



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

FIRST SEMESTER EXAM 2015/2016

MODEL ANSWERS

COURSE NAME: ACCOUNTING (2)

TRACK: توحيد المسارات

COURSE CODE: 212 محا

TIME: 2 Hours

QUESTION ONE:

(5 x 2)

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(A) Choose the correct answer for each of the following questions:

1. Which of the following part of the Income Statement will contain the amount of the **Carriage in**?

- Revenue from Sales.
- Operating Expenses.
- Other Revenues.
- **Cost of Purchases**

2. On January 1, 2013 a new machine was bought for BD45000. Its useful life was expected to be 10 years and the salvage value is expected to be BD 0. After four years of use, the company realized the asset would be useful for only three more years, (In other words, the total useful life of the asset will be seven years instead of the original 10 years.) The company uses the Straight-Line method of depreciation.

The Depreciation Expense in each of the first four years 2013, 2014, 2015 and 2016 will be:

- BD5400
- **BD4500**
- BD1125
- BD6428

3. The balance of supplies on 1st January 2014 was BD800. During the year BD600 was bought and the balance on hand on 31st December 2014 was BD200, so the supplies expense for the year was:

- BD1400
- BD600
- **BD1200**
- BD400

4. On a worksheet, the adjusted balance of the Prepaid Rent account is extended to:

- The Income Statement credit column.
- The Income Statement debit column.
- The Balance Sheet credit column.
- **The Balance Sheet debit column.**

/ ابراهيم سلمان

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* تعهد الاجابة الذكي والرصة

5. At the beginning of the year 2015, Mona Company's books shows the balance of BD35,000 for account receivables. On July 1, one of the debtors (Bader) could not pay his debt of BD1200. Assuming Mona Company is using the direct write off method, the journal entry will be:

- Debit Bad debts expense and credit Accounts Receivable.**
- Debit Allowance for doubtful debts and credit Accounts Receivable.
 - Debit Accounts Receivable and credit Bad debts expense.
- Debit Bad debts expense and credit Accounts Receivable.

- (B) From the following balances of Fatima Company, prepare the part of Cost of Goods Sold in the Income Statement (BD):

Purchases	19000
Carriage out	650
Import tax	540
Insurance on purchases	660
Purchases returns	1800

Purchases discounts	400
Opening Inventory	3100
Closing Inventory	2500
Wages Payable	1050
Rent Expense	350

Cost of Goods Sold:			
Opening Inventory			3100 ✓
Purchases		19000 ✓	
Less: Purchases returns	1800 ✓		
Purchases discounts	400 ✓	2200	
Net Purchases		16800	
Add: Expenses on Purchases:			
Import tax	540 ✓		
Insurance on purchases	660 ✓	1200	
Cost of Purchases			18000 ✓
Cost of goods available for sale			21100 ✓
Less: Closing Inventory			2500 ✓
Cost of Goods Sold			18600 ✓

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QUESTION TWO:

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Future Trading Company bought a new machine on 1st January 2013, relevant information is given below:

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Cost price	BD65000
Taxes	BD6500
Insurance	BD3200

Installation	BD800
Salvage value	BD8000
Useful life	4 years

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

Year	Calculation	Depreciation Expense	Accumulated Depreciation	Net Book Value
1	$75500 \times 50\%$	37750 /	37750 /	37750 /
2	$37750 \times 50\%$	18875 /	56625 /	18875 /
3	$18875 \times 50\%$	9438 /	66063 /	9437 /
4	$9437 - 8000$	1437 /	67500 /	8000 /

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

General Journal

Date	Details	Debit (BD)	Credit (BD)
2014	Depreciation Expense /	18875 /	
	Accumulated Depreciation /		18875 /
2015	Depreciation Expense /	9438 /	
	Accumulated Depreciation /		9438 /

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QUESTION THREE:

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

(7x2)

Age Group	Amount (BD)	Estimated Percentage of Uncollectible	Estimated Amount of Uncollectible (BD)
Not yet due	56000	2%	1120 /
1 – 30 days past due	34000	4%	1360 /
31 – 60 days past due	17000	10%	1700 /
61 – 90 days past due	8000	20%	1600 /
More than 90 days past due	10000	50%	5000 /
Total	125000 /		10780 /

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The Provision for Doubtful Debts shows a balance of BD3700.

Required:

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

Date	Details	Debit (BD)	Credit (BD)
31 st Dec.	Bad debts expense	7080	
	Provision for doubtful debts		7080

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- 3- At the end of the year the company decided to write off Eman's balance of BD850 as uncollectible, prepare the adjusting entry.

Date	Details	Debit (BD)	Credit (BD)
31 st Dec.	Provision for doubtful debts	850	
	Accounts receivable - Eman		850

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Allowance Alc. Rec

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QUESTION FOUR:

Noora Trading's accounting period ended 31st December, 2014. The Trial Balance on 1st January 2014 shows the following balances for selected accounts:

Accounts	Amount (BD)
Unearned rent revenue	6700
Salaries Expense	2600
Sales	13100
Accounts receivable	30700

The following adjustments were appeared on 31st December, 2014:

1. The earned Rent Revenue is BD2400.
2. Salaries payable BD900.
3. There is a credit sales invoice of BD1650, not recorded in the current year.

Required:

Make the necessary adjusting entries.

GENERAL JOURNAL

Date	Explanation	Debit (BD)	Credit (BD)
December 31	Unearned rent revenue /	2400 /	
	Rent revenue /		2400 /
December 31	Salaries Expense /	900 /	
	Salaries Payable /		900 /
December 31	Accounts Receivable /	1650 /	
	Sales /		1650 /

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QUESTION FIVE:

Complete the work sheet of **Hayat Cleaning Services**, for the year ended 31st December, 2015, using the following adjusting entries:

GENERAL JOURNAL

Date	Explanation	Debit (BD)	Credit (BD)
December 31	Customer Advances	750	
	Service Revenue		750
December 31	Insurance Expense	250	
	Prepaid Insurance		250
December 31	Supplies Expense	800	
	Supplies		800

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Hayat Cleaning Services

Work Sheet

For the year ended 31st December, 2015

2x1 (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	10900				10900				10900	
Account Receivable	6800				6800				6800	
Prepaid Insurance	3450			/ 250	3200				3200	
Supplies	2000			/ 800	1200				1200	
Cleaning equipment	15900				15900				15900	
Furniture	8800				8800				8800	
Accounts Payable		5200				5200				5200
Customer Advance		2150	/ 750			1400				1400
Capital		30500				30500				30500
Drawings	250				250				250	
Service Revenue		11650		/ 750		12400		12400		
Rent Expense	200				200		200			
Salaries Expense	700				700		700			
Insurance Expense	500		/ 250		750		750			
Total	49500	49500	/ 800	1800	800	49500	800	800	47050	37100
Supplies Expense			1800	1800	49500	49500	2450	12400	47050	37100
Total			6x1/2	(9)	6x1	(6)	9950	12400	47050	47050
Net Income							12400	12400		
Grand Total							12400	12400		

6x1/2 (3) 12x1/2 (6)

END OF EXAM