

آخر تحديث 12/05/2024م



# حل أسئلة الكراسة

المحاسبة المالية ( محا 213 ) - الجديد



محا 213

أ.فاطمة إسماعيل عمار

موقع المواد التجارية / مخلصات ، نماذج امتحانات

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Prepared by : T.Fatima Ismail Hammad  
Feb 2024

# Unit One

## CLOSING Process FOR TEMPORARY ACCOUNTS

### TEXT BOOK EXERCISES





**Exercises:**

**Exercise (1):**

The ledger of Mahmoud Company includes the following accounts with normal balances on December 31, 2020: Mahmoud, Capital BD12,000; Drawings BD500; Services Revenues BD8,000; Wages Expense BD1,300; Supplies Expense BD1,700; and Rent Expense BD2,000.

**Required:**

1. Prepare the necessary closing entries from the available information on December 31, 2020.
2. Post these entries to the ledger.

**Solution:**

**GENERAL JOURNAL**

**1- CLOSING ENTRIES**

Date	Explanation	PR	Debit (BD)	Credit (BD)
31 Dec	Service Revenue		8000	
	Income summary			8000
31 Dec	Income summary		5000	
	Wages Exp			1300
	Supplies Exp			1700
	Rent Exp			2000
31 Dec	Income summary		3000	
	Capital			3000
31 Dec	Capital		500	
	Drawing			500

All revenue 8000  
 -  
 All expense 5000  
 = 3000  
 positive  
 Capital will increase , so It will be in the Credit side

2-

### Mahmoud, Capital

CR

Date	Explanation	PR	Debit	Credit	Balance
31 Dec	Balance			12,000	12,000
31 Dec	Income summary			3000	15,000
31 Dec	Drawing		500		14,500

### Income Summary

CR

Date	Explanation	PR	Debit	Credit	Balance
31 Dec	Revenue			8000	8000
31 Dec	Expense		5000		3000
31 Dec	Capital		3000		0

### Mahmoud, Drawings

DR

Date	Explanation	PR	Debit	Credit	Balance
31 Dec	Balance		500		500
31 Dec	Capital			500	0

### Services Revenues

CR

Date	Explanation	PR	Debit	Credit	Balance
31 Dec	Balance			8000	8000
31 Dec	Income summary		8000		0

### Wages Expense

DR

Date	Explanation	PR	Debit	Credit	Balance
31 Dec	Balance		1300		1300
31 Dec	Income summary			1300	0

### Supplies Expense

DR

Date	Explanation	PR	Debit	Credit	Balance
31 Dec	Balance		1700		1700
31 Dec	Income summary			1700	0

### Rent Expense

DR

Date	Explanation	PR	Debit	Credit	Balance
31 Dec	Balance		2000		2000
31 Dec	Income summary			2000	0

**Exercise (2):**

The ledger of Rashid Travel Agency includes the following accounts with normal balances on December 31, 2020: Rashid, Capital BD25,000; Drawings BD3,200; Fees Earned BD4,000; Ticket Revenues BD16,000; Salaries Expense BD12,800; Telephone Expense BD4,400; Electricity Expense BD5,600 and Advertising Expense BD1,800.

**Required:**

1. Prepare the necessary closing entries from the available information on December 31, 2020.
2. Post these entries to the ledger.

**Solution:**

**GENERAL JOURNAL  
CLOSING ENTRIES**

1-

Date	Explanation	PR	Debit (BD)	Credit (BD)
31 Dec	Fees Earned		4000	
	Ticket Revenue		16000	
	Income Summary			20,000
31 Dec	Income Summary		24,600	
	Salaries Exp			12,800
	Telephone Exp			4,400
	Electricity Exp			5,600
	Advertising Exp			1,800
31 Dec	Capital		4600	
	Income Summary			4600
31 Dec	Capital		3200	
	Drawing			3200

