

Sales 120,000	Opening Inventory 24,000	
Sales discount 2200	Purchases 57,000	Freight In 500
Sales return 3,000	Purchase discount 1,250	Import Tax 300
Carriage In 3,500	Purchase return & allowance 1,200	Supply Exp 800
	Ending Inventory 15,500	Rent Exp 200
	Commission Income 5,500	Electricity exp 100

Sales		120000	
Sales return	3000		
Sales Discount	2200		
Net sales			114800
Opening Inventory		24000	
Purchase	57000		
Purchase Return	1200		
Purchase Discount	1250		
Net Purchase	54550		
Freight In	500		
Import Tax	300		
Carriage In	3500		
Cost of Purchase		58850	
Cost of goods available		82850	
Ending Inventory		15500	
Cost of goods sold			67350
Gross Profit			47450
Commission Income			5500
Total Revenue			52950
Operating Expenses			
Supply Exp		800	
Rent Exp		200	
Electricity exp		100	
Total Expenses			1100
<b>Net Income</b>			<b>51850</b>



## Chapter 2

- 1- **Net Sales = Sales - ( Sales discount + Sales Return )**
  
- 2- **Net Purchase = Purchase - ( Purchase discount + Purchase Return )**
  
- 3- **Cost of Goods Available for Sale = Opening Inventory + Cost of Purchase**
  
- 4- **Cost of Goods sold = Cost of Goods Available for Sale - Ending Inventory**
  
- 5- **Gross Profit = Net Sales - Cost of Goods sold**
  
- 6- **Gross Loss = Cost of Goods sold - Net Sales**
  
- 7- **Total Revenue = Gross Profit + Others Revenue**
  
- 8- **Net Income = Total Revenue - Operating Expenses**
  
- 9- **Net Loss = Operating Expenses - Total Revenue**

	<b>Business A (BD)</b>	<b>Business B (BD)</b>	<b>Business C (BD)</b>
<b><u>Cost of goods sold:</u></b>			
Merchandise Inventory (Beginning)	8,500	20,100	8,500
Cost of Purchases	42,000	<b><u>50600</u></b>	21,200
Merchandise Inventory (Ending)	<b><u>10300</u></b>	(8,900)	(7,950)
Cost of Goods Sold	40,200	61,800	<b><u>21750</u></b>

	<b>Business A (BD)</b>	<b>Business B (BD)</b>	<b>Business C (BD)</b>
<b><u>Cost of goods sold:</u></b>			
Merchandise Inventory (Beginning)	15,500	30,000	9,700
Cost of Purchases	45,000		44,000
Merchandise Inventory (Ending)		(8,900)	(10,500)
Cost of Goods Sold	34,000	75,000	

**Question 1:** Calculate the Acquisition cost:

1) A Company purchased a new machine at BD 14000. The company paid BD 1000 for installation and BD 2000 as legal fees. **What is the acquisition cost of machine?**

$$\text{Acquisition cost} = 14000 + 1000 + 2000 = 17000$$

2) A Company purchased a motor at BD 9000. The company paid BD 500 for freight In and BD 2000 as Salaries Expenses. **What is the acquisition cost of motor?**

$$\text{Acquisition cost} = 9000 + 500 = 9500$$

3) A equipment was bought by a company at BD 11000. The company paid BD 1000 for carriage In and BD 1500 for installation and BD 3000 for utilities Expenses. **What is the acquisition cost of equipment?**

$$\text{Acquisition cost} = 11000 + 1000 + 1500 = 13500$$

4) A Company purchased a new machine at BD 20000. The company paid BD 1000 for taxes and BD 2000 as legal fees and 1000 for rent expenses. **What is the acquisition cost of machine?**

$$\text{Acquisition cost} = 20000 + 1000 + 2000 = 23000$$

## **External Exercises**

**Question 1:** Choose the correct answer and show your work:

1) Al Raja Company purchased a new machine at BD 35000. The company paid BD 1500 for shipping and taxing, and BD 500 for installation and also paid BD 1000 for advertising. **What is the acquisition cost of machine?**

