



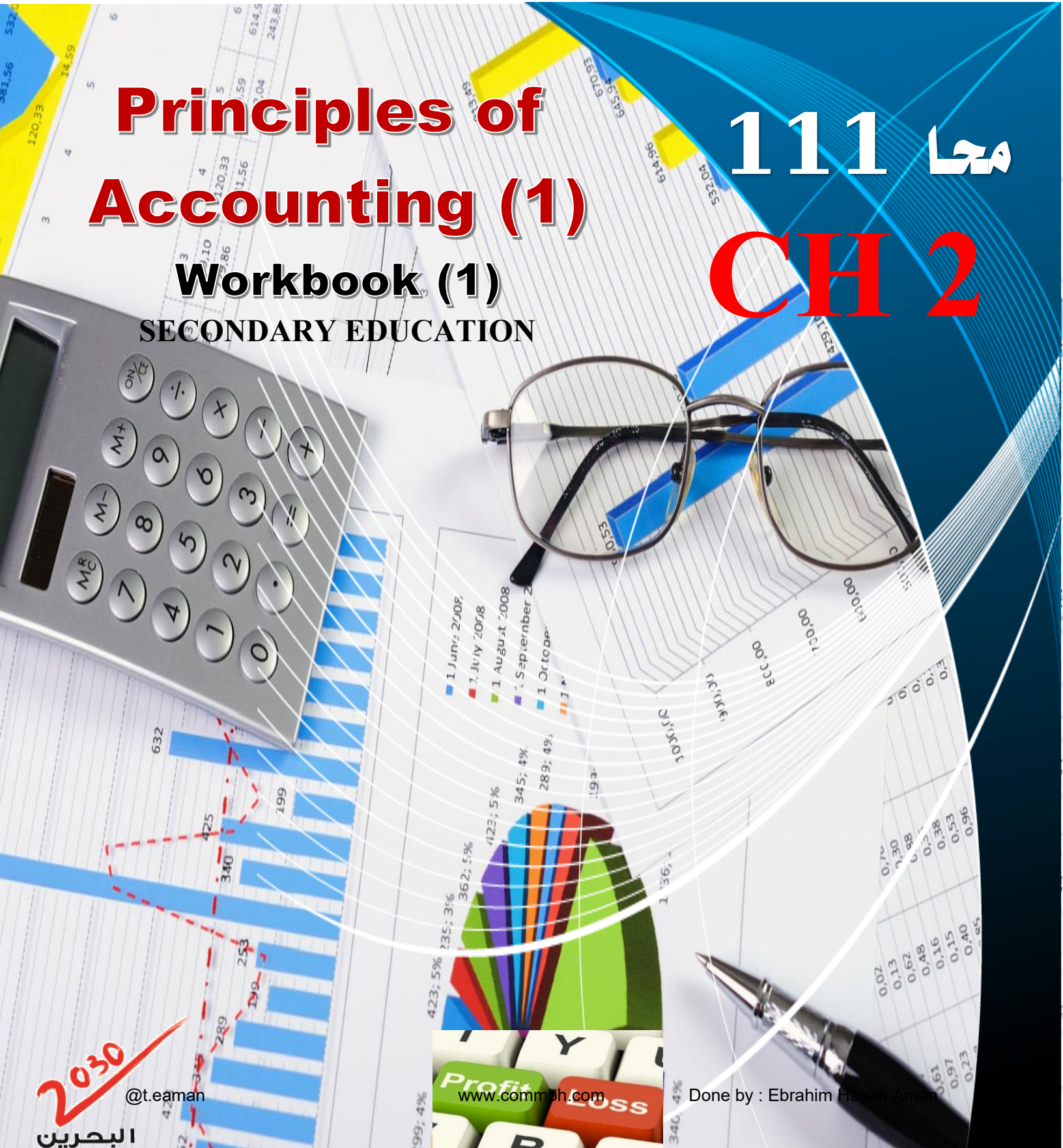
# Principles of Accounting (1)

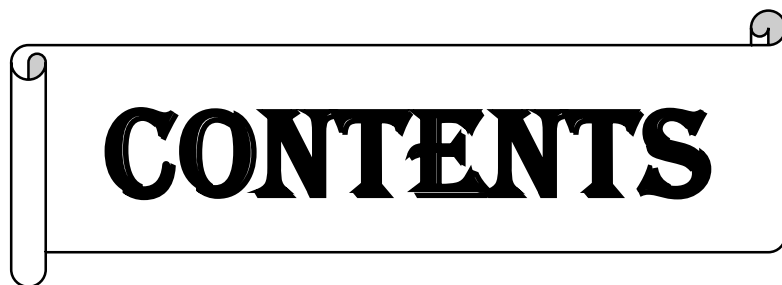
## Workbook (1)