All revenue  
20,000

All expense  
5000

-4600

Negative

Capital will decrease so It will be in the Debit side

**2- Rashid, Capital CR**

Date	Explanation	PR	Debit	Credit	Balance
31 Dec	Balance			25,000	25,000
31 Dec	Income Summary		4,600		20,400
31 Dec	Drawing		3200		17,200

**Income Summary CR**

Date	Explanation	PR	Debit	Credit	Balance
31 Dec	Revenue			20,000	20,000
31 Dec	Expense		24,600		- 4600
31 Dec	Capital			4,600	0

**Rashid, Drawings DR**

Date	Explanation	PR	Debit	Credit	Balance
31 Dec	Balance		3200		3200
31 Dec	Capital			3200	0
31 Dec					

**Fees Earned CR**

Date	Explanation	PR	Debit	Credit	Balance
31 Dec	Balance			4000	4000
31 Dec	Income Summary		4000		0
31 Dec					

**Ticket Revenues CR**

Date	Explanation	PR	Debit	Credit	Balance
31 Dec	Balance			16,000	16,000
31 Dec	Income Summary		16,000		0
31 Dec					

**Salaries Expense DR**

Date	Explanation	PR	Debit	Credit	Balance
31 Dec	Balance		12,800		12,800
31 Dec	Income Summary			12,800	0
31 Dec					

### Telephone Expense

DR

Date	Explanation	PR	Debit	Credit	Balance
31 Dec	Balance		4,400		4,400
31 Dec	Income Summary			4,400	0

### Electricity Expense

DR

Date	Explanation	PR	Debit	Credit	Balance
31 Dec	Balance		5,600		5,600
31 Dec	Income Summary			5,600	0

### Advertising Expense

DR

Date	Explanation	PR	Debit	Credit	Balance
31 Dec	Balance		1800		1800
31 Dec	Income Summary			1800	0

### Exercise (3):

The ledger of Ebrahim Company includes the following accounts with normal balances on December 31, 2020: Ebrahim, Capital BD58,000; Drawings BD3,900; Sales BD87,000; Sales Discount BD2,000; Cost of Goods Sold BD31,000; Wages Expense BD5,400; Selling Expense BD3,700; and Insurance Expense BD4,200.

### Required:

1. Prepare the necessary closing entries from the available information on December 31, 2020.
2. Post these entries to the ledger.



Ebrahim, Drawings

Date	Explanation	PR	Debit	Credit	Balance

Sales

Date	Explanation	PR	Debit	Credit	Balance

Sales Discount

Date	Explanation	PR	Debit	Credit	Balance

Cost of Goods Sold

Date	Explanation	PR	Debit	Credit	Balance

Wages Expense

Date	Explanation	PR	Debit	Credit	Balance

Selling Expense

Date	Explanation	PR	Debit	Credit	Balance

Insurance Expense

Date	Explanation	PR	Debit	Credit	Balance

**Exercise (4):**

The ledger of Abdulla Company includes the following accounts with normal balances on December 31, 2020: Abdulla, Capital BD120,000, Drawings BD8,400; Sales BD132,000; Sales Returns BD4,500; Cost of Goods Sold BD115,000; Salaries Expense BD20,100, Utilities Expense BD6,400; and Rent Expense BD3,900.

**Required:**

1. Prepare the necessary closing entries from the available information on December 31, 2020.
2. Post these entries to the ledger.

**GENERAL JOURNAL  
CLOSING ENTRIES**

1-

Date	Explanation	PR	Debit (BD)	Credit (BD)



2-

Abdulla, Capital

Date	Explanation	PR	Debit	Credit	Balance

Income Summary

Date	Explanation	PR	Debit	Credit	Balance

Abdulla, Drawings

Date	Explanation	PR	Debit	Credit	Balance

Sales

Date	Explanation	PR	Debit	Credit	Balance

Sales Returns

Date	Explanation	PR	Debit	Credit	Balance

Cost of Goods Sold

Date	Explanation	PR	Debit	Credit	Balance

Salaries Expense

Date	Explanation	PR	Debit	Credit	Balance

Utilities Expense

Date	Explanation	PR	Debit	Credit	Balance

Rent Expense

Date	Explanation	PR	Debit	Credit	Balance

## Exercise (5):

The adjusted trial balance for Hanadi Cleaning Services shows the following account balances on November 30, 2020:

