KINGDOM OF BAHRAIN

Ministry of Education

مملكة البحرين

وزارة التربية والتعليم

Teacher's Guide

In Accounting 2

212محا

The Ministry of Education, Kingdom of Bahrain has decided to teach this book in secondary schools

Teacher's Guide in Accounting

Secondary Education

First Edition

2021

Authoring and Development
A specialized team from the Ministry of Education and specialists from the Kingdom of Bahrain

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THE KING OF THE KINGDOM OF BAHRAIN

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Content□

General :

: Vision and Message 10
: Introduction 11
: The Importance of the Guide 13
: Objectives of the Guide 14
: Vertically Connected Accounting 15
: Research Base for Accounting 18
: Program Philosophy 20
: Comprehensive Evaluation System 21
: Diversification of Education 24
: Education Plan 25
: 21st Century skills 26
: Teaching Plan 28

Chapter 1 :

: Perpetual Inventory System – Purchases 31
: Perpetual Inventory System – Sales 35
: Model Answer – Chapter 1 39

Chapter 2 :

: Periodic Inventory System – Purchases 49
: Periodic Inventory System – Sales 53
: Model Answer – Chapter 2 58

Chapter 3 :

: Accounting For Receivable- Part 1 65
: Accounting For Receivable- Part 2 67
: Accounting For Receivable- Part 3 70
: Model Answer – Chapter 3 73

Chapter 4 :

: Depreciation of Plant Assets – Straight – P1 84
: Depreciation of Plant Assets – Straight – P2 88
: Depreciation of Plant Assets –Declining – P1 91
: Depreciation of Plant Assets –Declining – P2 94
: Depreciation of Plant Assets – units of activity 96
: Model Answer – Chapter 4 101

Chapter 5 :

: Plant Assets Disposal 110
: Model Answer – Chapter 5 117

Chapter 6 :

: Income Statement for Merchandising Business 124
: Model Answer – Chapter 6 130

The vision of the accounting curriculum:

A curriculum that enhances belonging and consolidates the values of citizenship, by highlighting the role of financial and economic institutions, commercial projects, and production in the service of the national economy, and clarifying areas of commercial cooperation between the Arab Gulf states.

As well as providing students with accounting experiences and skills such as problem-solving, critical thinking, time management, financial statements analysis and feasibility study projects, and forming future visions about the various economic activities in the Kingdom of Bahrain and ways to enhance and develop them.

Accounting Curriculum Message:

- Building a conscious understanding of the Kingdom of Bahrain's Economic Vision 2030 and the goals of the economic development
- Focusing on the study of accounting and its practices in project management.
- Developing awareness of the importance of accounting and its role in serving the national economy.
- Developing problem-solving, decision-making and crisis-management skills
- Using strategies that develop thinking skills (creative, innovative)
- Promoting the use of comprehensive evaluation methods for developing higher-order thinking skills.
- Promoting the use the employment of information technology in the study of accounting.
- Emphasizing on the employment of 21st century skills in education, such as self-learning, leadership, effective communication, digital culture, and others.

Introduction:

Dear teachers,

We are pleased to present the teacher's guide to Accounting, hoping that it will be a guide for you in teaching the subject, and a supporter in evaluating students, in order to achieve the desired goals of teaching accounting.

The guide includes:

A) Introduction to the Accounting Series:

This introduction explains how to build the series scientifically and pedagogically, and highlights the focal points on which the curriculum focuses in this class. The philosophy of the horizontally balanced and vertically interconnected series, and the various teaching methods used in the guide, Assessment types, and their suggested tools, that take into account individual differences between students.

B) An overview of the chapter:

The course is divided into chapters. The teacher's guide begins in each chapter with an overview that includes an outline of the lessons and their objectives, the sources of their teaching, and the proposed time plan for teaching. Each lesson, then it introduces the vertical coherence of the topic of the chapter during class and other classes. He then provides support to the teacher through the chapter start page in the student's book, and how to benefit from them in presenting the topic of the chapter, as well as highlighting the purpose of the leaflets, their function and when to be use. Then it displays a calendar with its different types and various tools a chart of the calendar with its different types and its various tools.

C) Lessons:

This guide presents some suggested activities that take into account the individual differences between students, and in a variety of ways, and help the teacher in teaching each lesson. After that, the guide presents the lesson with specific steps, which are:

The Focus: Shows the correlation of key skills before, during and after the lesson.

Teaching: Provides suggestions for the teacher on how to teach the lesson, including the discussion questions and the suggested activities, and highlights the accounting content of the lesson topic, as well as suggests additional examples for the teacher.

Training: It includes various exercises according to the different levels of the students to achieve the objectives of the lesson.

Assessment: Provides suggestions for evaluating the lesson. It also includes ideas for the teacher to verify the extent to which students have comprehended the concepts and mastered the skills presented in the lesson. Moreover, the guide presents a mechanism for following up the handouts. In each lesson, the guide also provides answers to the questions and exercises.

D) Evaluation methods

The series provides a variety of methods for evaluating students (diagnostic, formative, and summative), and mechanisms for dealing with students' errors and difficulties.

As we present this guide to our fellow teachers, we hope that it will gain their interest, meet their requirements for teaching this course, and help them fulfill their targets.

The Importance of the Guide

Dear teacher, the importance of this guide is that it:

- guides you to, how to use multiple learning tools and resources.
- provides you with suggestions related to the teacher's usage of technology
- directs you how to apply various teaching strategies.
- provides you with clear procedures for how to carry out the learning activities.
- shows how to address issues that may arise during the lesson.
- directs you to use a variety of evaluation methods (cognitive - skill - emotional).
- directs you to how to link and integrate between the different parts of the an article.
- directs you to how to link and integrate between the material and other materials.
- guides you on how to identify common errors, and how to deal with them.
- includes guiding models for calendar methods.
- includes a list of educational and academic terms that you need while teaching the subject.
- includes a list of references, and some websites; to be used while it in teaching the subject.

Objectives of the guide

This guide aims to help you, dear teacher, in:

- teaching the curriculum effectively to achieve the desired goals within the framework of active learning
- organizing and managing effectively the multi-level classroom.
- forming an educational environment based on active learning that makes the learner the focus of the educational process and an active participant in the learning process.
- stimulating learners' motivation towards learning and creating a cooperative atmosphere among them.
- using of various educational means such as the general journal and methods of depreciation of fixed assets.
- putting the skill and emotional aspects when teaching accounting curricula.
- using a variety of multi-level evaluation methods.

Vertically Connected Accounting Approach
From Grade 11 to Grade 12

This series introduces you to three dimensions of vertical bonding:

1- **Content Design:**

Threading content is an important process that helps your students verify the exact sequence of content and its sequencing from one level to another. This gives you confidence that the content is delivered, reinforced, and assessed in a timely manner, also helps fill in the gaps and avoid unnecessary repetition, enabling you to direct and adapt your teaching to suit your needs.

2- **Teaching Design:**

The strong vertical correlation between the different teaching, methods starting from the first grade, makes it easier for students to move from the primary stage to the intermediate stage and to the secondary stage. Vocabulary, sensory techniques and aids, lesson plan and treatment reduce the factors of difficulty and confusion that some students encounter as they move through the different grades.

3- **Visual Design:**

The series pages have visual designs that are consistent from one grade to the next, helping students to move smoothly from one stage to the other, and to learn and succeed increases when they become familiar with the way they work with them.

The five keys to success

1- **Concept Maps of Previous Experiences:**

   The series considers conceptual maps and their development based on students' results in the business culture course.

2- **Balanced deep content:**

   The series has been developed to focus on the skills and topics that are faced at each grade level. Students with difficulties, such as solving.

   a) Grade 11 (Accounting 1- ACC, 111):

   - Accounting in Action
   - Analyzing and Journalizing Transactions
   - Posting Journal Entries and Preparing Trial Balance
   - Preparing Financial Statements
   - Adjusting the Accounts
   - Worksheet for Services Business

   b) Grade 12 (Accounting 2 – ACC,212):

   - Journal Entries for Merchandising Business -Perpetual Inventory System.
   - Journal Entries for Merchandising Business - Periodic Inventory System.
   - Accounting For Receivable
   - Depreciation of Plant Assets
   - Plant Assets Disposals
   - Income Statement for Merchandising Business

   c) Grade 12 (Accounting 3 – ACC,213):

   - Closing Process For Temporary Accounts
   - Inventories and Cost of Sales
   - Cash and Internal Control Bank Reconciliation
   - Cash and Internal Control Petty Cash system of Control.
   - Financial Statements Analysis

3- Continuous evaluation:

This series includes diagnostic, formative, and summative assessments, and remedial and enrichment plans.

4- Treatment plans and diversification of teaching:

The series provides a three-tiered treatment plan:

a) Daily Treatment:

Various alternatives are identified in the teacher's guide for teaching concepts according to different learning styles.

b) Strategic Treatment:

Teachers use remedial tips and support materials.

c) Intensive treatment:

Provides instructional guidance, supportive vocabulary, and remedial plans to help students succeed.

d) professional development:

The series provides many opportunities for the teacher to develop his professional performance, through additional teaching methods, such as video, computer accounting, and vertically interlinked websites from grade 11 to grade 12.

Research Base for Accounting Software

The continuous research with students, teachers, academics and experts helps build all mathematics programs from the first grade to the twelfth grade on solid foundations.

a) Software Development Research
   - National Standards Assessment
   - Qualitative research for the needs of the labor market
   - Research related to scientific content

b) Formative Research
   - Teaching research base
   - practice exams
   - teacher advisory committees
   - Academic reviewers and advisors

c) Final Research
   - Experimental indicators of program effectiveness
   - longitudinal studies
   - Program quality assessments

Preparing students for university studies and for the job market:

This series connects what students learn in secondary school with what they are expected to know when they start university.

How can undergraduate studies, be way better arranged for those considering studying at university?

A strong high school curriculum is a good indicator of college readiness, as students who study secondary school accounting books in this series are more prepared for university than those who have not.

The following are some aspects of preparation for the university study that he developed:

Mental Skills

They are necessary skills for learning content at the university level, and include: critical thinking, problem solving and justification, and every day students who study this series have opportunities to develop higher-order thinking skills.

Scientific Content

The secondary school textbooks of this series are consistent with accurate the international standards to suit university education and sustainable development goals in accordance to Bahrain Vision 2030.

General Skills

That include skills such as: reading comprehension, time management, note taking ... etc. This series provides opportunities to develop these skills through accounting reading guidelines, vocabulary links, prediction guides, and more.

What about students who do not plan to go to university?

Accounting in the modern world of technology is no longer restricted to students who attend universities. One of the studies showed that the training programs that a person who wants to get a job is undergoing requires that this person has a certain level of education in preparing daily entries, analyzing accounting operations, preparing final financial statements, adjusting entries, to be successful at ones job , and preparing balance sheets. Until he succeeds in his work.

Program philosophy:

The vertical connection of this series shows a balanced integration of education. This series provides students with a balanced accounting curve through:

- Developing, enhancing and mastering procedural and arithmetic skills.
- Real-life issues.
- The application of accounting in a solution

The sequence of topics in the three accounting books shows the development of the vertical interrelationship of the cognitive understanding and the procedural skills of accounting through the preparation of daily entries, methods of depreciation of fixed assets, methods of evaluating goods, final financial statements and analysis of financial statements.

Continuity of Education

The learning sequence that is described above illustrates the power of matching a desired outcome with success in algebra. This development process avoids gaps or overlaps between grade levels, and ensures that the concepts and skills of each grade are built on a solid foundation developed in the previous grades. The same direction is used across all tracks, starting from the eleventh to the twelfth grade.

Teaching Process Balance

- concepts
- skills
- solve problems

Problem Solving Strategy

Problem solving strategies help students learn different ways to tackle difficult problems

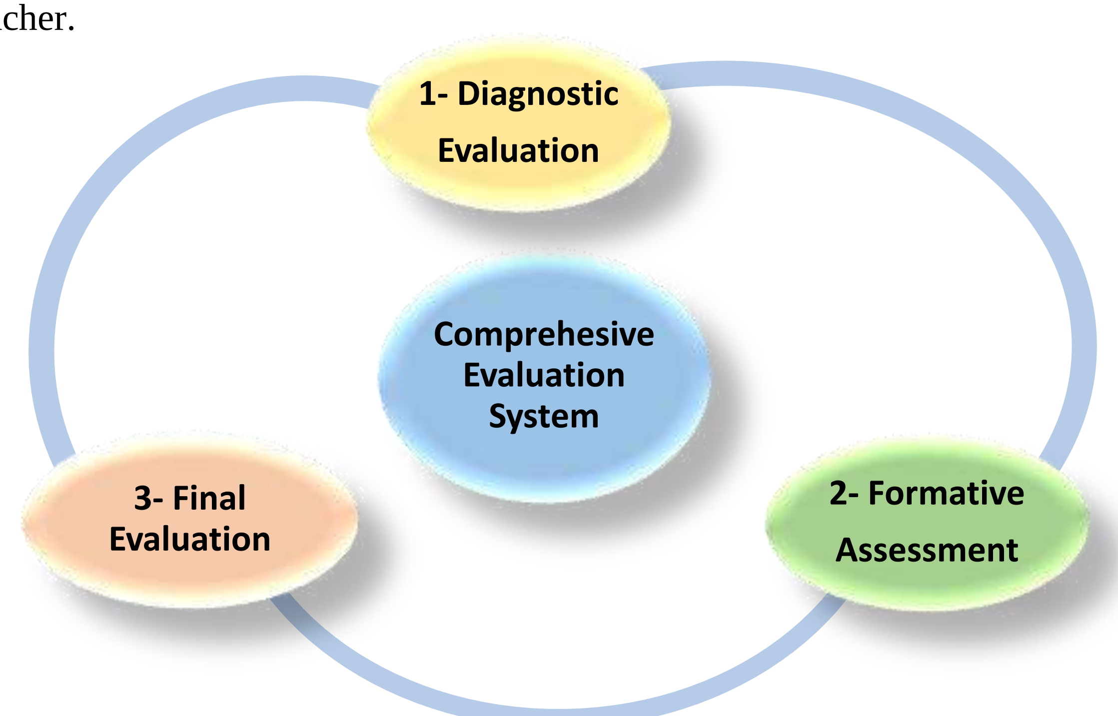
Higher Thinking Skills Problems

These problems require the use of higher-order thinking skills (analysis, Composition ...)

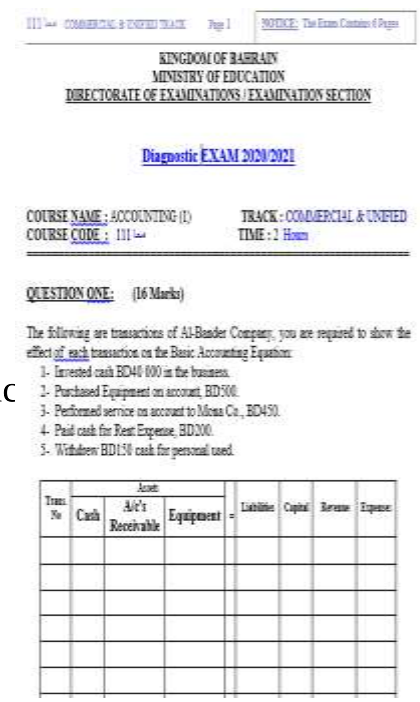
Comprehensive Evaluation System

Error handling

The series provides an on-going, meaningful assessment of student progress in the structure of the curriculum and in the supporting materials used by the teacher.



1 Diagnostic Evaluation


111 محا COMMERCIAL & UNIFIED TRACK Page 1 NOTICE: The Exam Contains 6 Pages

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

Diagnostic EXAM 2020/2021

COURSE NAME : ACCOUNTING (1) TRACK : COMMERCIAL & UNIFIED
COURSE CODE : 111 محا TIME : 2 Hours

QUESTION ONE: (16 Marks)

The following are transactions of Al-Bander Company, you are required to show the effect of each transaction on the Basic Accounting Equation:
1- Invested cash BD40 000 in the business.
2- Purchased Equipment on account, BD500.
3- Performed service on account to Mona Co., BD450.
4- Paid cash for Rent Expense, BD200.
5- Withdrew BD150 cash for personal used.

Trans. No	Assets			=	Liabilities	Capital	Revenue	Expense
	Cash	A/c's Receivable	Equipment					

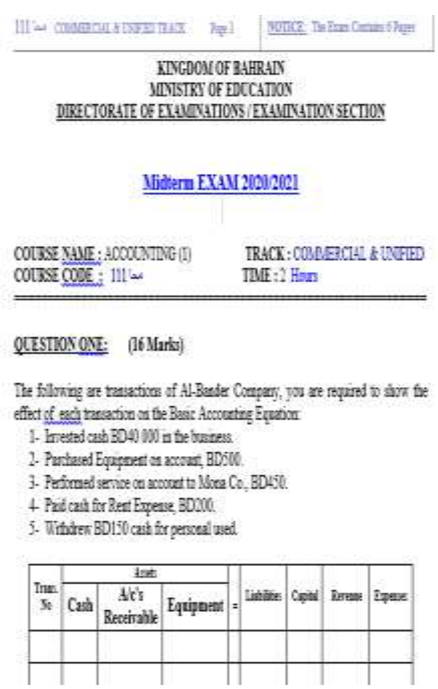
a) Preliminary Calendar

Assess your students' knowledge at the beginning of the academic year using diagnostic tests and placement tests. This will help you determine if your students will need additional learning materials and resources; to be able to align with the grade level standards.

b) Academic input level Assessment

Evaluate the knowledge prior to your application at the beginning of the chapter or lesson, using the resources in the Student's Book, the Teacher's Handbook, or any other resources you consider useful.

2 Formative assessment


111 محا COMMERCIAL & UNIFIED TRACK Page 1 NOTICE: The Exam Contains 6 Pages

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

Midterm EXAM 2020/2021

COURSE NAME : ACCOUNTING (1) TRACK : COMMERCIAL & UNIFIED
COURSE CODE : 111 محا TIME : 2 Hours

QUESTION ONE: (16 Marks)

The following are transactions of Al-Bander Company, you are required to show the effect of each transaction on the Basic Accounting Equation:
1- Invested cash BD40 000 in the business.
2- Purchased Equipment on account, BD500.
3- Performed service on account to Mona Co., BD450.
4- Paid cash for Rent Expense, BD200.
5- Withdrew BD150 cash for personal used.

Trans. No	Assets			=	Liabilities	Capital	Revenue	Expense
	Cash	A/c's Receivable	Equipment					

Formative Assessment

Monitoring Progress: Determine if your students are making adequate progress as they learn each lesson first, using the following types of assessment to vary the teaching and techniques:

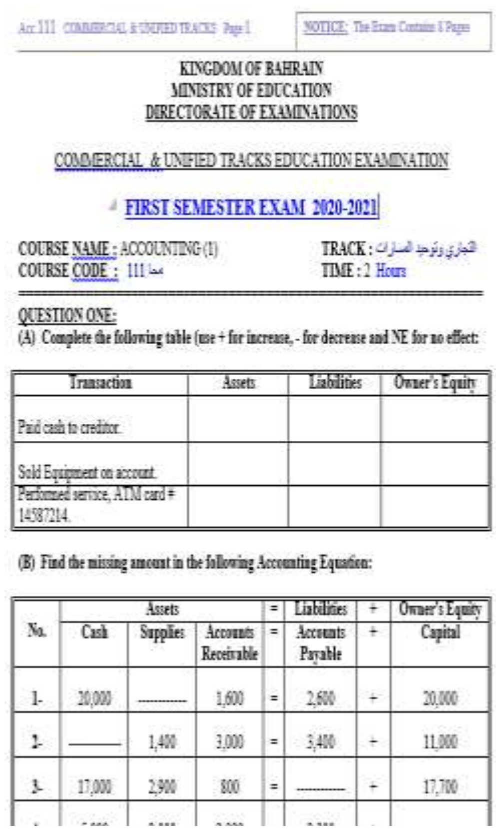
a) Student's Book

- Make sure you understand
- Mid-term exam
- Study and revision guide
- Brochures

b) Teacher's Guide

- Error handling

3 Final Evaluation


Acc 111 COMMERCIAL & UNIFIED TRACKS Page 1

NOTICE: The Exam Contains 8 Pages

KINGDOM OF BAHRAIN
MINISTRY OF EDUCATION
DIRECTORATE OF EXAMINATIONS

COMMERCIAL & UNIFIED TRACKS EDUCATION EXAMINATION

FIRST SEMESTER EXAM 2020-2021

COURSE NAME : ACCOUNTING (1) TRACK : التجاري وتوحيد المسارات
COURSE CODE : 111 محا TIME : 2 Hours

QUESTION ONE:
(A) Complete the following table (use + for increase, - for decrease and NE for no effect:

Transaction	Assets	Liabilities	Owner's Equity
Paid cash to creditor.			
Sold Equipment on account.			
Performed service, ATM card # 14587214.			