### SECONDARY EDUCATION

مجا 111

# CH 2





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## CHAPTER 2

# Accounting In Action

تنويه مهم  
قد تكون هناك بعض  
الأخطاء الغير  
مقصودة وجب التنبيه

# *Text Book Exercises*



**Exercises:****Exercise (2-1):**

**Answer the following questions by using the accounting equation.**

1. At the beginning of the year, Essa company's assets were BD125,000 and liabilities were equal to BD35,000 at year- end. During the year, assets increased by BD45,000 and liabilities increased by BD15,000. What is total equity at the end of the year?

$$125000 + 45000 = (35000 + 15000) + 120,000$$

$$OE = BD 120,000$$

2. Ebrahim Est, has BD63,000 in assets and BD18,000 in liabilities at the end of the year. What is the total equity at the end of the year?

$$63,000 = 18,000 + 45,000$$

$$OE = 45,000$$

3. At the beginning of the year, Salman company's liabilities was equal to BD20,000. During the year, assets decrease by BD30,000 and at the year-end the assets were equal to BD90,000. What is the beginning amounts of equity?

$$O.E = 100,000$$

4. At the beginning of the year, Ahmed Company's equity was equal to BD84,000. During the year, assets increase by BD12,000 and at the year-end the assets equal to BD124,000. Equity increase by BD6,000. What are the beginning and ending amounts of liabilities?

$$Beg L = 28,000$$

$$End L = 34,000$$

5. At the beginning of the year, Razan Company's equity was equal BD182,000 and BD32,000 in liabilities. During the year, liabilities decrease by BD7,000 and no change in equity. What are the beginning and ending amounts of assets?

-----  
 Beg A = 214,000  
 -----

-----  
 End A = 207,000  
 -----

**Exercise (2-2):**

Selected transactions for Hassan's Company are listed below.

Transactions	Assets	Liabilities	Owner's equity
1. Invested cash in the business.	+	NE	+
2. Purchased Supplies for cash.	+/-	NE	NE
3. Performed services to customer on account.	+	NE	+
4. Paid cash for salaries expenses.	-	NE	-
5. Purchased furniture on credit.	+	+	NE
6. Paid cash to creditor.	-	-	NE
7. Withdrew cash for personal use.	-	NE	-

**Required:**

From the above transactions, describe the effect (increase or decrease) on assets, liabilities and owner's equity.

**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	<b>67,180</b>					<b>67,180</b>			

**Required:**

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

**Transactions:** 2) 50,000+13,000 - 720 -1100 = 61,180

July 1 : --- **Invested BD40,000 cash and equipment BD10,000 in the business**

July 2 : ----- **Purchase Truck on account 8,400**

July 5 : ----- **Performed services 13,000 by credit**

July 9 : ----- **Received 3000 from debtors**

July 15: ----- **Pay 2400 to creditors**

July 19: ----- **Paid cash 1100 for exp**

July 24: ----- **withdrew 720 cash .**

**Exercise (2-4):**

Classify each of the following accounts Using (C.A) for Current Assets, (F.A) for Fixed Assets, (C.L) for Current Liabilities, (LTL) for Long Term Liabilities and (O.E) for Owner's Equity.

NO	Accounts	Classification
1	Lands	F.A
2	Premises	F.A
3	Bonds Payable	LTL
4	Prepaid Rent	C.A
5	Fees Earned	O.E
6	Cash	C.A
7	Capital	O.E
8	Salaries Payable	C.L
9	Inventory	C.A

**Exercise (2-5):**

Complete the following table (using + for Increase, - for Decrease and NE for No Effect).

NO	Transaction	Assets	Liabilities	Owner's Equity
1	Invested cash in the business	+	NE	+
2	Purchased equipment on account	+	+	NE
3	Performed services for cash	+	NE	+
4	Received from account receivable	+/-	NE	NE
5	Paid cash to creditor	-	-	NE



**Exercise (2-6):**

Show the effect of the following transactions on Cash Account only. (Using the mark ✓ in the appropriate column.)

NO	Transaction	Increase	Decrease	No Effect
1	Invested lands in the business.			✓
2	Paid for office rent.		✓	
3	Received check from customer.	✓		
4	Purchased supplies on account.			✓
5	Completed services and <b>receiving receipt.</b>			

**Exercise (2-7):**

The following transactions for Abdulla Travelling Agency during December 2020.

Dec, 01: Invested BD39,500 cash in the business.

Dec, 03: Purchased equipment for BD3,500 cash.

