

Designing the specific accounting treatments for a confectionery

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Abstract

This paper combines theoretical references regarding the recognition and measurement of patrimonial elements with best practices for organizing accounting in a small enterprise within the food industry. It presents examples of accounting entries for the purchase of raw materials, fixed assets, and sales to customers, as well as a framework for analyzing annual financial statements. The approach is based on specialized literature and CECCAR professional guidelines, with a focus on liquidity, solvency, and profitability indicators used in managerial decision-making.

Keywords: financial accounting; trade receivables and payables; perishable inventories; financial indicators; confectionery; accounting policies

1. Introduction

The choice of this topic stems from the increasing importance of understanding and implementing specialized accounting practices tailored to the operational characteristics of small and medium-sized enterprises in the food industry, particularly in the bakery and pastry sectors. In the literature, accounting in a small enterprise is described as an integrated system of identifying, measuring, and reporting transactions that underpin decisions regarding pricing, investment, and financing; the rigor of the accounting cycle and supporting documents ensures a true and comparable view over time [2], [3].

In today's economic environment, pastry shops have a significant impact on both local and national economies by creating jobs, supporting community development, and adapting to customers' evolving needs. This type of business involves a unique way in which raw materials—namely dessert ingredients—work together to provide the desired texture and sensory properties of the final product, ensuring the consumer experiences a distinctive and memorable result [9].

Additionally, the confectionery industry includes a wide range of products created according to traditional recipes, which therefore have different names in various parts of the world. In particular, the use of diverse ingredients within the same category of sweets and the resulting

changes in texture contribute to assortment variety, while the association of certain products with specific brands or producers ensures that the available selection is almost limitless [8]. For example, market research shows that sugar-based confectionery products have a long tradition in many cultures, and soft sugar candies have become increasingly popular in recent years [6].

Moreover, these businesses often face unique challenges in financial management, especially regarding the accounting of trade receivables and payables, inventory, and cost control — all essential for their sustainability and profitability. Perishable inventories require strict evaluation policies and periodic stock counts, while impairment provisioning must be based on utility tests and inventory turnover [12]. In parallel, credit policies and commercial limits for customers help reduce the risk of non-payment [13].

This research aims to highlight the need to reconcile general accounting concepts with the practical challenges faced by a pastry shop. In a competitive market, affected by fluctuating raw-material prices, seasonal demand, and consumer preferences, pastry businesses must implement meticulous accounting processes to ensure financial transparency, improve resource allocation, and support strategic decision-making. Budgeting based on responsibility centers and tracking direct/indirect costs support selling prices and unit margins [5], [7].

Furthermore, the characteristics of confectionery products—which include managing perishable stock, pricing complexity for customized products, and event-related sales—require tailored accounting practices that comply with national regulations such as OMFP 1802/2014 and with international financial reporting standards. Approaches regarding revenue recognition at delivery/performance, separation of advances from final receipts, and the treatment of commercial discounts are essential for proper period allocation [4].

This research paper aims to provide a detailed analysis of the theoretical, legislative, and practical aspects of accounting within a Romanian pastry shop, and to illustrate how efficient accounting systems facilitate regulatory compliance, enhance managerial decisions, ensure financial stability, and promote sustainable growth — illustrated through the case study of a fictional business named Sweet Heaven Pastry Shop.

2. Theoretical Foundations on Trade Receivables and Payables

Efficient management of trade receivables and payables represents a central element in the financial dynamics of any enterprise, regardless of its size. In the specific case of a pastry shop,

these elements become even more important given the perishable nature of the products, the relatively low transaction volume, and the seasonality of activity.

Trade receivables are current assets representing amounts to be collected from customers for goods/services sold on credit, while trade payables are present obligations to suppliers for purchases related to operating activities. Their proper classification contributes to the fair presentation of working capital [2], [3].

Trade receivables reflect amounts owed by customers for delivered goods or services but not yet collected. They often arise in commercial relationships with corporate clients (events, catering, wholesale contracts) and are recorded as current assets. In contrast, trade payables refer to the enterprise's obligations toward suppliers—for raw materials, packaging, services, and utilities—and are presented in the balance sheet as current liabilities.

Credit policies must be aligned with supplier payment terms to maintain a sustainable cash flow cycle [13].

