uniform accounting System; and
2. The sectoral income model which is to be recommended by the author for some reasons. For instance, it distinguishes between the value added achieved by the company and that available for distribution.

1. AN INTRODUCTION TO THE EGYPTIAN UNIFORM ACCOUNTING SYSTEM

1.1. What is Meant by a Uniform Accounting System?

A uniform accounting system may be defined as 'specific arrangements that aim at recording the accounting data related to an accounting entity and the preparation of the financial statements according to a specific framework which is based on uniform accounting rules and concepts for the purpose of achieving particular objectives.'

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From the above definition, the following essential elements can be recognized:

a. The uniform accounting has been described as a 'system' because it represents some specific arrangements and requirements.

b. This system has been described as 'accounting' because such arrangements tackle the functions of financial, managerial, and cost accounting.

c. Finally, this system has been described as 'uniform' because it deals with the unification or standardization of the following:
   (1) The unification of the chart of accounts;
   (2) The unification of bases, rules, terminology, accounting concepts, standards... etc;
   (3) The unification of accounts, financial statements and the bases on which such accounts and statements are prepared;
   (4) The unification of the models of budgets and the bases on which they are prepared; and finally,
   (5) The unification of the financial year.

1.2. The Objectives of the Egyptian Uniform Accounting System

The Egyptian uniform accounting system has been designed to provide the Ministry of Planning, the Ministry of Finance, the Supervising Ministry, banks and other institutions with a flow of information that helps in the process of planning and control. Enterprises are required to submit their financial statements and other returns to such governmental institutions in which various aspects and activities of the enterprise should be disclosed. Accounting, not surprisingly, plays a significant role in this system.

Specifically, the Egyptian uniform accounting system has been designed to achieve the following main objectives:

a. To provide the basic accounting information and other analytical tools necessary for planning, implementation and control at all levels of the economy, i.e. the micro and macro levels. On the preparation of the Egyptian uniform accounting system, it has been considered that such a system should be able to provide reliable and relevant accounting information required for the preparation of financial statements and budgets. Such financial statements and budgets are of utmost importance for planning purposes and making decisions regarding the drawing up of policies and strategies at both micro and macro levels.

Moreover, such a uniform accounting system will help in supervising, monitoring and performance evaluation at all levels of individual enterprises, the supervising ministry and other external bodies whether they are planning or controlling bodies.

b. To link the accounts of the individual enterprises with the national accounts. This means that the micro accounts will be helpful to the national accountants when preparing the accounts at the state level.

In my opinion, such a linkage between the micro and macro accounting is the main objective of the Egyptian uniform accounting system though it has been ranked as the second objective by the system.

Needless to say that such a linkage requires the development of the traditional accounting principles so that the national accountant should be able to prepare the national accounts by referring to the financial statements prepared by their counterparts at the enterprise level.

The accurate calculation of the national income would, of course, require the unification of bases, rules, terminology, accounting concepts, standards...etc. Such a unification will help to diagnose the accounting data and information at the enterprise level for the preparation of national accounts.

To sum up, the Egyptian uniform accounting system has designed the enterprise accounts in a manner that will meet the needs of national accountants.

c. To facilitate the process of collecting, tabulating and storing accounting data and information. Needless to say that before the adoption of the unified accounting system, it was very difficult for enterprises to provide such accounting data and information which are essential for external bodies according to a framework required by such external bodies. This is due to the fact that such a required framework is absolutely different from the accounting concepts on which the financial statements of these enterprises are based.

Therefore, tabulating accounting data and information in a uniform manner would help to achieve the following:

(1) Facilitating the task of the state and other external bodies in collecting accounting data and information from enterprises without the need for retabulating or reclassifying such data in another form.

(2) Ensuring an improvement in the accuracy and the reliability of accounting data and information.

(3) Shortening the time required for collecting data on all economic activities in the country

(4) Enabling the management to evaluate the performance of all its departments and divisions that are located at corporate headquarters or division levels.

1.3. The Scope of the Application of the Uniform Accounting System

The Egyptian uniform accounting system has been designed to be applied to all public business sector enterprises. Banks, insurance companies and other financial and credit institutions have been excluded due to specific considerations related to the nature of their activities. So, they are subject to specific regulations and laws that organize and

control their activities.

It is noteworthy to point out that the uniform accounting system may be applied to some private business sector enterprises. This will be based on a decree issued by the competent authority for the purpose of providing accounting data and information necessary for planning, controlling, monitoring and evaluating performance at the national level.

The Egyptian uniform accounting system has defined the economic entity that will be obliged to apply the system as:

> It is that entity which is to be engaged in carrying out an industrial, commercial, agricultural or land activity in addition to other organizations that are obliged to prepare their balance sheets in the same manner followed in the preparation of commercial balance sheets even if such organizations do not practise any of the aforementioned activities by themselves.

Moreover, the uniform accounting system has mentioned that the economic entity may be one of the following forms:

a. The supreme council of the sector or the public organizations.
b. A public enterprise.
c. A co-operative society or a firm that works under the supervision of a public organization.

Finally, it is worth mentioning that the Egyption Uniform Accounting System (UAS) is viable not only in planned economy but also in market oriented economy. This is due to the fact that the UAS is to be regarded as a positive step towards making available some data needed at the macro level when national accounts are to be prepared. So, it is not true to say that the UAS is to be reduced when trends are for increased privatization and reduction of state ownership and control of economic activities.

II. THE CHART OF ACCOUNTS

2.1. Introduction

A chart of accounts may be defined as a list of the accounts used by an organization, with each account usually assigned a number or code.