Dec, 06: Provided services for BD6,350 to Mohammed on account.

Dec, 09: Paid BD1,200 cash for electricity.

Dec, 13: Hired a secretary for monthly salary of BD410.

Dec, 14: Abdulla withdrew BD2,500 cash for personal use.

Dec, 16: Received full amount due from customer Mohammed.

**Required:**

Complete the following tabular analysis for the previous transactions to show effects on the basic accounting equation.

Date	Assets =			Liabilities + Owner's Equity				
	Cash	Account Receivable	Equipment	Account Payable	Capital	Revenues	Drawings	Expenses
Dec, 01	+39,500				+39,500			
Dec, 03	-3,500		+3,500					
Dec, 06		+6,350				+6,350		
Dec, 09	-1,200							-1,200
NE								
Dec, 14	2,500						-2,500	
Dec, 16	+6,350	-6,350						
Balance	<b>38650</b>	<b>0</b>	<b>3500</b>		<b>+39,500</b>	<b>+6,350</b>	<b>-2500</b>	<b>-1200</b>
Total	<b>42,150</b>			<b>42,150</b>				

**Exercise (2-8):**

The following transactions for Rehab Est., during January 2020.

Jan, 01: Invested BD51,000 cash and machines for BD19,000 in business.

Jan, 02: Purchased supplies for BD2,900 from Mega Est. paid BD900 cash and balance on credit.

Jan, 07: Paid 60% to creditor Mega Est.  $2000 \times 60\% = 1200$

Jan, 11: Completed services for BD17,850 to customer Aysha, received BD7,850 cash and balance on credit.

Jan, 15: Paid monthly salaries BD3,600.

Jan, 17: Received BD5,000 from customer Aysha.

Jan, 19: Rehab withdrew BD800 cash for personal use.

**Required:**

Complete the following tabular analysis for the previous. transactions to show effects on the basic accounting equation.

Date	Assets				=	Liabilities		+	Owner's Equity	
	Cash	Account Receivable	Machine	Supplies	Account Payable	Capital	Revenues	Drawings	Expenses	
Jan, 01	+51,000		+19,000			+70,000				
02	-900			+2,900	+2,000					
07	-1200				-1200					
11	+7,850	+10,000					+17,850			
15	-3,600								-3,600	
17	+5,000	-5,000								
19	-800							-800		
Balance	+57,350	+5000	+19,000	+2,900	+800	+70,000	+17,850	-800	-3600	
Total	<b>84,250</b>					<b>84,250</b>				

# *Extra Exercises*



## **Exercises:**

### **Exercise (2-1):**

**Choose one correct answers of the following:**

1. All the following account are assets except:
  - a) Equipment
  - b) Land
  - c) Account Receivable
  - d) **Account Payable**
  
2. If the company has the following balances BD12,000 cash, supplies BD3,000, furniture BD5,000 and account payable BD4,000, then the owner's equity will equal:
  - a) **BD16,000**
  - b) BD20,000
  - c) BD15,000
  - d) BD24,000
  
3. Notes payable are classified as:
  - a) Assets
  - b) **Liabilities**
  - c) Owner's equity
  - d) Expense
  
4. How would the accounting equation of Amal Est, be by performing service to a customer for BD23,000 on credit:
  - a) + BD23,000 for account receivable and + BD23,000 for cash.
  - b) **+ BD23,000 for account receivable and + BD23,000 for owner's equity.**
  - c) + BD23,000 for account receivable and - BD23,000 for cash.
  - d) -BD23,000 for account receivable and - BD23,000 for owner's equity.

5. Faisal's Company has assets for BD300,000 and liabilities for BD100,000. If it buys supplies on credit for BD2,800. What would be the effect of these transactions on the basic accounting equation:
- +BD2,800 for assets and + BD2,800 for liabilities.**
  - BD2,800 for assets and - BD2,800 for liabilities.
  - BD2,800 for assets and + BD2,800 for liabilities.
  - +BD2,800 for assets and - BD2,800 for liabilities.
6. If the assets of a business increased by BD105,000 and liabilities increased by BD35,000 during a period. The owner's equity in the same period must have:
- Increased BD140,000
  - Decreased BD140,000
  - Increased BD70,000**
  - Decreased BD70,000
7. Fawaz Company collected BD19,200 cash from debtor (account receivable). The effects in the accounting equation are:
- Total assets, total liabilities and total owner's equity are unchanged.**
  - Total assets, total liabilities and total owner's equity are increased.
  - Total assets, total liabilities and total owner's equity are decreased.
  - Total assets, total liabilities are increased and total owner's equity is unchanged.

