

**KINGDOM OF BAHRAIN
MINISTRY OF EDUCATION
DIRECTORATE OF EXAMINATIONS / EXAMINATION SECTION**



FIRST SEMESTER EXAM 2013/2014

MODEL ANSWERS

COURSE NAME: ACCOUNTING (2)

TRACK: توحيد المسارات

COURSE CODE: ٢١٢ مح

TIME: 2 Hours

QUESTION ONE: (14 Marks)

(A) Complete the items of the following partial **Income statement**:

Reem Company

Income Statement

For the year ended 31st December, 2011

Sales /			69,000 /
Minus: Sales Returns		4,300 /	
Sales Discount		4,200	
			8,500
Net Sales /			60,500
Opening Inventory		6,400 /	
Purchases /	47,000 /		
Minus: Purchases Returns	2,400		
Purchases Discounts	3,100		
Net Purchases /	41,500		
Add: Expenses on Purchases:			
Import Tax	700		
Cost of Purchases /		42,200	
Cost of goods available for sale /		48,600	
Minus: Ending Inventory /		7,100 /	
Cost of Goods Sold /			41,500
Gross Profit /			19,000 /

16 x 1/2

(8)

(B) The following information related to Mona Company on December 31st, 2012(BD):

Gross profit	40,150	Salaries Expense	3,100
Depreciation Expense	1,200	Salaries Payable	800
Accumulated Depreciation	4,800	Carriage in	900
Supplies Used	600	Carriage out	500
Supplies	1,400	Commission Income	400
Insurance Expense	1,400	Interest Revenue	1,100
Rent Expense	6,600	Rent Accrued	600

Required:

Prepare the **Partial Income Statement** for the period ended December 31st 2012.

Mona Company
Income Statement
For the year ended 31st, December, 2012

Gross Profit			4,150 ✓
<u>Add: Other Revenue:</u>			
Commission Income			400 ✓
Interest Revenue			1,100 ✓
Total Revenue			41,650
<u>Less: Operating Expenses:</u>			
Depreciation Expense		1,200 ✓	
Supplies Used		600 ✓	
Insurance Expense		1,400 ✓	
Rent Expense		6,600 ✓	
Salaries Expense		3,100 ✓	
Carriage out		500 ✓	
Total Operating Expenses			13,400
Net Income /			28,250 ✓

12 x 1/2 (6)

QUESTION TWO: (6 Marks)**Choose the correct answer for each of the following questions:**

(1) A company purchased a machine, the related information are as follows:

Cost	25,000	Salvage value	2,000
Installation	300	Useful life	5 years
Date of Purchase	January 1, 2010		

The Acquisition cost for the machine is:

- **BD25,300**
- BD25,000
- BD24,700
- BD27,000

(2) If Manama Company purchased a new Truck at cost of BD10,000, Freight cost BD2,000 and the salvage value was estimated at BD5,000. The Depreciation Base equal:

- BD12,000
- BD17,000
- **BD7,000**
- BD5,000

(3) Kingdom Company bought a new bus, the related information are as follows:

Cost	20,000	Salvage value	3,000
Date of Purchase	April 1, 2010	Useful life	5 years

If the company is using the Straight Line Method the depreciation expense for the first year will be:

- BD5,400
- **BD2,550**
- BD4,000
- BD3,400

(4) Manama Company bought new van, the related information are as follows:

Cost	15,000	Salvage value	2,000
Date of Purchase	January 1, 2013	Useful life	4 years

Using the Straight Line Method the accumulated depreciation for the second year will be:

- BD6,500
- **BD3,250**
- BD9,750
- BD1,300

(5) Bahrain Service company has the following schedule for its new machine which has a cost price of BD50,000 useful life of 10 years and a salvage value of BD1,000.

Year	Calculation	Depreciation Expense	Accumulated Depreciation	Net Book Value
2013		4,900	4,900	???

