QUESTION ONE:

MODEL ANSWERS

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Fajer Company bought a new machine on September 1, 2014. Relevant information is given below:

Cost price	BD15000
Import tax	BD430
Installation expense	BD170
Salvage value	BD3000
Useful life	5 years

Note: the financial period ending 31st December.

Required: By using the **Double Declining Method**, compute the following:

A- The Acquisition Cost.

$$15000 + 430 + 170 = BD15600$$



B- The Depreciation Expense for year 2014.

$$15600 \times 40\% \times 4/12 = BD2080$$



C- The Net Book Value for year 2014.

$$15600 - 2080 = BD13520$$



D- Prepare the journal entry for year 2014.

GENERAL JOURNAL

Date	Explanation	Debit	Credit
		(BD)	(BD)
December 31	Depreciation Expense – Machine /	2080	,
	Accumulated Depreciation – Machine	/	2080

عقدة (2) الأمتمان في ١ صفحات

QUESTION TWO:

Ahmed Company bought a new car on January 1, 2012. Relevant information is given below:

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Cost price	BD23000
Insurance expense	BD300
Scrap value	BD8000
Useful life	5 years

Required: By using the Straight Line Method. complete the following depreciation table:

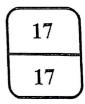
$$(18 \times 0.5)$$

Year	Calculation	Depreciation Expense	Accumulated Depreciation	Net Book Value
2012		3060 /	3060 /	20240 /
2013	/ //	3060 /	6120	17180 /
2014	23000+300 - 8000/5	3060	9180	14120
2015		3060	12240 /	11060 /
2016		3060	15300	8000

QUESTION THREE:

(A) The following balances were extracted from the books of Afnan Company on 31st December, 2014 (BD):

Net Sales	5600	Cost of goods sold	5800
Carriage in	700	Cost of purchases	4000
Carriage out	200	Rent Revenue	500
Rent Expense	400	Interest Revenue	1000



Required:

From the above balances, calculate the following:

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1	Gross loss	5600 - 5800 = (BD200)
2	Total Revenue	500 + 1000 = BD1500
3	Total Operating Expenses	200 + 400 = BD600
4	Net profit	(200) + 1500 - 600 = BD700

(B) Complete the items of the following partial Income Statement:

Rawan Company
Partial Income Statement
For the year ended 31st December, 2014

Tot the year chided 31 1	3000111001, 2011	
Cost of goods sold:		/
Opening Inventory		<u>158000</u>
Purchases	<u>81000</u>	
Minus: Purchase returns	1800	
Purchase Discounts	2700	
Net Purchases	76500	
Add: Expenses on purchases		
Freight in	1500	/
Cost of Purchases		78000
Cost of goods available for sale		80000
Minus: Ending Inventory		<u>15300</u>
Cost of goods sold		64700

"End of Exam Answers"

Good Luck

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