The first chapter of the Egyptian uniform accounting system has been designed to explain in detail the measures taken to unify the chart of accounts. So, it deals with the general framework of the chart of accounts and its main characteristics or features.

Specifically, this chapter is designed to highlight the following:

a. The general framework of the chart of accounts;
b. Diagnosis of the chart of accounts; and finally,
c. The main characteristics of the chart of accounts.

2.2. The General Framework of the Chart of Accounts

2.2.1. The Coding of Accounts

There are, of course, various techniques for the coding of accounts. However, the Egyptian uniform accounting system has adopted the digital (decimal) system. This is due to the flexibility of such a technique.

Based on the digital technique, the accounts of enterprises have been divided into nine main homogeneous classes, i.e. from 1-9. Such a classification will help to prepare the national accounts as well as to satisfy the needs of the financial accountant.

These nine classes have been termed as 'Accounting Totals or Aggregates', which include financial accounts and control accounts. Here is a discussion on such two distinguished categories of accounts.

a. Classification and Coding of Financial Accounts

Numbers from (1) to (4) have been assigned to the category of financial accounts as follows:

Code Number	Financial Accounts
1	Assets
2	Liabilities
3	Uses of Resources
4	Resources

Each of the above accounting totals or classes can be analyzed into several sub classes by adding one number or more, up to six numbers, on their right side as follows:

(1) General account; it has two numbers.
(2) Sub account; it has three numbers.
(3) Sub-sub account; it has four numbers.
(4) Partial account; it has five numbers.
(5) Analytical account; it has six numbers.
(6) Detailed account; it has seven numbers.

The following is an example to indicate the above-mentioned seven levels of accounts:

Level of Account	Code Number	Name of Account
Accounting class or aggragate	1	Assets
General account	12	Under implementation projects
Sub account	121	Commodity formation
Sub-sub account	1211	Land
Partial account	12111	Land for agricultural exploitation
Analytical account	121111	Land purchasing price
Detailed account	1213111	Purchasing price of machinery bought at local market

b. Classification and Coding of Control Accounts

The chart of accounts has given numbers to the control accounts starting from (5) to (9). Control accounts indicate the main functions of the economic entity. Needless to say that such control accounts have been designed mainly for the purpose of analyzing the uses of resources in cost centres.

Control accounts include the following accounts:

Code Number	Control Account
5	Production centre control
6	Production service centre control
7	Marketing service centre control
8	Administrative & financial service centre control
9	Capital transactions centre control

2.2.2. Diagnosis of the Chart of Accounts

Based on the previous discussion in paragraph 2.2.1., the general framework of the chart of accounts has included the following three main categories of accounts:

a. Balance sheet accounts;
b. Operating and revenue accounts; and finally
c. Control accounts.

The following is a brief discussion on the aforementioned categories.

a. Balance Sheet Accounts

Balance sheet accounts include eight general accounts for each category of assets and liabilities as follows:

Code Number	Assets	Code Number	Liabilities
11	Fixed assets	21	Capital
12	Projects in progress	22	Reserves & carried surplus
13	Inventories	23	Provisions
14	Long-term lending	24	Long-term loans
15	Financial investments	25	Credit banks
16	Debtors	26	Creditors
17	Miscellaneous debit accounts	27	Miscellaneous credit accounts
18	Cash in hand & at banks	28	The year's result

b. Operating and Revenue Accounts (Result Accounts)

Operating and revenue accounts have been divided into:

(1) Uses of resource accounts; and
(2) Resource accounts

The Egyptian uniform accounting system has used the term 'uses of resources' to indicate the various types of expenditures and other charges borne by the accounting entity during a specific period of time for the use of services or factors of production in carrying out its activities.

In contrast, the Egyptian uniform accounting system has used the term 'resources' to clarify the various types of revenues and other gains achieved by the accounting entity during a specific period of time.

It is worth noting that the uniform accounting system has used the term 'resources' instead of the term 'revenues.' This is because, in my opinion, the former term is to be regarded as comprehensive since it may include some items that can not be regarded technically as revenues such as capital gains.

Operating and revenue accounts include six general accounts for uses of resources against five general accounts for resources.

The following is an indication of operating and revenue accounts:

Code Number	Uses of Resources 3	Code Number	Resources 4
31	Wages	41	Revenues from normal operations
32	Commodity requirements	42	Subsidies
33	Services acquired	43	Revenues from portfolios
34	Goods purchased for sale	44	Transferred revenues
35 36	Current transferred expenses Appropriated Current transfers	45	Profits from construction, housing projects and land reclamation

c. Control Accounts and Cost Allocation

Needless to say that a control account (or total account) is a single account that summarizes (or controls) a number of subsidiary accounts. So, the sum of balances in the subsidiary ledger should equal the balance in the control account.

However, the Egyptian uniform accounting system has used the term 'control account' in a specific meaning where a 'control account' has been used for indicating a specific function performed by the accounting entity, i.e. uses of resources are to be allocated to such control accounts.

Generally, the functions of a manufacturing enterprise are traditionally categorized into three main functions as follows:

(1) The manufacturing function;
(2) The marketing function; and finally
(3) The administrative and financial function.

The Egyptian uniform accounting system has added two amendments. The first amendment has designed two accounts for the cost allocation of the manufacturing function. These two accounts are (i) production centre control, and (ii) production service centre control. The second amendment has added a control account for capital transactions. Such an account has been designed for the purpose of cost allocation of the internally manufactured assets, i.e. assets that are manufactured by the enterprise to be used internally and not for the purpose of sale.