- (a) BD 38000
- (b) BD 37000**
- (c) BD 36500
- (d) BD 37500

2) ABC Company acquire a truck at BD 20000. The truck expected to have salvage value of BD 5000 at the end of 5 year useful life. **How much is the Depreciation Base?**

- (a) BD 25000
- (b) BD 15000**
- (c) BD 5000
- (d) BD 3000

3) A equipment was bought on Jan1, 2007 at a total cost of BD 40000. The estimated scrape value is BD8000 and useful life is 4 years. **What is the amount of Accumulated Depreciation at Dec31, 2009?**

- (a) BD 8000
- (b) BD 24000**
- (c) BD 12000
- (d) BD 10666.67

4) Al Naser Company bought a motor van at March1,2008 at a cost of BD15000, at Jan1, 2010 the company decides to sell the van. **At what price the Company should sell the van?**

- (a)  $\leq$  Net book value of year 2009
- (b)  $\leq$  Net book value of year 2010
- (c)  $\geq$  Net book value of year 2009**
- (d)  $\geq$  Net book value of year 2010

Azzam's bought a new truck on January 1, 2012. Relevant information is given below:

Cost price	BD45000
Taxes	BD2500
Insurance	BD500
Salvage value	BD4000
Useful life	5 years

(A) By using the **Straight Line Method**, calculate Depreciation Expense, Accumulated Depreciation & Net Book Value for the five years using the following table:

Year	Calculation	Depreciation Expense	Accumulated Depreciation	Net Book Value
1	$48000 - 4000/5$	8800	8800	39200
2	$48000 - 4000/5$	8800	17600	30400
3	$48000 - 4000/5$	8800	26400	21600
4	$48000 - 4000/5$	8800	35200	12800
5	$48000 - 4000/5$	8800	44000	4000

(B) Prepare the journal entry for the first year.

#### GENERAL JOURNAL

Date	Explanation	PR	Debit (BD)	Credit (BD)
31 Dec	Depreciation Exp		8800	
	Accumulated Depreciation			8800

Azzam Co bought a new truck on January 1, 2012. Relevant

information is given below:

Cost price	BD60,000
Taxes	BD3,000
Shipping	BD1,000
Salvage value	BD6,000
Useful life	5 years

(A) By using the **Straight Line Method**, calculate Depreciation Expense, Accumulated Depreciation & Net Book Value for the five years using the following table:

Year	Calculation	Depreciation Expense	Accumulated Depreciation	Net Book Value
1				
2				
3				
4				
5				

(B) Prepare the journal entry for the first year.

GENERAL JOURNAL

Date	Explanation	PR	Debit (BD)	Credit (BD)

Azzam Al-Hadi Company bought office equipment on January 1, 2012.

Relevant information is given below:

Cost price	BD30000
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Taxes	BD3000
Salvage value	BD1500
Useful life	4 years

(A) By using the **Double Declining Method**, calculate Depreciation Expense, Accumulated Depreciation & Net Book Value for the five years using the following table:

Year	Calculation	Depreciation Expense	Accumulated Depreciation	Net Book Value
1	$33000 * 50\%$	16500	16500	16500
2	$16500 * 50\%$	8250	24750	8250
3	$8250 * 50\%$	4125	28875	4125
4	$4125 - 1500$	2625	31500	1500

(B) Prepare the journal entry for the **Third** year.

#### GENERAL JOURNAL

Date	Explanation	PR	Debit (BD)	Credit (BD)
31 Dec	Depreciation Exp		4125	
	Accumulated Depreciation			4125

Azzam Company bought office equipment on March 31, 2012.

Relevant information is given below:

Cost price	BD30000
Taxes	BD3000
Salvage value	BD1500
Useful life	4 years

(A) By using the **Double Declining Method**, calculate Depreciation Expense, Accumulated Depreciation & Net Book Value for the five years using the following table:

Year	Calculation	Depreciation Expense	Accumulated Depreciation	Net Book Value
1				
2				
3				
4				
5				

(B) Prepare the journal entry for the **Third** year.