If the company is using the straight line method, the net book value for the year 2013:

- **BD45,100**
- BD44,100
- BD45,000
- BD35,000

(6) At the beginning of the year 2013, Saad Trading's books shows the balance of BD50,000 for account receivables. On June 30, one of the debtors (Faisal Company) could not pay his debt of BD600. Assuming Saad Trading is using the direct write off method, the journal entry will be:

Date	Details	Debit	Credit
• June 30	Bad debt expense Account receivables	50,000	50,000
• June 30	Bad debt expense Provision for doubtful	600	600
• <u>June 30</u>	<u>Bad debt expense</u> <u>Account receivables</u>	<u>600</u>	<u>600</u>
• June 30	Account receivable Bad debt expense	600	600

QUESTION THREE: (13 Marks)

Manama Company bought a new Motor Van, relevant information is given below:

Cost price	BD40,000
Taxes	BD500
Insurance	BD1,000

Salvage value	BD4,000
Useful life	4 years
Date of purchase	May 1, 2010

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

$18 \times \frac{1}{2}$ (9)

Year	Calculation	Depreciation Expense	Accumulated Depreciation	Net Book Value
1	$41,500 \times 50\%$	20,750 /	20,750 /	20,750 /
2	$20,750 \times 50\%$	10,375 /	31,125 /	10,375 /
3	$10,375 \times 50\%$	5,188 /	36,313 /	5,187 /
4	$5,187 - 4,000$	1,187 /	37,500 /	4,000 /

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

$8 \times \frac{1}{2}$ (4)

General Journal			
Date	Details	Debit (BD)	Credit (BD)
2010	Depreciation Expense – Motor Van /	20,750 /	
	Accumulated Depreciation – Motor Van /		20,750 /
2011	Depreciation Expense – Motor Van /	10,375 /	
	Accumulated Depreciation – Motor Van /		10,375 /

QUESTION FOUR: (7 Marks)

The following aging schedule shows the percentage for uncollectible accounts receivable:

Age Group	Amount (BD)	Estimated Percentage of Uncollectible	Estimated Amount of Uncollectible (BD)
Less than 30 days	40,000	2%	800 /
31-60 days	62,000	8%	4,960 /
61-90 days	70,000	12%	8,400 /
Over 90 days	81,000	12%	9,720 /
Total	253,000		23,880 //

$6 \times \frac{1}{2}$ (3)

The Provision for Doubtful Debts shows a balance of BD18,000.

Required:

- 1- Compute the estimated amount of Provision in the space provided in the above table.
- 2- Prepare the adjusting entry needed to bring the provision for doubtful debts to the proper amount.

$4 \times \frac{1}{2}$ (2)

Date	Details	Debit (BD)	Credit (BD)
Dec. 31	Bad Debt Expense /	5,880 /	
	Provision for Doubtful Debts /		5,880 /

- 3- At the end of the year the company decided to write off Habib Company's balance of BD900 as uncollectible.

$4 \times \frac{1}{2}$ (2)

Date	Details	Debit (BD)	Credit (BD)
Dec. 31	Provision for Doubtful Debts /	900 /	
	Accounts Receivable – Habib Co. /		900 /

QUESTION FIVE: (10 Marks)

Complete the work sheet of **Najat Company**. for the year ended 31st December, 2012, using the following adjusting entries:

GENERAL JOURNAL

Date	Explanation	Debit (BD)	Credit (BD)
Dec. 31	Insurance Expense	300	
	Prepaid Insurance		300
Dec. 31	Salaries Expense	350	
	Salaries Payable		350
Dec. 31	Customer Advance	250	
	Service Revenue		250

Najat Company
Work Sheet

For the year ended 31st December, 2012

Account Title	Unadjusted Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Cash	10,000				10,000				10,000	
Account Receivable	5,700				5,700				5,700	
Prepaid Insurance	4,000		300		3,700				3,700	
Supplies	5,500				5,500				5,500	
Delivery Trucks	60,000				60,000				60,000	
Equipment	30,000				30,000				30,000	
Accounts Payable		12,350				12,350				12,350
Customer Advance		800	250			550				550
Capital		80,400				80,400				80,400
Drawings	600				600				600	
Service Revenue		26,400		250		26,650		26,650		
Rent Expense	2,200				2,200		2,200			
Salaries Expense	1,200		350		1,550		1,550			
Misc. Expense	200				200		200			
Insurance Expense	550		300		850		850			
Total	119,950	119,950								
Salaries Payable				350		350				350
Total			900	900	120,300	120,300	4,800	26,650	115,500	93,650
Net Income							21,850			21,850
Grand Total							26,650	26,650	115,500	115,500

END OF EXAM

Total = $40 \times \frac{1}{4} = 10$

(2)

(12)

(6)

(6)

(12)

(2)