Control accounts are regarded as a link between the financial accounts and cost accounts. The main purpose of analysing costs in the cost centre control accounts is to help prepare the Production and Trading Account and Profit and Loss Account (See Appendix B).

The following is a general framework for the allocation of uses of resources to the control accounts:

Code Number	Uses of Resources	Allocation of Uses of Resources to Control Accounts				
		5	6	7	8	9
31	Wages	531	631	731	831	931
32	Commodity Requirements	532	632	732	832	932
33	Services acquired	533	633	733	833	933
34	Goods purchased for sale	534	-	-	-	-
35	Current Transferred expenses	535	635	735	835	935
36	Appropriated current transfers	-	-	-	836	-

It is worthwhile to highlight the following main observations:

(1) All control accounts have been charged with their proportions of wages, commodity requirements, services acquired and current transferred expenses. This is because all the functions of the enterprise have benefited from such uses of resources;

(2) Goods purchased for sale has been allocated in full to the production centre control only; and finally

(3) Appropriated current transfers have been allocated in full to the administrative and financial service centre control. This is because such transfers are not regarded as cost of production at both the enterprise level and the national level. Therefore, the total cost of such transfers has been allocated to the administrative and financial service centre control since the cost of such a centre is not included in the cost of production**.

2.2.3 Characteristics of the Chart of Accounts

It can be said that the Egyptian uniform accounting system has some unique features. Among such features are:

a. Classification of Accounts into Balance Sheet Accounts and Operating Accounts. Such a classification is unique since it is different from the traditional classification of accounts. For instance, traditionally accounts may be classified into personal accounts, real accounts and nominal accounts.

** It is noteworthy that the Egyptian uniform accounting system has adopted the basic income model when calculating the value added.

Therefore, the classification adopted by the uniform system has concentrated on the relationship between accounts and financial statements, i.e. their relationship with the balance sheet and the current operations account.

b. The Absolute Independence of both Balance Sheet Accounts and Operating Accounts. This feature is a unique characteristic related only to the Egyptian uniform accounting system. This means that the methodology followed in the classification of accounts into balance sheet accounts and operating accounts has achieved the independence of the category of balance sheet accounts from that of operating accounts.

In other words, operating accounts found in the chart of accounts are sufficiently enough to prepare the Current Operations account at the end of the financial year. In the same manner, balance sheet accounts found in the chart of accounts are sufficiently enough to prepare the Balance Sheet. This means that, once again, there is no interference of any kind between these two categories of accounts.

The following are some examples to indicate the independence of balance sheet accounts and operating accounts:

(1) Provisions A/C (other than Depreciation Provisions).
(2) Stock Change of Finished Products at Cost.
(3) Accrued Current & Appropriated Revenues A/C.
(4) Accrued Current & appropriated Expenses A/C.

c. The Chart of Accounts Has Diagnosed Accounts into Seven Various Levels. These levels are:

(1) Accounting class or aggregate: it has one number.
(2) General account: it has two numbers.
(3) Sub account: it has three numbers.
(4) Sub-sub account: it has four numbers.
(5) Partial account: it has five numbers.
(6) Analytical account: it has six numbers.
(7) Detailed account: it has seven numbers.

The aforementioned diagnosis reflects the flexibility of the Egyptian uniform accounting system. This flexibility is also reflected in the establishment of a permanent committee for the purpose of providing a continuing review and appraisal of the system. The committee also suggests modifications whenever the need arises.

The flexibility of the uniform system is of great importance. This is due to the fact that it will enable the system to respond to changing circumstances in the environment in which enterprises are carrying out their activities.

d. Reconciliation Between Production Basis and Sale Basis: Revenue recognition. The Egyptian uniform accounting system has succeeded in bridging the gap between those who

advocate the calculation of income on a sale basis, i.e. enterprise accountants, and those who prefer the calculation of income on a production basis, i.e. national accountants.

As the uniform system aims at linking the enterprise accounts with the national accounts, it has attempted to reconcile between the realization of revenues at the time of sale and its realization on a production basis. Such a reconciliation appears clearly in the chart of accounts in the following four aspects:

(1) Accounting treatment of stock change accounts;
(2) Valuation difference of stock change accounts;
(3) Accounting treatment of internally manufactured assets; and finally
(4) Accounting treatment of remnants of production (Scrap)

Needless to say that stock change and its valuation difference help facilitate the computation of the value of production at selling price.

e. Linking Micro-accounting With Macro-Accounting. The chart of accounts includes four contra accounts to link micro-accounts with macro-accounts.

These opposite twin accounts are:

Code Number	Uses of Resources	Code Number	Resources
358	Valuation difference of stock change of finished goods	413	Valuation difference of stock change of finished goods
359	Valuation difference of stock change of goods for sale	4183	Valuation difference of stock change of goods for sale
354	Imputed rent difference	447	Imputed rent difference
357	Imputed interest difference	448	Imputed interest difference

It is worthwhile to indicate that the accounts related to imputed rent difference and imputed interest difference help the national accountant to compute the value added in an objective way (see Appendix A which indicates how the above mentioned opposite twin accounts are to calculated).

Moreover, the accounting treatment of imputed rent difference and imputed interest difference in the Current Operations Account indicates the following important points:

(1) Account 354 and Account 357 are among the accounts related to imputed uses of resources and they are related to the normal activity of the enterprise. So, such two accounts appear in the first stage when preparing the Current Operations Account. This treatment helps:

- To provide the basic data necessary for getting two components of Value Added (rent and interest) in an objective manner. This will not have an impact on enterprises whether they own their premises or not. Also, the financial structure of enterprises will not be affected.