(B) Find the missing amount in the following Accounting Equation:

No.	Assets			=	Liabilities	+	Owner's Equity
	Cash	Supplies	Accounts Receivable	=	Accounts Payable	+	Capital
1-	20,000	----------	1,600	=	2,600	+	20,000
2-	______	1,400	3,000	=	3,400	+	11,000
3-	17,000	2,900	800	=	----------	+	17,700

Final Evaluation

Evaluate how successful your students are in learning each chapter using the following:

a) Student's Book

- End-of-Semester Exam
- Cumulative Standard Exam
- Research and Reports

b) Teacher's Guide

- Error handling

Diversification of Education

Meet the needs of students

The series provides broad support that takes into account individual differences among students. Each chapter and each lesson contains suggestions; To determine and meet the needs of your order. The diversification of education meets the needs of the following two groups:

- Below average student
- Above average student

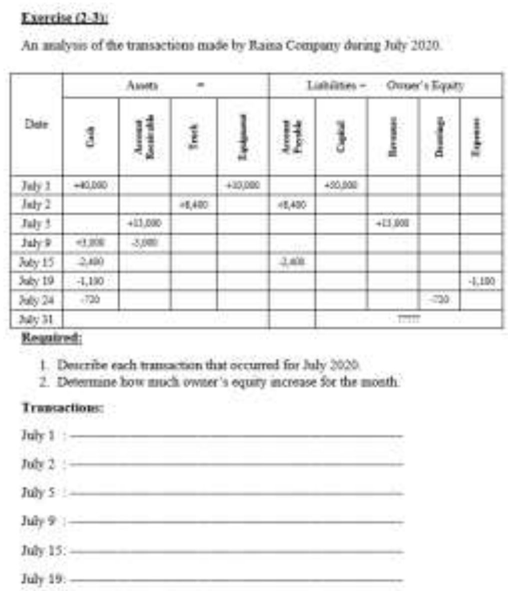
Advanced level students

Acceleration and Enrichment: The resources and homework that are rated for A-level students can be used with A-level students.

Multilevel question set

The homework for each lesson was varied according to the levels of the students:

- below average
- within average
- above average



Exercise (2-3):

An analysis of the transactions made by Raina Company during July 2020.

Date	Assets			=	Liabilities +	Owner's Equity			
	Cash	Account Receivable	Truck	Equipment	Account Payable	Capital	Revenues	Drawings	Expenses
July 1	+40,000			+10,000		+50,000			
July 2			+8,400		+8,400				
July 5		+13,000					+13,000		
July 9	+3,000	-3,000							
July 15	-2,400				-2,400				
July 19	-1,100								-1,100
July 24	-720							-720	
July 31							?????		

Required:

1. Describe each transaction that occurred for July 2020.
2. Determine how much owner's equity increase for the month.

Transactions:

July 1 : ______________________

July 2 : ______________________

July 5 : ______________________

July 9 : ______________________

July 15: ______________________

July 19: ______________________

Education Plan

The four-step education plan

Organize your education and include:

1- the focus
2- teaching
3- training
4- Evaluation

The Vertical Correlates at the beginning of each lesson outline the objectives that lead to the current lesson content and the objectives that follow, and which come within the scope and sequencer document from grades eleven to twelve.

Reinforcement questions

Each lesson contains some reinforcement questions to be used to help students investigate and understand the main ideas of the lesson.

Additional examples

Each additional example is a reflection of an example in the Student's Book.

Variations of homework

Formative calendar activities provide alternative methods; To determine the extent to which students understand at the end of each lesson, such as:

pre-learning

Students connect what they have learned in the current lesson with what they have learned previously.

Later learning

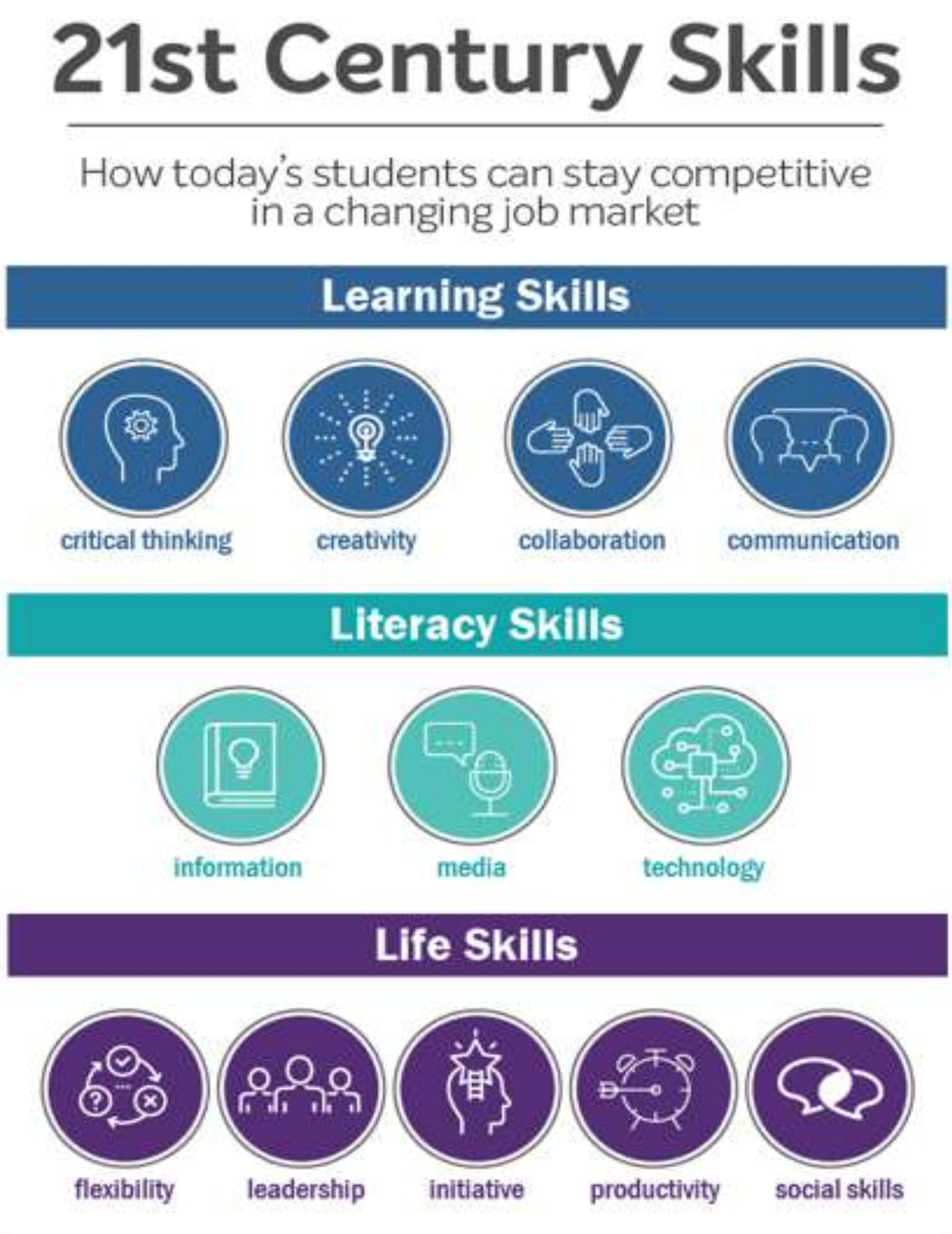
The student anticipates how the current lesson will relate to the next lesson

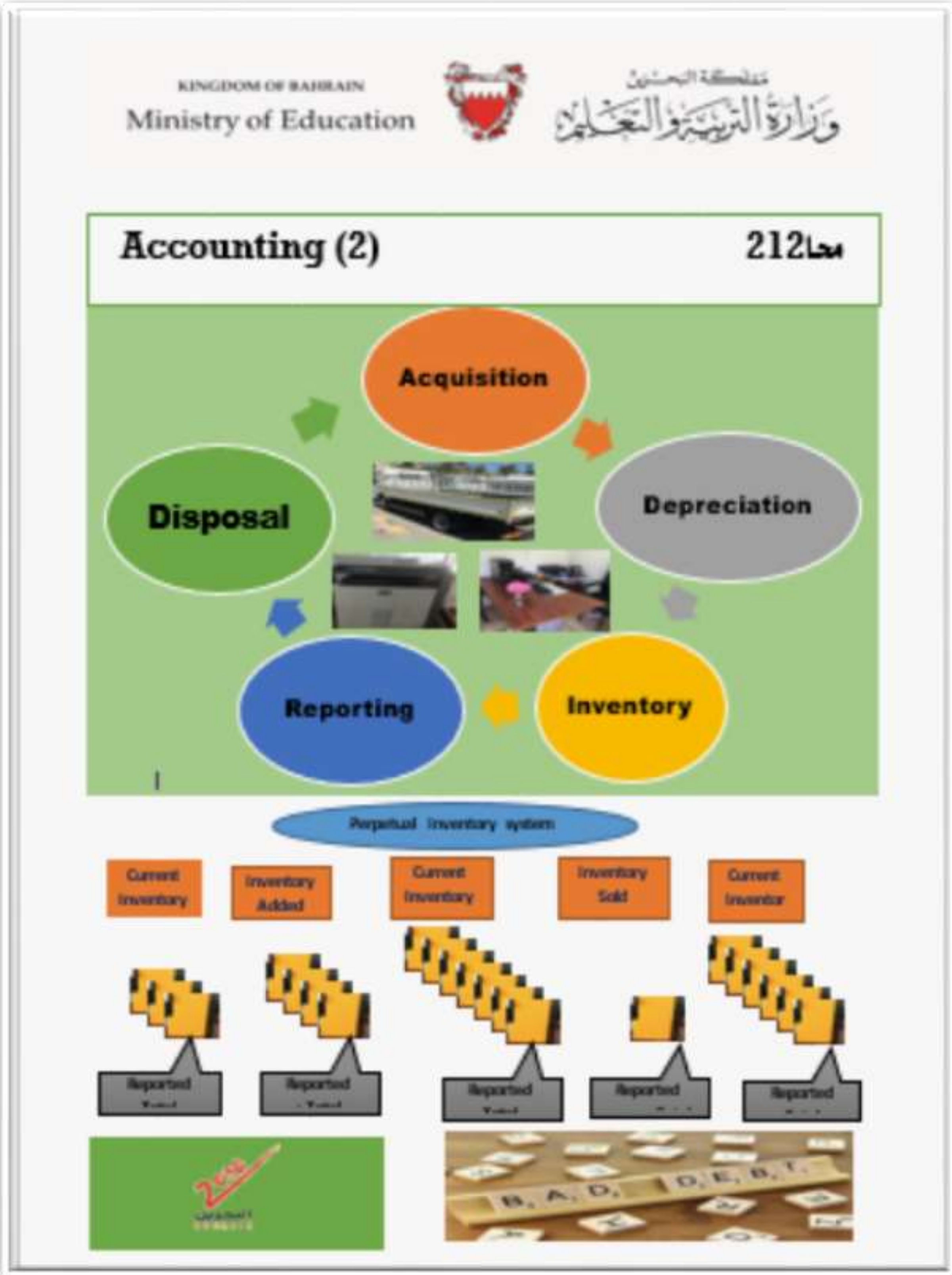
Nomenclature of Terms in Accounting

The students specify the accounting information used in the problem.

Exit Card

Students write the answer to the question on a sheet of paper that they turn over before you leave the classroom.



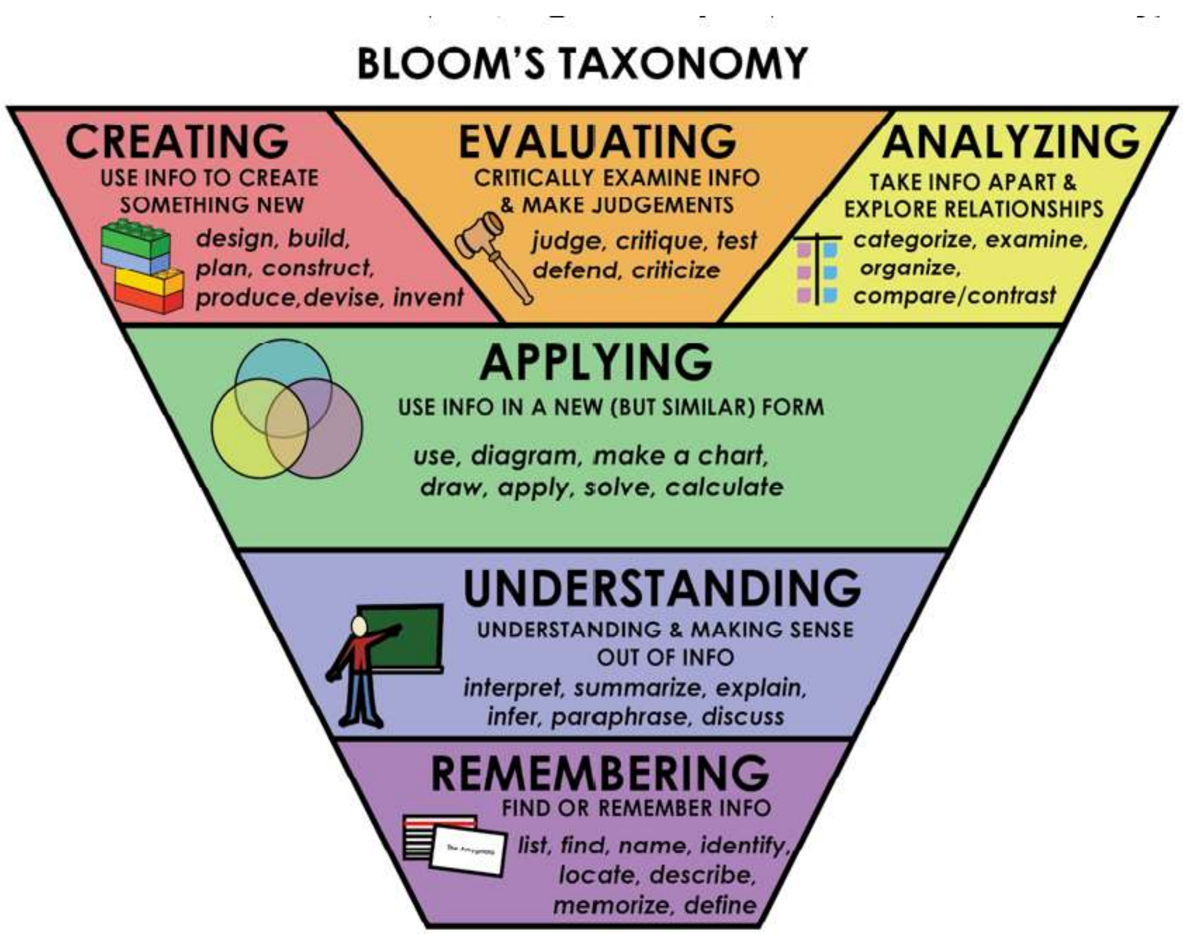


KINGDOM OF BAHRAIN
Ministry of Education
مملكة البحرين
وزارة التربية والتعليم
Accounting (2)
محا212
Acquisition
Depreciation
Inventory
Reporting
Disposal
Perpetual Inventory system
Current Inventory
Inventory Added
Current Inventory
Inventory Sold
Current Inventor

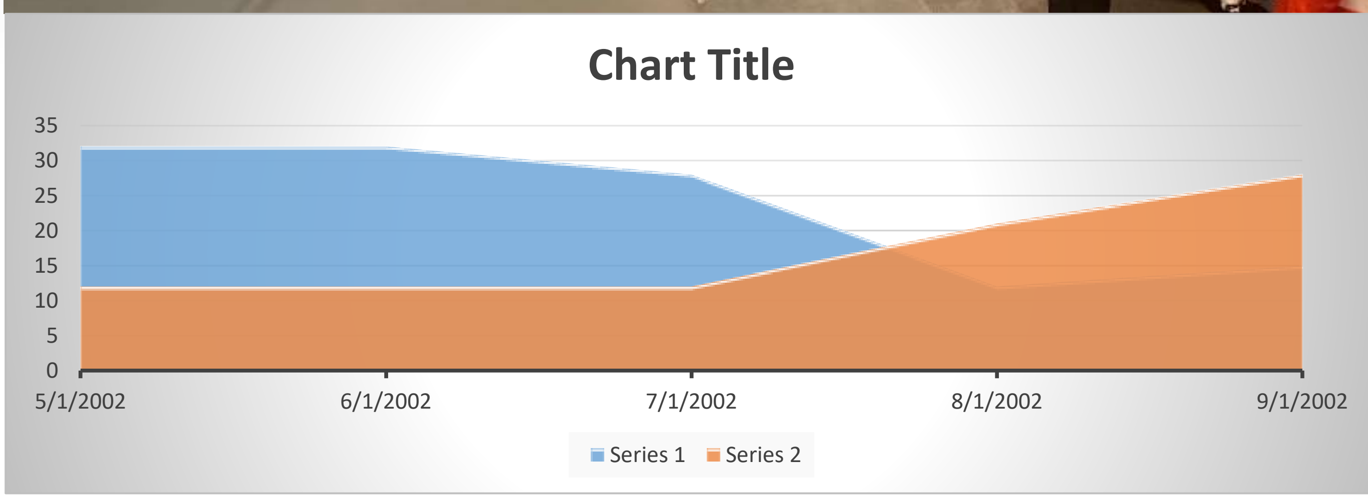
Teaching Plan

Acc 212	Chapter1	Chapter2	Chapter3	Chapter4	Chapter5	Chapter6
Title	Journal Entries for Merchandising Business - Perpetual Inventory System	Journal Entries for Merchandising Business - Periodic Inventory System	Accounting For Receivable	Depreciation of Plant Assets	Plant Assets Disposals	Income Statement for Merchandising Business
Studying Period	Two Weeks	Two Weeks	Two Weeks	Three Weeks	One Week	Two Weeks
Learning Objectives	1- Explain the purpose of accounting. 2- Identify the users of accounting. 3- Knowing the difference between bookkeeping and accounting. 4- Explain the Accounting Assumptions and Accounting Principles. 5- Classify the types of business and types of business ownership. 6- Know the steps of the accounting cycle.	1- Explain what an account is and how it helps in the recording process. 2- Explain the meaning of source documents. 3- Define debits, credits, and the meaning of double entry system. 4- Identify the basic steps in the recording process. 5- Explain what a journal is and how it helps in the recording process.	1-distinguish between the methods and bases companies use to value account receivable. 2-explain how companies prepare journal entry to recovering bad debts. 3-describe the entries to record the disposition of accounts receivable.	1- Explain the cost principle for computing the cost of plant assets. 2-Distinguish between revenues and capital expenditures. 3-Compute depreciation expense by using the straight line method. 4-Compute depreciation expense by using declining balance method. 5- Compute depreciation expense by using units of activity production method. 6- Explain depreciation for partial years and changes in estimates.	1- Revising Periodic Depreciation. 2- Distinguish between revenue and capital, and account for them. 3- Explain how to account for the disposal of a plant asset. 4- Compute periodic depletion of natural resources.	1-understand the content and format of the income statement. 2- Format of the income statement. 3-explain the computation and importance of net profit under a multiple –step income statement. 4-explain the computation and importance of cost of goods sold. 5-explain the computation and importance of net profit under a single – step income statement.
Basic Vocabulary	1-Perpetual Inventory System. 2- Goods in transit. 3- Purchases goods under perpetual. 4- Sales goods under perpetual.	1-Perpetual Inventory System. 2- Goods in transit. 3- Purchases goods under periodic. 4- Sales goods under periodic.	1- Bad Debts Expenses. 2- Allowance for doubtful accounts. 3- Write off bad debts. 4- Credit Card Sales.	1- Cost of plant assets. 2- Salvage Value 3- Useful Life. 4- Straight Line 5- Double declining 6- Unit of Activity.	1- Retired of plant assets. 2- Discarded of plant assets. 3- Sales of plant assets.	1- Income. 2- Expenses 3- Net Sales 4- COGS 5-Gross Profit.
Lesson Resources	1- Text book 2- Teacher's Guide 3- Activity Note Book 4- Digital Educational Lesson 5- YouTube Lesson	1- Text book 2- Teacher's Guide 3- Activity Note Book 4- Digital Educational Lesson 5- YouTube Lesson	1- Text book 2- Teacher's Guide 3- Activity Note Book 4- Digital Educational Lesson 5- YouTube Lesson	1- Text book 2- Teacher's Guide 3- Activity Note Book 4- Digital Educational Lesson 5- YouTube Lesson	1- Text book 2- Teacher's Guide 3- Activity Note Book 4- Digital Educational Lesson 5- YouTube Lesson	1- Text book 2- Teacher's Guide 3- Activity Note Book 4- Digital Educational Lesson 5- YouTube Lesson

Teaching Strategies	1- Brainstorming 2- Cooperative Education 3- Problem Solving 4- E-Learning 5- Peer evaluation	1- Brainstorming 2- Cooperative Education 3- Problem Solving 4- E-Learning 5- Peer evaluation	1- Brainstorming 2- Cooperative Education 3- Problem Solving 4- E-Learning 5- Peer evaluation	1- Brainstorming 2- Cooperative Education 3- Problem Solving 4- E-Learning 5- Peer evaluation	1- Brainstorming 2- Cooperative Education 3- Problem Solving 4- E-Learning 5- Peer evaluation	1- Brainstorming 2- Cooperative Education 3- Problem Solving 4- E-Learning 5- Peer evaluation
Necessary Tools	1- Text book 2- Activity Note Book 3- Calculator	1- Text book 2- Activity Note Book 3- Calculator	1- Text book 2- Activity Note Book 3- Calculator	1- Text book 2- Activity Note Book 3- Calculator	1- Text book 2- Activity Note Book 3- Calculator	1- Text book 2- Activity Note Book 3- Calculator
Techniques	1-Smart Interactive Whiteboard	1- Smart Interactive Whiteboard	1- Smart Interactive Whiteboard	1- Smart Interactive Whiteboard	1- Smart Interactive Whiteboard	1- Smart Interactive Whiteboard
Diversification of Education	Page (28-30- 32-34)	Page (49- 51- 53-55)	Page (67-69-74 -77-80)	Page (92- 96-102-104)	Page (112- 113-114 -137-138)	Page (128-130-131-135)
Student assessment methods	1- creative calendar 2- achievement files 3- Practical evaluation 4- self evaluation	1- creative calendar 2- achievement files 3- Practical evaluation 4- self evaluation	1- creative calendar 2- achievement files 3- Practical evaluation 4- self evaluation	1- creative calendar 2- achievement files 3- Practical evaluation 4- self evaluation	1- creative calendar 2- achievement files 3- Practical evaluation 4- self evaluation	1- creative calendar 2- achievement files 3- Practical evaluation 4- self evaluation
Assessment Strategies	1- Performance-based Assessment 2- Pencil and Paper 3- Reflection	1- Performance-based Assessment 2- Pencil and Paper 3- Reflection	1- Performance-based Assessment 2- Pencil and Paper 3- Reflection	1- Performance-based Assessment 2- Pencil and Paper 3- Reflection	1- Performance-based Assessment 2- Pencil and Paper 3- Reflection	1- Performance-based Assessment 2- Pencil and Paper 3- Reflection



Chapter (1): Journal Entries for Merchandising Business - Perpetual Inventory System



Chapter (1): Journal Entries for Merchandising Business - Perpetual Inventory System – Purchases Merchandise.