### GENERAL JOURNAL

Date	Explanation	PR	Debit (BD)	Credit (BD)

## Bad Debts

إذا ذكرتك في السؤال : لم يدفع Not Pay يكون القيد كالاتي:

1) Account Receivable

Sales revenue

2) Bad Debt Expense

Account Receivable

إذا ذكرتك في السؤال إنه دفع أو حصل على ربح

He Got some Profit and Paid

يكون القيد كالاتي :

3) Account Receivable

Bad Debt Expense

4) Cash

Account Receivable\_

**Name:**  
**Student No.:**

**Class:**  
**Class No:**

**Exam**

At the beginning of the year 2009, Azzam Trading shows the balance of BD63,000 for account receivables . On May 30, one of the debtors (Nader Company) could not pay his debt BD8,000. On August 15, Nader Co. made some profits and paid BD8000.

**Required:**

Make the necessary journal entries.

Date	Explanation	Debit	Credit
30 May	Bad debts Exp	8000	
	A/R		8000

Date	Explanation	Debit	Credit
15 Aug	A/R	8000	
	Bad debts Exp		8000
	Cash	8000	
	A/R		8000

Income statement  
31 Dec  
Azzam Trading

Bad debts Exp	8000
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**Balance sheet**  
31 Dec  
Azzam Trading

A/R	55,000
63,000 - 8000	

Provision

Bad Debts أو Doubtful Debts إذا قالك كلمة

يكون القيد

Bad debts Exp  
Provision

.....

Not pay – Uncollectible – Wrote off

إذا قالك

يكون القيد

Provision  
A/R

.....

Paid إذا قالك

يكون القيد

A/R  
Provision

.....

Cash  
A/R

**Provision**

**Azzam Co had the following balance on Dec, 31, 2012 :**

<b>Cash Sales</b>	<b>500,000</b>
<b>Credit Sales</b>	<b>600,000</b>
<b>Account Receivable</b>	<b>250,000</b>

**Provision for Doubtful Debts BD 350**

**Required:**

**Record the Bad debts Expense for the year using each of the following methods for the estimate:**

**1- Provision for doubtful debts is to be Increase to 5% of Account Receivable.**

Date	Explanation	Debit	Credit
31 Dec	Bad Debts Exp	12,500	
	Provision		12,500

**2- Bad debts Expense is estimated to be 3% of Sales on Credit.**

Date	Explanation	Debit	Credit
31 Dec	Bad Debts Exp	18,000	
	Provision		18,000

**3- Doubtful debts is increase is to be 9,000.**

Date	Explanation	Debit	Credit
31 Dec	Bad Debts Exp	9,000	
	Provision		9,000

**Azzam Company has the following balance on Dec 31,2010 :**

Credit Sale	BD 700,000
Cash sale	BD 550,000
Accounts Receivable	BD 130,000
Provision for doubtful debt	BD 190

**Required:**

Record the bad debts expense for the year using each of the following methods for the estimate:

1. Provision for doubtful debts is to be increased to 2% of account receivable.

.....  
 .....

Date	Explanation	Debit	Credit

2. Bad debts expenses is estimated to be 3% of sale on credit

.....  
 .....

Date	Explanation	Debit	Credit

3. Provision for doubtful debts is to be increased to 5500 as indicated by aging schedule.

Date	Explanation	Debit	Credit

**Azzam Company makes credit sales of BD 200,000 during 2010 .**

Age Group	Amount (BD)	Estimated Percent Uncollectible	Estimated amount Uncollectible (BD)
1 - 30 day	85,000	10%	8,500



31 - 60 day	21,000	5%	1,050
61 - 90 day	12,000	10%	1,200
Over 90 days	9,000	8%	720
Total account receivable	<b>127,000</b>		<b>11,470</b>

The Provision for doubtful debts showed a balance of BD 2,700

Required:

Compute the the following

1. Total Account Receivable = 127,000
2. Estimate amount of Allowance for Bad debts = BD 11,470
3. Prepare the necessary adjusting entries to bring the Allowance for Doubtful Debts to the proper amount

Date	Explanation	Debit	Credit
31 Dec	Bad Debts Exp	8,770	
	Provision		8,770

Azzam Company makes credit sales of BD 200,000 during 2010 .