- The objective measurement of the first stage of the Current Operations Account, i.e. the surplus from normal operations. So, performance of similar enterprises can be evaluated and compared in an objective manner.

(2) Account 447 and Account 448 are among the accounts related to imputed resources and they are not related to the normal activity. So, such two accounts appear in the second stage when preparing the Current Operations Account. Such a treatment enables the accountant to measure the final result of the financial year based on actual uses and actual resources.

f. Disclosure System. Under the Egyptian uniform accounting system, enterprises should prepare the following financial statements:

(1) Balance Sheet.
(2) Current Operations Account. Such an account has three stages; each stage achieves a specific objective as follows:

. Stage I: it is designed to compute the surplus/deficit from normal operations;
. Stage II: it is designed to compute the distributable surplus/current deficit;
. Stage III: it is considered to be an appropriation account where the distributable surplus is to be disposed as follows:
  * Retained Surplus; and
  * distributed surplus.

(3) Traditional accounts:
  . Production & Trading Account; and
  . Profit & Loss account.

(4) Statement of changes in Financial Position which shows the sources and uses of capital.

(5) Cash Budget.

Needless to say that the Current Operations Account, Statement of Changes in Financial Position and the Cash Budget help to prepare the national accounts as follows:

National Accounts	Enterprise Accounts
1. Production A/C	1. The first stage of the Current Operations A/C
2. Appropriation A/C	2. The second and the third stages of the Current Operations A/C
3. Capital A/C	3. Statement of Changes in Financial Position
4. Cash Flow Tables	4. Cash Budget

g. The Egyptian Uniform Accounting System as a Source of Information. One of the main objectives sought by the Egyptian uniform accounting system is to be a permanent and regular source of information. In this regard, it is believed that the Egyptian system has succeeded to a great extent in providing governmental bodies with the required information through the collection, tabulation and storage of data by enterprises.

Moreover, it has been shown in practice that various types of information at different levels of detail can be easily collected at the macro level within a relatively short period of time.

For instance, on the wages side, a great deal of information can be obtained such as wages in cash, wages in kind and the company's contributions to social insurance. Thus, the Egyptian system has been able to provide timely and reliable data and information at both micro and macro-levels. Such a great success may be due to the following main reasons:

(1) The accounts have been carefully preclassified. This classification reflects the types of information required by the management and the governmental institutions.

(2) The Egyptian uniform accounting system has been designed by a team of experts in various fields of specializations. Such a team of experts included macro-accountants, micro-accountants, enterprise managers, representatives of the governmental bodies, bankers and university professors.

Thus, the various interests of all those classes had been carefully considered when the Egyptian uniform accounting system was prepared.

(3) The adoption of uniform accounting rules and concepts has ensured the provision of data and information in a homogeneous form.

(4) The regular auditing of accounts. Thus, the continuous auditing approach has helped to minimize the time that might elapse between the occurrence of a mistake and its revelation.

III. A CASE STUDY

This chapter indicates the main financial statements of one of the public business sector enterprises in Egypt.

3.1. The Current Operations Account

Current Operations Account of Misr Company For Spining & Weaving For the year Ended June 1991 (in Thousands of Egyptian Pounds)

A/C No.		L.E.	L.E.	A/C No.		L.E.	L.E.
31	Wages:			41	Revenues From		
311	monetary wages	96,603			Normal operations		
312	wages in kind	5,876			Value of Production at selling price:		
313	Social insurance	13,681	116,160				
	General Expenditures			411	Net sales of finished goods	639,235	
32	Commodity requirements	416,341					
33	Services acquired	28,519		412	Stock change of Finished goods at cost	16,155	
34	Goods perchased for sale	241	445,101				
35	Current Transferred Expenditures			413	Valuation difference of stock change of finished goods	8,432	663,822
351	Taxes & customs duties						

Cont'd

A/C No.		L.E.	L.E.	A/C No.		L.E.	L.E.
3511	Customs duties	5,251					
3512	production excise	5,257					
3513	Treasury collection	-		414	Stock change of Unfinished products at cost		4,349
3514	Other taxes	3,831	14,339				
352	Depreciation		30,466				
	Rent Expenses:			415	Internally Manufactured assets at cost	4,393	
353	Actual Rents	26					
354	Imputed rent difference	1,501	1,527	416	Revenues from Operations for others	165	
	Interest Expenses:					493	
355	Local interest	13,179		417	Services sold		
356	Foreign interest	3,127					
357	imputed interest difference	39,268	55,574	418	Goods for sale:	331	
			8,432	4181	Net sales		
358	Valuation difference of stock change of finished goods			4182	Stock change	--	
				4183	Valuation difference	--	

Cont'd

A/C No.		L.E.	L.E.	A/C No.		L.E.	L.E.
359	Valuation difference of stock change of goods for sale	--					
				419	Remnants of production (Scrap)	4,351	14,082
				42	Subsidies		
	Surplus from normal operations		6,305	421	production subsidies	--	
	(carried forward)			422	Export subsidies	--	
			667,904				667,904
36	Appropriated current Transfers:	--			Surplus from normal operations (b/f)		= 6,305
361	Donations/Gifts	48		43	Revenues from portfolios		357
362	Contributions to others	1,475					
				44	Transferred Revenues:		
363	Compensations & fines					--	
				441	Interest earned		