Teacher explain:

1- The normal balance of purchases, purchases Returns and purchases discount.
2- Count the discount period.

Lessons Notes

The Focus

Before the Lesson:

Teacher start sby introductory activity, to identify the difference between services and merchandise companies

The Lesson:

1-- Explain the recording of purchase goods under a perpetual inventory without cash discount.

2- Explain the recording of purchase goods under a perpetual inventory without cash discount.

After the Lesson:

*The student determine the normal balances of purchases, purchases returns and discount.

* Count the discount period.

Perpetual Inventory System

Perpetual Inventory system:

Companies keep detailed records of the cost of each inventory purchase and sale. These records continuously – perpetually – show the inventory that should be on hand for every item. Companies that sell products with fixed prices use perpetual inventory systems.

_A perpetual inventory system provides better control over inventories than a periodic inventory system (we will explain in chapter2). Since the inventory records show the quantities that should be on hand, the company can count the goods at any time to see whether the amount of goods actually on hand agrees with the inventory records. If shortages are uncovered, the company can investigate immediately.

Purchases goods for cash.

Illustration 1-2:

On Jan, 2 2020, Salman Company purchased merchandise from Raja Est, BD8,000 for cash. It was recorded in the general journal:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Jan, 2	Merchandise Inventory		8,000	
	Cash			8,000
	Purchase goods for cash			

Purchases goods on account without discount

Illustration 1-4:

On Jan, 7 2020, Salman Company purchased merchandise from Sultan Est, BD12,500 on account. It was recorded in the general journal:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Jan, 7	Merchandise Inventory		12,500	
	Account Payable- Sultan			12,500
	Purchase goods on account			

Illustration 1-5:

On Jan, 9 2020, Salman Company received refund from Sultan Est, BD500 for returned goods on account purchase of Jan, 7. It was recorded in the general journal:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Jan, 9	Account Payable- Sultan		500	
	Merchandise Inventory			500
	Returned purchase goods on account			

Illustration 1-6:

On Jan, 15 2020, Salman Company paid full due to Sultan Est, It recorded in the general journal:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Jan, 15	Account Payable- Sultan (12,500-500)		12,000	
	Cash			12,000
	Paid net purchases to creditor			

Study Instructions:
Remember that the Double entry system, which studied in Acc111

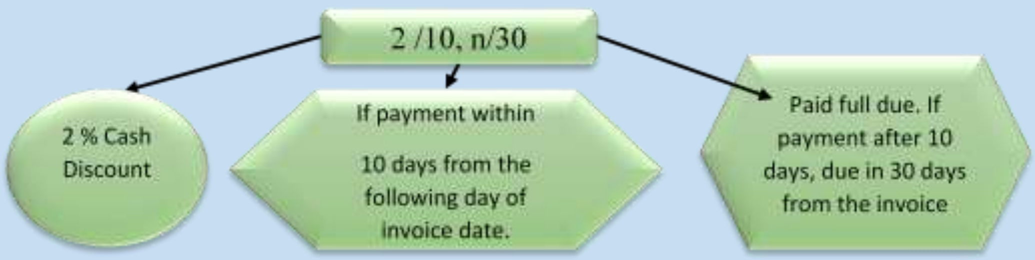
2- Teaching Reinforcement Question:
1-Ask the students to read pages (9-15) from text book.

3- Teaching Instruction:
*Explain to students illustration (1-2,3,4,5,6,7,8,9,10) pages 17-22 from textbook.
* Explain to student purchases goods without discount.

Purchases goods on credit with discount

Illustration 1-7:

On Jan, 16 2020, Salman Company purchased merchandise from Eman of BD20,600, terms 2/10, n/30. It was recorded in the general journal:



GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Jan, 16	Merchandise Inventory		20,600	
	Account Payable- Eman			20,600
	Purchases goods on account- terms 2/10,n/30			

Illustration 1-8:

On Jan, 17 2020, Salman Company received refund from Eman Est, BD600 for returned goods on account purchase of Jan, 16. It was recorded in the general journal:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Jan, 17	Account Payable - Eman		600	
	Merchandise Inventory			600
	Returned purchases goods on account			

Illustration 1-9:

On Jan, 23 2020, Salman Company paid full due to Eman Est, It was recorded in the general journal:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Jan, 23	Account Payable- Eman (20,600 - 600)		20,000	
	Merchandise Inventory (20,000 ×2%)			400
	Cash (20,000 – 400)			19,600
	Paid net purchases to creditor with cash discount (pay before 10 days)			

3- Teaching Instruction:

.

* Explain to student purchases goods with discount.
* Explain to student, method of count discount period.

Formative assessment:

Ask the students to solve exercises pages 32, 34(Text Book.)

- **Ask the student to use the following link to review the lesson:**

http://www.edunet.bh/e_content/level_3/stage_10/subject_ID_35/Part_3/lessons/CH-1-Perpetual-Inventory-System-Purchases/CH-1-Perpetual-Inventory-System-Purchases.pptx

Chapter Resources			
Resource	**Below Average**	**In Average**	**Over Average**
Teacher's Guide	Page 32 (1-1)	Page 32 (1-2)	Page 34 (1-6) tras# 1,6
Lesson Resources	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson
Extra Resources	Activity Notebook	Activity Notebook	Activity Notebook

Teaching with technology
Ask the student to use the link and QR for revision.

Chapter (1): Journal Entries for Merchandising Business - Perpetual Inventory System – Sales Merchandise.

Teacher explain the following:

1- Sales goods cash.
2- Sales goods on credit without discount.
3- Sales goods on credit with discount.

Sales goods and sales return for Cash

Illustration 1-11:

On Jan, 29 2020, Salman Company sold goods to customer Khalifa for BD25,000 cash. The cost of goods sold is BD24,100. It was recorded in the general journal:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Jan, 29	Cash		25,000	
	Sales			25,000
	Sales goods for cash			
Jan, 29	Cost of Goods Sold		24,100	
	Merchandise Inventory			24,100
	Cost of goods sold for cash			

Illustration 1-12:

On Jan 30 2020, Salman Company retuned goods from sales on Jan 29,of customer Khalifa for BD700 cash that had cost BD620. It was recorded the general journal:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Jan, 30	Sales Returns and Allowance		700	
	Cash			700
	Sales returns for cash			
Jan, 30	Merchandise Inventory		620	
	Cost of Goods Sold			620
	Cost of sale returns for cash			

Lesson Notes

The Focus

Before the Lesson:
Revision the transactions for purchases goods.

The Lesson:
1- Explain the recording of sales goods under a perpetual inventory without cash discount.
2- Explain the recording of sales goods under a perpetual inventory with cash discount.

After the Lesson:
The students should be able to prepare journal entries by using perpetual inventory system.

Sales goods on account without discount

Illustration 1-13:

On Jan, 30 2020, Salman Company sold goods to customer Hassan for BD32,000 on credit. The cost of goods sold is BD29,300. It was recorded in the general journal:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Jan, 30	Account Receivable - Hassan		32,000	
	Sales			32,000
	Sales goods for cash			
Jan, 30	Cost of Goods Sold		29,300	
	Merchandise Inventory			29,300
	Cost of goods sold for cash			

Illustration 1-14:

On Jan 31 2020, Salman Company retuned goods from sales on Jan 30 of customer Hassan for BD1000 that had cost BD890. It was recorded in the general journal.

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Jan, 31	Sales Returns and Allowance		1,000	
	Account Receivable - Hassan			1,000
	Sales returns on credit			
Jan, 31	Merchandise Inventory		890	
	Cost of Goods Sold			890
	Cost of sale returns on credit			

Illustration 1-15:

On Feb, 5 2020, Salman Company received full amount due from customer Hassan. It was recorded in the general journal:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Feb, 5	Cash (32,000 – 1,000)		31,000	
	Account Receivable - Hassan			31,000
	Received full due from debtor Hassan.			

2- Teaching Instructions:
Explain to student's illustration (1-11) to (1-19) pages 17-22 from textbook.

3- Studying Instructions:
Ask the student to read and discuss in a group (Cooperative Education Strategy)

for example (1-1) pages 28 to31 (Textbook)

Study Instructions: Remember the normal balances of sales, COGS, sales returns and discount.

Sales goods on account without discount

Illustration 1-16:

On Feb, 8 2020, Salman Company sold goods to customer Abdulla for BD40,800 on credit, terms 5/15, n/30. The cost of goods sold is BD38,700. It was recorded in the general journal:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Feb, 8	Account Receivable - Abdulla		40,800	
	Sales			40,800
	Sales goods on account, terms 5/15,n/30			
Feb, 8	Cost of Goods Sold		38,700	
	Merchandise Inventory			38,700
	Cost of goods sold on account			

Illustration 1-17:

On Feb, 9 2020, Salman Company retuned goods from sales on Feb 8,of customer Abdulla for BD800 cash that had cost BD710. It was recorded in the general journal:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Feb, 9	Sales Returns and Allowance		800	
	Account Receivable - Abdulla			800
	Sales returns on credit			
Feb, 9	Merchandise Inventory		710	
	Cost of Goods Sold			710
	Cost of sale returns on credit			

Illustration 1-18:

On Feb, 18 2020, Salman Company received full amount due from customer Abdulla. It was recorded in the general journal:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Feb, 18	Cash (40,000 – 2,000)		38,000	
	Sales Discount (40,000 ×5%)		2,000	
	Account Receivable – Abdulla (40,800 -800)			40,000
	Received full due from debtor Abdulla.			

2- Teaching Instructions:
*Explain to student's illustration (1-11) to (1-19) pages 17-22 from textbook.
* Ask the students to count discount period (Brainstorming)

3- Studying Instructions:
Ask the student to read and discuss in a group (Cooperative Education Strategy)for example (1-2) pages 28 to31 (Textbook)

Study Instructions:
Ask the student the benefit of payment during discount period for seller and buyer

- **Ask the student to use the following link to review the lesso**

http://www.edunet.bh/e_content/level_3/stage_10/subject_ID_35/Part_3/lessons/CH-1--Perpetual-Inventory-System-Sales/CH-1--Perpetual-Inventory-System-Sales.pptx

Teaching with technology
Ask the student to use the link and QR for revision.

Chapter Resources			
Resource	**Below Average**	**In Average**	**Over Average**
Teacher's Guide	Page 32 (1-3)	Page 33 (1-4)	Page 33 (1-5)
Lesson Resources	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson
Extra Resources	Activity Notebook	Activity Notebook	Activity Notebook

Formative assessment:

Ask the students to solve exercises pages 32-37 (Text Book.)

Final Assessment

The teacher must be used the following link to exercises solution for chapter 2.

C:\Users\710916418\Desktop\Teacher Guide\Chapter 2- Exercises Solution.pdf

Model Answer

Text Book Exercises

Exercises:

Exercise (1-1): Ahmed Company that uses the perpetual inventory system purchased merchandise for BD8,500 on May 25, 2020. Terms of the purchase were 2/10, n/30. The invoice was paid in full on June 4, 2020.

Required:

Prepare the journal entries to record these merchandise transactions.

Solution:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
May 24	Merchandise Inventory		8,500	
	Account Payable			8,500
June 4	Account Payable		8,500	
	Merchandise Inventory (8,500 ×2%)			170
	Cash (8,500 – 170)			8,330

Exercise (1-2):

Bader Company uses the perpetual inventory system and had the following transactions during October 2020:

Oct. 2: Purchased merchandise for BD5000. The seller credit terms are 4/10, n/30.

Oct. 6: Returned merchandise for BD300 worth of defective units on credit.

Oct. 8: Paid the amount due, less the returned items.

Required:

Prepare journal entries to record each of the preceding transactions.

Solution:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Oct. 2	Merchandise Inventory		5,000	
	Account Payable			5000
Oct. 6	Account Payable		300	
	Merchandise Inventory			300
Oct. 8	Account Payable (5000 – 300)		4,700	
	Merchandise Inventory (4,700 ×4%)			188
	Cash (4700 – 188)			4,512

Exercise (1-3):

ABC Company computer sales uses the perpetual inventory system and had the following transactions during December 2020.

Dec. 1: Sold merchandise on credit for BD6,000, to customer Asmaa, terms 2/10, n/30. The items sold had a cost of BD5,400.

Dec. 2: Purchased merchandise for cash BD2,100.

Dec. 5: Issued a credit memorandum for BD300 to Asmaa who returned merchandise purchased on Dec 1. The returned items had a cost of BD270.

Dec. 8: Received full amount due from customer Asmaa.

Required:

Prepare journal entries to record each of the previous transactions.

Solution:

GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
Dec. 1	Account Receivable - Asmaa		6,000	
	Sales			6,000
	Cost of Goods Sold		5,400	
	Merchandise Inventory			5,400
Dec. 2	Merchandise Inventory		2,100	
	Cash			2,100
Dec. 5	Sales Returns and Allowance		300	
	Account Receivable - Asmaa			300
	Merchandise Inventory		270	
	Cost of Goods Sold			270
Dec. 8	Cash (5700 – 114)		5586	
	Sales Discount (5,700 ×2%)		114	
	Account Receivable - Asmaa (6000-300)			5,700

Exercise (1-4):

Abdulla Company uses the perpetual inventory system and had the following sales transactions during April 2020:

April 2: Sold merchandise to Hassan Est, on credit for BD2,800, terms 1/15, n/60. The items sold had a cost of BD2,300.

April 5: Hassan Est, returned merchandise that had a selling price of BD400. The cost of the merchandise returned was BD370.

April 12: Hassan paid for the merchandise sold on April 2, taking appropriate discount earned.

Required:

Prepare the journal entries that Abdulla Company must make to record these transactions.

Solution:

GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
April 2	Account Receivable - Hassan		2,800	
	Sales			2,800
	Cost of Goods Sold		2,300	
	Merchandise Inventory			2,300
April 5	Sales Returns and Allowance		400	
	Account Receivable - Hassan			400
	Merchandise Inventory		370	
	Cost of Goods Sold			370
April 12	Cash (2400 – 24)		2,376	
	Sales Discount (2,400 ×1%)		24	
	Account Receivable - Hassan (2800-400)			2,400

Exercise (1-5):

Mariam's Bike Shop uses the perpetual inventory system and had the following transactions during the month of May 2020:

May 3: Sold merchandise to a customer Fatmah on credit for BD600, terms 2/10, n/30. The cost of the merchandise sold was BD450.

May 5: Sold merchandise to a customer for cash of BD425. The cost of the merchandise was BD275.

May 7: Sold merchandise to a customer Salah on credit for BD1,300, terms 2/10, n/30. The cost of the merchandise sold was BD980.

May 11: Received the amount due from a customer Fatmah, less any Appropriate discounts earned.

May 11: Customer Salah paid the amount due, less any Appropriate discounts earned.

Required:

Prepare the required journal entries that Mariam's Bike Shop must make to record these transactions.

Solution:

GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
May 3	Account Receivable - Fatmah		600	
	Sales			600
	Cost of Goods Sold		450	
	Merchandise Inventory			450
May 5	Cash		425	
	Sales			425
	Cost of Goods Sold		275	
	Merchandise Inventory			275
May 7	Account Receivable - Salah		1,300	
	Sales			1,300
	Cost of Goods Sold		980	
	Merchandise Inventory			980
May 11	Cash (600 – 12)		588	
	Sales Discount (600 ×2%)		12	
	Account Receivable – Fatmah			600
May 11	Cash (1300 – 26)		1,274	
	Sales Discount (1,300×2%)		26	
	Account Receivable – Salah			1,300

Exercise (1-6):

Prepare journal entries to record the following merchandising transactions of Dean Company, which applies the perpetual inventory system. Dean Company offers all of its credit sales to customers credit terms of 2/10, n/30.

March 01: Purchased merchandise from Awal Company for BD13,500 under credit term 1/10, n/25.

March 02: Sold merchandise to customer Ebrahim on credit for BD26,000. The cost of the merchandise sold was BD22,000.

March 05: Received an BD1,500 credit memorandum from Awal Company for the return merchandise purchased on March 1.

March 06: Paid full due to Awal Company.

March 13: Received the amount due from customer Ebrahim.

March 15: Sold merchandise to customer Alaa on credit for BD37,400. The merchandise sold had cost BD33,400.

March 16: Issued a credit memorandum BD1,400 to customer Alaa for return merchandise sold on March 15. The cost of the merchandise returned was BD950.

March 23: Received the balance due from customer Alaa within the customer Period.

Solution:

GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
March 1	Merchandise Inventory		13,500	
	Account Payable (Awal)			13,500
March 2	Account Receivable - Ebrahim		26,000	
	Sales			26,000
	Cost of Goods Sold		22,000	
	Merchandise Inventory			22,000
March 5	Account Payable (Awal)		1,500	
	Merchandise Inventory			1,500
March 6	Account Payable (Awal) (13500 - 1500)		12,000	
	Merchandise Inventory (12000×1%)			120
	Cash			11,880
March 13	Cash		26,000	
	Account Receivable - Ebrahim			26,000
March 15	Account Receivable - Alaa		37,400	
	Sales			37,400
	Cost of Goods Sold		33,400	
	Merchandise Inventory			33,400
March 16	Sales returns and Allowance		1,400	
	Account Receivable - Alaa			1,400
	Merchandise Inventory		950	
	Cost of Goods Sold			950
March 23	Cash (32,000 – 640)		31,360	
	Sales Discount (32,000×2%)		640	
	Account Receivable – Alaa (33,400 – 1,400)			32,000

Exercise (1-7):

Osama operates a new sportswear Est, on Jan 1, 2020. The following transactions were completed during Jan 2020.

Jan. 1: Purchased golf discs and bags for BD6,000 on account from Galaxy Company.

Jan. 2: Received credit memorandum from Galaxy Company for merchandise Returned BD200.

Jan. 5: Sold golf shirts on account to customer Essa for BD14,000. The cost of the merchandise sold was BD12,500.

Jan. 7: Retuned merchandise from customer Essa for BD800. That cost was BD600.

Jan. 10: Received the balance due from customer Essa.

Jan. 12: Sold merchandise to customers BD15,000 for cash. The cost of the merchandise sold was BD13,100.

Required:

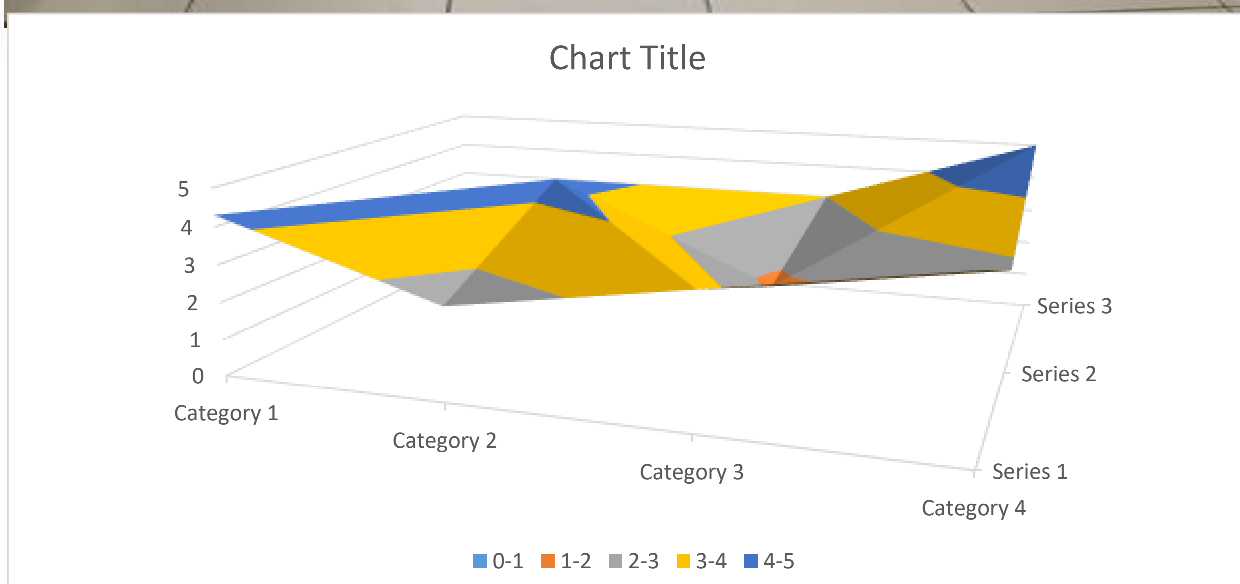
Prepare the required journal entries that Osama operates a new sportswear Est, must make to record these transactions. (Uses the perpetual inventory system)

Solution:

GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
Jan. 1	Merchandise Inventory		6,000	
	Account Payable (Galaxy)			6,000
Jan. 2	Account Payable (Galaxy)		200	
	Merchandise Inventory			200
Jan. 5	Account Receivable - Essa		14,000	
	Sales			14,000
	Cost of Goods Sold		12,500	
	Merchandise Inventory			12,500
Jan. 7	Sales returns and Allowance		800	
	Account Receivable - Essa			800
	Merchandise Inventory		600	
	Cost of Goods Sold			600
Jan. 10	Cash		14,200	
	Account Receivable (14000 – 800)			14,200
Jan. 12	Cash		15,000	
	Sales			15,000
	Cost of Goods Sold		13,100	
	Merchandise Inventory			13,100

Chapter (2): Journal Entries for Merchandising Business - Periodic Inventory System



Chapter (2): Journal Entries for Merchandising Business - Periodic Inventory System – Purchases Merchandise.

