Accounting journals and ledgers, source documents

ACCOUNTING JOURNALS AND LEDGERS (DAYBOOKS)

self-employed persons show all their transactions related to business activities in the accounting journals and ledgers (**§ 9 and 10 of the Accounting Act**), whereas each entry made on any transaction must contain the following information:

- ✓ the date of the business transaction
- ✓ reference to the source document constituting the basis for the entry
- ✓ the corresponding amounts
- ✓ a short explanation of the business transaction
- ✓ the name and number of the source document (summary document).

A daybook is the cash based accounting journal/ledger.

ACCOUNTING SOURCE DOCUMENTS

All accounting entries in the daybook (daily journal) must be supported by source documents certifying the corresponding business transactions **(§ 7 of the Accounting Act**) or by summary documents prepared on the basis of source documents. The requirements for source documents have been set out in § 7 of the Accounting Act, according to which a source document must contain the following information:

- ✓ document name and number;
- ✓ date of preparation;
- ✓ economic content of a transaction;
- ✓ figures of a transaction (quantity, price and amount);
- ✓ information enabling to identify the parties to the transaction;

- a sequential number of the corresponding accounting entry.

Accounting source documents, accounting ledgers, journals, contracts and other documents must be preserved **seven years** as of the end of the financial year when a business transaction was recorded in the accounting journals and ledgers on the basis of the source document (**§ 12 of the Accounting Act**, see also **§ 58 of the Taxation Act**).

Source documents may be converted into another format or carried to another data medium (for example, a computer), if the information of source documents concerning transactions are not changed in the course of the conversion.

If a self-employed person is a person liable to value added tax, then the Value Added Tax Act shall establish its own requirements (see **§ 37 of the Value Added Tax Act**).

FORMATION OF A DAYBOOK (DAILY JOURNAL)

A daybook has no fixed form and operators may choose a suitable form themselves and develop it pursuant to the Accounting Act.

Self-employed persons may:

- draw up a daybook itself whether on paper or on a computer.
  Upon drawing up a daybook, the structure of a business income tax return (form E) can be taken into account dividing the part of income and expenses according to rows in the tax return, which makes the subsequent completion of the tax return simpler. If not all items listed among the income and expenses in the tax return are present, there is no need to enter these in the daybook either.

- use accounting programs that are sold by companies dealing with accounting software.

On the basis of the daybook, self-employed persons have to fill in a business income tax return (form E), where thet enter business income and expenses. Business income tax returns must be submitted to the Estonian Tax and Customs Board not later than by 30 April of the year following the year of the business activities.

On the production and sale of agricultural products, the sale of timber and on the income and expenses concerning other business activities, separate accounts must be kept.

Upon filling in form E, the income and expenses are indicated together with value added tax.

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