Cont'd

A/C No.		L.E.	L.E.	A/C No.		L.E.	L.E.
364	Capital losses	---		442	Rents earned	161	
365	Prior years' expenses	3,167		443	Capital gains	539	
366	Bad debts	-				8,082	
367	Provisions (other than depreciation provisions)	4,981		444	prior year's revenues		
		258				119	
368	Taxes on land & buildings			445	Compensations & fines earned	4,824	
		14,226					
369	Income taxes (Corporate tax + tax on revenues from protfolios)			446	Other revenues		
		----	24,155				
						1,501	
				447	Imputed rent difference	39,268	
			37,001			----	54,494
2811	Distributable supplus (c/f)			448	Imputed interest difference		
			-------				-------
			61,156				61,156

Cont,d

A/C No.		L.E.	L.E.	A/C No.		L.E.	L.E.
	Retained Surplus			2811	Distributable		37,001
221	Legal reserve	1,823			surplus (b/f)		
222	Reserve invested in governmental bonds	1,823					
223	Reserve for financing investment projects, Renewals & Expansions	-					
224	General reserve	9,116					
225	Reserve for repayment of government contribution						
226	Reserve for higher prices of assets	1,823					
227	Other reserves	736	15,321				
	Distributed Surplus						
2643	Employees' share	4,089					
2641	State's share	12,268					
2642	Shareholders' share	5,223					
2649	Other shares		21,680				
			37,001				37,001

It is obvious from the Current Operations Account that it has been designed by the Egyptian Uniform Accounting System mainly for linking the enterprise accounts with the national accounts. Thus, such an account is to be considered the most important final account in Egypt. Moreover, such an account is equivalent to the following macro-accounts:

. Production Account; and
. Appropriation Account

a. Key Rules Related to the Preparation of The Current Operations Account

There are five key rules regarding the preparation of the Current Operations Account. These rules are:

(1) The Current Operations Account is the account of the year's result. It is, therefore, the account in which all accounts of resources and the uses of resources are to be closed. So, the Chart of Accounts has designed a number (281) for it. By doing so, the traditional accounts, i.e. the Production

and Trading Account and the Profit & Loss Account have become statistical statements only. This means that they are outside the double entry system.

(2) The differentiation between adjustment entries and closing entries. Making entries regarding the uses of resources for the first time, or making adjustment entries through using the Current Operations Account directly is not, of course, allowed. Instead, such entries are made in the Journal Book by using the proper balance sheet accounts as it has been indicated in chapter two of this research. This means that, once again, the Current Operations Account is designed for closing all accounts of resources and their uses based on the accrual principle of accounting.

(3) Classification has been made by the type of uses of resources when preparing the Current Operations Account. Such a classification will help provide the accounting data required for the computation of Value Added.

(4) Internally manufactured assets (at cost) have been treated as a resource on the Current Operations Account. Such a treatment coincides with the economic concept of production. This means that there is no difference between goods produced for sale or goods produced for capital formation.

(5) Finally, the Current Operations Account has been divided into three main sections: the first section shows the surplus from normal operations; the second section shows the surplus available for distribution; and the third section indicates how the income available for distribution is to be disposed of. In other words, the third section is an Appropriation Account. The difference between the surplus from normal operations and the income available for distribution lies in the appropriated current transfers on the expenditure side and the transferred revenues on the revenue side. The former is to be deducted from the surplus from normal operations and the latter is to be added to yield the distributable surplus.

b. Linking Macro-Accounts With Micro-Accounts

Current Operations Account is a quick and efficient tool for calculating Value Added in such a way as to satisfy the needs of the national accountant without sacrificing the needs of the financial accountant. So, contra accounts have been designed in the Chart of Accounts.

Account number 354 represents the difference between the depreciation on the premises owned by the enterprise and the rent that would have been paid if such premises were leased. There is a corresponding contra account (Number 447) on the revenue side to nullify the effect of this imputed cost and to reconcile the final net income figure with the accounting income.

Account number 357 similarly reports the difference between the actual interest expenses on outside loans and the imputed interest on invested capital based on interest rates provided by the Ministry of Finance. It should be noted that assets already included in account number 354 are excluded when determining the imputed interest on capital invested to avoid double-counting. Account number 448 is the corresponding contra account on the revenue side.

Account number 358 represents the difference between cost and selling price as applicable to the net change in finished goods on hand which are manufactured by the enterprise. Account number 413 on the revenue side serves as a contra account.

Account number 359 similarly shows the difference between cost and selling price as applicable to the net change in finished goods on hand acquired from outside for sale. Account number 4183 serves as a contra account.

3.2. The Value Added Statement

a. Preparing a value added Statement Based on the Factor Income Model

The Egyptian uniform account system has adopted the factor income model when calculating the Value Added. This means that transferred revenues and current transfers (Accounts number 44 and 36 respectively) are excluded from the calculation of Value Added.

Here is the Value added Statement of Misr Company based on the factor income model:

Code No.		(in thousand pounds)	
		L.E.	L.E.
	Production at selling price:		
411	Net sales of finished goods	639,235	
412	Stock change of finished goods at cost	16,155	
413	Valuation difference of stock change of finished goods	8,432	
			663,822
414	Stock change of unfinished goods at cost	4,349	
415	Internally manufactured assets at cost	4,393	
416	Revenues from operations for others	165	
417	Services sold	493	
419	Remnants of production (Scrap)	4,351	
			13,751
418	Goods for sale:		
4181	Net sales	331	
4182	Stock change	-	
4183	Valuation difference	-	
		331	
34	(-) Goods purchased for sale	241	
			90

