

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

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**FIRST SEMESTER EXAM 2017/2018**

**MODEL ANSWERS**

**COURSE NAME:** ACCOUNTING (2)

**TRACK:** توحيد المسارات

**COURSE CODE:** 212 محا

**TIME:** 2 Hours

**QUESTION ONE:**

**Choose the correct answer:**

**10 × 1**

**10**

- 1- A company had BD100 office supplies available on Jan 1 2015. During the year, the company purchased BD300 worth of office supplies. On Dec 31 2015 BD125 worth of office supplies remained on hand. How much should the company report as office supplies expenses for the year? **(State the steps of solution).**

- a) **BD275 ✓** /  
b) BD400  
c) BD400  
d) BD525

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درجة على الاختيار ودرجة  
على توضيح الحل

$$\text{Supplies Expense} = 100 + 300 - 125 = \text{BD275} \quad /$$

- 2- On Aug 31 2015 a company purchased a one year insurance policy for BD6,000 with a coverage starting immediately. IF the purchase was recorded prepaid insurance account and the company adjustments only at a year end. The adjusting at the end Dec 31 2015 is: **(State the steps of solution).**

درجة على الاختيار ودرجة  
على توضيح الحل

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- a) Debit prepaid insurance BD6,000, and Credit insurance expenses BD6,000.  
b) Debit insurance expenses BD6,000, and Credit prepaid insurance BD6,000.  
c) **Debit insurance expenses BD2,000, and Credit prepaid insurance BD2,000. ✓** /  
d) Debit prepaid insurance BD2,000, and Credit insurance expenses BD2,000.

$$\text{Insurance Expense} = 6000 \times (4 \div 12) = \text{BD2,000} \quad /$$

- 3- Unearned revenues is reported in the financial statement as:

- a) A revenue on the income statement.  
b) **A liability on the balance sheet. ✓** /  
c) An unearned revenue on the income statement.  
d) An asset on the balance sheet.

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- 4- Incurred but unpaid expenses that recorded expenses that are recorded during the adjusting process with a debit to an expense and a credit to a liability are:
- Prepaid Expense.
  - Unearned revenue.
  - Accrued Expense.** ✓ /
  - None of the above.
- 5- The difference between the original cost of an assets and the accumulated depreciation for that assets is called:
- Depreciation Expense.
  - Acquisition cost.
  - Depreciation base.
  - Net Book Value.** ✓ /
- 6- On Sept 30 2016, the company purchased a truck by cost for BD24000. It is estimated a salvage value BD2000 at the end of useful life 5 years. The company uses double declining balance method. The depreciation expenses for the first year 2016 is: (State the steps of solution).
- BD2400** ✓ /
  - BD9600.
  - BD3200
  - BD8800.
- درجة على الاختيار ودرجة على توضيح الحل
- Depreciation rate =  $(100 \div 5) \times 2 = 40\%$**   
**Depreciation Expenses =  $24000 \times (40\%) \times (3 \div 12) = \text{BD}2400$**  /
- 7- Beginning Inventory is classified after preparation the adjusted trial balance in the work sheet is:
- Debited to Income Statement.** ✓ /
  - Debited to Balance Sheet.
  - Credited to Income Statement.
  - Credited to Balance Sheet.



**QUESTION THREE:**

32×1/4

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On Jan 1 2014, Badreya Company purchased machines relevant information is given below:

Cost Price BD81,500

Freight Cost BD1,300

Insurance BD1,200

Salvage Value BD4,000

Useful Life 4 years

**Required:**

- a) **Compute acquisition cost and depreciation base, if the company uses straight - line method.**

$$\text{Acquisition Cost} = 81,500 + 1,300 + 1,200 = \text{BD}84,000. /$$

$$\text{Depreciation Base} = 84,000 - 4,000 = \text{BD}80,000. //$$

- b) **Complete the following table to find depreciation expense, accumulated depreciation and net book value for 4 years.**

| Year | Calculation  | Depreciation expense | Accumulated depreciation | Net book value |
|------|--------------|----------------------|--------------------------|----------------|
| 2014 | 80,000 ÷ 4 / | 20,000/              | 20,000/                  | 64,000/        |
| 2015 | 80,000 ÷ 4 / | 20,000/              | 40,000/                  | 44,000/        |
| 2016 | 80,000 ÷ 4 / | 20,000/              | 60,000/                  | 24,000/        |
| 2017 | 80,000 ÷ 4 / | 20,000/              | 80,000/                  | 4,000/         |

$$\text{Depreciation expense} = 80000 \times 25\% = \text{BD}20000.$$

تعطي درجة  
الشرط في قيد اليومية على  
البيان مع الرقم في حالة  
صحة الاثنین معا

\*الخطأ مترتب  
\*في حالة اخطأ الطالب في عمود  
Calculation, Depr Exp.  
تحسب له درجات عمودي  
Accumu Depr, N.B.V  
إذا كانت طريقة حساب الأرقام صحيحة.