### Hanadi Cleaning Services Adjusted Trial Balance November 30, 2020

Account Title	Debit (BD)	Credit (BD)
Cash	35,750	
Accounts Receivable	45,400	
Equipment	50,300	
Land	20,900	
Accounts Payable		32,500
Hanadi , Capital		103,000
Hanadi , Drawings	650	
Service Revenue		29,450
Wages Expense	9,350	
Advertising Expense	2,600	
<b>Totals</b>	<b>164,950</b>	<b>164,950</b>

## Required:

1. Prepare the necessary **closing entries** on November 30, 2020.
2. Post these entries to the ledger.
3. Prepare a **post-closing trial balance** on November 30, 2020.

**Solution:**

**GENERAL JOURNAL**

1-

**CLOSING ENTRIES**

Date	Explanation	PR	Debit (BD)	Credit (BD)
Nov 30	Service Revenue		29,450	
	Income Summary			29,450
Nov 30	Income Summary		11,950	
	Wages Exp			9,350
	Advertising Exp			2,600
Nov 30	Income Summary		17,500	
	Capital			17,500
Nov 30	Capital		650	
	Drawing			650

All revenue 29,450

All Expenses 11,950

17,500 Positive

2-

**Hanadi, Capital**

CR

Date	Explanation	PR	Debit	Credit	Balance
Nov 30	Balance			103,000	103,000
Nov 30	Income summary			17,500	120,500
Nov 30	Drawing		650		119,850

Capital will increase so it will be in the Credit side

**Income Summary**

CR

Date	Explanation	PR	Debit	Credit	Balance
Nov 30	Revenue			29,450	29,450
Nov 30	Expense		11,950		17,500
Nov 30	Capital		17,500		0

**Hanadi, Drawings**

DR

Date	Explanation	PR	Debit	Credit	Balance
Nov 30	Balance		650		650
Nov 30	Capital			650	0

### Services Revenues

CR

Date	Explanation	PR	Debit	Credit	Balance
Nov 30	Balance			29,450	29,450
Nov 30	Income summary		29,450		0

### Wages Expense

DR

Date	Explanation	PR	Debit	Credit	Balance
Nov 30	Balance		9,350		9,350
Nov 30	Income summary			9,350	0

### Advertising Expense

DR

Date	Explanation	PR	Debit	Credit	Balance
Nov 30	Balance		2600		2600
Nov 30	Income summary			2600	0

3-

### Hanadi Company Post - Closing Trail Balance November 30, 2020

Account Title	Debit (BD)	Credit (BD)
Cash	35,750	
Account Receivable	45,400	
Equipment	50,300	
Land	20,900	
Account Payable		32,500
<b>Capital</b>		<b>119,850</b>
<b>Totals</b>	<b>152,350</b>	<b>152,350</b>

2 →

**Exercise (6):**

The following is the adjusted trial balance, which prepared at fiscal year-end on December 31, 2020 for Mona Products Company:

Mona Products Company Adjusted Trial Balance December 31, 2020		
Account Title	Debit (BD)	Credit (BD)
Cash	12,000	
Merchandise Inventory	8,300	
Supplies	2,700	
Premises	85,000	
Trucks	120,000	
Notes Payable		33,400
Mona, Capital		146,600
Mona, Withdrawals	2,200	
Sales		150,200
Sales Discount	5,000	
Cost of Goods Sold	75,800	
Salaries Expense	11,000	
Freight Out	3,700	
Rent Expense	4,500	
<b>Totals</b>	<b>330,200</b>	<b>330,200</b>

**Required:**

1. Prepare the necessary **closing entries on December 31, 2020**.  
(Using the perpetual inventory system).
2. Post these entries to the ledger.
3. Prepare a **post-closing trial balance** on December 31, 2020.