Cont'd

Code Number		(in thousand pounds)	
		L.E.	L.E.
	Value of production and services at selling price		677,633
42	Add: Subsidies		--
			677,663
351	Less: Taxes & customs duties:		
	customs duties	5,251	
	production excise	5,257	
	other taxes	3,831	
			14,339
	Value of production and services at factors of production costs		663,324
	Less: Intermediate commodities & services:		
	Commodity requirements	416,341	
	Services acquired	28,519	
			444,860
	Gross value added		218,464
352	Less: Depreciation		30,466
	Net value added at factors of production costs		187,998

cont'd

Code No.		(in thousand pounds)	
		L.E.	L.E.
	Distribution of Value Added:		
31	Wages		116,160
	Rent expenses:		
353	Actual rents	26	
354	Imputed rent diffrence	1,501	
			1,527
	Interest expenses:		
355	Local interest	13,179	
356	Foreign interest	3,127	
357	Imputed interest difference	39,268	
			55,574
413	Valuation difference of stock		
	Change of finished goods	8,432	
4183	Valuation difference of stock		
	Change of goods for sale	-	
	Surplus from normal operations	6,305	
			14,737
			187,998

Thus, the first section of the Current Operations Account has facilitated the preparation of the Value Added Statement as follows:

(1) Value of production and services at selling prices = revenues from normal operations A/C 41 (goods for sale A/C 418 is not included) + the outcome of commercial activity (goods for sale A/C 418 - goods purchased for sale A/C 34).

(2) Value of production and services at factors of production costs = value of production and services at selling prices + (subsidies A/C 42 - taxes and customs duties A/C 351).

(3) Gross Value Added = Value of production and services at factors of production costs - intermediate commodities and services (Commodity requirements A/C 32 + services acquired A/C 33).

(4) Net value added = gross value added - depreciation A/C 352.

(5) Finally, distribution of value added:

. Wages: it includes wages in cash A/C 311 + wages in kind A/C 312 + Company's contributions to social insurance A/C 313.

. Rent expenses: they include actual rents A/C 353 + imputed rent difference A/C 354.

. Interest expenses: they include local interest A/C 355 + foreign interest A/C 356 + imputed rent difference A/C 357.

. Surplus (based on a production basis): it is equivalent to surplus from normal operations adjusted by the valuation difference of stock change A/C 358 and A/C 359.

Moreover, it is noteworthy to indicate that taxes and customs duties (A/C 351) are not regarded part of production cost at the macro level. This is because such taxes and customs duties, in addition to subsidies, are regarded as a tool for price determination.

b. Preparing a Value Added Statement Based On the Sectoral Income Model

In such a case, transferred revenues, revenues from portfolios and current transfers will be included when computing Value Added as follows:

Code Number		In thousand pounds	
		L.E.	L.E.
	Value of production and services at selling price (as it was computed before)		677,663
	Value of production and services at factors of production costs (as it was computed before)		663,324
32	(-) commodity requirements	416,341	
	(-) services acquired	28,519	
			444,860
	Gross value added by the company		218,464
352	(-) depreciation		30,466
	Net value added by the company		187,998
43	+ Revenues from portfolios	357	
44	+ Transferred revenues	54,494	
		59,851	
36	(-) Current transfers	24,155	
			30,696
	Value added available for sharing or retention = Company's contributions to the national income		218,694 =

Cont'd

Code Number		In thousand pounds	
		L.E.	L.E.
	Distribution of Value Added:		
31	Wages	116,160	
353,354	Rent expenses	1,527	
355,356	Interest expenses	55,574	
357	Valuation difference of stock		173,261
	change of finished goods	8,432	
	Valuation difference of stock	-	
	change of goods for sale		
2811	Distributable surplus	37,001	
	Retained supplus 15,321		
	Distributed supplus 21,680	---------	
			45,433
			218,694

In my opinion, preparing a value added statement based on the sectoral income model is to be recommended than that prepared according to the factor income model. This is due to such reasons as:

(1) It distinguishes between the value added achieved by the company and that available for distribution;

(2) It avoids the double counting;

(3) It facilitates the calculation of the contributions made by the company to the national income; and finally

(4) It facilitates the computation of contributions made by the company to the net national product as follows:

Total Revenues:

Value of production & services at selling price	677,663
Revenues from portfolios	357
Transferred revenues	54,494

	732,514
(-) Intermediate goods & services	444,860
Gross Value - added	287,654
(-) Depareciation	30,466
Contributions to net national product	257,188

Contributions to national income are contributions to net national product less indirect taxes and business transferred payments as follows:

Contributions to net national product		257,188
Less:		
Indirect business taxes	14,339	
Business transfer payments	24,155	38,494
		218,694

IV. SUMMARY & CONCLUSION

This paper is an attempt to give an insight into the Egyptian Uniform Accounting System, which has sought to achieve the following objectives:

1. To provide the necessary accounting information for planning and control at all levels of the economy.

2. To coordinate financial accounting with national accounting in order to facilitate the computation of the gross national product (GNP). This is done through unifying terminology, standards, accounting concepts, and so on.

3. To facilitate the tabulation and storage of data by an enterprise so that it would be easy for each enterprise to supply the information needed by the governmental bodies. Of course, such information is reported in a uniform format and in terms of uniform treatment.

This paper is divided into three main chapters. Chapter one has been designed to indicate what is meant by a uniform accounting system, its objectives and finally to indicate its scope of application. It has been indicated that the uniform system is applied to all public business sector enterprises. The uniform system may be also applied to private business sector enterprises through a decree issued by the competent authority. However,banks and insurance companies have been excluded since they are subject to specific regulations and laws.

Chapter two has been designed to highlight the Chart of Accounts.

The following topics have been discussed:

1. The general framework of the Chart of Accounts where the classification and coding of financial accounts and control accounts have been highlighted.