Age Group	Amount (BD)	Estimated Percent Uncollectible	Estimated amount Uncollectible (BD)
1 - 30 day	240,000	7.5%	
31 - 60 day	160,000	16%	
61 - 90 day	50,000	25%	
Total account receivable	450,000	Total	

The Provision for doubtful debts showed a balance of BD 350

Required:

4. Compute the estimated amount of Provision for Doubtful Debts in the table above.
5. Prepare the necessary adjusting entries

Date	Explanation	Debit	Credit

**Question2:**

Ameer Co has credit sales of BD 600,000 on Aug31 ,2012. Based on past experience it was estimated that 2.5% of credit sales to be uncollectable.

Required:

1. Make the necessary adjusting entries. Doubtful Debts

Date	Explanation	Debit	Credit
31 Aug			

2. On Dec 31,2012 the company decided that Azzam Co. balance of BD 500 is uncollectible (Not Pay)

Date	Explanation	Debit	Credit
31 Dec			

Date	Explanation	Debit	Credit
28 Feb			

- 3) On Feb 22,2013 Azzam Co. Paid all the balance.

### قواعد تمشي عليها

1- إذا قالك فالسؤال لأي مصروف paid أو Expense Expired

يكون القيد كالاتي:

مثل Rent Expense BD

Rent Expense

Prepaid Rent

إذا قالك في السؤال أي مصروف Not Paid

مثل

Salary Expense not paid

يكون القيد كالاتي:

Salary Exp

Accrued Salary

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إذا ذكرلك Insurance يكون القيد:

Insurane Exp

Prepaid Insurance

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إذا ذكرلك في السؤال Supplies used

يكون القيد كالاتي:

Supplies Exp

Supplies

ملاحظه: لو قالك Supply On Hand لا يتغير القيد ولكن تطرح الرقم الموجود أعلى السؤال مع الرقم الموجود في السؤال.

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إذا قالك في السؤال Depreciation

يكون القيد كالاتي:

Depreciation Exp of .....(Assets)

Accumulated Depreciation

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إذا ذكرلك في السؤال أي Revenue ( Not Received )

معال : Rent Revenue Not Received

يكون القيد كالاتي:

Accrued Rent Revenue

**Rent Revenue**

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**Interest ( Not Received )**

إذا ذكرلك

يكون القيد:

**Accrued Interest Revenue**

**Interest Revenue**

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إذا قالك في السؤال **Accrued Commission**

يعتبر من **Revenue**

يكون القيد كالاتي:

**Accrued Commission Revenue**

**Commission Revenue**

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إذا ذكرلك في السؤال

**Note Payable + Interest Not Paid**

يكون القيد كالاتي:

**Interest exp On Note Payable**

**Accrued Interest**

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إذا ذكرلك في السؤال

**Note Receivable + Interest Not Paid**

يكون القيد كالاتي:

**Accrued Rent Revenue**

**Interest Revenue**

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إذا ذكرتك في السؤال **Customer Advance**

يكون القيد كالاتي: وعلى حسب نوع الايراد

**Accrued Revenue**

**Revenue**

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إذا ذكرتك في السؤال

**Cleaning Service On Account**

يكون القيد كالاتي:

**Account Receivable**

**Service Revenue**

Ali cleaning service trail balabce on june 30,2010, shows the following balance for selected accounts:

Prepaid insurance	BD600
Office supplies	BD 400
Account payable	BD700
Customer advance	BD10000
Note receivable	BD1200
building	BD 60000
acunnulated depreciation- office equipment	BD1800

The following changes occurred during the period

1-insurance expired for one month as BD 300.