**Solution:**

**GENERAL JOURNAL  
CLOSING ENTRIES**

1-

Date	Explanation	PR	Debit (BD)	Credit (BD)

2-

Mona, Capital

Date	Explanation	PR	Debit	Credit	Balance

Income Summary

Date	Explanation	PR	Debit	Credit	Balance

Mona, Withdrawals

Date	Explanation	PR	Debit	Credit	Balance

Sales

Date	Explanation	PR	Debit	Credit	Balance

Sales Discount

Date	Explanation	PR	Debit	Credit	Balance

Cost of Goods Sold

Date	Explanation	PR	Debit	Credit	Balance

Salaries Expense

Date	Explanation	PR	Debit	Credit	Balance

Freight Out

Date	Explanation	PR	Debit	Credit	Balance

Rent Expense

Date	Explanation	PR	Debit	Credit	Balance





**Exercise (7):**

The following is the adjusted trial balance, which prepared at June 30, 2020 for Khalid Trading Company:

**Khalid Trading Company  
Adjusted Trial Balance  
June 30, 2020**

Account Title	Debit (BD)	Credit (BD)
Cash	20,400	
Accounts Receivable	3,500	
Equipment	8,600	
Supplies	700	
Unearned Revenue		3,400
Capital		25,800
Khalid Drawings	800	
Revenue		6,750
Salaries Expense	850	
Rent Expense	720	
Utilities Expense	380	
<b>Totals</b>	<b>35,950</b>	<b>35,950</b>

**Required:**

1. Prepare the necessary **closing entries** at June 30, 2020.
2. Prepare a **post-closing trial balance** at June 30, 2020.

**Solution:**

**GENERAL JOURNAL  
CLOSING ENTRIES**

1-

Date	Explanation	PR	Debit (BD)	Credit (BD)
June 30	Revenue		6,750	
	Income Summary			6,750
June 30	Income Summary		1,950	
	salaries Exp			850
	Rent Exp			720
	Utilities Exp			380
June 30	Income summary		4800	
	Capital			4800
June 30	Capital		800	
	Drawing			800

2-

**Khalid Company  
Post - Closing Trail Balance  
June 30, 2020**

Account Title	Debit (BD)	Credit (BD)
Cash	20,400	
Account Receivable	3,500	
Equipment	8,600	
supplies	700	
Unearned Revenue		3,400
<b>Capital</b>		<b>29800</b>
Totals	33,200	3,200



Date	Explanation	DR	CR	Balance
June 30	Balance			25800
June 30	Income summary		4800	30,600
June 30	Drawing	800		<b>29,800</b>

**Exercise (8):**

The following is the adjusted trial balance, which prepared at fiscal year-end on December 31, 2020 for Manal Products Company:

Manal Products Company Adjusted Trial Balance December 31, 2020		
Account Title	Debit (BD)	Credit (BD)
Cash	16,400	
Merchandise Inventory	4,500	
Supplies	3,100	
Premises	103,200	
Trucks	27,000	
Account Payable		9,900
Manal, Capital		110,400
Manal, Withdrawals	4,700	
Sales		78,600
Sales Discount	1,600	
Cost of Goods Sold	25,400	
Salaries Expense	7,600	
Carriage Out	3,300	
Utilities Expense	2,100	
<b>Totals</b>	<b>198,900</b>	<b>198,900</b>

**Required:**

1. Prepare the necessary **closing entries** at December 31, 2020.
2. Prepare a **post-closing trial balance** at December 31, 2020.