2. Diagnosis of the Chart of Accounts where accounts have been categorised into three main categories as follows:

(a) Balance sheet accounts;
(b) Operating accounts; and finally
(c) Control accounts.

3. Characteristics of the Chart of Accounts. The following are the main characteristics of the Chart of Accounts:

(a) Classification of accounts into balance sheet accounts and operating accounts.
(b) The absolute independence of both balance sheet accounts and operating accounts.
(c) Diagnosis of accounts into seven various levels.
(d) Reconciliation between production basis and sales basis.
(e) Linking micro-accounting with macro - accounting.
(f) The uniform system is to be considered as a disclosure system through the preparation of the following statements.
    - Balance Sheet
    - Current Operations Account
    - Production & Trading Account
    - Profit & Loss Account
    - Statement of Changes in financial position
    - Cash Budget

(g) Finally, the Egyptian uniform accounting system is regarded as a source of information for planning and control at all levels of the economy.

Finally, Chapter three has provided an empirical case study where the Current Operations Account of one of the leading public business sector enterprises in Egypt, namely, Misr Company for Spinning & Weaving, in addition to its Value Added Statement were exhibited. It has been shown that how the Current Operations Account is to be prepared in three stages: where stage I indicates the surplus from normal operations, stage II indicates the distributable surplus, and finally, stage III shows how such a distributable surplus is to be allocated as:

1. Retained Surplus; and
2. Distributed Surplus.

Moreover, the Value Added Statement of the aforementioned company has been prepared on the basis of:

1. The factor income model which is adopted by the Egyptian Uniform accounting system; and

2. The sectoral income model which is to be recommended for such reasons as:
   (a) it distinguishes between the value added achieved by the company and that available for distribution;
   (b) it avoids double counting;
   (c) it facilitates the computation of the contributions made by the company to the national income; and finally
   (d) it facilitates the computation of contributions made by the company to the net national product.

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Appendix A

This appendix deals with the following four opposite twin accounts.

1. Valuation difference of Stock change of finished goods;
2. Valuation difference of stock change of goods for sale;
3. Imputed rent difference; and finally
4. Imputed interest difference.

Example I: This example covers the first opposite twin account.

- Ending finished stock at cost and selling prices: $ 19,000 and $ 21,000 respectively.
- Beginning finished stock at cost and selling prices: $18,000 and $ 19,500 respectively.

The following are the calculation of stock change and its valuation difference:

a) Stock change at cost = Ending finished stock at cost - beginning finished stock at cost
= 19,000 - 18,000 = $1,000

Then stock change at selling prices is calculated as follows:

Ending Finished Stock at Selling Prices - Beginning finished stock at selling prices
= 21,000 - 19, 500 = $ 1,500

b) Valuation difference of stock change of finished goods
= stock change at selling price - stock change at cost
= 1,500 - 1,000 = $ 500

Needless to say that stock change of goods for sale and its valuation difference will be calculated in the same manner applied to stock change of finished goods and its valuation difference.

Example II: This example clarifies how the imputed rent difference will be computed.

The Egyptian UAS defined the imputed rent difference as it is equal to the difference between the rental value of premises owned by the entity as if such premises were rented and the depreciation on such premises which is to be calculated on a historical cost basis. Thus to calculate the imputed rent difference, the following steps should be carried out:

1. Calculation of the rental value of all premises owned by the entity.
2. Calculation of the depreciation expense on such premises based on the historical cost.
3. The difference between (1) and (2) will equal the imputed rent difference.

Example III: This example deals with the computation of the imputed interest difference.

The imputed interest difference was defined by the Egyptian UAS as it is equal to the difference between the interest due on the invested capital according to the interest rate declared by the Ministry of Finance and the interest expense due on the borrowed amounts that are to be considered as a part of such an invested capital.

Based on the above definition, the calculation of the imputed interest difference requires the following steps:

1. To determine the invested capital in accordance with what the Egyptian UAS has adopted in this regard.
2. To reduce the invested capital by the historical value of the premises owned by the entity to avoid the double -counting.

3. To calculate the interest due on the net invested capital using the interest rate declared by the Ministry of Finance.
4. To compute the interest expense due on the borrowed amounts that are included in the invested capital. This will be carried out through the diagnosis of local and foreign interest accounts.
5. Finally, the imputed interest difference will be equal to the difference between (3) and (4), i.e. the difference between the interest due on the net invested capital and the interest expense due on the amounts borrowed that are to be considered as a part of the invested capital.

Moreover, the Egyptian UAS has indicated two definitions to show how the invested capital will be computed.

The first definition is based on the sources of the invested capital. Based on such a definition, the invested capital will be computed as follows.

Paid in capital		X
Reserves (excluding the reserve invested in governmental bonds)		X
Retained surplus	X	
Provisions including provisions for depreciation	X	
Long - term loans	X	
Amounts used in financing the entity's expansions	X	
		X
(-) Losses (carried forward)		X
Invested capital		X

The second definition is based on the uses of the sources of invested capital. So, the calculation will be as follows:

fixed assets at cost (and before the deduction of accumulated depreciation)		X
Added: the difference between: Current assets (excluding the amount invested in the purchase of governmental bonds)	X	
Current liabilities (excluding the amounts used in financing the entity's expansions)	X	
		X
Invested capital		X

Finally, the following is a numerical example on the calculation of the imputed interest difference:

Invested capital	$ 1,500,000
(-) Historical cost of premises	300,000
Net invested capital	1,200,000
Interest due on the net invested capital based on the interest rate declared by the Ministry of Finance (10% for instance)	120,000
(-) Interest expense due on the amounts borrowed which are a part of the invested capital	50,000
Imputed interest difference	70,000

Appendix B
Balance Sheet as at .....