2-supplies used during the period was BD 100

3-20% of customer advance has been completed

4-the annual depreciation for office equipment is BD 900

**REQUIRMENT:**

*Prepare the adjusting entries for the month of june and show your calculations were needed?*

Date	Explanation	Debit	Credit
1	Insurance Exp Prepaid Insurance	300	300
2	Supplies Exp Supplies	100	100
3	Accrued Revenue Revenue	2000	2000
4	Depreciation Exp of Equipment Accumulated Depreciation	900	900

**Question:** At the end of Dec, 2010. Azzam Est. has the following Adjustments:

1. Accrued utilities expense BD400.
2. Used Supplies amounted to BD300
3. Expired insurance BD200
4. The Rent revenue for the year is BD500
5. Depreciation on the equipment this period is BD550
6. Accrued commission is BD400
7. The Notes Receivable BD6000 were issued on June 30, 2010 for 10% annually but not received yet.

**Required:** Journalize the adjustments entries.

### GENERAL JOURNAL

Date	Explanation	Debit	Credit
1	Utilities Exp	400	
	Accrued Utilities		400
2	Supplies Exp	300	
	Supplies		300
3	Insurance Exp	200	
	Prepaid Insurance		200
4	Accrued Rent Revenue	500	
	Rent Revenue		500
5	Depreciation Exp of equipment		
	Accumulated Depreciation		
6	Accrued Commission Revenue	400	
	Commission Revenue		400
7	Interest Exp on Note Receivable	300	
	Accrued Interest 6000x6/12x10/100		300



Worksheet

Complete the following Worksheet for Al-Safeer Office Equipment Company for the year ended December 31, 2008, using the following adjustments:

**Adjustments:**

- 1- Closing Inventory BD3,800.
- 2- Accrued rent revenue BD2,100.
- 3- The expired insurance is BD1,200.
- 4- Salaries payable is BD400.

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit (BD)</b>	<b>Credit (BD)</b>
2	Accrued Rent Revenue		2,100	
	Rent Revenue			2,100
3	Insurance Exp		1,200	
	Prepaid Insurance			1,200
4	Salary Exp		400	
	Accrued Salary			400

.....

Account Title	Unadjusted Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Cash	13,000				13,000				13,000	
Inventory	5,300				5,300		5,300			
Accounts Receivable	2,000				2,000				2,000	
Prepaid Insurance	4,800			1200	3600				3600	
Lands	120,000				120,000				120,000	
Equipment	4,000				4,000				4,000	
Furniture	8,000				8,000				8,000	
Accounts Payable		3,850				3,850				3,850
Capital		118,800				118,800				118,800
Drawings	1,200				1,200				1,200	
Sales		25,800				25,800		25,800		
Rent revenue		25,700		2100		27800		27800		
Purchases	12,900				12,900		12,900			
Salaries expense	1,800		400		2200		2200			
Freight in	500				500		500			
Insurance Expense	650		1200		1850		1850			
<b>Total</b>	<b>174,150</b>	<b>174,150</b>								
Closing inventory								3800	3800	
Accrued Rent Rev			2100		2100				2100	
Salaries Accrued.				400		400				400
			<b>3700</b>	<b>3700</b>	<b>176650</b>	<b>176650</b>	<b>22750</b>	<b>57400</b>	<b>157700</b>	<b>123050</b>
							<b>34650</b>			<b>34650</b>

**Assets:**

Cash  
Account Receivable  
Equipment  
Supplies  
Building  
Prepaid Insurance  
Prepaid Cleaning  
Accrued Rent Revenue  
Accrued Commission Revenue  
Accrued Interest Revenue  
Truck  
Ending Inventory  
Drawing  
Opening Inventory  
Note Receivable

**Liabilities:**

Loan  
Account Payable  
Note Payable  
Capital  
Accumulated Depreciation  
Accrued Salary  
Accrued Wages  
Accrued Advertising

**Revenue**

Sales Revenue  
Ending Inventory  
Service Revenue  
Fees Income  
Fees Earned  
Commission Income  
Fees Interest  
Rent Revenue  
Purchase Returns  
Returns Out

**Expenses**

Sales Returns  
Inventory  
Purchase  
Freight In  
Carriage In  
Returns In  
Miscellaneous Expenses  
Rent Expenses  
Utilities Expenses  
Advertising Expenses  
Wages Expenses  
Insurance Expenses  
Depreciation Expenses  
Supplies Expenses  
Interest Expense