- (c) **Prepare the journal entry for year 2015.**

| Date        | Explanation                   | Debit  | Credit |
|-------------|-------------------------------|--------|--------|
| Dec 31 2015 | Depreciation expense ////     | 20,000 |        |
|             | Accumulated depreciation //// |        | 20,000 |
|             |                               |        |        |



**QUESTION FOUR:**

8×1/2

4

Rashid Company had the following balances on Dec 31 2016.

Credit Sales BD70,000.

Account Receivable BD30,000.

The following transactions was occurred during Jan 2017:

Jan 1 : Estimated bad debt 10% of credit sales.

Jan 17: Wrote off Ebrahim's account receivable of BD1,600 as uncollectible.

Jan 31: Ebrahim won money and paid BD1,000 from his amount due which wrote off  
On Jan 17 2017.

**Required:**

Journalize the above transactions, if the company uses allowance method.

تعطي درجة  
الشرطه في قيد اليومية  
على البيان مع الرقم في  
حالة صحة الاثنين معا

Provision (allowance) for doubtful debts =  $70000 \times 10\% = \text{BD}7000$

| Date   | Explanation                                | Debit | Credit |
|--------|--|-------|--------|
| Jan 1  | Bad Debts Expenses /                       | 7,000 |        |
|        | Provision (allowance) for doubtful debts/  |       | 7,000  |
| Jan 17 | Provision (allowance) for doubtful debts / | 1,600 |        |
|        | Account Receivable- Ebrahim /              |       | 1,600  |
| Jan 31 | Account Receivable- Ebrahim /              | 1,000 |        |
|        | Provision (allowance) for doubtful debts / |       | 1,000  |
| Jan 31 | Cash /                                     | 1,000 |        |
|        | Account Receivable- Ebrahim /              |       | 1,000  |

36×1/2

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**QUESTION FIVE:**

You are required to complete the work sheet for AL Salam Company for the year ended on Dec 31 2016, using the following information:

- Ending inventory on Dec 31 2016 is BD7,500.
- There is a credit sales invoice of BD3,100 not recorded in the current year.

AL Salam Company  
Work Sheet

for the year ended on Dec 31 2016

| Account Title      | Unadjusted Trial Balance |                | Adjustments  |              | Adjusted Trial Balance |                | Income Statement |                | Balance Sheet  |                |
|--------------------|--------------------------|----------------|--------------|--------------|------------------------|----------------|------------------|----------------|----------------|----------------|
|                    | Debit                    | Credit         | Debit        | Credit       | Debit                  | Credit         | Debit            | Credit         | Debit          | Credit         |
| Cash               | 12,100                   |                |              |              | 12,100/                |                |                  |                | 12,100/        |                |
| Account Receivable | 3,900                    |                | 3,100/       |              | 7,000/                 |                |                  |                | 7,000/         |                |
| Inventory          | 4,000                    |                |              |              | 4,000/                 |                | 4,000/           |                |                |                |
| Machines           | 76,000                   |                |              |              | 76,000/                |                |                  |                | 76,000/        |                |
| Equipment          | 18,000                   |                |              |              | 18,000/                |                |                  |                | 18,000/        |                |
| Unearned Revenues  |                          | 11,000         |              |              |                        | 11,000/        |                  |                |                | 11,000         |
| Capital            |                          | 61,500         |              |              |                        | 61,500/        |                  |                |                | 61,500         |
| Sales              |                          | 215,000        |              | 3,100/       |                        | 218,100/       |                  | 218,100/       |                |                |
| Sales Return       | 13,000                   |                |              |              | 13,000/                |                | 13,000/          |                |                |                |
| Purchases          | 145,000                  |                |              |              | 145,000/               |                | 145,000/         |                |                |                |
| Freight In         | 1,500                    |                |              |              | 1,500/                 |                | 1,500/           |                |                |                |
| Wages Expense      | 6,200                    |                |              |              | 6,200/                 |                | 6,200/           |                |                |                |
| Rent Expense       | 7,800                    |                |              |              | 7,800/                 |                | 7,800/           |                |                |                |
| <b>Total</b>       | <b>287,500</b>           | <b>287,500</b> | <b>3,100</b> | <b>3,100</b> | <b>290,600</b>         | <b>290,600</b> | <b>7,500/</b>    | <b>7,500/</b>  | <b>120,600</b> | <b>120,600</b> |
| Ending inventory   |                          |                | /            |              | /                      |                |                  |                |                |                |
| <b>Total</b>       |                          |                |              |              |                        |                | <b>177,500</b>   | <b>225,600</b> | <b>120,600</b> | <b>72,500</b>  |
| Net Income         |                          |                |              |              |                        |                | <b>48,100</b>    | <b>/</b>       | <b>/</b>       | <b>48,100</b>  |
| <b>Grand Total</b> |                          |                |              |              |                        |                | <b>225,600</b>   | <b>225,600</b> | <b>120,600</b> | <b>120,600</b> |

END OF EXAM