Teacher explain:

Lesson Notes

1- The difference between a perpetual and periodic Inventory system.
2- Journal entries for purchases goods cash.

Perpetual Inventory System

Periodic Inventory system:

In a periodic inventory system, companies do not keep detailed inventory records of the goods on hand throughout the period. Instead, they determine the cost of their inventory on hand at the end of the accounting period a physical inventory count.

Unlike the perpetual system, cost of goods sold under the periodic inventory system is not known at any point in time. Rather cost of goods sold will be known only at the end of the period after taking the physical count to the inventory on hand. Cost of goods sold is found according to this formula

Purchases goods for cash.

Illustration 2-1:

On Jan, 2 2020, Salman Company purchased merchandise from Raja Est, BD8,000 for cash. It was recorded in the general journal:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Jan, 2	purchases		8,000	
	Cash			8,000
	Purchase goods for cash			

The Focus

Before the Lesson:
Identify the difference between a perpetual and periodic inventory

The Lesson:
1- Explain the recording of purchase goods under a periodic inventory for cash.
2- Explain the recording of purchase goods under a periodic inventory on credit without and with cash discount.

After the Lesson:
*The student determine difference journal entries for purchases goods under perpetual and periodic inventory system.

Purchases goods on account without discount

Illustration 2-3:

On Jan, 7 2020, Salman Company purchased merchandise from Sultan Est, BD12,500 on account. It was recorded in the general journal:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Jan, 7	Purchases		12,500	
	Account Payable- Sultan			12,500
	Purchase goods on account			

Illustration 2-4:

On Jan, 9 2020, Salman Company received refund from Sultan Est, BD500 for returned goods on account purchase of Jan, 7. It was recorded in the general journal:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Jan, 9	Account Payable- Sultan		500	
	Purchases Returns and Allowance			500
	Returned purchase goods on account			

Illustration 2-5:

On Jan, 15 2020, Salman Company paid full due to Sultan Est, It recorded in the general journal:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Jan, 15	Account Payable- Sultan (12,500-500)		12,000	
	Cash			12,000
	Paid net purchases to creditor			

Study Instructions:
Remember that the Double entry system, which studied in

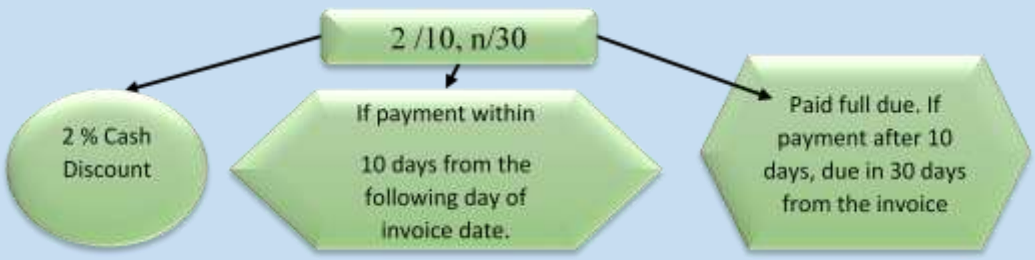
2- Teaching Reinforcement Question:
1-Ask the students to read pages (39-40) from text book.

3- Teaching Instruction:
*Explain to students illustration (2-1,2,3,4,5,6,7,8,9) pages 40- 44 from textbook.
* Explain to student purchases goods without discount.

Purchases goods on credit with discount

Illustration 2-6:

On Jan, 16 2020, Salman Company purchased merchandise from Eman of BD20,600, terms 2/10, n/30. It was recorded in the general journal:



GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Jan, 16	Purchases		20,600	
	Account Payable- Eman			20,600
	Purchases goods on account- terms 2/10,n/30			

Illustration 2-7:

On Jan, 17 2020, Salman Company received refund from Eman Est, BD600 for returned goods on account purchase of Jan, 16. It was recorded in the general journal:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Jan, 17	Account Payable - Eman		600	
	Purchases Returns and Allowance			600
	Returned purchases goods on account			

Illustration 2-8:

On Jan, 23 2020, Salman Company paid full due to Eman Est, It was recorded in the general journal:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Jan, 23	Account Payable- Eman (20,600 - 600)		20,000	
	Purchases Discount (20,000 ×2%)			400
	Cash (20,000 – 400)			19,600
	Paid net purchases to creditor with cash discount (pay before 10 days)			

3- Teaching Instruction:

.

* Explain to student purchases goods with discount.
* Explain to student, method of count discount period.

Chapter Resources			
Resource	**Below Average**	**In Average**	**Over Average**
Teacher's Guide	Page 53 (2-1)	Page 53 (2-2)	Page 34 (2-6) tras# 1,5,6
Lesson Resources	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson
Extra Resources	Activity Notebook	Activity Notebook	Activity Notebook

Formative assessment:

Ask the students to answer exercises (2-1,2) pages 53 (Text Book.)

Chapter (2): Journal Entries for Merchandising Business - Periodic Inventory System – Sales Merchandise.

Teacher explain the following:

1- Sales goods cash.
2- Sales goods on credit without discount.
3- Sales goods on credit with discount.

Sales goods and sales return for Cash

Illustration 2-10:

On Jan, 29 2020, Salman Company sold goods to customer Khalifa for BD25,000 cash. **The cost of goods sold is BD24,100**. It was recorded in the general journal:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Jan, 29	Cash		25,000	
	Sales			25,000
	Sales goods for cash			

Illustration 2-11:

On Jan 30 2020, Salman Company retuned goods from sales on Jan 29,of customer Khalifa for BD700 cash **that had cost BD620**. It was recorded the general journal:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Jan, 30	Sales Returns and Allowance		700	
	Cash			700
	Sales returns for cash			

Notes: We cannot use the cost of goods sold under periodic inventory system.

Lessons Notes

The Focus

Before the Lesson:
Revision the transactions for purchases goods.

The Lesson:
1- Explain the recording of sales goods under a perpetual inventory without cash discount.
2- Explain the recording of sales goods under a periodic inventory with cash discount.

After the Lesson:
The students should be able to compare between journal entries for sales good under perpetual and periodic inventory system.

Sales goods on account without discount

Illustration 2-12:

On Jan, 30 2020, Salman Company sold goods to customer Hassan for BD32,000 on credit. **The cost of goods sold is BD29,300**. It was recorded in the general journal:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Jan, 30	Account Receivable - Hassan		32,000	
	Sales			32,000
	Sales goods for cash			

Illustration 2-13:

On Jan 31 2020, Salman Company retuned goods from sales on Jan 30 of customer Hassan for BD1000 **that had cost BD890**. It was recorded in the general journal.

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Jan, 31	Sales Returns and Allowance		1,000	
	Account Receivable - Hassan			1,000
	Sales returns on credit			

Illustration 2-14:

On Feb, 5 2020, Salman Company received full amount due from customer Hassan. It was recorded in the general journal:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Feb, 5	Cash (32,000 – 1,000)		31,000	
	Account Receivable - Hassan			31,000
	Received full due from debtor Hassan.			

2- Teaching Instructions:
Explain to student's illustration (2-10) to (2-14) pages 45-47 from textbook.

3- Studying Instructions:
Ask the student to read and discuss in a group (Cooperative Learning Strategy)

for example (2-1) pages 49 to50 (Textbook)

Study Instructions: No need to use COGS in the sales journal entries under periodic system.

Sales goods on account without discount

Illustration 2-15:

On Feb, 8 2020, Salman Company sold goods to customer Abdulla for BD40,800 on credit, terms 5/15, n/30. **The cost of goods sold is BD38,700**. It was recorded in the general journal:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Feb, 8	Account Receivable - Abdulla		40,800	
	Sales			40,800
	Sales goods on account, terms 5/15,n/30			

Illustration 2-16:

On Feb, 9 2020, Salman Company retuned goods from sales on Feb 8,of customer Abdulla for BD800 **cash that had cost BD710**. It was recorded in the general journal:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Feb, 9	Sales Returns and Allowance		800	
	Account Receivable - Abdulla			800
	Sales returns on credit			

Illustration 2-17:

On Feb, 18 2020, Salman Company received full amount due from customer Abdulla. It was recorded in the general journal:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Feb, 18	Cash (40,000 – 2,000)		38,000	
	Sales Discount (40,000 ×5%)		2,000	
	Account Receivable – Abdulla (40,800 -800)			40,000
	Received full due from debtor Abdulla.			

2- Teaching Instructions:

*Explain to student's illustration (2-15) to (2-17) pages 47-48 from textbook.

* Ask the students to count discount period (Brainstorming)

3- Studying Instructions:

Ask the student to read and discuss in a group (Cooperative Learning Strategy) for example (2-2) pages 51 to52 (Textbook)

Study Instructions: Ask the student , which system perpetual or periodic prefer and why?

Chapter Resources			
Resource	**Below Average**	**In Average**	**Over Average**
Teacher's Guide	Page 53 (3-3)	Page 54 (2-4)	Page 54 (2-5)
Lesson Resources	1- Text book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson	1- Text book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson	1- Text book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson
Extra Resources	Activity Notebook	Activity Notebook	Activity Notebook

Formative assessment:

Ask the students to answer exercises pages 53-56 (Text Book.)

Model Answers

Text Book Exercises

Exercises:

Exercise (2-1):

On February 5, 2020, Salma Company that uses a periodic inventory system sold merchandise for BD22,000 to customer Ayman, terms of the sales were 1/15, n/25. On February 7, 2020, customer Ayman returned merchandise for BD2,000. Salma received in full due from customer Ayman on February 9, 2020.

Required:

Prepare the journal entries to record these merchandise transactions.

Solution:

GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
Feb. 5	Account Receivable - Ayman		22,000	
	Sales			22,000
Feb. 7	Sales Returns and Allowance		2,000	
	Account Receivable - Ayman			2,000
Feb. 9	Cash		19,800	
	Sales Discount (20,000 × 1%)		200	
	Account Receivable – Ayman (22,000 – 2,000)			20,000

Exercise (2-2):

Majda Est, uses a periodic inventory system and had the following transactions during June 2020:

June 3: Purchased merchandise for BD9,800 with credit terms are 1/15, n/30.

June 7: Returned purchased merchandise for BD800 on credit.

June 9: Paid the amount due, less the returned items.

June 10: Purchased merchandise BD3,200 for cash.

Required:

Prepare journal entries to record each of the preceding transactions.

Solution:

GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
June 3	Purchases		9,800	
	Account Payable			9,800
June 7	Account Payable		800	
	Purchases Returns and Allowance			800
June 9	Account Payable (9,800 – 800)		9,000	
	Purchases Discount (9000 ×1%)			90
	Cash (9000 - 90)			8,910
June 10	Purchases		3,200	
	Cash			3,200

Exercise (2-3):

Mai Company Electronic sales uses a periodic inventory system and had the following transactions during November 2020.

Nov. 1: Sold merchandise on credit for BD7,400, to customer Jassim, terms 4/10, n/20.

Nov. 2: Purchased merchandise for cash BD3,300.

Nov. 5: Issued a credit memorandum for BD400 to customer Jassim, who returned merchandise purchased on Nov 1.

Nov. 8: Received full amount due from customer customer Jassim.

Required:

Prepare journal entries to record each of the previous transactions.

Solution:

GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
Nov. 1	Account Receivable - Jassim		7,400	
	Sales			7,400
Nov. 2	Purchases		3,300	
	Cash			3,300
Nov. 5	Sales Returns and Allowance		400	
	Account Receivable - Jassim			400
Nov. 8	Cash		6,720	
	Sales Discount (7,000 × 4%)		280	
	Account Receivable – Jassim (7,400 – 400)			7,000

Exercise (2-4):

Raja Company uses a periodic inventory system and had the following sales transactions during July 2020:

July 1: Sold merchandise to Dana Est, on credit for BD8,000, terms 2/10,n/30.

July 4: Dana Est, returned merchandise that had a selling price of BD400.

July 7: Dana paid for the merchandise purchased on July 1, taking appropriate discount earned.

Required:

Prepare the journal entries that Raja Company must make to record these transactions.

Solution:

GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
July 1	Account Receivable - Dana		8,000	
	Sales			8,000
July 4	Sales Returns and Allowance		400	
	Account Receivable - Dana			400
July 7	Cash		7448	
	Sales Discount (7,600 × 2%)		152	
	Account Receivable – Dana (8,000 – 400)			7,600

Exercise (2-5):

Khoola's Shop uses a periodic inventory system and had the following transactions during the month of August 2020:

Aug. 1: Sold merchandise to a customer Hala on credit for BD3,600, terms 1/15, n/60.

Aug. 4: Sold merchandise to a customer for cash of BD5,100.

Aug. 8: Sold merchandise to a customer Zainab on credit for BD9,200, terms 2/10, n/30.

Aug. 9: Received the amount due from a customer Hala, less any appropriate discounts earned.

Aug. 12: Customer Zainab paid the amount due, less any Appropriate discounts earned.

Required:

Prepare the required journal entries that Khoola's Shop must make to record these transactions.

Solution:

GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
Aug. 1	Account Receivable - Hala		3,600	
	Sales			3,600
Aug. 4	Cash		5,100	
	Sales			5,100
Aug. 8	Account Receivable - Zainab		9,200	
	Sales			9,200
Aug. 9	Cash		3,564	
	Sales Discount (3,600 × 1%)		36	
	Account Receivable –Hala			3,600
Aug. 12	Cash		4,998	
	Sales Discount (5,100 × 2%)		102	
	Account Receivable – Zainab			5,100

Exercise (2-6):

Prepare journal entries to record the following merchandising transactions of Nada Company, which applies a periodic inventory system. Nada Company offers all of its credit sales to customers credit terms of 1/15, n/60.

Sept. 1: Purchased merchandise from Ranah Company for BD39,000 under credit term 2/10, n/20.

Sept. 2: Sold merchandise to Wafa Est, on credit for BD21,000.

Sept. 5: Received an BD 2,000 credit memorandum from Ranah Company for the return merchandise purchased on Sept. 1.

Sept. 6: Paid full due to Ranah Company.

Sept. 13: Received the amount due from Wafa Est,.

Sept. 15: Sold merchandise to customer Sakina Est, on credit for BD12,600.

Sept. 16: Issued a credit memorandum BD1,600 to customer Sakina Est, for return merchandise sold on Sept. 15.

Sept. 23: Received the balance due from customer Sakina Est, within the discount period.

Solution:

GENERAL JOURNL

Date	Account Title and xplanation	PR	Debit	Credit
Sept. 1	Purchases		39,000	
	Account Payable - Ranah			39,000
Sept. 2	Account Receivable - Wafa		21,000	
	Sales			21,000
Sept. 5	Account Payable - Ranah		2,000	
	Purchases Returns and Allowance			2,000
Sept. 6	Account Payable – Ranah (39000 – 2000)		37,000	
	Purchases Discount (37000×2%)			740
	Cash			36,260

Sept. 13	Cash		20,790	
	Sales Discount (21000 × 1%)		210	
	Account Receivable – Wafa			21,000
Sept. 15	Account Receivable - Sakina		12,600	
	Sales			12,600
Sept. 16	Sales Returns and Allowance		1,600	
	Account Receivable - Sakina			1,600
Sept. 23	Cash		10890	
	Sales Discount (11000 × 1%)		110	
	Account Receivable – Sakina (12600 – 1600)			11,000

Exercise (2-7):

Hamad operates sales cleaning material shop, on January 1 2020. The following transactions were completed during Jan 2020.

Jan. 1: Purchased merchandise for BD9,700 on account from Hana Co.

Jan. 2: Received credit memorandum from Hana Company for merchandise Returned BD700.

Jan. 5: Sold merchandise on account to customer Sultan for BD18,900.

Jan. 7: Retuned merchandise from customer Sultan for BD900.

Jan. 10: Received the balance due from customer Sultan.

Jan. 12: Sold merchandise to customers BD27,000 for cash.

Required:

Prepare the required journal entries that Hamad operates a new sportswear Est must make to record these transactions. (Uses a periodic inventory system).

Solution:

GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
Jan. 1	Purchases		9,700	
	Account Payable - Hana			9,700
Jan. 2	Account Payable - Hana		700	
	Purchases Returns and Allowance			700
Jan. 5	Account Receivable - Sultan		18,900	
	Sales			18,900
Jan. 7	Sales Returns and Allowance		900	
	Account Receivable - Sultan			900
Jan.10	Cash (18,900 – 900)		18,000	
	Account Receivable - Sultan			18,000
Jan.12	Cash		27,000	
	Sales			27,000

Chapter 3: Accounting for Receivable – part 1

- The teacher should clarify that preparing the daily entries is the most important step on which the accuracy and validity of the following accounting operations is based journal entries.

Lessons Notes

The Focus

Before the Lesson:

Introductory activity, about bankrupt a businessman and he cannot pay.

The Lesson:

1- Distinguish between the methods and bases companies use to value account receivable.

2- Explain the journal entries under direct write off bad debts.

After the Lesson:

The student should be able to prepare journal entries for bad debts.

Teacher explain:

Valuing Account Receivable:

Once companies record receivables in the accounts, the next question is: How should they report receivable in the financial statements? Companies report account receivable on the balance sheet as an asset. But determining the amount to report is sometimes difficult because some receivables will become uncollectible. Each customer must satisfy the credit requirements of the seller before the credit sale is approved. Inevitably, though, some accounts receivable become uncollectible. For example, a customer may not be able to pay because of a decline in its sales revenue due to a downturn in the economy. Similarly, individuals may be laid off from their jobs or faced with unexpected hospital bills. Companies record credit losses as debits to **Bad Debts Expense** (or uncollectible account receivable). Such losses are a normal and necessary risk of doing business on a credit basis.

Two methods are used in accounting for uncollectible accounts:

1- Direct write - off method.
2- Allowance method.

1- DIRECT WRITE-OFF METHOD FOR UNCOLLECTIBLE ACCOUTS.

Under the **direct write-off method**, when a company determines a particular account to be uncollectible, it charges the loss to Bad Debts Expense.

2- DIRECT WRITE-OFF METHOD FOR UNCOLLECTIBLE ACCOUTS.

Illustration 3-1:

On Jan 1 2020, Ahmed Company has BD 5,200 balance of account receivable and decided to write off as uncollectible Salma’s BD500 balance. On Jan 15 2020, Salma won money and paid BD300 from her balance, which wrote off on Jan 1 2020.

GENERAL JOURNL

Date	Explanation	Debit	Credit
Jan, 1	Bad Debts Expense	500	
2020	Account Receivable		500
Jan, 15	Account Receivable	300	
2020	Bad Debts Expense (Recovery)		300
Jan, 15	Cash	300	
2020	Account Receivable		300

Study Instructions:
Explain the effects increase or decrease on the normal balance of account.

2- Teaching Reinforcement Question:
Ask the students to read pages 59 and 60 (Text Book.)

Ask the student to use the following link to review the lesson
http://www.edunet.bh/e_content/level_3/stage_10/subject_ID_35/Part_3/lessons/3-CH3-Accounting-For-Receivable-PART-1/3-CH3-Accounting-For-Receivable-PART-1.pptx

Teaching with technology
Ask the student to use the link and QR for revision.

Chapter Resources			
Resource	**Below Average**	**In Average**	**Over Average**
Teacher’s Guide	Page 75 (3-1)	Page 75 (3-2)	Page 75 (3-3)
Lesson Resources	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson
Extra Resources	Activity Notebook	Activity Notebook	Activity Notebook

Formative assessment:
Ask the students to answer exercises pages 75 (3-1) & (3-2) and (3-3)from textbook.

Chapter 3: Accounting for Receivable – part 2

Explain recording the following transactions:

a) Recording estimated uncollectible.

b) Recording the write-off an uncollectible account.

c) Recording recovery of an uncollectible account.

Estimating the allowance as a percentage of sale:

Illustration 3-2:

On Dec, 31 2020, Osama Company estimated that 2% on credit sales will be uncollectible. If credit sales for BD300,000 and has a credit balance of allowance for doubtful accounts BD500. If the company has a balance of account receivable are BD70,000.

GENERAL JOURNAL

Date	Explanation	Debit	Credit
Dec, 31 2020	Bad Debts Expense (300,000×2%)	6,000	
	Allowance for Doubtful Accounts		6,000

Illustration 3-3:

Abdulla Company has credit sales of BD500,000 in 2018. Of this amount, BD100,000 remains uncollectible and credit balance of allowance for doubtful accounts BD20,000 at Dec, 31 2018. The manager estimated that 10% of the credit sales will be uncollectible. On Jan, 15 2019, Customer Ahmed was bankrupt and the company wrote off BD2700 his balance to be uncollectible. On Jan, 31 2019, Ahmed has increasing sales in his business and paid his balance due.

GENERAL JOURNAL

Date	Explanation	Debit	Credit
Dec, 31 2018	Bad Debts Expense (500,000×10%)	50,000	
	Allowance for Doubtful Accounts		50,000
Jan, 15 2019	Allowance for Doubtful Accounts	2,700	
	Account Receivable		2,700
Jan, 31 2019	Account Receivable	2,700	
	Allowance for Doubtful Accounts		2,700
Jan, 31 2019	Cash	2,700	
	Account Receivable		2,700

Lessons Notes

1- The Focus

Learning objective:

* Using the Explain how companies prepare journal entry to recovering bad debts

Tools Requirement;

1- Textbook.
2- Notebook
3- Calculator

Teaching Instructions:

The student should review transactions for account receivable in accounting 1.

