

THE ACCOUNTING OF BONUS POINTS ACCORDING TO THE NEW LEGISLATIVE NORMS

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Abstract

Bonus points can be used in order to buy goods, free or low priced services, as part of a transaction of selling goods or services, under the condition of accomplishing certain additional aspects. Trying to make the clients loyal is a key aspect which should be integrated in the marketing strategies of enterprises in order to ensure a certain profitability and also the survival on the market. The advantages of making the clients loyal are numerous. Besides a constant sales volume, loyal customers have a higher buying rate and a certain predisposition to accept price changes more easily than the other clients. The condition for the recording as deferred income of bonus points is that the loyalty programme implemented by the entity allows at any moment the following information to be known: the value of the given bonus points; the expiring date of the bonus points; the value of the delivered bonus points; the value of the existing bonus points, which are to be delivered in the next period of time.

Key words: bonus points, accounting monography, OMFP 1802/2014

JEL Classification: M41

1. Introduction

Trying to make the clients loyal is a key aspect which should be integrated in the marketing strategies of enterprises in order to ensure a certain profitability and also the survival on the market. The reason why the enterprises should use time and money in order to make the clients loyal is extremely simple: gaining a new customer costs a lot more than keeping an old

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customer. Loyalty implies a marketing strategy with a view to building a long-lasting relationship with customers, from which each party has something to win. Therefore, this should be a win/win relationship in order for the customers to remain loyal.

The loyalty strategy can have different objectives, depending on the type of activity that the company develops. Depending on the targeted client type, loyalty can be oriented towards:

- a) Strategic clients – those clients that represent the main percentage of the turnover;
- b) Distributors – the goal is to reduce the risk of distributors changing their supplier;
- c) Risk clients – who could be tempted by the competition's offer.

Most of the times, this last category of risk clients represents all the clients. Thus, if the enterprise is active on a market where the competition is high and the competition offers similar products and services, the loyalty strategy should be oriented towards all the company's customers.

The methods used to make the clients loyal are varied and depend on the type of activity developed by the company. The communication with the client and the manner in which he or she is treated, is essential. These aspects are not necessarily part of a loyalty campaign, but they should be implemented on a daily basis. Among the most well known methods of making the clients loyal are: bonuses, sales, fidelity cards and other types of bonuses. However, innovation plays an important role in the loyalty strategy and the entrepreneur should constantly come up with new ideas which should differentiate him or her from the competition, in order to keep his present customers, but also to bring new clients.

The advantages of making the clients loyal are numerous. Besides a constant sales volume, loyal customers have a higher buying rate and a certain predisposition to accept price changes more easily than the other clients.

Moreover, loyal clients are the best ambassadors. They can recommend the company to others and their power of persuasion is greater than the one of a promotion campaign. All these advantages and effects lead to an increase of the turnover.

2. Clarifications brought by the Order of the Minister of Public Finances no. 1802/2014 regarding bonus points

Bonus points can be used in order to buy goods, free or low priced services, as part of a transaction of selling goods or services, under the condition of accomplishing certain additional aspects.

Bonus points should be registered as an identifiable component of the transaction in which they are granted in the account 472 "Deferred income"/analytically distinct.

The sum which corresponds to the bonus points is recognized as income when the entity respects its obligation of delivering the prizes or when the period during which the clients can use the bonus points expires.

If the level of expenses which are necessary to respect the obligation of delivering the prizes surpasses their received or soon to be received counter value, when the client claims them, for the respective difference, the entity registers in its accountancy a provision.

The condition for the recording as deferred income of bonus points is that the loyalty programme implemented by the entity allows at any moment the following information to be known:

- The value of the given bonus points;
- The expiring date of the bonus points;
- The value of the delivered bonus points;
- The value of the existing bonus points, which are to be delivered in the next period of time.

If the entity does not have a recording system of bonus points which allows the above mentioned information to be known or if the entity uses other client loyalty systems, such as coupons, tickets, the recording will be:

- Current income registered in class 7 "Revenue accounts" for the sum total and
- Establishing a commission for the costs which are thought to be charged for delivering the obligations.

3. Accounting monography with examples regarding the recording of bonus points

The LuCo society gives its clients bonus points for each purchase. These points can be used for the purchase of some products or for the payment of future purchases. Bonus points are given in accordance with the value of the

acquisitions; therefore, for 10 lei spent, one bonus point is given. A bonus point is worth 0,2 lei.