This chapter analyzes detailed classifications of these essential working-capital components. Receivables may be trade or non-trade, short- or long-term, guaranteed or unsecured. Similarly, payables are classified based on duration (current vs. non-current), nature of obligation (financial vs. operational), and the presence of guarantees.

Maturity breakdown (under/over 12 months) and impairment adjustments for doubtful receivables must be based on objective indicators (delays, disputes) [13], [4].

From an accounting perspective, the recognition of receivables and payables is governed by OMFP 1802/2014 in Romania as well as by international standards such as IAS 1, IAS 32, and IFRS 9. The fundamental rule is the accrual principle, requiring recognition when rights or obligations arise, not when cash is collected or paid.

Consistent application of principles such as substance over form and non-offsetting is emphasized in financial accounting literature [2], [3].

An important part of this chapter includes financial indicators relevant to the analysis of these components:

- Receivables turnover and DSO (Days Sales Outstanding) — measure collection efficiency;
- Payables turnover and DPO (Days Payable Outstanding) — reflect the enterprise's ability to manage supplier obligations;

- Solvency and liquidity ratios — show how receivables and payables influence overall financial balance.

These ratios must be interpreted together with seasonality and stock policies to avoid misleading conclusions [5], [7].

Concrete accounting examples illustrate credit sales, purchases on credit, and their impact on the balance sheet.

CECCAR guidelines concerning uncollected receivables emphasize rigorous documentation of recovery attempts and, if necessary, their write-off [12].

The chapter highlights risks of inefficient management: delayed collections, losses from bad debts, supplier conflicts, and cash-flow blockages. Thus, proactive management through credit policies, provisioning, and internal controls becomes essential for the financial stability of the pastry shop.

Internal policies regarding credit limits, automatic aging schedules, and periodic reconciliation with partners are recommended in financial management practice [10], [12].

3. Accounting Practices Applied to Sweet Heaven Pastry Shop

This study analyzes the practical application of accounting principles within the operational context of Sweet Heaven Pastry Shop — a fictional Romanian enterprise representative of small artisanal food businesses. The main objective is to translate accounting theory into practice while complying with local accounting regulations (OMFP 1802/2014) in a real and competitive economic environment.

The chart of accounts must be adapted to the activity's granularity: separate accounts for raw materials, packaging, semi-finished goods, finished products, and work-in-progress, with coherent procedures for inventorying and valuation [4], [12].

Sweet Heaven operates as a limited liability company (SRL), with its primary source of revenue being direct sales of its own products (cakes, pastries, baked goods). This activity involves intense cash-flow dynamics, frequent purchases of raw materials, and sales made in cash or on credit.

Cash-flow is influenced by stock turnover and the proportion of sales made with advance payments; advance policies for customized orders reduce cancellation risks and stabilize liquidity [5].

The paper presents the bakery’s business plan, highlighting strategic elements (positioning in Cluj-Napoca, marketing focused on premium and sustainable products) and internal organization (team structure, operational flow, financing sources). It emphasizes the need for adapted accounting practices due to challenges such as volatile demand, perishable goods, diverse sales flows, and numerous commercial relationships.

Financial planning and sensitivity scenarios are standard elements recommended in SME business plans [1].

Based on this framework, the paper details accounting treatments for:

a. Purchase of Raw Materials

On September 18, 2024, invoice no. 4 was received from SC FRUCTEX NATURAL SRL, for the purchase of fresh organic raspberries and organic blueberries.

%	=	401	1.002,80 RON
		Suppliers	
301			920 RON
Raw materials			
4426			82,80 RON
Input VAT			

401	=	5121	1.002,80 RON
Suppliers		Cash at bank in lei	

Procurement of Equipment

On 20.08.2024, invoice number 1 was received from the supplier ECHIPAMENTE HORECA SRL for the purchase of an industrial oven with four trays, and the payment is to be made only via bank transfer.

%	=	404	9.520 RON
		Suppliers of non-current assets	
2131			8.000 RON
Plant and machinery			
4426			1.520 RON
Input VAT			

b. Sale of finished products

On 06.10.2024, Sweet Heaven Confectionery issues an invoice for an advance received to produce a customized wedding cake for a private client (Mrs. Popovici), with 9% VAT.

In the case of advances received for customized orders, the amounts are recorded as liabilities to clients / advances received [4], [13].

