

QUESTION ONE:

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The following balances were extracted from the books of Sunshine Est. for the year ended 31st Dec. 2015.

Inventory	6000	Fright in expanse	950
Purchases	12500	Import Tax	250
Purchase returns	1400	Salaries expense	300
Purchase discount	500	Ending Inventory	?????
		Cost of goods sold	7400

Required: (24 × 0.5 = 12 Marks)

From the above information prepare a table to calculate the income statement.

Opening inventory /			6000 /
Purchases /		12500 /	
Less: Purchase Discount /	1400 /	-	
Purchase returns /	500 /	1900 /	+
Net Purchases /		10600 /	
Add: import tax /		250 /	
Fright In /		950 /	
Cost of Purchases /			11800 /
Cost of goods available for Sales /			17800 /
Less: closing inventory /			10400 //
Cost of goods sold /			7400 /

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QUESTION TWO:

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The following list of balances was extracted from the books of Star Trading Est. for the period ended 31st Dec. 2015.

Gross Profit	65,350	Import tax	800
Rent expense	2,000	Carriage in	1000
Rent Received	1,400	Fright out	500
Office Salaries	7,000	Supplies expense	600
Commission Income	950		

Required

Find the following: (show all your calculation)

(12 × 0.5 = 6 Marks)

Total revenue = 65350 + 1400 + 950 = BD 67,700

Total operating Expenses = 2000 + 7000 + 500 + 600 = BD 10,100

Net Income = 67,700 - 10,100 = BD 57,600

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QUESTION THREE:

Manama Company bought a new Motor on January 1, 2015. Relevant information is given below:

Cost price	BD 60000
Taxes	BD 500
Insurance	BD 4500

Salvage value	BD 5000
Useful life	4 years
Depreciation Rate	25%

By using the Double Declining Method, calculate Depreciation Expense, Accumulated Depreciation & Net Book Value for the four years using the following table: (24 × 0.5 = 12 Marks)

ملاحظة: في حالة استخدام الطالب Straight Line Method تخصم درجات الـ Calculation والباقي مترتب.

Year	Calculation	Depreciation Expense	Accumulated Depreciation	Net Book Value
2012	65000 × 50% //	32500 /	32500 /	32500 /
2013	32500 × 50% //	16250 /	48750 /	16250 /
2014	16250 × 50% //	8125 /	56875 /	8125 /
2015	8125 - 5000 //	3125 /	60000 /	5000 /

Prepare the necessary entries for the year 2012.

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Date	Explanation	PR	Debit (BD)	Credit (BD)
2012	Depreciation Expense /		32500 /	
	Accumulated depreciation /			32500 /

QUESTION FOUR:

Choose the correct answer for each of the following:

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A. Super Service company purchased new machine at a cost price of BD10,000 with installation cost BD300 and a useful life of 4 years and a salvage value of BD1,500 the Acquisition cost for the Machine =

- 10000
- 8800
- 10300
- 11500

(5 × 0.5 = 10 Marks)

(Use the following information to answer(B, C & D) If Moon company purchased a new Truck.

Cost	25000	Salvage value	5000	Useful life 5 Years
Freight	2000	Date of purchase	1 April 2015	

B. The depreciation base =

- 22000
- 27000
- 20000
- 25000

C. If the company is using the Straight Line Method the depreciation expense for the first year will be:

- 5500
- 1467
- 4400
- 3300

D. Using the Straight Line Method the accumulated depreciation for the second year:

- 8800
- 7700
- 5500
- 3300

E. Bahrain Service company has the following schedule for its new machine which was purchased on 1st January 2014 at a cost price of BD60,000 useful life of 10 years and a salvage value of BD1,000

Year	Calculation	Depreciation Expense	Accumulated Depreciation	Net Book Value
2014		5900	5900	?????

If the company is using the Straight Line Method, the net book value for the year 2014:

- 54100
- 58000
- 60000
- 65000

"End of Exam Answers"