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SECOND SEMESTER EXAM 2012/2013

MODEL ANSWERS

COURSE NAME: ACCOUNTING (2)

TRACK: التجاري وتوحيد المسارات

COURSE CODE: مح ٢١٢

TIME: 2 Hours

QUESTION ONE: (10 Marks)

Choose the correct answer for each of the following questions:

1) If Net Sales is BD20,000, Sales Returns is BD5,000, and sales discount is BD10,000 Gross sales is:

- a) BD80,000
 b) BD60,000
 c) BD20,000
 d) BD70,000

(5 x 2)

2) In straight line method of depreciation, residual value means:

- a) Acquisition cost
 b) Book Value
 c) Salvage Value
 d) Useful life

3) To calculate the provision under income statement approach, companies take percentage of:

- a) Net sales
 b) Account receivable
 c) Net income
 d) Net purchases

4) Gross Profit =

- a) Net Sales – Ending Inventory
 b) Net Sales – Cost of goods sold
 c) Total Revenue – Operating Expenses
 d) Gross Sales – Cost of purchases

5) Salaries payable is classified as a(n):

- a) Liability
 b) Asset
 c) Expense
 d) Revenue

QUESTION TWO: (22 Marks)

The following information related to Jassim Company (BD):

Opening Inventory	60,000	Purchase Discount	15,000
Sales	610,000	Closing Inventory	65,000
Sales Discounts	20,000	Interest Revenue	35,500
Freight out	75,000	Sales Returns	24,000
Purchases	240,000	Salaries Expense	80,000
Purchases Returns	21,000	Insurance Expense	11,000
Carriage in	9,000		

Jassim Company**Income Statement****For the period ended December 31st 2012**

<u>Revenue from Sales:</u>			
Sales		610,000	/
Less: Sales Returns	24,000	/	
Sales Discounts	20,000	/	44,000
Net Sales			566,000
<u>Cost of Goods Sold:</u>			
Opening Inventory		60,000	/
Purchases	240,000	/	
Purchases Returns	21,000	/	
Purchase Discount	15,000	/	
Net Purchases	204,000		
<u>Add: Expenses on Purchases:</u>			
Carriage in	9,000	/	
Cost of Purchases		213,000	
Cost of goods available for sale		273,000	/
Less: Ending Inventory		65,000	/
Cost of Goods Sold			208,000
Gross Profit			358,000
+ Interest Revenue			35,500
Total Revenue			393,500
<u>Operating Expenses:</u>			
Salaries Expense		80,000	/
Insurance Expense		11,000	/
Freight out		75,000	/
Total Operating Expenses			166,000
Net Income			227,500

QUESTION THREE: (17 Marks)

(A) Ahmed Company purchased a machine on January 1st 2010. Relevant information is given below:

Cost price	BD2,000
Installation Expense	BD200
Salvage value	BD500
Useful life	5 years

Required:

1- Complete the following depreciation schedule if the Straight Line Method is used:

Year	Calculation	Depreciation expense	Accumulated depreciation	Net book value
1	$\frac{1,700}{5}$	340	340	1,860
2	$\frac{1,700}{5}$	340	680	1,520
3	$1,700 \div 5$	340	1,020	1,180
4	$\frac{1,700}{5}$	340	1,360	840
5	$\frac{1,700}{5}$	340	1,700	500

$18 \times \frac{1}{2} = 9$

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

Date	Details	Debit (BD)	Credit (BD)
31 st Dec. 2010	Depreciation Expense	340	
	Accumulated Depreciation		340
31 st Dec. 2011	Depreciation Expense	340	
//	Accumulated Depreciation		340

$8 \times 1 = 8$

QUESTION FOUR: (15 Marks)

The following information has been taken from the books of Fawzi Trading on 31st October, 2012:

Account Receivable BD250,800
 Provision for doubtful debts BD4,200

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Period	Accounts Receivable (BD)	Provision	Amount of Provision (BD)
Less than one month	85,000	3%	<u>2,550</u> /
31-60 days past due	48,000	6%	<u>2,880</u> /
61-90 days past due	66,000	10%	<u>6,600</u> /
Over 90 days past due	51,800	10%	<u>5,180</u> /
Total	250,800		<u>17,210</u> /

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.

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Date	Details	Debit (BD)	Credit (BD)
October 31	Bad Debts Expense /	13,010 /	
/	Provision for Doubtful Debts /		13,010 /

- 3- On 31st December 2012, the company decided to write off Noor Company's balance of BD650 as uncollectible.

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Date	Details	Debit (BD)	Credit (BD)
December 31	Provision for Doubtful Debts /	650 /	
/	Accounts Receivable – Noor Company /		650 /

QUESTION FIVE: (15 Marks)

Thamer Co. accounting period ended on 31st December. The Trial Balance on 31st December, 2012 shows the following balances for selected accounts:

Accounts	Amount (BD)
Customer Advances	5,700
Rent Expense	900
Supplies	3,400

Adjustments:

- 1- Supplies on hand BD1,200.
- 2- 20% of the customer advances have been completed.
- 3- Advertising payable for the period BD600.

Required

Prepare the adjusting entries on December 31st, 2012.

GENERAL JOURNAL

Date	Explanation	Debit (BD)	Credit (BD)
December 31	Supplies Expense /	2,200 /	
/	Supplies /		2,200 /
December 31	Customer Advances /	1,140 /	
/	Service Revenue /		1,140 /
December 31	Advertising Expense /	600 /	
/	Advertising Payable /		600 /

QUESTION SIX: (21 Marks)

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

GENERAL JOURNAL

Date	Explanation	Debit (BD)	Credit (BD)
Dec. 31	Accounts Receivable	1,900	
	Sales		1,900
Dec. 31	Rent Expense	350	
	Prepaid Rent		350
Dec. 31	Accrued Interest Revenue	250	
	Interest Revenue		250

Note: The Ending Inventory on 31st December, 2012 was BD30,000.

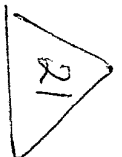
NOTICE: The Answers Contains 7 Pages

Nahla Trading Est.
Work Sheet

For the year ended 31st December, 2012

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42 x 1/2



Account Title	Unadjusted Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Cash	180,000				180,000				180,000	
Account Receivable	90,000		1,900		91,900				91,900	
Prepaid Rent	1,550			350	1,200				1,200	
Opening Inventory	65,000				65,000		65,000			
Trucks	134,480				134,480				134,480	
Equipment	77,300				77,300				77,300	
Accounts Payable		70,000				70,000				70,000
Capital		450,000				450,000				450,000
Drawings	2,000				2,000					2,000
Sales		144,600		1,900		146,500		146,500		
Sales Returns	5,600				5,600		5,600			
Purchases	113,420				113,420		113,420			
Purchases Returns		11,000				11,000		11,000		
Rent Expense	1,850		350		2,200		2,200			
Advertising Expense	4,400				4,400		4,400			
Total	675,600	675,600								
Accrued Interest Revenue			250		250					250
Interest Revenue				250		250		250		
Ending Inventory										
Net Loss									32,870	32,870
Total			2,500	2,500	677,750	677,750	190,620	190,620	520,000	520,000

(1)

(12)

END OF EXAM

(6)

(9)

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