Moreover, for some products which are part of an advertising campaign, value tickets are given and they can be used afterwards in a specific time frame for the reduction of the payment on another purchase.

In July 2015, sales are registered with a value of 200.000 lei. For the purchases which were made, 20.000 bonus points are given, with a value of 4.000 lei (20.000 bonus points x 0,2 lei/point = 4.000 lei). Products which are on sale are sold with a value of 25.000 lei, for which value tickets are given, with an amount of 1.000 lei. The VAT value is 24%.

1. The booking of purchases and given bonus points:

411 = "Customers"	%	200.000 lei
	707 "Sale of goods purchased for resale"	157.290 lei
	472 "Deferred income"	4.000 lei
	4427 "Output VAT"	38.710 lei

2. The payment:

5121 = "Cash at bank in lei"	411 "Customers"	200.000 lei
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3. Inventory data regarding the sold products at an acquisition cost of 110.000 lei:

607 = "Goods for resale"	371 "Goods purchased for resale"	110.000 lei
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4. Recording the sale of goods and of given value tickets:

411 = “Customers”	%	25.000 lei
	707 “Sale of goods purchased for resale”	20.161 lei
	4427 “Output VAT”	4.839 lei

5. Recording a provision which corresponds to the given value tickets:

6812 = “Provisions for risks and charges”	1518 “Other provisions for risks and charges”	1.000 lei
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6. A customer accumulated 1.000 bonus points which he uses for the payment of some purchases with a value of 15.000 lei. The value of the bonus points is of 1.000 lei x 0,2 lei/point = 200 lei.

This sum is taken into account again in relation to the deferred income of the current period. The booking of the sales and of the current income: VAT for 15.000 lei / 1,24 x 24% = 2.903 lei.

The sum which will be cashed in along with the bonus points: 15.000 lei – 200 lei = 14.800 lei.

411 = “Customers”	%	14.800 lei
	707 “Sale of goods purchased for resale”	11.897 lei
	4427 “Output VAT”	2.903 lei

7. Establishing the deferred income from the use of bonus points:

472	707	200 lei
=	"Sale of goods purchased for resale"	
"Deferred income"		

8. Cashing in the sum:

5121	411	14.800 lei
=	"Customers"	
"Cash at bank in lei"		

9. Inventory data regarding the sold products at an acquisition cost of 7.000 lei:

607	371	7.000 lei
=	"Goods purchased for resale"	
"Goods for resale"		

10. A customer purchases goods with a value of 10.000 lei and uses his tickets of 300 lei for the payment of the respective goods. For the discount of 300 lei, the value of the purchase is of 9.700 lei.

411	%	9.700 lei
=		
"Customers"		
	707	7.823 lei
	"Sale of goods purchased for resale"	
	4427	1.877 lei
	"Output VAT"	

11. Taking up the provision which corresponds to the discount, with a value of 200 lei:

1518	7812	300 lei
=	"Write back of provisions for risks and charges"	
"Other provisions for risks and charges"		

12. Cashing in the sum:

5121 = “Cash at bank in lei”	411 “Customers”	9.700 lei
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13. Inventory data regarding the sold products at an acquisition cost of 4.500 lei:

607 = “Goods for resale”	371 “Goods purchased for resale”	4.500 lei
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4. Conclusions

Differences between the new norm and the Order of the Minister of Public Finances no. 3.055/2009:

Order no. 3055/2009	Order of the Minister of Public Finances no. 1802/2014
<i>Conditions regarding the recording of bonus points as deferred income:</i> No specific conditions to accomplish.	<i>Conditions regarding the recording of bonus points as deferred income:</i> The following information should be known at any moment: • The value of the given bonus points; • The expiring date of the bonus points; • The value of the delivered bonus points; • The value of the existing bonus points, which are to be delivered in the next period of time. Different treatment: If the conditions are respected: - the respective sum is registered in account 472 “Deferred income” If the conditions are not respected or

	if other types of tickets, coupons, etc, are granted: - the current income is registered in the account of profit and loss and also a provision: 411 = 704/707/701 and 6812 = 1518
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Bibliography:

*** Order of the Minister of Public Finances no. 1802/2014

*** Order of the Minister of Public Finances no. 3055/2009