2- Teaching Reinforcement Question:

Ask the students to read pages (61-64) from text book

Note:

We ignore the previous credit or debit balance of allowance for doubtful accounts for doubtful debts, when estimated bad debts as a percentage of credit sales. This means no addition or subtraction to the previous balance of the allowance for doubtful accounts

Illustration 3-4:

The following an aging schedule for Essa Company. Note that as the estimated uncollectible percentage from 1-30 days to over 90 days, increases from 5% to 20% as the number of days past due increases.

Customer	Total	Number of Days Past Due			
		1-30	31-60	61-90	Over 90
Ahmed	**10,000**	4,000		3,000	3,000
Osama	**12,000**	6,000	4,000		2,000
Abdulla	**18,000**	7,000	5,000	4,000	2,000
Salma	**20,000**	10,000	6,000	4,000	
Mohammed	**25,000**	3,000	6,000	9,000	7,000
Total	**85,000**	**30,000**	**21,000**	**20,000**	**14,000**
Estimated Percentage Uncollectible		5%	10%	15%	20%
Total Estimated Bad Debts	**9,400**	**1,500**	**2,100**	**3,000**	**2,800**

- The Company will make an adjusting entry for BD7,000 (BD9,400 – BD2,400) as shown.

Date	Explanation	Debit	Credit
Dec, 31	Bad Debts Expense	7,000	
	Allowance for Doubtful Accounts		7,000

2- Teaching Instructions:

* Divide the students into groups of three or four of varying to find the difference estimating bad debts from sales and account receivable.

* Explain to students illustrations (3-2) & (3-4) Pages 57-59 from textbook.

Studying Instructions

Ask the student to search about bankrupt of any business.

Notes: If allowance for doubtful accounts as a percentage of account receivable:

1- Bad Debts Expense = (Account Receivable× %) – Credit balance of allowance.

2- Bad Debts Expense = (Account Receivable× %) + Debit balance of allowance.

➢ **Ask the student to use the following link to review the lesson:**

http://www.edunet.bh/e_content/level_3/stage_10/subject_ID_35/Part_3/lessons/4-CH3Accounting-For-Receivable-PART-2/4-CH3Accounting-For-Receivable-PART-2.pptx

Teaching with technology
Ask the student to use the link and QR for revision.

Chapter Resources			
Resource	**Below Average**	**In Average**	**Over Average**
Teacher's Guide	Page 76 (3-5)	Page 76 (3-6)	Page 77 (3-8)
Lesson Resources	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson
Extra Resources	Activity Notebook	Activity Notebook	Activity Notebook

Formative assessment:

2- Ask the students to answer exercises (3-5) & (3-7) pages 76 and 78 from text book.

Chapter 3: Accounting for Receivable – part 3

Explain recording the following transactions:

1- Advantages and Disadvantages of Credit Cards
2- Accounting for credit card sale.

Lessons Notes

1- The Focus

Learning objective:

Describe the entries to record the disposition of accounts receivable.

Tools Requirement;

1- Textbook.
2- Notebook
3- Calculator

Teaching Instructions:

Using double entry system to record in the general journal of credit cards sales.

Credit Card Sales:

Over one billion credit cards are in use in the world more than three credit cards every man, woman, and child. **Visa, Master, Diner's Club, and American Express Cards** are the national credit are the national credit cards are used in retail sales:

1- The credit card issuer, who is independent of the retailer.
2- The Retailer
3- The Customer.

A retailer's acceptance of a national credit is another form of selling (factoring) the receivable.

Many companies make agreements with **Credit Card** companies, such as **VISA** and **Master Card**, which enable them to sell products or services to customers who use **Credit Card** to pay for their purchases.

❖ If the customer pays with the **bank credit card** such as **VISA** and **Master** Card, the retailer may be able to deposit credit card receipt along with cheques and record it as cash sales rather than an account receivable.

2- Teaching Instructions

Ask the students to read pages 70 – 73 from text book.

Accounting for credit cards sales

Illustration 3-6:

On September 16, 2019, Ahmed Travel Agency sold an airline ticket for BD500 to a customer who paid with **Visa Card**. If the services charge is 2% the company will only receive BD490 and the BD10 is credit card expense. Show the Journal entry.

GENERAL JOURNAL

DATE	EXPLANATION	PR	DEBIT	CREDIT
Sept, 16 2019	Cash		490	
	Credit Card Expense (500 ×2%)		10	
	Service Revenues			500
	To record a credit card sales less the services charge			

Illustration 3-7:

On April 15 2019, Abdulla Company made a sale of BD2,000 to a customer who used an American Express Card. The credit card company makes a services charge of 5%.

Required:

Prepare Journal entries for Abdulla Company for the sales.

GENERAL JOURNAL

DATE	EXPLANATION	PR	DEBIT	CREDIT
April 15 2019	Accounts Receivable		1,900	
	Credit Card Expense (2000 ×5%)		100	
	Sales			2,000
	To record a credit card sales less the services charge.			

Illustration 3-8:

On April 30 2019, the credit card company pays amount to Abdulla, the journal entry will be:

Date	Explanation	Debit	Credit
April 30	Cash	1,900	
	Account Receivable		1,900

3- Teaching Instructions:

Divide the students into groups of three or four of varying abilities, and then ask them to answer exercise (3-9&3-10) Page 79 during the lesson by using cooperative learning strategy.

Studying Instructions

Ask the student to review double entry system to prepare journal entries for credit cards sales.

- **Ask the student to use the following link to review the lesson:**

hhttp://www.edunet.bh/e_content/level_3/stage_10/subject_ID_35/Part_3/lessons/5-CH3-Accounting-For-Receivable-PART3/5-CH3-Accounting-For-Receivable-PART3.pptx

Teaching with technology
Ask the student to use the link and QR for revision.

Chapter Resources			
Resource	**Below Average**	**In Average**	**Over Average**
Teacher’s Guide	Page 79 (3-9)	Page 79 (3-10)	Page 80 (3-11)
Lesson Resources	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson
Extra Resources	Activity Notebook	Activity Notebook	Activity Notebook

Formative assessment:

2- Ask the students to answer exercises (3-9)&(3-11) pages 79 and 80 from text book.

Chapter (3): Accounting For Receivable

Model Answers

Text Book Exercises

Exercises:

Exercise (3-1):

On Jan 5, 2020, Nass Company made credit sales of BD90,000. The company wrote off BD4,500 of uncollectible accounts receivable in Jan 31, 2020.

Required:

Prepare the necessary journal entry for bad debts.

Solution:

GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
Jan. 31	Bad Debts expenses		4,500	
	Account Receivable			4,500

Exercise (3-2):

On August 31, 2020 the book of Ahlam Trading shows a balance of BD65,000 for Accounts Receivable. On October 15, 2020 one of the accounts – Noor Company could not pay BD1,600 and the company wrote off her balance to be uncollectible. On November 23, 2020, Noor Company made some profit and paid the amount due.

Required:

Prepare the necessary journal entries.

Solution:

GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
Oct. 15	Bad Debts expenses		1,600	
	Account Receivable (Noor)			1,600
Nov. 23	Account Receivable (Noor)		1,600	
	Bad Debts Expense (Recovery)			1,600
Nov. 23	Cash		1,600	
	Account Receivable (Noor)			1,600

Exercise (3-3):

On January 31, 2020 the books of Rashid Trading shows a balance of BD36,400 for Accounts Receivable. On April 16, 2019 one of the accounts (Bader Trading) could not pay his balance of BD1,100. On July 21, 2019 Bader Trading made some profit and paid BD350.

Required:

Prepare the necessary journal entries.

Solution:

GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
April 16	Bad Debts expenses		1,100	
	Account Receivable (Bader)			1,100
July 21	Account Receivable (Noor)		350	
	Bad Debts Expense (Recovery)			350
July 21	Cash		350	
	Account Receivable (Bader)			350

Exercise (3-4):

On April 1, 2020, Hanadi found that her customer – Jehad who owed her BD2,500 became bankrupt, therefore, he is not able to pay her. She decided to write off the whole amount. As on April 30, 2020, the total balance in account receivable was BD12,000.

Required:

1- Prepare the Journal entries to record the bad debts.

Solution:

GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
April 1	Bad Debts expenses		2,500	
	Account Receivable (Jehad)			2,500

Exercise (3-5):

Almanama Co. uses the balance sheet approach to estimate bad debts. An analysis of the Accounts Receivable at December 31, 2020 produced the following age groups and the estimated percentage probably uncollectible:

Period	Accounts Receivable (BD)	Provision %	Provision for doubtful debts (BD)
Not yet due	40,000	1%	**400**
1 - 30 days past due	20,000	4%	**800**
31 - 60 days past due	13,000	10%	**1,300**
61 - 90 days past due	7,000	30%	**2,100**
Over 90 days past due	3,000	50%	**1,500**
Total	**(a)**		**6,100**

Prior to adjustments at December 31, 2020 allowance for Doubtful Debts showed a **credit balance** of BD1,200.

Required:

a) Compute the estimated amount of Bad Debts.(insert the answer in the above table)

b) Prepare the adjusting entry to bring the allowance for doubtful debts to the proper amount.

c) Assume that on May 17 2020 Kholood Est. learned that an account receivable of BD400 was worthless. Prepare the journal entry required to write off this amount receivable.

Solution:

GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
(b)	Bad Debts Expense (6100 – 1200)		4,900	
	Allowance for Doubtful Accounts			4,900
(c)	Allowance for Doubtful Accounts		400	
	Account Receivable (Kholood)			400

Exercise (3-6):

Asia Company uses the balance sheet approach to estimate bad debts. An analysis of the accounts receivable at 31st December, 2020 produced the following age groups and the estimated percentage probably uncollectible:

Period	Accounts Receivable (BD)	Provision	Amount of Provision (BD)
Net yet due	50,000	2%	**1,000**
1-30 days past due	30,000	5%	**1,500**
31-60 days past due	18,000	15%	**2,700**
61-90 days past due	12,000	20%	**2,400**
Over 90 days past due	10,000	40%	**4,000**
Total	**(1)**		**11,600**

Prior to adjustments at 31st December, 2020 the allowance for doubtful debts showed **a debit balance** of BD2,500.

Required:

1- Compute the estimated amount of Bad Debts.
2- Show the Journal entry to maintain the provision for doubtful debts to the proper.
3- Show the Journal entry to record write off BD 800.

4- Show the Journal entry to record recovery BD 600.

Solution:

GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
Dec. 31	Bad Debts Expense (11600 + 2500)		14,100	
	Allowance for Doubtful Accounts			14,100
Dec. 31	Allowance for Doubtful Accounts		800	
	Account Receivable			800
Dec. 31	Account Receivable		600	
	Allowance for Doubtful Accounts			600
Dec. 31	Cash		600	
	Account Receivable			600

Exercise (3-7):

Waseem CO. had the following transactions involving bad debts in 2019 and 2020:

December 31, 2019	Records estimated Bad Debt Expense of BD8,500.
May 05, 2020	Wrote off Basam's account receivable of BD2,350 as uncollectible.
September 02, 2020	Basam won money and paid the amount due.

Required:

Journalize the above transactions.

Solution:

GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
Dec. 31 2019	Bad Debts Expense		8,500	
	Allowance for Doubtful Accounts			8,500
May 5 2020	Allowance for Doubtful Accounts		2,350	
	Account Receivable (Basam)			2,350
Sept. 2	Account Receivable (Basam)		2,350	
	Allowance for Doubtful Accounts			2,350
Sept. 2	Cash		2,350	
	Account Receivable (Basam)			2,350

Exercise (3-8):

Sameh Trading Co. had the following balances on December, 31, 2020:

Credit Sales BD850,000
Cash Sales BD700,000
Accounts Receivable BD190,000
Allowance for Doubtful Debts BD250 (Credit Balance)

Required:

Record the **Bad Debts Expense** for the year using each of the following methods for the estimate:

1. Allowance for doubtful debts is to be increased to 3% of Accounts Receivable.
2. Bad debts expense is estimated to be 1% of sales on credit.

Solution:

GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
Dec. 31	Bad Debts Expense (190000×3%) - 250		5,450	
	Allowance for Doubtful Accounts			5,450
Dec. 31	Bad Debts Expense (850000×1%)		8,500	
	Allowance for Doubtful Accounts			8,500

Exercise (3-9):

On September 12, 2020, Tahani Travel Agency sold an airline ticket for BD450 to a customer who paid with **Master Card**. If the services charge is 2% the company will receive only BD441 and the BD9 is credit card expense.

Required:

Make the necessary journal entry.

Solution:

GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
Sept. 12	Cash		440	
	Credit Card Expense (450 ×2%)		9	
	Service Revenues			450

Exercise (3-10):

On August 14, Ajyad Company made a sale of BD1,200 to a customer who used **Visa card**. The credit Card company makes a services charge of 3%. On August 21, Ajyad Company also made a sale of BD900 to a customer who used an **American Express card**. The credit Card company makes a services charge of 4%.

Required:

Prepare Journal entries for Manama Company for the two sales.

Solution:

GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
Aug. 14	Cash		1,164	
	Credit Card Expense (1200 ×3%)		36	
	Sales			1,200
Aug. 21	Accounts Receivable		864	
	Credit Card Expense (900 ×4%)		36	
	Sales			900

Exercise (3-11):

Choose the correct answer:

(A) Future Company has the following age groups and the estimated percentages probably uncollectible:

Age Group	Amount (BD)	Estimated Percent Uncollectible	Estimated Amount Uncollectible (BD)
1-30 days past due	450,000	20%	**90,000**
31-60 days past due	300,000	30%	**90,000**
61-90 days past due	250,000	50%	**125,000**

The estimated amount of bad debts is:

- BD300,000
- BD305,000 ✓ (90000 + 90000 + 125000)
- BD1,000,000
- BD500,000

(B) The following information were extracted from the books of Al-Fateh Co.:

Total Credit Sales	BD550,000
Accounts Receivable	BD90,000
Allowance for Doubtful Debts	BD180

The company decided to increase the allowance to 2% using the Balance Sheet Approach, then the journal entry is: (90,000 × 2%) – 180 =BD1,620

- Bad Debts Expense BD1,620 ✓
  Allowance for Doubtful Debts BD1,620 ✓
- Bad Debts Expense BD180
  Allowance for Doubtful Debts BD180
- Bad Debts Expense BD90,000
  Allowance for Doubtful Debts BD90,000
- Bad Debts Expense BD89,820
  Allowance for Doubtful Debts BD89,820

(C) If the bad debt is estimated to be 1% of sales on credit, the journal entry will be: (550000 × 1%) = BD5500

- Bad Debts Expense BD5,500 ✓
  Allowance for Doubtful Debts BD5,500 ✓
- Bad Debts Expense BD180
  Allowance for Doubtful Debts BD180
- Bad Debts Expense BD90,000
  Allowance for Doubtful Debts BD90,000
- Bad Debts Expense BD1,620
  Allowance for Doubtful Debts BD1,620

(D) Fareeda Delivery Services had credit sales of BD1,067,000, prior experience has revealed that 1% of these sales will be uncollectible. Bad debt expense will be: (1,067,000 × 1%)

- BD21,340
- BD10,670 ✓
- BD40,760
- None of them

(E) Sami Co. has the following sales: cash sales BD68,000, credit sales BD740,500, Visa & Master card sales BD410,800. Sami estimated bad debts to be 1.5% of credit sales. The amount of the allowance for doubtful debts is: (740000 × 1.5%)

- BD12,127
- BD11,107.500 ✓
- BD22,215.5
- BD18,289.5

(F) Baker Co. had a beginning allowance of BD7,500 credit on January 1, 2009 and ending balance of BD8,900 at December 31, 2009. Bad debt expense for the year 2009 was BD19,700. The write off bad debts during 2009 were:

- BD21,100
- BD19,700
- BD18,300 (7500 + 19700 – 8900) ✓
- BD89,000

Chapter 4: Depreciation of Plant Assets - Straight Line Method. Part 1

- The teacher should clarify :
  1- Types of plant assets.
  2- Cost of plant assets
  3- Factors to compute the depreciation expense.

Plant Assets are tangible assets used in a company's operations that have a useful life of more than one accounting period. They are also called **property, plant and equipment; and fixed assets**. These assets are expected to provide services to the company for a number of years. Except land, plant assets decline in service potential over their useful life.

A company that purchases a computer to resell, it reports it on the balance sheet as inventory and it should not be depreciated. If the same company purchases this computer to use in operations, however, it is a plant asset and needs to be depreciated over its useful life.

Determining the Cost of Plant Assets:

The cost principle requires that companies record plant assets at cost. Cost consists of all necessary expenditure to acquire the asset and make it ready for its intended use. For example, the cost of factory machinery includes the purchase price, freight costs paid by the purchaser, installation, testing costs.

In the following sections, we explain the application of the cost principle to each of the major classes of plant assets.

Lesson Notes

The Focus

Before the Lesson:
Introductory activity about the value of plant assets are changing or fixed after using it.

The Lesson:
1-Explain the cost principle for computing the cost of plant assets.
2- Compute depreciation expense by using the straight-line method.

After the Lesson:
Using the factors to find depreciation expense, accumulated depreciation and book value of plant assets under straight line method.

❖ The teacher explains journal entries for purchases plant assets.

Cost of plant assets

Illustration 4-3:

assume On Jan, 8 2019, Ahmed Company purchases a delivery truck at a cost price of BD35,000. Related expenditure consists of sales taxes BD700, painting and lettering BD300, motor vehicle license BD100, and a three-years accident insurance policy BD2,400. The journal entry for purchases a delivery truck is:

Date	Explanation	Debit	Credit
Jan, 8	Equipment (35,000+700+300)	36,000	
	License Expense	100	
	Prepaid Insurance	2,400	
	Cash		38,500

Factors in Computing Depreciation

Three factors affect the computation of depreciation are:

1. **Cost** The cost of a plant asset consists of all necessary and reasonable expenditures to acquire it and to prepare it for its intended use.
2. **Salvage Value** also called residual value or scrap value is an estimate of the asset's value at the end of its useful life. This is the amount the owner expected to be traded-in on new asset, its salvage value is the expected trade-in value.
3. **Useful Life** useful life is an estimate of the assets expected productive life, also called service lif. Useful life may be expressed in terms of time, units of activity (such as machine hours), or units of output. Useful life is an estimate. In making the estimate of useful life, management considers such factors as the intended use of the asset, its expected repair and maintenance, and its vulnerability to obsolescence. Past experience with similar assets is often helpful in deciding on expected useful life.

2- Teaching Reinforcement Question:
Ask the students to read pages (86-87) from text book.

3- Formative Assessment.
Ask the student to answer, what the difference between capital and revenues expenditure – using example During the period by lesson peer brainstorming strategy.

Straight Line Method – Purchases assets at the beginning of the year.

To illustrate (4 – 4): **(Purchasing assets at the beginning of the year)**

The following data for a delivery truck purchased by Ahmed company on **January 1,2018.**

Cost price	BD42,000
Freight cost	BD1,300
Taxes	BD1,700
Estimated salvage value	BD3,000
Estimated useful Life in years	5
Estimated useful life in miles	100,000

Distributed miles during 5 years, 30,000 – 25,000 – 20,000 – 15,000 – 10,000.

Required:

a) Compute annual depreciation expense, accumulated depreciation and net book value for 5-year useful life. **Under Straight Line Method.**

b) Prepare the adjusted entry for year 2018.

Solution:

a) Compute annual depreciation expense:

1- Cost = 42,000 + 1,300 + 1,700 = BD45,000

2- Depreciable cost = 45,000 – 3,000 = BD42,000

3- Annual Depreciation Expense = $\frac{42,000}{5}$ = BD8,400

Annual Period	Depreciation for the period			End of Period	
	Depreciable Cost	÷ Useful life	Depreciation Expense	Accumulated Depreciation	Book Value
1/1/2018	-	-	-	-	45,000
2018	42,000	÷ 5	= 8,400	8,400	36,600
2019	42,000	÷ 5	= 8,400	16,800	28,200
2020	42,000	÷ 5	= 8,400	25,200	19,800
2021	42,000	÷ 5	= 8,400	33,600	11,400
2022	42,000	÷ 5	= 8,400	42,000	3,000

b) Prepare the adjusted entry for year 2018.

Date	Explanation	Debit	Credit
Dec, 31 2018	Depreciation Expense - delivery truck	8,400	
	Accumulated Depreciation		8,400

Study Instructions:
* Ask the student to review the types of assets and normal balance of assets.

2- Teaching Instruction

* Explain to students illustrations (4-1 & 4-3) Pages 87 to 90 to find cost of plant assets and journal entry for purchases assets.

* Explain to students illustrations (4-4) Pages 92 to 90 to find depreciation expense under straight line.

Straight Line Method

Other Solution:

1- Depreciation Rate = $\frac{100}{useful\ life} = \frac{100}{5} = 20\%$

2- Depreciable cost = 45,000 – 3,000 = BD42,000

3- Annual Depreciation Expense = 42,000 × 20% = BD8,400,

Annual Period	Depreciation for the period			End of Period	
	Depreciable Cost	× Useful life	Depreciation Expense	Accumulated Depreciation	Book Value
1/1/2018	-	-	-	-	45,000
2018	42,000	× 20%	= 8,400	8,400	36,600
2019	42,000	× 20%	= 8,400	+ 16,800	28,200
2020	42,000	× 20%	= 8,400	+ 25,200	19,800
2021	42,000	× 20%	= 8,400	+ 33,600	11,400
2022	42,000	× 20%	= 8,400	+ 42,000	3,000

Studying Instruction
Ask the student to answer the exercises by two ways of answer.

➢ **Ask the student to use the following link to review the lesson:**
http://www.edunet.bh/e_content/level_3/stage_10/subject_ID_35/Part_3/lessons/6-CH4-Straight-Line-Method---part-1/6-CH4-Straight-Line-Method---part-1.pptx ➢

Teaching with technology
Ask the student to use the link and QR for revision.