**Exercise (9):**

You are required to **Complete** the following **closing entries** for Jalal Company and **Post** the closing entries to **Income Summary** and **Capital Accounts**, assuming that the balance of capital is BD26,000. for the period ended December 31, 2020:

**GENERAL JOURNAL**

Date	Explanation	PR	Debit (BD)	Credit (BD)
Dec. 31	Fees Earned		9,100	
	<u>Income summary</u>			9,100
Dec. 31	Income Summary		1,210	
	Repair Expense			250
	Wages Expense			<u>960</u>
Dec. 31	Income Summary		<u>7890</u>	
	Jalal, Capital			<u>7890</u>
Dec. 31	<u>Capital</u>		340	
	Jalal, Drawings			340

Handwritten notes:

- A green circle containing a calculation:  $1210 - 250$ . An arrow points from this circle to the 'Wages Expense' credit entry in the journal.
- Orange text:  $Revenue \rightarrow 9100$
- Orange text:  $Exp \begin{matrix} 1210 \\ \hline 7890 \end{matrix}$

## Income Summary

CR

Date	Details	PR	Debit	Credit	Balance
Dec 31	Revenue			9100	9100
Dec 31	Expense		1210		7890
Dec 31	Capital		7,890		0

## Jalal, Capital

CR

Date	Details	PR	Debit	Credit	Balance
Dec 31	Balance			26,000	26,000
Dec 31	Income summary			7890	33,890
Dec 31	Drawing		340		33,550



**Exercise (10):**

The adjusted trail balance of Arwa’s Company shows the following balances at July 31, 2020:

**Arwa’s Company  
Adjusted Trial Balance  
July 31, 2020**

Account Title	Debit (BD)	Credit (BD)
Cash	38,200	
Accounts Receivable	6,380	
Equipment	30,700	
Accumulated Depreciation - Equipment		4,500
Accounts Payable		5,700
Unearned Rent Revenue		2,100
Arwa, Capital		51,400
Arwa, Drawings	2,000	
Commission Earned		30,580
Rent Revenue		1,400
Depreciation Expense	1,500	
Salaries Expense	15,400	
Utilities Expense	1,500	
<b>Totals</b>	<b>95,680</b>	<b>95,680</b>

**Required:**

1. Prepare the necessary closing entries at July 31, 2020.
2. **Post** the closing entries to **Income Summary** and **Capital Accounts**.

**GENERAL JOURNAL  
CLOSING ENTRIES**

1-

Date	Explanation	PR	Debit BD	Credit BD
July 31	commission Income		30,580	
	Rent Revenue		1,400	
	Income Summary			31,980
July 31	Income Summary		18,400	
	Deprecation Exp			1,500
	Salaries Exp			15,400
	Utilities Exp			1,500
July 31	Income Summary		13,580	
	Capital			13,580
July 31	Capital		2000	
	Drawing			2000

2-

Arwa, Capital

CR

Date	Explanation	PR	Debit	Credit	Balance
July 31	Balance			51,400	51,400
July 31	Income Summary			13,580	64,980
July 31	Drawing		2000		62,980

Income Summary

CR

Date	Explanation	PR	Debit	Credit	Balance
July 31	Revenue			31,980	31,980
July 31	Expense		18,400		13,580
July 31	Capital		13,850		0

**Exercise (11):**

The following selected ledger accounts for Shayma Company are presented below. All June 30, 2020 postings are from closing entries:

**Salaries Expense**

Date	Explanation	PR	Debit (BD)	Credit (BD)	Balance (BD)
June 10	Cash		3200		3200
28	Cash		5600		8800
30	Income Summary			8800	0

**Supplies Expense**

Date	Explanation	PR	Debit (BD)	Credit (BD)	Balance (BD)
June 12	Cash		800		800
24	Cash		700		1500
30	Income Summary			1500	0

**Rent Expense**

Date	Explanation	PR	Debit (BD)	Credit (BD)	Balance (BD)
June 1	Cash		3000		3000
30	Income Summary			3000	0

**Service Revenue**

Date	Explanation	PR	Debit (BD)	Credit (BD)	Balance (BD)
June 15	Cash			7200	7200
24	Accounts receivable			8400	15600
30	Income Summary		15600		0

**Shayma, Drawings**

Date	Explanation	PR	Debit (BD)	Credit (BD)	Balance (BD)
June 13	Cash		1000		1000
June 25	Cash		1500		2500
June 30	Capital			2500	0

**Required:**

- 1- Prepare the necessary closing entries that were made at June 30, 2020.
- 2- Post the closing entries to **Income Summary** and **Capital Accounts**, assuming that the balance of capital is BD12,000.

