MODEL ANSWERS

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QUESTION ONE:

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 4

B- The Depreciation Expense for year 2014.

15600 × 40% × 4/12 = BD2080 4

C- The Net Book Value for year 2014.

15600 – 2080 = BD13520 3

D- Prepare the journal entry for year 2014.

GENERAL JOURNAL

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

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QUESTION TWO:

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

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 × 0.5)

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

QUESTION THREE:

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(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:

(16 × 0.5)

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

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

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

Cost of goods sold:		
Opening Inventory		**158000**
Purchases	**81000**	
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		**15300**
Cost of goods sold		64700

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"End of Exam Answers"

Good Luck

عبد الحميد حسين محمد السعيد
المعلم الأول للمواد التجارية