**Exercise (2-2):**

Khalifa Computer Services had the following transaction during the month of May 2020:

No.	Transactions	answer	Result
1	Purchased supplies for BD 20,000 from ABC company on account.	5	Decrease in asset and a decrease in liabilities.
2	Paid BD 4,000 for the rent.	3	Increase in assets and a decrease in assets.
3	Received BD 150 from the debtors.	1	Increase in assets and a increase in liabilities.
4	Provided computer services for BD 6,500 on credit.	7	Increase in liabilities and decrease in owners' equity.
5	Paid ABC company for transaction (1).	6	Increase in assets and increase in owners' equity.
6	Khalifa invested an additional BD 34,000 cash in the business.	2	Decrease in assets and decrease in owners' equity.
7	Incurred utility expense for May of BD 300 on account	8	
8	Khalifa withdrew BD 50 for personal use.		

**Required:** Match the transactions with the correct result.

**Exercise (2-3):**

**Arwa services made the following transactions during the month of June 2020:**

June 1. Invested BD15,000 cash and equipment BD5,000 in the business.

June 5. Purchased supplies on account BD 8,000 from Maha Est.

June 7. Provided service to customer Ahmed for BD14,000, received BD6,000 cash and the balance is on credit.

June 12. Received from customer Ahmed BD2,600.

June 18. Paid to creditor Maha Est. BD6,000.

June 20. Paid BD650 for office rent.

June 24. Withdrew BD200 for personal use.

June 30. BD3,000 of supplies has been used.

**Required:**

Show the effect of the transactions on the Basic accounting equation.

Date	Assets				=	Liabilities		+ Owner's Equity	
	Cash	Account Receivable	Equipment	Supplies	Account Payable	Capital	Revenues	Drawings	Expenses
June 1	+15,000		+5,000			+20,000			
5				+8,000	+8,000				
7	+6,000	+8,000					+14,000		
12	+2,600	-2,600							
18	-6,000				-6,000				
20	-650								-650
24	-200							-200	
30				-3,000					-3,000
Balance	+16,750	+5,400	+5,000	+5,000	+2,000	+20,000	+14,000	-200	-3650
Total	<b>32,150</b>					<b>32,150</b>			



**Exercises (2-4):**

**In January 2020 Yousif started his business (Yousif cleaning services). During the month, he completed the following transactions:**

- Jan, 01. Yousif invested BD 60,000 cash in the business.  
 06. Purchased a machine for BD 6,000 on credit.  
 10. Received BD 360 for performing service for a customer.  
 18. Paid creditors 20% of the balance.  $6000 \times 20\% = 1200$   
 20. Completed service for customer Ali for BD720, received BD400 and the balance is on account.  
 22. Paid BD500 for adverting expense.  
 23. Received the amount due from customer Ali.  
 25. Yousif withdrew BD 380 for personal use.

**Required:** Show the effect of the above transactions on the basic accounting equation.

Date	Assets			=	Liabilities		+	Owner's Equity		
	Cash	Account Receivable	Machine		Account Payable	Capital		Revenues	Drawings	Expenses
Jan, 01	+60,000					+60,000				
06			+6,000		+6,000					
10	+360							+360		
18	-1,200				-1,200					
20	+400	+320						+720		
22	-500									-500
23	+320	-320								
25	-380								-380	
<b>Balance</b>	<b>59,000</b>	<b>0</b>	<b>6000</b>		<b>+4800</b>	<b>+60,000</b>		<b>+1,080</b>	<b>-380</b>	<b>-500</b>
<b>Total</b>	<b>65,000</b>				<b>65,000</b>					

**Exercises (2- 5):**

**The following transactions are from Ashraf Company for the month of July 2020.**

July 01. Invested BD 62,000 cash and supplies BD8000 in the business.

04. Purchased supplies BD2,000 on account from Essa Company.

09. Preform service BD18,000 on account for customer Ahmed.

17. Incurred advertising expense BD700 on account.

22. Ashraf withdraw BD1,300 for private use.

26. Paid BD1,000 to creditor Essa's Company.

**Required:** Show the effect of the previous transactions on the basic accounting equation.

Date	Assets =			Liabilities		+ Owner's Equity		
	Cash	Account Receivable	Supplies	Account Payable	Capital	Revenues	Drawings	Expenses
July 01.	+62,000		+8,000		+70,000			
04			+2,000	+2,000				
09		+18,000				+18,000		
17				+700				-700
22	-1,300						-1,300	
26	-1,000			-1000				
Balance	59,700	18,000	10,000	1700	70,000	18,000	-1,300	-700
Total	<b>87,700</b>			<b>87,700</b>				