**Solution:**

**GENERAL JOURNAL  
CLOSING ENTRIES**

1-

Date	Explanation	PR	Debit BD	Credit BD
June 30	Service Revenue		15,600	
	Income summary			15,600
June 30	Income summary		13,300	
	Salaries Exp			8,800
	Supplies Exp			1,500
	Rent Exp			3000
June 30	Income summary		2,300	
	Capital			2,300
June 30	Capital		2,500	
	Drawing			2,500

2-

Shayma, Capital

CR

Date	Explanation	PR	Debit	Credit	Balance
June 30	Balance			12,000	12,000
June 30	Income summary			2,300	14,300
June 30	Drawing		2,500		11,800

Income Summary

CR

Date	Explanation	PR	Debit	Credit	Balance
June 30	Revenue			15,600	15,600
June 30	Expense		13,300		2,300
June 30	Capital		2,300		0

## Exercise (12):

From the following adjusted trial balance, prepare the **closing entries** for the period ended October 31, 2020, then post to Ledger Accounts.

### Entisar Trading Company Adjusted Trial Balance October 31, 2020

Account Title	Debit (BD)	Credit (BD)
Cash	47,425	
Equipment	47,790	
Land	19,250	
Accounts Payable		22,590
Entisar, Capital		85,875
Entisar, Drawings	735	
Service Revenue		25,820
Wages Expense	11,085	
Advertising Expense	8,000	
<b>Totals</b>	<b>134,285</b>	<b>134,285</b>

**Solution:**

**GENERAL JOURNAL**

1-

**CLOSING ENTRIES**

Date	Explanation	PR	Debit (BD)	Credit (BD)
Oct 31	Service Revenue		25,820	
	Income summary			25,820
Oct 31	Income summary		19,085	
	Wages Exp			11,085
	Advertising Exp			8000
Oct 31	Income summary		6735	
	Capital			6735
Oct 31	Capital		735	
	Drawing			735

2-

Entisar, Capital

CR

Date	Explanation	PR	Debit	Credit	Balance
Oct 31	Balance			85,875	85,875
Oct 31	Income Summary			6,735	92,610
Oct 31	Drawing		735		91,875

Income Summary

CR

Date	Explanation	PR	Debit	Credit	Balance
Oct 31	Revenue			25,820	25,820
Oct 31	Expense		19,085		6735
Oct 31	Capital		6735		0

### Entisar, Drawings

DR

Date	Explanation	PR	Debit	Credit	Balance
Oct 31	Balance		735		735
Oct 31	Capital			735	0

### Service Revenue

CR

Date	Explanation	PR	Debit	Credit	Balance
Oct 31	Balance			25,820	25,820
Oct 31	Income Summary		25,820		0

### Wages Expense

DR

Date	Explanation	PR	Debit	Credit	Balance
Oct 31	Balance		11,085		11,085
Oct 31	Income Summary			11,085	0

### Advertising Expense

DR

Date	Explanation	PR	Debit	Credit	Balance
Oct 31	Balance		8000		8000
Oct 31	Income Summary			8000	0



**Exercise (13):**

Complete the following Closing Entries for Rawan's Company, for the period ended December 31, 2020:

**General Journal**

Date	Explanation	PR	Debit (BD)	Credit (BD)
Dec. 31	Sales		29,500	
	-----			29,500
Dec. 31	Income Summary		18,000	
	Cost of Goods Sold			-----
	Sales Discount (5% of Sales)			-----
	Selling Expense (10% of Sales)			-----
	Supplies Expense			1,250
Dec. 31	Income Summary		-----	
	Rawan, Capital			-----
Dec. 31	-----		950	
	Rawan, Drawings			950

Prepared by : T.Fatima Ismail Hammad , Feb 2024

# Unit One

## CLOSING PROCESS FOR TEMPORARY ACCOUNTS

### EXTRA EXERCISES



**Exercise (1):**

The following adjusted trail balance of AL Hanna Company on December 31, 2020.