Code No.		Code No.	
	Capital		Fixed Assets
211	Equity	111	Land
212	Government contribution (to be repaid)	112	Buildings, constructions and utilities
	Reserves & carried Surplus	114	Means of Transport
221	Legal reserve	115	Tools & Instruments
222	Reserve invested in governmental bonds	116	Furniture & Office Equipment
223	Reserve for financing	117	Animal & water wealth
	investment projects, renewals & expansions	118	Deferred Revenue Expenditures
224	General reserve		Projects in Progress
225	Reserve for repayment	121	Commodity Formation
	of government contribution	122	Investment Expenditure
226	Reserve for higher prices of assets		
			Inventories
227	Other reserves	1311	Materials
228	Carried surplus	1312	Fuel
		1313	Spare parts & Materials for maintenance
	Provisions	1314	Packing Materials
231	Depreciation provision	1315	Remnants (Scrap)
232	Provision for disputed taxes	132	Unfinished products & work in progress
233	Provision for doubtful debts	133	Finished products
		134	Goods consigned to others
234	Other provisions	135	Goods For Sale
		136	Documentary Credits for purchasing Goods

Cont'd

Code No.		Code No.	
	Long-term-loans		Long-term-lending
241	Domestic long-term loans	141	Domestic Long-term Lenging
242	Foreign long-term loans	142	Foreign Long-term Lending
	Credit Banks		Financial Investments
251	Bank overdraft	151	Investments in
252	Short-term loans with		governmental bonnds
	guarantee	152	Investments in securities
253	Credit current account against documantary credits	153	Investments in Foreign portfolios
	Creditors		Debtors
261	Suppliers	161	Clients
262	Bills payable	162	Bills Receivable
263	Miscellaneous creditors	163	Miscellaneous debtors
264	Creditors of distributed profits (dividends)		
	Various Credit Accounts		Various Debit Accounts
272	Various creditors	171	Various Debtors
273	Other credit balances	172	Other Debit Balances
274	Accrued current & appropriated expenses	173	Accrued Current & Appropriated Revenues
	Year's Result		Cash in Hand & Cash at Banks
281	Current Operations Account	181	Cash in Hand
		182	Bank Current Account
		183	Bank Deposit Account

Appendix C
Production & Trading Account For ....

Code No.				Code No.			
	Cost of production centres						
531	Wages	X		414	Stock change of unfinished goods at cost		X
532	Commodity requirements	X			Cost of goods manufactured (carried forward)		X
533	Services acquired	X					
535	Current transferred expenses	X	X				
		-					
		-					
	Cost of production service centres:						
631	Wages	X					
632	Commodity requirements	X					
633	Services acquired	X					
635	Current transferred expenses	X	X				
		-	--				--
		-					
			X				X
			—				--
					Revenues from normal operations:		
	Cost of goods		X		production at selling price		
	manufactured (brought forward)			411	Net sales of finished goods	X	
				412	Stock change of finished goods	X	
534	Goods purchased for sale		X				

Cont'd

358	Valuation difference of stock change: finished goods	X		413	Valuation difference of stock change of finished goods	X —	X
359	Goods for sale	X —	X	416	Revenues from operations for others	X	
				417	Services sold	X	
	Gross surplus of production (c/f)		X	419	Remnants of production	X —	X
				418	Goods for sale:		
				4181	Net sales	X	
				4182	Stock change	X	
				4183	Valuation difference	X	
			— X —		Gross deficit of productin (c/f)	— - -	X X — X —
	Gross deficit of production (b/f)		X		Gross surplus of Production (b/f)		X
	Costs of Marketing Service Centres						
731	Wages	X			Subsidies		
732	Commodity requirements	X		421	Production subsidies	X	
733	Services acquired	X		422	Export subsidies	X	
735	Current transferred expenses	X —				— -	X
			X		Gross deficit of production & Trading (Carried forward to profit & loss A/C		X
	Gross supplus of production & Trading (carried forward to profit & loss A/C)		X				
			— X —				— X —

Appendix D
Profit & Loss Account For...

Code No.				Code No.			
	Gross deficit of production & Trading (b/f)		X		Gross surplus of production & Trading (b/f)		X
	Cost of administrative & financial centres			43	Revenues from portfolios		X
831	Wages	X			Transfered Revenues		
832	Commodity requirements	X		441	Interest earned	X	
833	Service acquired	X		442	Rents earned	X	
835	Current transferred expenses	X	X	443	Capital gains	X	
				444	Prior years' revenues	X	
	Appropriated current Transfers			445	Compensations & fines	X	X
361	Donations/Gifts	X		446	Other earned revenues		
362	Contributions to others	X		4461	Revenues from scrap sold	X	
363	Compensations & Fines	X		4462	Discount received	X	
364	Capital losses	X		4463	Bad debts received	X	
365	Prior years' expenses	X		4464	Profits from raw materials sold	X	
366	Bad debts	X		4465	Commissions earned	X	X
367	Provisions (other than depreciation provisions)	X		447	Imputed rent difference	X	X
368	Taxes on land & buildings	X	X	448	Imputed interest difference	X	X
	Surplus (c/f)		X		Deficit C/f		X
			X				X

Cont'd

Code No				Code No			
	Deficit (b/f)		X		Surplus (b/f)		X
369	Income taxes		X	2812	Current deficit		X
2811	Distribution suplus (carried forward to Appropriation (A/C)		X				
			X				X

N.B. Appropriation Account is to be prepared in the same manner of preparing the third section of the current operations Account.