4111	%	1.090 RON
Customers	707	1.000 RON
	Sale of goods purchased for resale	
	4427	90 RON
	Output VAT	

The chapter includes tables and charts summarizing the structure of trade receivables and payables. These show that the majority of receivables come from credit orders for events, while payables are concentrated in relationships with suppliers of raw materials and packaging. The graphical analysis highlights the need for continuous monitoring of these balances to ensure optimal liquidity.

Monitoring DSO (Days Sales Outstanding) / DPO (Days Payable Outstanding) and inventory turnover allows the cash conversion cycle to be aligned with sales seasonality [5], [7].

c. Trade Receivables and Inventory Management

Trade receivables are essential financial assets for managing cash flow and maintaining the company's liquidity. From the presented graph, the majority of receivables come from the client category, highlighting the fundamental importance of collections from sales of goods and services on credit. This category reflects the future level of the company's direct operational activity and serves as an indicator of the efficiency of commercial policies regarding credit terms granted to clients.

Careful monitoring of receivables in this category allows the assessment of risks associated with delayed payments and the implementation of effective preventive measures. Provisioning policies for doubtful receivables should be documented based on historical collection performance and the risk indicators associated with partners [13].

A central element of this chapter is the accounting organization of inventories – raw materials, semi-finished goods, and finished products are treated separately according to their intended use. The stock-keeping method (FIFO, weighted average, perpetual inventory) and its impact on asset valuation and reported costs are discussed.

The mandatory year-end inventory confirms the existence and condition of stock, and discrepancies are handled according to regulations [12]. The importance of an integrated digital management **system** is emphasized, enabling real-time tracking of stock levels, payment and collection deadlines, and the structure of revenues and expenses. This system allows the confectionery to respond quickly to demand variations and avoid losses from product expiration or delayed collections.

Digitalization of the stock–production–sales processes facilitates internal control and reduces recording errors [10] .

The chapter concludes with an analysis of the organizational culture and the role of accounting personnel in implementing financial recording rules. In a small-scale environment, financial responsibility is shared between the administrator, accountant, and management assistants, requiring good collaboration and adherence to standardized procedures. Segregation of duties and authorizations across the workflow (purchase–reception–payment) is recommended as a best practice [12].

3. Impact of Annual Financial Statement Analysis

This research provides a thorough evaluation of the financial performance of Cofetăria Sweet Heaven, using key analytical tools: the balance sheet, the income statement, and essential financial indicators for profitability, solvency, and liquidity. The analysis is based on hypothetical accounting data, adapted to the specifics of an artisanal confectionery business, with reporting in accordance with OMFP 1802/2014. Accurate presentation requires correct classification of items into current vs. non-current assets/liabilities and explanatory notes clarifying significant accounting policies [4] .

Table no. 1 Current and non-current assests and liabilities

Liabilities/Equity Elements	2024 (RON)	2025 (RON)
Subscribed and Paid-up Share Capital	100.000	100.000
Legal Reserves	5.000	8.500
Retained Earnings / Losses (+/-)	25.000	15.000
Profit / Loss for the Financial Year (+/-)	10.000	20.000
I. Equity (1+2+3+4)	140.000	143.500
II. Long-term Liabilities	40.000	30.000
III. Permanent Capital (I + II)	180.000	173.500

Amounts Owed to Credit Institutions < 1 Year	5.000	7.000
Trade Payables – Suppliers	12.000	15.000
Other Short-term Liabilities	8.000	9.500
IV. Short-term Liabilities (5+6+7)	25.000	31.500
Total Liabilities and Equity (III + IV)	205.000	205.000

Source: Own contributions

First, the structure of the financial position (balance sheet) is highlighted, where assets are divided between fixed assets (ovens, mixers, equipment) and current assets (inventories, trade receivables, cash). The confectionery maintains a balance between long-term investments and the need for current liquidity, an essential aspect in an industry with rapid product turnover and seasonal demand.

Financing ratios (stable and overall financing) provide a diagnosis of long-term autonomy and coverage of fixed assets [5].

Table no. 2 Stable financing ratio and Overall financing ratio

Indicator	Formula	2024	2025
1. Stable financing ratio (Rfs)	$(\text{Equity} / \text{Fixed assets}) \times 100$	125%	130%
2. Overall financing ratio	$(\text{Permanent capital} / \text{Total assets}) \times 100$	60%	58%

Source: Own contributions

A stable financing ratio above 100% indicates that fixed assets are fully covered by equity, while the overall financing ratio shows a comfortable proportion of permanent capital within total assets.