**AL Hanna Company  
Trail Balance  
December 31, 2020**

Account Title	Debit (BD)	Credit (BD)
Cash	25000	
Accounts Receivable	4800	
Prepaid Insurance	2200	
Building	75000	
Account payable		6000
Unearned Services Revenue		3100
Hanna, Capital		86600
Hanna, Drawings	1700	
Services Revenue		9400
Fees Earned		12600
Rent Expenses	1350	
Wages Expenses	5650	
Electricity Expenses	750	
Miscellaneous Expenses	1250	
<b>Totals</b>	<b>117700</b>	<b>117700</b>

**Required:**

- (a) Prepare the necessary closing entries on December 31, 2020.
- (b) Post these entries to ledger accounts of capital and income summary.
- (c) Prepare post- closing trail balance on December 31, 2020.

**General Journal  
Closing Entries**

a):

Date	Explanation	PR	Debit (BD)	Credit (BD)
Dec 31	Service Revenue		9,400	
	Fees earned		12,600	
	Income Summary			22,000
Dec 31	Income Summary		9000	
	Rent Exp			1,350
	Wages Exp			5,650
	Electricity Exp			750
	Miscellaneous Exp			1,250
Dec 31	Income Summary		13,000	
	Capital			13,000
Dec 31	Capital		1700	
	Drawing			1700

R  
22,000  
-  
9000  
-----  
13,000

b) :

**Hanna, Capital**

CR

Date	Explanation	PR	Debit	Credit	Balance
Dec 31	Balance			86600	86600
Dec 31	Income summary			13,000	99,600
Dec 31	Drawing		1700		97,900

2

**Income Summary**

CR

Date	Explanation	PR	Debit	Credit	Balance
Dec 31	Revenue			22,000	22,000
Dec 31	Expense		9000		13,000
Dec 31	Capital		13,000		0

**C): AL Hanna Company  
Post - Closing Trail Balance  
December 31, 2020**

Account Title	Debit (BD)	Credit (BD)
Cash	25,000	
Account Receivable	4,800	
Prepaid Insurance	2,200	
Building	75,000	
Account Payable		6000
Unearned Service Revenue		3,100
<b>Capital</b>		<b>97,900</b>
Totals	107 ,000	107,000

**Exercise (2):**

The adjusted trail balance of Mega Company shows the following account balances on December 31, 2020:

**Mega Company  
Trail Balance  
December 31, 2020**

Account Title	Debit (BD)	Credit (BD)
Cash	18700	
Supplies	2300	
Land	51000	
equipment	14000	
Notes payable		3400
Unearned Ticket Revenue		2900
Owner, Capital		(a):85,500
Owner, Drawings	1700	
Ticket Revenue		13200
Commission Earned		8800
Salaries Expenses	12000	
Advertising Expenses	4400	
Telephone Expenses	2600	
Miscellaneous Expenses	7100	
<b>Totals</b>	<b>113,800</b>	<b>113,800</b>

**Required:**

- (a) Find the missing amounts.
- (b) Prepare the closing entries on December 31, 2020.
- (c) Post to the following ledger accounts.
- (d) Prepare post - closing trail balance on December 31, 2020.

$$113800 - (8800 + 13200 + 2900 + 3400) = 85,500$$

**(b) General Journal Closing Entries**

Date	Explanation	PR	Debit BD	Credit BD
Dec 31	Ticket Revenue		13,200	
	Commisiion Earned		8,800	
	Income Summary			22,000
Dec 31	Income Summary		26,100	
	Salaries Exp			12,000
	Advertising Exp			4,400
	Telephone Exp			2,600
	Miscellaneous Exp			7,100
Dec 31	Capital		4100	
	Income Summary			4100
Dec 31	Capital		1700	
	Drawing			1700

Handwritten calculations in orange:  
 22,000  
 - 26,100  
 -----  
 - 4,100  
 - 0,000

**(c): Owner, Capital CR**

Date	Explanation	PR	Debit	Credit	Balance
Dec 31	Balance			85,500	85,500
Dec 31	Income summary		4100		81,400
Dec 31	Drawing		1700		79,700

Handwritten red mark: a heart and the number 2.