Chapter Resources			
Resource	**Below Average**	**In Average**	**Over Average**
Teacher's Guide	**Page102 (4-2) Req.**	**Page 104 (4-5) Req.**	**Page 99 (4-6) Req.**
Lesson Resources	**1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson**	**1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson**	**1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson**
Extra Resources	**Activity Notebook**	**Activity Notebook**	**Activity Notebook**

Formative assessment:

Ask the students to answer exercises pages 102(4-2) & (4-5) from textbook.

Chapter 4: Depreciation of Plant Assets - Straight Line Method. Part 2

Lesson Notes

- The teacher should clarify :

1- Count fraction period for first and last year.

2- Finding book value, when the fraction period.

(Purchasing assets during the year – partial of a year)

Illustration 4-7:

On September 30 2018, Ahmed Company purchased a new machine at cost BD84,000. It has estimated salvage value for BD4,000 at the end of useful life 4 years and total units of production is 160,000 units. The machines is expected to be used, 60,000 – 40,000 – 30,000 – 30,000 in 4 years of useful life.

Required:

a) Compute annual depreciation expense, accumulated depreciation and net book value for 4-year useful life. **Under** Straight-Line. **methods**

b) Prepare the adjusted entry for year 2018.

Solution: a) Compute annual depreciation expense:

1- Depreciable cost = 84,000 – 4,000 = BD80,000

2- Annual Depreciation Expense = $\frac{80,000}{4}$ = BD20,000

Annual Period	Depreciation for the period			End of Period	
	Depreciable Cost	÷ Useful life	Depreciation Expense	Accumulated Depreciation	Book Value
30/09/2018	-	-	-	-	84,000
31/12/2018	80,000	$\div 4 \times \frac{3}{12}$	= 5,000	5,000	79,000
31/12/2019	80,000	÷ 4	= 20,000	+ 25,000	59,000
31/12/2020	80,000	÷ 4	= 20,000	+ 45,000	39,000
31/12/2021	80,000	÷ 4	= 20,000	+ 65,000	19,000
30/09/2022	80,000	$\div 4 \times \frac{9}{12}$	= 15,000	+ 80,000	4,000

b) Prepare the adjusted entry for year 2018.

Date	Explanation	Debit	Credit
Dec, 31 2018	Depreciation Expense - Machines	5,000	
	Accumulated Depreciation		5,000

The Focus

Before the Lesson:
Introductory activity about count the period, if purchases assets during the year.

The Lesson:
* Compute depreciation expense by using the straight-line method, if purchases assets during the period (fraction period).

After the Lesson:
The student should be able to find book value of plant assets under straight-line method, when purchases assets during the year.

Other Solution:

1- Depreciation Rate = $\frac{100}{useful\ life}$ = $\frac{100}{4}$ = 25%

1- Depreciable cost = 84,000 – 4,000 = BD80,000

2- Annual Depreciation Expense = 80,000 × 25% = BD20,000,

a) Compute annual depreciation expense.

Annual Period	Depreciation for the period			End of Period	
	Depreciable Cost	÷ Useful life	Depreciation Expense	Accumulated Depreciation	Book Value
30/09/2018	-	-	-	-	84,000
31/12/2018	80,000	× 25%×$\frac{3}{12}$	= 5,000	5,000	79,000
31/12/2019	80,000	× 25%	= 20,000	25,000	59,000
31/12/2020	80,000	× 25%	= 20,000	45,000	39,000
31/12/2021	80,000	× 25%	= 20,000	65,000	19,000
30/09/2022	80,000	× 25%×$\frac{9}{12}$	= 15,000	80,000	4,000

b) Prepare the adjusted entry for year 2018.

Date	Explanation	Debit	Credit
Dec, 31 2018	Depreciation Expense - Machines	5,000	
	Accumulated Depreciation		5,000

Notes:

1- The Company would own the machines for three months of the first Year 2018. It has uses the machines from Sept, 30 2018 to Dec, 31 2018.

2- We must be compute until 30/9/2022 (nine months for year 2022) to complete useful life 4 years.

2- Teaching Instruction

* Explain to students illustrations (4-7) Pages 97 to 99 to find depreciation expense, accumulated depreciation and book value, when the fraction period.

.

Study Instructions:

* Ask the student to answer the exercise from the notebook in a group during the period (Cooperative Education)

- Ask the student to use the following link to review the lesson:

- http://www.edunet.bh/e_content/level_3/stage_10/subject_ID_35/Part_3/lessons/7-CH4-Straight-Line-Method---part-2/7-CH4-Straight-Line-Method---part-2.pptx

Teaching with technology
Ask the student to use the link and QR for revision.

Chapter Resources			
Resource	**Below Average**	**In Average**	**Over Average**
Teacher's Guide	Page105 (4-7) ReqA Textbook.	Page 78 (Ex, 1) Notebook.	Page 80 (Ex, 1) Notebook.
Lesson Resources	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson
Extra Resources	Activity Notebook	Activity Notebook	Activity Notebook

Formative assessment:

Ask the students to solve exercises pages 102 to 104 (4-2) & (4-5) from textbook.

Chapter 4: Depreciation of Plant Assets – Double Declining Balance Method. Part 1

The teacher explain:

1- Meaning double declining method.
2- Clarify decreasing value of depreciation expense during the period.
3- Difference between straight line and double declining Methos.

2- DOUBLE DECLINING BALANCE-METHOD:

The double declining-balance is one of two declining balance methods. The double declining-balance method produces a decreasing annual depreciation expense over the asset's useful life. The method is so named because the periodic depreciation is based on a declining book value of the asset. With this method, companies compute annual depreciation expense by multiplying the book value at the beginning of the year by the straight-line depreciation rate multiplied by two. The depreciation rate remains constant from year to year, but the book value to which the rate is applied declines each year.

At the beginning of the first year, book value is the cost of the asset. This is so because the balance in accumulated depreciation at the beginning of the asset's useful life is zero. In subsequent years, book value is the difference between cost and accumulated depreciation to date. Unlike the other depreciation methods, the declining-balance method does not use depreciable cost. That is, it ignores salvage value in determining the amount to which the declining-balance rate is applied. Salvage value, however, does limit the total depreciation that can be taken. Depreciation stops when the asset's book value equals expected salvage value.

A common declining-balance method rate is double the straight-line method rate. The method is often called the double-declining method. Another declining-balance method is the sum-of-years (not to be discussed) digits

Lessons Notes

The Focus

Learning objective: Compute depreciation expense under double declining method.

Tools Requirement;
1-Textbook.
2- Notebook
3- Calculator

After the lesson; The student should be able to compute book value at the end of each year under declining balance method.

2- Teaching Reinforcement Question:
Ask the students to read pages from 94 (Text Book)

Double Declining Balance Method – Purchases assets at the beginning of period.

To illustrate (4 – 4): (Purchasing assets at the beginning of the year)

The following data for a delivery truck purchased by Ahmed company on **January 1,2018.**

Cost price	BD42,000
Freight cost	BD1,300
Taxes	BD1,700
Estimated salvage value	BD3,000
Estimated useful Life in years	5
Estimated useful life in miles	100,000

Distributed miles during 5 years, 30,000 – 25,000 – 20,000 – 15,000 – 10,000.

Required:

c) Compute annual depreciation expense, accumulated depreciation and net book value for 5-year useful life. **Under the Double Declining-Balance method.**

d) Prepare the adjusted entry for year 2018.

1. Straight-Line.
2. Double Declining-Balance.

$$\text{Depreciation Rate} = \frac{100}{useful\ life} \times 2 = \frac{100}{5} \times 2 = 40\%$$

3- Teaching Instructions:

* Explain the illustrations 4-5) page 94-95 from textbook.
* Explain the difference results of depreciation expense under two methods straight line and double declining balance.

a) Compute annual depreciation expense:

Annual Period	Depreciation for the period			End of Period	
	Beginning Book Value	Depreciation Rate	Depreciation Expense	Accumulated Depreciation	Book Value
1/1/2018	-	-	-	-	45,000
2018	45,000	× 40%	= 18,000	18,000	27,000
2019	27,000	× 40%	= 10,800	28,800	16,200
2020	16,200	× 40%	= 6,480	35,280	9,720
2021	9,720	× 40%	= 3,888	39,168	5,832
2022	5,832	× 40%	= 2,832*	42,000	3,000

Studying Instructions:
Ask the student answer exercise (4-1) page 102 during the period in a group (Cooperative learn strategy)

Notes:

* Computation year 2022 depreciation expense of BD2,832* = (5,832 – 3,000). Never depreciate book value below salvage value.

- **Ask the student to use the following link to review the lesson:** http://www.edunet.bh/e_content/level_3/stage_10/subject_ID_35/Part_3/lessons/8-CH4-Declining-Balance---part1/8-CH4-Declining-Balance---part1.pptx

Teaching with technology
Ask the student to use the link and QR for revision.

Chapter Resources			
Resource	**Below Average**	**In Average**	**Over Average**
Teacher's Guide	Page 102 (4-1)	Page 103 (4-4)	Page 105(4-7) B
Lesson Resources	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson
Extra Resources	Activity Notebook	Activity Notebook	Activity Notebook

Formative assessment:

2- Ask the students to answer exercises (4-4) pages 103from text book.

Chapter 4: Depreciation of Plant Assets – Double Declining Balance Method. Part 2

Lessons Notes

The teacher explains:.

1- Count fraction period for first and last year.
2- Finding book value, when the fraction period
3- Difference result of depreciation expense for last year In two methods straight and double declining.

The Focus

Before the Lesson: Introductory activity about count the period, if purchases assets during the year.

The Lesson: * Compute depreciation expense by using the double declining method, if purchases assets during the period (fraction period).

After the Lesson: The student should be able to find book value of plant assets under double declining method, when purchases assets during the year.

Double Declining Balance Method – Purchases assets at the beginning of period.

To illustrate (4 – 7): **(Purchasing assets during the year – partial of a year)**

On September 30 2018, Ahmed Company purchased a new machine at cost BD84,000. It has estimated salvage value for BD4,000 at the end of useful life 4 years and total units of production is 160,000 units. The machines is expected to be used, 60,000 – 40,000 – 30,000 – 30,000 in 4 years of useful life.

Required:

1. Compute annual depreciation expense, accumulated depreciation and net book value for 4-year useful life. **Under** Double Declining-Balance **Method.**
2. Prepare the adjusted entry for year 2018.

Depreciation Rate = $\frac{100}{useful\ life} \times 2 = \frac{100}{4} \times 2 = 50\%$

Annual Period	Depreciation for the period			End of Period	
	Beginning Book Value	Depreciation Rate	Depreciation Expense	Accumulated Depreciation	Book Value
30/09/2018	-	-	-	-	84,000
31/12/2018	84,000	$\times$ 50%$\times\frac{3}{12}$	= 10,500	10,500	73,500
31/12/2019	73,500	× 50%	= 36,750	+ 47,250	36,750
31/12/2020	36,750	× 50%	= 18,375	+ 56,625	18,375
31/12/2021	18,375	× 50%	= 9,187.5	+ 65,812.5	18,187.5
30/09/2022	18,187.5	× 50%	= 14,187.5* →	+ 80,000	4,000

Notes:

1- The Company would own the machines for three months of the first year.

2- Computation year 2022 depreciation expense of BD14,187.5* = (18,187.5–4,000) Never depreciate book value below salvage value.

b) Prepare the adjusted entry for year 2018.

Date	Explanation	Debit	Credit
Dec, 31 2018	Depreciation Expense - Machines	10,500	
	Accumulated Depreciation		10,500

➢ **Ask the student to use the following link to review the lesson:**
http://www.edunet.bh/e_content/level_3/stage_10/subject_ID_35/Part_3/lessons/9-CH4-Declining-Balance---part2/9-CH4-Declining-Balance---part2.pptx

Chapter Resources

Resource	Below Average	In Average	Over Average
Teacher's Guide	Page 103 (4-4) B	Page 82 (Ex.5) a&b Notebook.	Page 81 (Ex.4) Notebook.
Lesson Resources	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson
Extra Resources	Activity Notebook	Activity Notebook	Activity Notebook

3- Teaching Instructions:

*Ask the students to write in groups and compare the results in two methods Straight and double declining.

* Explain the illustrations (4-7) under double declining method.

Teaching with technology

Ask the student to use the link and QR for revision.

Formative assessment:

2- Ask the students to answer exercises (4-4) B pages 101 from text book.

Chapter 4: Depreciation of Plant Assets – Units of Activity

The teacher explains:

1- In that method the date of purchases on depreciation no effect, because it depend on units of activity.
2- The difference between straight line, double declining and units of activity methods.

Lessons Notes

The Focus

Learning objective:
Compute depreciation expense under units of activity method.

Tools Requirement;
1- Textbook.
2- Notebook
3- Calculator

After the lesson;
The student should be able to compute book value at the end of each year under units of activity method.

3- UNITS-OF- ACTIVITY (PRODUCTION)

Under the units-of-activity method, useful life is expressed in terms of the total units of production or use expected from the asset, rather than as a time period. The units-of-activity method is ideally suited to factory machinery. Manufacturing companies can measure production in units of output or in machine hours. This method can also be used for such assets as delivery equipment (miles driven) and airplanes (hours in use). The units-of-activity method is generally not suitable for buildings or furniture, because depreciation for these assets is more a function of time rather than of use

Double Declining Balance Method – Purchases assets at the beginning of period.

To illustrate (4 – 4) **(Purchasing assets at the beginning of the year)**

The following data for a delivery truck purchased by Ahmed company on **January 1,2018.**

Cost price	BD42,000
Freight cost	BD1,300
Taxes	BD1,700
Estimated salvage value	BD3,000
Estimated useful Life in years	5
Estimated useful life in miles	100,000

Distributed miles during 5 years, 30,000 – 25,000 – 20,000 – 15,000 – 10,000.

Required:

a) Compute annual depreciation expense, accumulated depreciation and net book value for 5-year useful life. **Under units of activity method.**
b) Prepare the adjusted entry for year 2018.

a) Compute annual depreciation expense

Step 1

Depreciation cost per unit = $\frac{\text{Cost} - \text{Salvage Value}}{\text{Total Units of Production}} = \frac{45{,}000 - 3{,}000}{100{,}000}$ = BD0.42 / mile

Step 2

Depreciation expense = Depreciation cost per unit × Units produce in period.

2- Teaching Reinforcement Question:
Ask the students to read pages from 95 (Text Book)

Annual Period	Depreciation for the period			End of Period	
	Number of Units	Depreciation cost per unit	Depreciation Expense	Accumulated Depreciation	Book Value
1/1/2018	-	-	-	-	45,000
2018	30,000	× 0.42	= 12,600	12,600	32,400
2019	25,000	× 0.42	= 10,500	+ 23,100	21,900
2020	20,000	× 0.42	= 8,400	+ 31,500	13,500
2021	15,000	× 0.42	= 6,300	+ 37,800	7,200
2022	10,000	× 0.42	= 4,200	+ 42,000	3,000

3- Teaching Instructions:
*Ask the students to read pages from 97 to comparing depreciation methods (Text Book).

* Explain the illustrations (4-4) & (4-7) by using discussion with the students.

b) Prepare the adjusted entry for year 2018.

Date	Explanation	Debit	Credit
Dec, 31 2018	Depreciation Expense - delivery truck	12,600	
	Accumulated Depreciation		12,600

Double Declining Balance Method – Purchases assets during the period.

To illustrate (4 – 7): **(Purchasing assets during the year – partial of a year)**

On September 30 2018, Ahmed Company purchased a new machine at cost BD84,000. It has estimated salvage value for BD4,000 at the end of useful life 4 years and total units of production is 160,000 units. The machines is expected to be used, 60,000 – 40,000 – 30,000 – 30,000 in 4 years of useful life.

Required:

a) Compute annual depreciation expense, accumulated depreciation and net book value for 4-year useful life. **Under units of activity methods**
b) Prepare the adjusted entry for year 2018.

a) Compute annual depreciation expense

Step 1

Depreciation cost per unit = $\frac{\text{Cost}-\text{Salvage Value}}{\text{Total Units of Production}} = \frac{84{,}000-4{,}000}{160{,}000}$ = BD0.50 / mile

Step 2

Depreciation expense = Depreciation cost per unit × Units produce in period.

Annual Period	Depreciation for the period			End of Period	
	Number of Units	Depreciation cost per unit	Depreciation Expense	Accumulated Depreciation	Book Value
30/9/2018	-	-	-	-	84,000
31/12/2018	60,000	× 0.50	= 30,000	30,000	54,400
31/12/2019	40,000	× 0.50	= 20,000	+ 50,000	34,000
31/12/2020	30,000	× 0.50	= 15,000	+ 65,000	19,000
31/12/2021	30,000	× 0.50	= 15,000	+ 80,000	4,000

b) Prepare the adjusted entry for year 2018.

Date	Explanation	Debit	Credit
Dec, 31	Depreciation Expense - Machines	30,000	
2018	Accumulated Depreciation		30,000

Notes:

1- For this method, the date of the purchase must be ignore because it depends on units of activity.

2- No need to increase year 2022 to complete useful life 4 years

Teaching Instructions:
Ask the student answer exercise 5 page 83 from notebook during the lesson by using brainstorming strategy.

3- Studying Instructions:
*Ask the students to write a report about three methods of depreciation and which method it prefer.

- **Ask the student to use the following link to review the lesson:**
http://www.edunet.bh/e_content/level_3/stage_10/subject_ID_35/Part_3/lessons/CH-4---Units-of-Activity/CH-4---Units-of-Activity.pptx

Teaching with technology
Ask the student to use the link and QR for revision.

Chapter Resources			
Resource	**Below Average**	**In Average**	**Over Average**
Teacher's Guide	Page 103 (4-3) Textbook	Page 105(4-7) c Textbook	Page 83 (Ex. 5) Notebook
Lesson Resources	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson
Extra Resources	Activity Notebook	Activity Notebook	Activity Notebook

Formative assessment:

2- Ask the students to answer exercises (4-3) pages 103from text book.

Chapter (4): Depreciation of Plant Assets

Text Book Exercises

Exercises:

Exercise (4-1):

Al Ahmedy Company purchased a new machine at BD54,000 on January 1, 2018. The company paid BD5,400 for shipping and taxing, and BD6,600 for insurance. The machine is expected to have a salvage value of BD6,000 at the end of its 4 years useful life. The company uses the **Double Declining Balance Method** to compute the depreciation.

Required:

a) Compute the acquisition cost of the machine.
b) Prepare the depreciation schedule for the 4 years
c) Record the journal entry at December 31, 2019.

Solution

(a) Cost = 54,000 + 5,400 + 6,600 = BD66000

(b) Depreciation Rate = $\frac{100}{useful\ life} \times 2 = \frac{100}{4} \times 2 = 50\%$

Annual Period	Depreciation for the period			End of Period	
	Beginning Book Value	Depreciation Rate	Depreciation Expense	Accumulated Depreciation	Book Value
1/1/2018	-	-	-	-	66,000
31/12/2018	66,000	50%	33,000	33,000	33,000
31/12/2019	33,000	50%	16,500	49,500	16,500
31/12/2020	16,500	50%	8,250	57,750	8,250
31/12/2021	8,250	50%	2,250*	60,000	6,000

Notes : * Computation year 2021 depreciation expense of **BD2,250* = (8,250 – 6,000)**. Never depreciate book value below salvage value.

(c) GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
Dec, 31 2019	Depreciation Expense - Machine		16,500	
	Accumulated Depreciation			16,500

Exercise (4-2):

On Jan 1, 2017, Gehad Company acquired a delivery truck at a cost of BD24000. The truck is expected to have a salvage value BD2000 at the end of its 4-year useful life.

Required:

a) Compute annual depreciation for the first and second years using the **straight-line method.**

b) Assuming the declining-balance depreciation rate is double the straight-line rate. Compute annual depreciation for the first and second year under the declining-balance method.

Solution:

(a) Depreciable Cost = 24,000 – 2,000 = BD22,000

Annual Period	Depreciation for the period			End of Period	
	Depreciable Cost	Useful life	Depreciation Expense	Accumulated Depreciation	Book Value
1/1/2017	-	-	-	-	24,000
31/12/2017	22,000	4	5,500	5,500	18,500
31/12/2018	22,000	4	5,500	11,000	13,000
31/12/2019	22,000	4	5,500	16,500	7,500
31/12/2020	22,000	4	5,500	22,000	2,000

(b) Depreciation Rate = $\frac{100}{useful\ life} \times 2 = \frac{100}{4} \times 2 = 50\%$

Annual Period	Depreciation for the period			End of Period	
	Beginning Book Value	Depreciation Rate	Depreciation Expense	Accumulated Depreciation	Book Value
1/1/2017	-	-	-	-	24,000
31/12/2017	24,000	50%	12,000	12,000	12,000
31/12/2018	12,000	50%	6,000	18,000	6,000

Exercise (4-3):

Nada Company purchased a delivery truck for BD34,000 on Jan 1, 2017. The truck has an expected salvage value of BD2,000, and is expected to be driven 100,000 miles over its estimated useful life of 5 years. Actual miles driven were 30,000 in 2017, 25,000 in 2018, 20,000 in 2019, 15,000 in 2020 and 10,000 in 2021.

Required:

A. Find the depreciation and net book value for 5 years by using the **Units of Activity method.**

B. Prepare the journal Entry for the first year (December 31st, 2017)

C. IF purchased a delivery truck **on March 31, 2017** instead of Jan 1, 2017.Compute the depreciation and net book value for 2017 and 2018.