Structural ratios (fixed assets/total assets, current assets/total assets) are useful for assessing capital intensity and financial flexibility [7].

Table no. 3 Structural ratios

Indicator	Formula	2024	2025
1. Fixed assets ratio	$(\text{Fixed assets} / \text{Total assets}) \times 100$	40%	38%
1.1. Tangible fixed assets ratio	$(\text{Tangible fixed assets} / \text{Total assets}) \times 100$	30%	32%
1.2. Financial fixed assets ratio	$(\text{Financial fixed assets} / \text{Total assets}) \times 100$	10%	6%
2. Current assets ratio	$(\text{Current assets} / \text{Total assets}) \times 100$	60%	62%
2.1. Inventory ratio	$(\text{Inventories} / \text{Total assets}) \times 100$	15%	18%
2.2. Trade receivables ratio	$(\text{Trade receivables} / \text{Total assets}) \times 100$	20%	22%

2.3. Trade receivables ratio	$(\text{Cash} + \text{Other investments} / \text{Total assets}) \times 100$	25%	22%
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Source: Own contributions

The asset structure shows a slight increase in the proportion of current assets, particularly inventories and receivables – a sign of expanding commercial activity. Fixed assets remain stable, while investments in equipment and branding support productivity and brand recognition. Inventory turnover and gross margin per product are key benchmarks for optimizing the product mix [5] .

Table no. 4 Inventory turnover and gross margin

Indicator	2024 (RON)	2025(RON)
Net result (Pn)	12.000	24.000
Equity (Kpr)	150.000	157.000
Long-term liabilities (DTL)	40.000	32.000
Permanent capital (Kp) = Equity + Long-term liabilities	190.000	189.000
Turnover / Revenue (Ca)	450.000	520.000
$Rf(1) = (Pn / \text{Equity}) \times 100$	8,0%	15,3%
$Rf(2) = (Pn / Kp) \times 100$	6,3%	12,7%
Pn / Ca (Net commercial profitability)	2,7%	4,6%
Ca / Equity (Return on equity)	3,00	3,31
$Ca / \text{Permanent capital}$ (Return on permanent capital)	2,37	2,75
Kpr / Kp (Long-term financial autonomy)	78,9%	83%

Source: Own contributions

It can be observed that the Return on Sales (ROS) is fragile, even though during the analyzed period it increased from 2.7% to 4.6%. The Return on Equity (ROE) doubled, reflecting an efficient use of invested funds.

Thanks to a well-structured accounting system, the management of the confectionery can constantly monitor performance, adjusting commercial and financial decisions according to seasonality and market dynamics. Monthly managerial reporting (indicator dashboard) is recommended for SMEs with seasonal volatility [10] .

4. Conclusions and recommendations

The paper analyzes the importance of applying specific accounting treatments in a confectionery, exemplified by “Sweet Heaven Confectionery,” highlighting the essential role of a well-organized accounting system in making correct financial decisions. Compliance with national

accounting regulations and, when necessary, with international financial reporting standards ensures both compliance and operational efficiency. The study draws attention to the particularities of the confectionery industry, such as the perishable nature of products, seasonal demand, and the need for rigorous inventory and cash flow management.

A central component of the paper is the analysis of receivables and trade payables, emphasizing that constant monitoring contributes to maintaining liquidity, preventing financial bottlenecks, and supporting healthy business relationships. The confectionery is advised to apply prudent credit policies, adjustments for uncollectible receivables, and effective internal controls, including the use of modern digital systems. Furthermore, careful inventory management—of raw materials, semi-finished, and finished products—is vital to avoid losses and ensure accurate asset valuation in the balance sheet.

The paper proposes the use of a perpetual inventory system and the development of dynamic financial forecasts adapted to the seasonality of the business. In addition, the author recommends applying marketing and customer loyalty strategies based on accurate accounting information. Integrating these practices supports business expansion and increases competitiveness in the market.

In conclusion, thorough documentation of accounting operations, correlated with financial planning and strategic management decisions, can transform accounting compliance into a significant competitive advantage for a small or medium-sized confectionery.

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