Solution:

A) Depreciation cost per unit = $\frac{\text{Cost}-\text{Salvage Value}}{\text{Total Units of Production}} = \frac{34{,}000-2{,}000}{100{,}000} =$ BD0.32 / mile

Annual Period	Depreciation for the period			End of Period	
	Number of Units	Depreciation cost per unit	Depreciation Expense	Accumulated Depreciation	Book Value
1/1/2017	-	-	-	-	34,000
31/12/2017	30,000	0.32	9,600	9,600	24,400
31/12/2018	25,000	0.32	8,000	17,600	16,400
31/12/2020	20,000	0.32	6,400	24,000	10,000
31/12/2021	15,000	0.32	4,800	28,800	5,200
31/12/2022	10,000	0.32	3,200	32,000	2,000

B) GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
Dec. 31 2017	Depreciation Expense - delivery truck		9,600	
	Accumulated Depreciation			9,600

C) Same answer when purchases assets on Jan. 1, because that method depend on units of activity

Annual Period	Depreciation for the period			End of Period	
	Number of Units	Depreciation Rate	Depreciation Expense	Accumulated Depreciation	Book Value
31/03/2017	-	-	-	-	34,000
31/12/2017	30,000	0.32	9,600	9,600	24,400
31/12/2018	25,000	0.32	8,000	17,600	16,400

Exercise (4-4):

Faisal Est. bought a new furniture on **May 31, 2018**. Use information to answer.

Cost Price	**BD 64000**
Fright cost	**BD 2500**

Salvage Value	**BD 2000**
Useful Life	**5 years**

Required:

A. Find the **Double Declining** Depreciation **Rate**:
B. Calculate the Acquisition cost.
C. Calculate the Depreciation Expense and Net Book Value for 5 years.

Solution:

A) Depreciation Rate = $\frac{100}{useful\ life} \times 2 = \frac{100}{5} \times 2 = 40\%$

B) Acquisition cost = 64000 + 2500 = BD66,500

Annual Period	Depreciation for the period			End of Period	
	Beginning Book Value	Depreciation Rate	Depreciation Expense	Accumulated Depreciation	Book Value
31/5/2018	-	-	-	-	66,500
31/12/2018	66,500	$40\% \times \frac{7}{12}$	15,516.667	15,516.667	50983.333
31/12/2019	50983.333	40%	20,393.333	35910	30,590
31/12/2020	30,590	40%	12,236	48,146	18,354
31/12/2021	18,354	40%	7,341.6	55,487.6	11,012.4
31/12/2022	11,012.4	40%	4404.96	59,892.56	6607.44
31/5/2023	6607.44	40%	4607.44*	64,500	2,000

Exercise (4-5):

ABC hospital bought new medical equipment on June 1st, 2018. Relevant information is given below:

Cost Price	Transportation cost	Insurance fees	Useful Life	Scrap Value
BD35000	BD2500	BD500	4 Years	BD2000

Required:

A) Find the depreciation and net book value for 4 years by using the **Straight Line Method**:

B) Prepare the journal Entry for the first year (December 31st, 2018).

Solution:

A) Acquisition cost = 35000 + 2500 + 500 = BD38,000

Depreciable Cost = 38000 – 2000 = BD36000

Annual Period	Depreciation for the period			End of Period	
	Depreciable Cost	÷Useful life	Depreciation Expense	Accumulated Depreciation	Book Value
1/6/2018	-	-	-	-	38,000
31/12/2018	36,000	$\div 4 \times \frac{7}{12}$	5250	5,250	32,750
31/12/2019	36,000	÷4	9,000	14,250	23,750
31/12/2020	36,000	÷4	9,000	23,250	14,750
31/12/2021	36,000	÷4	9,000	32,250	5,750
1/6/2022	36,000	$\div 4 \times \frac{5}{12}$	3750	36,000	2,000

B) GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
Dec. 31 2018	Depreciation Expense - equipment		5,250	
	Accumulated Depreciation			5,250

Exercise (4-6):

Mega Company purchased Machinery on 1st Apr, 2019, relevant information is given below:

Cost Price	Transportation	Taxes	Salvage Value	Useful Life
BD39000	BD500	BD1500	BD1000	4 years

Required:

(A) By using the Straight Line Method, calculate the depreciation expense, accumulated depreciation and the net book value.

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

Solution:

A) Acquisition cost = 39000 +500 + 1500 = BD41,000

Depreciable Cost = 41,000 – 1000 = BD40,000

Annual Period	Depreciation for the period			End of Period	
	Depreciable Cost	Useful life	Depreciation Expense	Accumulated Depreciation	Book Value
1/4/2019	-	-	-	-	41,000
31/12/2019	40000	$\div 4 \times \frac{9}{12}$	7,500	7,500	33,500
31/12/2020	40000	÷4	10,000	17,500	23,500
31/12/2021	40000	÷4	10,000	27,500	13,500
31/12/2022	40000	÷4	10,000	37,500	3,500
1/4/2023	40000	$\div 4 \times \frac{3}{12}$	2,500	40,000	1,000

B) GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
Dec. 31 2019	Depreciation Expense - Machinery		7,500	
	Accumulated Depreciation			7,500
Dec. 31 2020	Depreciation Expense - Machinery		10,000	
	Accumulated Depreciation			10,000

Exercise (4-7):

Rotana Company purchased a new machine on October 1st,2018, at a cost of BD120,000. The Company estimated that the machine will have a salvage value of BD8,000. The machine is expected to be used for 10,000 working hours during its 5-years life.

Required:

Compute the depreciation expense under the following methods.

(A) Straight-Line Method.

(B) Declining-balance using double the straight-line rate.

(C) Units of-Activity, assuming machine usage was 3,500 – 2,500 – 2,000 –1,000 and 1,000 hours for 5 years useful life.

Solution:

A) Depreciable Cost = 120,000 – 8,000 = BD112,000

Annual Period	Depreciation for the period			End of Period	
	Depreciable Cost	Useful life	Depreciation Expense	Accumulated Depreciation	Book Value
1/10/2018	-	-	-	-	120,000
31/12/2018	112,000	$\div 5 \times \frac{3}{12}$	5,600	5,600	114,400
31/12/2019	112,000	÷ 5	22,400	28,000	92,000
31/12/2020	112,000	÷ 5	22,400	50,400	69,600
31/12/2021	112,000	÷ 5	22,400	72,800	47,200
31/12/2022	112,000	÷ 5	22,400	95,200	24,800
1/10/2023	112,000	$\div 5 \times \frac{9}{12}$	16,800	112,000	8,000

B) Depreciation Rate $= \frac{100}{useful\ life} \times 2 = \frac{100}{5} \times 2 = 40\%$

Annual Period	Depreciation for the period			End of Period	
	Beginning Book Value	Depreciation Rate	Depreciation Expense	Accumulated Depreciation	Book Value
1/10/2018	-	-	-	-	120,000
31/12/2018	120,000	$\times 40\% \times \frac{3}{12}$	12,000	12,000	108,000
31/12/2019	108,000	×40%	43,200	55,200	64,800
31/12/2020	64,800	×40%	25,920	81,120	38,880
31/12/2021	38,880	×40%	15,552	96,672	23,328
31/12/2022	23,328	×40%	9331.2	106,003.2	13,996.8
1/10/2023	13,996.8	×40%	5,996.8*	112,000	8,000

Note : Depreciation Expense for last year 2023* = 13,996.8 – 8,0000

= BD5,996.8

D) Depreciation cost per unit = $\frac{\text{Cost} - \text{Salvage Value}}{\text{Total Units of Production}} = \frac{120{,}000 - 8{,}000}{10{,}000} =$ BD11.2/ hour

Annual Period	Depreciation for the period			End of Period	
	Number of Units	Depreciation Rate	Depreciation Expense	Accumulated Depreciation	Book Value
1/10/2018	-	-	-	-	120,000
31/12/2018	3,500	×11.2	39,200	39,200	80,800
31/12/2019	2,500	×11.2	28,000	67,200	52,800
31/12/2020	2,000	×11.2	22,400	89,600	30,400
31/12/2021	1,000	×11.2	11,200	100,800	19,200
31/12/2022	1,000	×11.2	11,200	112,000	8,000

Chapter 5: Plant Assets Disposals

Lesson Notes

- The teacher explains:
  1- Revising periodic depreciation.
  2- Difference between revenue and capital.
  3- Disposal of plant assets
     - Retirement of plant assets.
     - Discarded of assets.
     - Sales of plant assets.
  4- Depletion of natural resources.

Change in Estimates for Depreciation”

Depreciation is based on estimates of salvage value and useful life. During the useful life of an asset, new information may indicate that these estimates are inaccurate. If our estimate of an asset’s useful life and/or salvage value changes, what should we do? The answer is to use the new estimate to compute depreciation for current and future periods. This means that we revise the depreciation expense computation by spreading the cost yet to be depreciated over the remaining useful life. This approach is used for all depreciation methods.

The Focus

Before the Lesson:

*Teacher start by write introductory activity, about selling old car after being used 5 years.

The Lesson:

1- Revising periodic depreciation.
2- Distinguish between revenue and capital, and account for them.
3- Explain how to account for the disposal of a plant asset

After the Lesson:

The student should be able to plant assets disposal.

Revising Periodic Depreciation

Illustrate 5-1:

AHD Company uses straight-line depreciation for a machine was purchased on **Jan 1 2017**, costing BD42,500, with an estimated five-year life and a BD2,500 salvage value. At the beginning of the fourth year, AHD company determines that the machine has three more years of remaining useful life, after which it have an salvage value BD2,000.

Required:

1- Compute the machine's book value at the end of third year.
2- Compute the amount of depreciation for each of the final three years given the revised estimates.

Solution:

1- a) Depreciation Expense for the first 3 years = $\frac{42{,}500-2{,}500}{5}$ = BD8,000
   b) Accumulated Depreciation = 8,000 × 3 = BD24,000
   c) Book Value = 42,500 – 24,000 = BD18,500

Depreciation for each of the remaining years = $\frac{\textit{Book Value} - \textit{Revised Salvage Value}}{\textit{Revised Remaining Useful life}}$

Revised Remaining Useful life = Proposed useful Life – Years of Consumption

2- Depreciation for each of the three remaining years = $\frac{18{,}500-2{,}000}{3}$ = BD5,500.

2- Teaching Reinforcement Question:

*Ask the students to read pages (110-112) from text book.

* Ask the student to answer exercise(2) page 95 from notebook.

Revenue and capital expenditure

Revenue Expenditures, also called income statement expenditures, are additional costs of plant assets that do not materially increase the asset's life or productive capabilities. They are recorded as expenses and deducted from revenues in the current period's income statement. Examples of revenues expenditures are cleaning, repainting, adjustments, and lubricants.

Capital Expenditures, also called balance sheet expenditures, are additional costs of plant assets that provide benefits extending beyond the current period. They are debited to asset accounts and reported on the balance sheet. Examples are roofing replacement, plant expansion, and major over-hauls of machinery and equipment.

Study Instructions:
Ask the students to review three methods in chapter 4.

Revenue and capital expenditure

Illustrate (5 - 2)

Ahmed Company incurred and paid maintenance and repair costs for BD800, of machines on February 5 2018 the current year, it makes the following entry.

Date	Explanation	Debit	Credit
Feb, 5 2018	Repairs Expense	800	
	Cash		800

Illustrate (5 - 3)

AHD Company pays for BD6,500 on March 15 2018, to adds engine power of 3,000 CC on a truck for replacing old engine power of 5,800 CC. This results in increase useful life and salvage value in future periods. The cost of the improvement is added to the truck account with this entry.

Date	Explanation	Debit	Credit
Mar, 15 2018	Truck	6,500	
	Cash		6,500

2- Teaching Instructions.
* Explain to students illustrations (5-2 &3) page 111.

* Ask the student to answer exercise (3) page 96 from notebook. In a group during the lesson. (Cooperative learning)

Disposal of plant Assets

1- **Retirement of Plant Assets**
The retirement of plant assets at the end of useful life. The company cannot use the plant asset and resale.

Illustrate (5 - 4)

On Dec, 31 2018, Ahmed retires its computer printers, which cost BD18,000. The accumulated depreciation on these printers is BD18,000. The equipment, therefore, is fully depreciated (zero book value). The entry to record this retirement is as follows.

Date	Explanation	Debit	Credit
Dec, 31 2018	Accumulated Depreciation - Equipment	18,000	
	Equipment		18,000

Revenue and capital expenditure

2- Discarded of Plant Assets

What happens if a fully depreciated plant asset is still useful life to the company?

In this case, the asset and its accumulated depreciation continue to be reported on the balance sheet, without further depreciation adjustment, until the company retires the asset. Reporting the asset and related accumulated depreciation on the balance sheet informs the financial statement reader that the asset is still in use. Once fully depreciated, no additional deprecation should be taken, even if an asset is still being used. In no situation can the accumulated depreciation on a plant asset exceed its cost.

If a company retires a plant asset before it is fully depreciated and no cash is received for scrap or salvage value, a loss on disposal occurs

2- Teaching Instructions.

* Explain to students illustrations (5-4) &(5-5) pages 112 to 114 from textbook .

* Ask the student to answer exercise (5) page 97 from notebook. during the lesson. (Brainstorming Strategy)

Disposal of plant Assets

Illustrate (5 - 5)

On April 15 2019, Eman Company discards delivery equipment that cost BD 22,000 and has accumulated depreciation of BD16,000. The entry is as follow:

Date	Explanation	Debit	Credit
April 15 2019	Accumulated Depreciation - Equipment	16,000	
	Loss on Disposal	6,000	
	Equipment		22,000

Sales of Plant Assets:

Illustrate (5 - 6): Gain on Disposal

On July 1 2018, Salman Company sell office equipment for BD15,000 cash. The office original cost BD50,000. It had accumulated depreciation of BD39,000.

To compute gain or loss from selling the equipment:

Book Value = Original Cost – Accumulated Depreciation

= 50,000 – 39,000 = BD11,000.

Gain / Loss = Proceeds from sales – Book Value

=15,000 – 11,000 = BD4,000. (Gain)

Date	Explanation	Debit	Credit
July 01 2018	Cash	15,000	
	Accumulated Depreciation - Equipment	39,000	
	Equipment		50,000
	Gain on Disposal of Equipment		4,000

Disposal of plant Assets

Illustrate (5 - 7): Loss on Disposal

Assume that instead of selling the equipment for BD8,000. In this case it has a loss on disposal.

Gain / Loss = Proceeds from sales – Book Value

8,000 – 11,000 = (BD3,000) . (Loss)

The entry is as follow: -

Date	Explanation	Debit	Credit
July 01 2018	Cash	8,000	
	Accumulated Depreciation - Equipment	39,000	
	Loss on Disposal of Equipment	3,000	
	Equipment		50,000

2- Teaching Instructions.

* Explain to students illustrations (5-6) & (5-7) pages 112 to 114 from textbook .

* Ask the student to solve exercise (1) page 95 from notebook. during the period. (Brainstorming Strategy)

Natural Resources

Natural Resources consist of standing timber and underground Deposits of oil, gas, and minerals. These long-lived productive Assets have two distinguishing characteristics:

1- They are physically extracted in operations (such as mining, cutting, or pumping).
2- They are replaceable only by an act of nature.

The acquisition cost of a natural resource is the price needed to acquire the resource and prepare it for its intended use. For an already-discovered resource such as an existing coal mine, cost is the price paid for the property. Natural resources are consumed (Depleted) over time because of extraction. Thus companies need to calculate yearly depreciation as an expense.

2- Studing Instructions.

* Ask the student to write a report about depreciation of natural resources.

Natural Resources

Illustrate (5 - 8):

On Apr, 1 2014, ABC Company invests BD5,000,000 in a mine estimated to have 10,000,000 tons of coal and no salvage value. In the first 5 years were mined and sold as follow 3,000,000 – 2,500,000 – 2,000,000 – 1,500,000 – 1,000,000.

Required:

1- Complete the depletion table.

2- Prepare the journal entries to record depletion expense for year 2014

Solution:

1- Depletion Cost per Unit = $\frac{\text{Total Cost} - \text{Salvage Value}}{\text{Total Estimated Units}}$

$$= \frac{5{,}000{,}000 - 0}{10{,}000{,}000} = \text{BD}0.5 \text{ per unit}$$

Annual depletion Expense = Depletion Cost per Unit × Number of units Extracted and Sold

Annual Period	Depreciation for the period			End of Period	
	Activity Units	Depletion Cost per Unit	Depletion Expense	Accumulated Depletion	Book Value
1/1/2014	-	-	-	-	5,000,000
2014	3,000,000	× 0.5	= 1,500,000	1,500,000	3,500,000
2015	2,500,000	× 0.5	= 1,250,000	2,750,000	2,250,000
2016	2,000,000	× 0.5	= 1,000,000	3,750,000	1,250,000
2017	1,500,000	× 0.5	= 750,000	4,500,000	500,000
2018	1,000,000	× 0.5	= 500,000	5,000,000	0

2- Journal Entry should be:

Date	Explanation	Debit	Credit
Dec, 31	Depletion Expense	1,500,000	
2014	Accumulated Depletion		1,500,000

2- Teaching Instructions.

* Explain to students illustrations (5-8) pages 112 to 114 from textbook.

* Clarify to students; we use units activity in depletion of natural resources

* Ask the student to answer exercise (5) page 97 from notebook. during the lesson. (Brainstorming Strategy)

Natural Resources

Note:

In the method of consuming natural resources, the date of investment or extraction is ignored because it depends on the units extracted.

- **Ask the student to use the following link to review the lesson:**
- **http://www.edunet.bh/e_content/level_3/stage_10/subject_ID_35/Part_3/lessons/CH-5---Plant-Assets-Disposals/CH-5---Plant-Assets-Disposals.pptx**

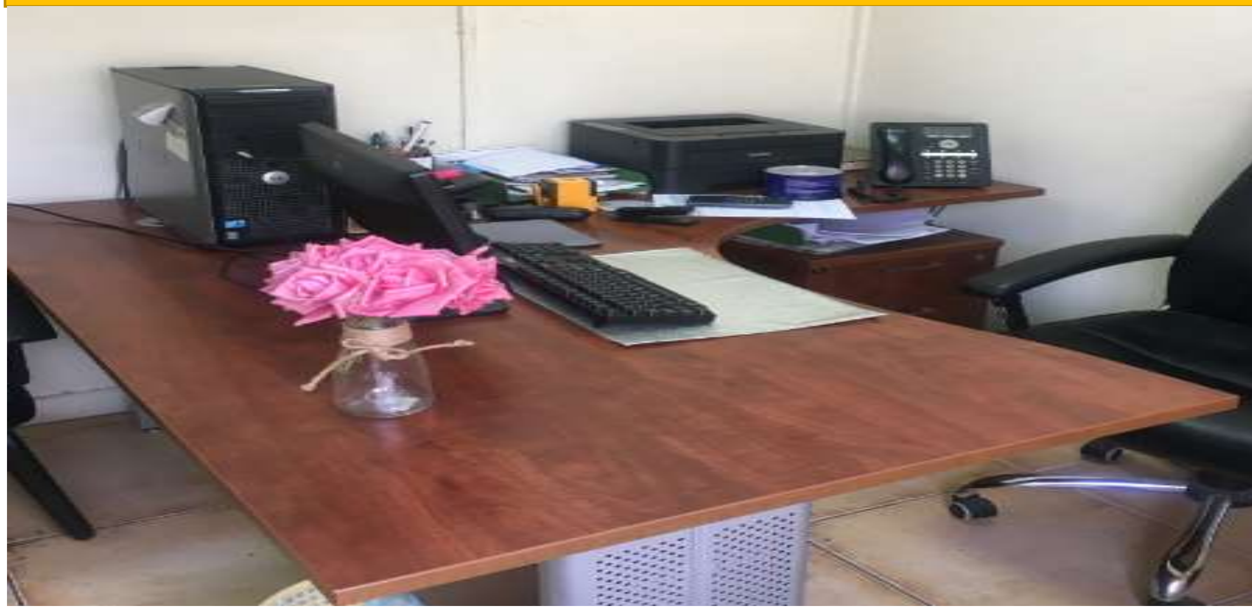
Teaching with technology
Ask the student to use the link and QR for revision.

Chapter Resources			
Resource	**Below Average**	**In Average**	**Over Average**
Teacher’s Guide	Page 117 (5-1).	Page 118 (5-4)	Page 119 (5-5)
Lesson Resources	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson
Extra Resources	Activity Notebook	Activity Notebook	Activity Notebook

Formative assessment:

Ask the students to answer exercises pages 118 (5-3) from textbook.

Chapter (5): Plant Assets Disposals



Model Answers

Text Book Exercises

Exercises:

Exercise (5-1):

Presented below are selected transactions at Arwa Company for 2018.

Jan. 1: Retired a piece of machinery that was purchased on January 1, 2008. The machine cost BD75,000 on that date. It had a useful life of 10 years with no salvage value.

June 30: Sold equipment that was purchased on January 1, 2015. The equipment cost BD45,000. It had a useful life 5 years with no salvage value. The equipment was sold for BD14,000.

Dec. 31: Discarded a delivery truck that was purchased on January 1,2014. The truck cost BD33,000. It was depreciated based on a 6 years useful life with a BD3,000 salvage value.

Required:

Prepare journal entries for the previous transactions. The Company uses straight-line depreciation (Assume depreciation is up to the above date of the previous transactions).

Solution:

GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
Jan. 1 2018	Accumulated Depreciation - Machinery		75,000	
	Machinery			75,000
June 30 2018	Cash		14,000	
	Accumulated Depreciation - Equipment		31,500	
	Equipment			45,000
	Gain on Disposal of Equipment			500
Dec. 31 2018	Accumulated Depreciation - Delivery Truck		25,000	
	Loss on Disposal of Delivery Truck		8,000	
	Delivery Truck			33,000

Exercise (5-2):

On July 1,2018, Abdulla Company invested BD720,000 in a mine estimated to have 900,000 tons of ore of uniform grade. During the last 6 months of 2018, 100,000 tons of ore were mined and sold.

Required:

Prepare the journal entry to record depletion expense for 2018.

Solution:

1- Depletion Cost per Unit $= \frac{\text{Total Cost} - \text{Salvage Value}}{\text{Total Estimated Units}}$

$$= \frac{720{,}000 - 0}{900{,}000} = \text{BD0.8 per unit}$$

2- Annual depletion Expense = 100,000 × 0.8 = BD80,000

GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
Dec. 31 2018	Depletion Expense		80,000	
	Accumulated Depletion			80000

Exercise (5-3):

Middle East Company owns equipment that cost BD65,000 when purchased on January 1, 2015. It has been depreciation using the straight-line method based on estimated salvage value of BD5,000 and an estimated useful life of 5 years.

Required:

Prepare the journal entries to record the sales of the equipment in these four independent situations.

(A) Sold for BD31,000 on January 1, 2018.

(B) Sold for BD31,000 on May 1, 2018.

(C) Sold for BD11,000 on January 1, 2018.

(D) Sold for BD11,000 on October 1, 2018.

Solution:

A-C) Jan. 1 2015 — Using 3 years → Jan. 1 2018

* Annual Depreciation Expense = $\frac{65000 - 5000}{5}$ = BD 12,000

Accumulated Depreciation = 12,000× 3= BD36,000

B) Jan. 1 2015 — Using 3 years and 4 moths → May. 1 2018

Accumulated Depreciation = (12,000× 3) + (12,000× $\frac{4}{12}$) =BD40,000.

D) Jan. 1 2015 — Using 3 years and 9 moths → Oct. 1 2018

Accumulated Depreciation = (12,000× 3) + (12,000× $\frac{9}{12}$) =BD45,000.

GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
Jan. 1 2018	Cash		31,000	
	Accumulated Depreciation - Equipment		36,000	
	Equipment			65,000
	Gain on Disposal of Equipment			2,000
May. 1 2018	Cash		31,000	
	Accumulated Depreciation - Equipment		40,000	
	Equipment			65,000
	Gain on Disposal of Equipment			7,000
Jan. 1 2018	Cash		11,000	
	Accumulated Depreciation - Equipment		36,000	
	Loss on Disposal of Equipment		18,000	
	Equipment			65,000
Oct. 1 2018	Cash		11,000	
	Accumulated Depreciation - Equipment		45,000	
	Loss on Disposal of Equipment		9,000	
	Equipment			65,000

Exercise (5-4):

On September 1 2016, Nora Mining Company pays BD4,500,000 for an ore deposit containing 900,000 tons, with an estimated 10 years life and no salvage value. In the first 3 years were mined and sold as follow 100,000 – 120,000 – 180,000

Required:

1- Compute the depletion expenses for first 3 years.

2- Prepare the journal entries to record depletion expense for year 2016.

Solution:

1- Depletion Cost per Unit $= \frac{\text{Total Cost} - \text{Salvage Value}}{\text{Total Estimated Units}}$

$$= \frac{4{,}500{,}000 - 0}{900{,}000} = \text{BD5 per ton}$$

Annual depletion Expense (2016) = 100,000 × 5 = BD500,000
Annual depletion Expense (2017) = 120,000 × 5 = BD600,000
Annual depletion Expense (2018) = 180,000 × 5 = BD900,000

2- GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
Dec.31 2016	Depletion Expense		500,000	
	Accumulated Depletion			500,000

Exercise (5-5):

Naser Company, the new controller of Salman Est, has reviewed the expected useful lives and salvage values of selected depreciable assets at the beginning of 2017. His finding are as follows.

Type of Assets	Date Acquired	Cost	Accumulated Depreciation 1/1/2017	Useful Life		Salvage Value	
				Old	Proposed	Old	Proposed
Building	1/1/2011	800,000	114,000	40	50	40,000	26,000
Equipment	1/1/2014	100,000	19,000	25	20	5,000	6,000

All assets are depreciated by the straight-line method. Salman Est, uses a caledar year in preparing annual financial statements. After discussion, management has agreed to accept Naser company's proposed changes.

Required:

(a) Compute the revised annual depreciation on each assets in 2018.

(b) Prepare the entries to record depreciation on the assets.

Solution:

(a) **Building:**

Book Value = 800,000 – 114,000 = BD686,000

Depreciation for each of the remaining years

$$=\frac{Book\ Value - Revised\ Salvage\ Value}{Revised\ Remaining\ Useful\ life} = \frac{686{,}000 - 26{,}000}{50-6} = \text{BD}15{,}000$$

Equipment:

Book Value = 100,000 – 19,000 = BD81,000

Depreciation for each of the remaining years

$$=\frac{Book\ Value - Revised\ Salvage\ Value}{Revised\ Remaining\ Useful\ life} = \frac{81{,}000 - 6{,}000}{20-3} = \text{BD}4411.765$$

b) GENERAL JOURNL

Date	Account Title and Explanation	PR	Debit	Credit
Dec.31 2018	Depreciation Expense - Building		15,000	
	Accumulated Depreciation			15,000
Dec.31 2018	Depreciation Expense - Equipment		4411.765	
	Accumulated Depreciation			4411.765

Chapter 6: Income Statement for Merchandising Business

Lesson Notes

➢ The teacher should clarify the following:

Natural Resources

ELEMENTS OF FINANCIAL STATEMENTS

INCOME: Increase in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases
In equity.

EXPENSES: Decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity.

The following items are required items to be presented on the income statement.

1- Sales section: Presents sales, sales discounts, sales returns, and related information. Its purpose is to arrive at the net amount of sales revenues.
2- Cost of Goods sold section: shows the cost of goods to produce the sales.
3- Gross Profit: revenues less cost of goods sold.
4- Selling Expenses: Reports expenses resulting from the company's efforts to make sales.
5- Administrative or General Expenses: Reports expenses op general expenses.
6- Other Income and Expense. Includes most other transactions that do not fit into the revenues and expenses categories provided above. Items such as gains and losses on sales of long-lived assets. In addition, revenues such as rent revenue, dividend revenue and interest revenue.
7- Income from operations. Company's results from normal operations.
8- Finance Costs. A separate item that identifies the financing cost of the company, hereafter referred to as interest expense.
9- Income tax. A short section reporting taxes levied on income before income tax.
10-Net Income. The net results of the company's performance over a period of time.

The Focus

Before the Lesson:
Teacher start by introductory activity by asking the student give example about the company has a result of business net income or net loss.

The Lesson:
1- Understand the content and format of the income statement.

2- Explain the computation and importance of net profit under a multiple –step income statement

After the Lesson:
Prepare income statement for merchandise business

Illustration 6-1:

- **The following accounts balance were extracted from the book of Abdulla's Company on Dec 31, 2019.**

Sales Returns	BD3,200	Gross Purchases	BD5,600
Purchases returns allowance	1,300	Freight-In	250
Carriage- out	150	Sales discount	800
Opening inventory	3,200	Gross sales	19,200
Import tax	270	Insurance expense	380
Rent expense	750	Ending inventory	1,600

Required: Calculate the amount following accounts:

1. Net Sales.
2. Net Purchases.
3. Cost of Purchases.
4. Cost of goods available for sale.
5. Cost of Goods Sold.
6. Gross Profit.
7. Income from Operation
8. Net Income before tax
9. Net Income after tax (tax rate 5%)

Solution:

1- **Net Sales = Gross Sales – (Sales Discount + Sales Returns and Allowance)**
Net Sales = 19,200 – (800 + 3,200)
= 19,200 – 4,000
= BD15,200

2- **Net Purchases = Gross Purchases – (Purchases Discount + Purchases Returns and Allowance)**
Net Purchases = 5,600 – (0 + 1,300)
= 5,600 – 1,300
= BD4,300.

2- Teaching Reinforcement Question:
*Ask the students answer exercise (1-6) pages 115-123 from notebook.

Teaching Instructions:
Ask the student to do a project a bout preparing income statement for merchandising business working in Bahrain.

3- Cost of purchases =Net Purchases +Expenses on Purchases (Freight-In, Carriage-In, Transportation in, Import tax, Insurance on purchases)

Cost of Purchases = 4,300 + 250 + 270
= BD4,820

4- **Cost of Goods Available for Sales = Opening Inventory + Cost of purchases**

Cost of Goods Available for Sales
= 3,200 + 4,820
= BD8,020

5- **Cost of Goods Sold = Cost of Goods Available for Sales - Ending Inventory**

Cost of Goods Sold
= 8,020 – 1,600
= BD6,420

6- **Gross Profit = Net Sales - Cost of Goods Sold**

Gross Profit =
= 15,200 – 6,420
= BD8,780

8- **Net Income Before tax = Income from Operation + Other Revenues and gain – Other Expenses and losses**

Net Income Before tax =
= 7,500 + (1,200) – (800)
= BD7,900

9- **Net Income = Net Income Before tax – (Net Income before tax × %)**

Net Income =
= 7,900 - (7,900 ×5%)
= BD7,505

Studying Instructions:

* Ask the students to read pages (125 – 127) in a group.

* Determine the benefit of income statements.

Teaching Instructions:

* Explain to students illustrations (6-1) Pages 128 – 130.

* Ask the students to study the equations to find net income or loss.

Illustration 6-2:

The following balances was extracted from the books of Manama Fashion Center at the end Dec, 31 2016.

Account Title	BD	Account Title	BD
Cash	21,000	Purchases Discount	1,000
Account Receivable	4,200	Machines	15,000
Beginning Inventory	3,000	Rent Revenues	17,000
Equipment	15,000	Dividend Revenues	4,400
Account Payable	2,800	Salaries Expenses	12,300
Capital	45,000	Repair Expenses	8,200
Drawings	1,300	Advertising Expenses	5,400
Sales	178,000	Freight In	2,000
Sales returns	2,600	Freight Out	3,900
Sales Discount	5,400	Interest Expenses	7,600
Purchases	106,000	Loss from Sales Equipment	2,200
Purchases Returns	2,000	Sales Commission Expenses	1% of Net Sales

A physical count to inventory shows a balance of BD6,100.

Required: Prepare a multiple-step income statement for fiscal year 2016.

Teaching Instructions:
* Explain to students illustrations (6-2) to (6-4) Pages 131 – 137.

* Ask the students to answer (6-6) page 144 in a group during the lesson (Cooperative learning).

Solution:

Manama Fashion Center
Income Statement
For Year Ended Dec, 31 2016

Sales		178,000	
Less: Sales returns	2,600	(-)	
Sales Discount	5,400	(8,000)	
= Net Sales			170,000
Less: Cost of Goods Sold:			
Beginning Inventory		3,000	
Purchases	106,000		
Less: Purchases Returns	(2,000)		
Less: Purchases Discount	(1,000)		
= Net Purchases	103,000		
+ Freight In	2,000		
= Cost of Purchases		105,000	
= Cost of Goods Available for Sale		108,000	
Less: Ending Inventory		(6,100)	
= Cost of Goods Sold			101,900
= Gross Profit			68,100
- Operating Expenses:			
Freight Out		3,900	
Salaries Expenses		12,300	
Repair Expenses		8,200	
Advertising Expenses		5,400	
Sales Commission Expenses (170,000×1%)		1,700	
Total Operating Expenses			31,500
Income from Operations			36,600
+ Other Revenues and Gains:			
Dividend Revenues		4,400	
Rent Revenues		17,000	21,400
- Other Expenses and Losses:			
Interest Expenses		7,600	
Loss from Sales Equipment		2,200	(9,800)
= Net Income (Profit)			48,200

Studying Instructions:

* Ask the students to do a report about difference between income statement for services and merchandise business.

Teaching Instructions:

* Explain to students COGS, Gross Profit finding.

* Explain to students the difference between operating and other expenses.

➢ **Ask the student to use the following link to review the lesson:**

http://www.edunet.bh/e_content/level_3/stage_10/subject_ID_35/Part_3/lessons/CH-6--Income-Statement-For-Merchandising-Business/CH-6--Income-Statement-For-Merchandising-Business.pptx

Teaching with technology
Ask the student to use the link and QR for revision.

Chapter Resources			
Resource	**Below Average**	**In Average**	**Over Average**
Teacher’s Guide	Page 138 (6-1)	Page 140 (6-2)	Page 138(6-4)
Lesson Resources	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson	1- Text Book 2- Study Guide 3- Digital Educational Lesson 4- YouTube Lesson
Extra Resources	Activity Notebook	Activity Notebook	Activity Notebook

Formative assessment:

Ask the students to answer exercises (6-5) pages 143.

Chapter (6): Income Statement for Merchandising Business

Model Answers

Text Book Exercises

Exercises:

Exercise (6-1): Choose the correct answer.

1- A company had sales of BD695,000 and cost of goods sold of BD278,000. Its gross profit equals:

A. BD (417,000).

B. BD 695,000.

C. BD 278,000.

D. BD 417,000. ✓ (695,000 – 278,000)

E. BD 973,000.

2- A company had sales of BD375,000 and its gross profit was BD157,500. Its cost of goods sold equals:

A. BD (217,000).

B. BD 375,000.

C. BD 157,500.

D. BD 217,500. ✓ (375,000 – 157,500)

E. BD 532,500.

3- Beginning inventory plus net purchases is:

A. Cost of goods sold.

B. Merchandise available for sale.✓

C. Ending inventory.

D. Sales.

E. Shown on the balance sheet.

4- Sales less sales discounts less sales returns and allowances equals:

A. Net purchases.

B. Cost of goods sold.

C. Net sales.✓

D. Gross profit.

E. Net income.

5- A Company had sales of BD 135,000, sales discounts of BD 2,000, and sales returns of $3,200. A Company's net sales equals:

A. BD 5,200.

B. BD 129,800. ✓ (135,000 – 2,000 – 3,200)

C. BD 133,000.

D. BD 135,000.

E. BD 140,200.

6- Amazon Company has sales BD56000, Sales Returns BD6000 and Gross Profit BD15000. What is the Cost of goods sold?

a) BD77000

b) BD41000

c) BD35000. ✓ (56,000 – 6,000 – 15,000)

d) BD47000

7- Al-Zayani Car Agency has total cost of Purchases BD16800, Opening Inventory BD3400 and Closing Inventory BD2900. The Cost of Goods available for sale is:

e) BD17300

f) BD16300

g) BD13900

h) BD20200✓ (16,800 + 3,400)

8- If Mona Est. has Gross Profit BD3000, Rent Revenue BD1500 and Total Expenses BD4000, then the result is:

a. Net Profit BD500 ✓ (3,000 + 1,500 – 4,000)

b. Net Profit BD5500

c. Net Loss BD1000

d. Net Profit BD4500

Exercise (6-2):

The following Trial Balance was extracted from the books of Magda Co. on December 31, 2017.

Magda Co.
Trial Balance
31 December 2017

Account titles	Debit	Credit
Cash	7,000	
Accounts Receivable	5,000	
Inventory	4,000	
Equipment	22,000	
Furniture	6,000	
Loan		3,000
Accounts Payable		4,000
Capital		33,300
Drawings	5,000	
Sales		66,300
Purchases	42,000	
Telephone Expense	2,400	
Rent Expense	4,000	
Interest Expense	8,000	
Carriage Inwards	900	
Discounts	500	400
Sales Returns	200	
Total	107,000	107,000

Ending Inventory at 31 December 2016, for BD6,000 and income tax 5%.

Required:

1- Prepare the **Multiple Income Statement** for the year ended 31 December 2017.
2- Prepare the **Single Income Statement** for the year ended 31 December 2017.

Magda Co.

1- Multiple - Step Income Statement

For Year Ended Dec 31, 2017

Sales		66,300	
Less: Sales Returns		(200)	
Sales Discount		(500)	
= Net Sales			65,600
Less: Cost of Goods Sold:			
Beginning Inventory		6,000	
Purchases	42,000		
Less: Purchases Discount	(400)	+	−
= Net Purchases	41,600		
+ Carriage Inwards	900		
= Cost of Purchases		42,500	
= Cost of Goods Available for Sale		48,500	
Less: Ending Inventory		(4,000)	
= Cost of Goods Sold			(44,500)
= Gross Profit			21,100
- Operating Expenses:			
Telephone Expenses		2,400	−
Rent Expenses		4,000	
Total Operating Expenses			(6,400)
Income from Operations			14,700
- Other Expenses and Losses:			−
Interest Expenses			(8,000)
= Net Income before tax			6,700
Income Tax (6,700 ×5%)			(335)
Net Income (Profit)			**6,365**

Solution:

Magda Co.

2- Single – Step Income Statement

For Year Ended Dec, 31 2017

Revenues:		
Net Sales	65,600	
Total Revenues		**65,600**
Less:Expenses.		
Cost of Goods Sold	44,500	
Telephone Expenses	2,400	
Rent Expenses	4,000	
Interest Expenses	8,000	
Total Expenses		**58,900**
Net Income before tax		**6,700**
Income Tax (6,700 ×5%)		(335)
Net Income (Profit)		**6,365**

Exercise (6-3):

Complete the missing blanks in the following income statement of Narees Company as at 31st Dec 2017:

Solution:

Narees Company .

Income Statement

For the period ended 31st Dec 2017

Revenue from sales:			
Sales		52,300	
Sales Return and Allowance		(800)	
Net sales			51,500
Cost of Goods Sold:			
Beginning Inventory		61,700	
Purchase	29,780		
Purchase Returns	(320)		-
Net Purchases	29,460		
Freight In	240		
Cost of Purchases		29,700	
Cost of Goods Available for sale		32,000	
- Ending Inventory		14,400	
Cost of Goods Sold			17,600
Gross Profit			33,900
Operation Expenses:			
Rent Expense			2,200
Income from Operations			31,700
Income tax 5% (31,700× 5%)			(1,585)
Net Income (Profit)			30,115

Exercise (6-4):

The following balances some of accounts were extracted from the books of Saleh Company On Dec 31, 2017.

Account Title	BD	Account Title	BD
Cash	22,000	Closing Inventory	2,000
Account Receivable	8,000	Rent Expenses	17,000
Lands	110,000	Wages Expenses	13,000
Building	190,000	Supplies Expenses	1,400
Sales	250,000	Interest Expenses	2,600
Sales Return	4,000	Gain from Sales equipment	8,200
Purchases	160,000	Equipment	18,700
Purchases Discount	5,000	Supplies	6,500
Opening Inventory	3,500	Transportation In	1,100
Income Tax (5%)	-	Account payable	9,000

Required:

1- Prepare the **Multiple Income Statement** for the year ended 31 December 2017.
2- Prepare the **Single Income Statement** for the year ended 31 December 2017.

Solution:

Saleh Company

Multiple - Step Income Statement

For Year Ended Dec 31, 2017

Sales			250,000	
Less: Sales returns			(4,000)	
= Net Sales				246,000
Less: Cost of Goods Sold:				
Opening Inventory			3,500	
Purchases	160,000			
Less: Purchases Discount	(5,000)			
= Net Purchases	155,000			
+ Transportation In	1,100			
= Cost of Purchases			156,100	
= Cost of Goods Available for Sale			159,600	
Less: Closing Inventory			(2,000)	
= Cost of Goods Sold				(157,600)
= Gross Profit				88,400
- Operating Expenses:				
Rent Expenses			17,000	
Wages Expenses			13,000	
Supplies Expenses			1,400	
Total Operating Expenses				31,400
Income from Operations				57,000
+ Other Revenues and Gains:				
Gain from Sales Equipment				8,200
- Other Expenses and Losses:				
Interest Expenses				(2,600)
= Net Income before tax				62,600
Income Tax (62,600 ×5%)				(3,130)
Net Income (Profit)				**59,470**

Saleh Company

Single – Step Income Statement

For Year Ended Dec, 31 2017

Revenues:		
Net Sales	246,000	
Gain from Sales Machines	8,200	
Total Revenues		**254,200**
Less:Expenses.		
Cost of Goods Sold	157,600	
Salaries Expenses	17,000	
Electricity Expenses	13,000	
Rent Expenses	1,400	
Interest Expenses	2,600	
Total Expenses		**191,600**
Net Income before tax		**62,600**
Income Tax (62,600 ×5%)		(3,130)
Net Income (Profit)		**59,470**

Exercise (6-5):

The following information were extracted from the books of Ameen Company on Dec 31 2018.

Account Title	BD	Account Title	BD
Sales	512,000	Opening Inventory	???
Net sales	504,000	Cost Of Goods available for Sales	389,500
Sales Discount	???	Ending Inventory	10,500
Purchases	385,000	Fees Earned	16,000
Purchases Return	7,000	Total Operating Expenses	???
Freight In	2,000	Income From Operation	58,000
Interest Expenses	3,400	Loss from Sales Assets	2,100
Income Tax (5%)	-	Loans	9,000

Required:

Compute the following accounts and estate the steps of solution.

Solution:

1- Sales Discount =

512,000 – 504,000 = BD8,000

2- Net Purchases =

385,000 – 7,000 =BD378,000

3- Cost of Purchases =

378,000 + 2,000 = BD380,000

4- Opening Inventory =

389,500 – 380,000 =BD9,500

5- Cost of Goods Sold =

389,500 + 10500 =BD400,000

6- Gross Profit =

504,000 – 400,000 =BD104,000

7- Total Revenues = Not Required

8- Total Operating Expenses =

104,000 – 58,000 = BD46,000

9- Net Income before Tax =

58,000 + 16,000 – 3,400 = BD70,600

10-Net Income =

70,600 – (70,600 × 5%) = BD67,070

Exercise (6-6):

Find the missing amount in the income statement for two different business (A&B).

Account Title	Business A		Business B	
Sales		105,000		129,000
Sales Return		(5000)		9,000
Net Sales		100,000		120,000
COGS:				
Beginning Inventory	6,000		5,000	
Cost of Purchases	70,000		80,000	
Cost of Goods Available for Sales	76,000		85,000	
Ending Inventory	(4,000)		9,000	
Cost of Goods Sold		72,000		76,000
Gross Profit		28,000		44,000
Operating Expenses		(7,000)		5,000
Income from Operation		21,000		39,000
Interest Expense		1,000		4,000
Income before Tax		20,000		35,000
Income Tax (5%)		(1,000)		(1,750)
Net Income		19,000		33,250