**Income Summary CR**

Date	Explanation	PR	Debit	Credit	Balance
Dec 31	Revenue			22,000	22,000
Dec 31	Expense		26,100		4100
Dec 31	Capital			4100	0

**Ticket Revenue**

CR

Date	Explanation	PR	Debit	Credit	Balance
Dec 31	Balance			13,200	13,200
Dec 31	Income summary		13,200		0

**Salaries Expenses**

DR

Date	Explanation	PR	Debit	Credit	Balance
Dec 31	Balance		12,000		12,000
Dec 31	Income summary			12,000	0

**Mega Company**

(d)

**Post - Closing Trail Balance**

**Dec 31 , 2020**

Account Title	Debit (BD)	Credit (BD)
Cash	18700	
Supplies	2300	
Land	51,000	
Equipment	14,000	
Note payable		3,400
Unearned Ticket Revenue		2,900
<b>Capital</b>		<b>79,700</b>
Totals	86,000	86,000



## Exercise (3):

Complete the following closing entries for Abdulla Company for the year ended December 31, 2020:

### General Journal Closing Entries

Date	Explanation	PR	Debit (BD)	Credit (BD)
Dec.31	Services Revenues		9700	
	Fees Earned		5300	
	Income Summary.....			.15,000
Dec.31	Income Summary.....		.10,000	
	Salaries Expenses			2800
	Advertising Expenses			3200
	Rent Expenses			4000
Dec.31	Income Summary		.5000	
	Capital.....			...5000
Dec.31	Capital.....		900	
	Abdulla, Drawing			...900

**Exercise (4):**

The following adjusted trial balance is prepared at fiscal year- end on December 31, 2020 for Ameena Company:

<b>Ameena company Adjusted Trial Balance December 31 2020</b>		
<b>Account Title</b>	<b>Debit (BD)</b>	<b>Credit (BD)</b>
Cash	31,500	
Merchandise Inventory	4,500	
Prepaid Insurance	6,200	
Machines	41,750	
Motor Van	60,250	
Account Payable		9,700
<b>Ameena, Capital</b>		.
<b>Ameena, Withdrawals</b>	3,100	
Sales		205,700
Sales Discount	2,400	
Cost of Goods Sold	52,300	
Wages Expense	7,500	
Carriage Out	2,600	
Utilities Expense	3,300	
<b>Totals</b>	<b>215,400</b>	<b>215,400</b>

**Required:**

1. Prepare the necessary **closing entries** (Using the perpetual inventory system).
2. Post to the following ledgers.
3. Prepare a **post-closing trial balance** on December 31, 2020.

**Solution:**

**GENERAL JOURNAL  
CLOSING ENTRIES**

1-

Date	Explanation	PR	Debit BD	Credit BD

2-

**Ameena, Capital**

Date	Explanation	PR	Debit	Credit	Balance

**Income Summary**

Date	Explanation	PR	Debit	Credit	Balance

Ameena, Withdrawals

Date	Explanation	PR	Debit	Credit	Balance

Sales

Date	Explanation	PR	Debit	Credit	Balance

Sales Discount

Date	Explanation	PR	Debit	Credit	Balance

Cost of Goods Sold

Date	Explanation	PR	Debit	Credit	Balance

Wages Expense

Date	Explanation	PR	Debit	Credit	Balance

Carriage Out

Date	Explanation	PR	Debit	Credit	Balance

Utilities Expense

Date	Explanation	PR	Debit	Credit	Balance

3-

**Ameena Company  
Post - Closing Trial Balance  
December 31, 2020**

Account Title	Debit (BD)	Credit (BD)
Totals		

**Exercise (5):**

Complete the following closing entries for Osama Company for the year ended on December 31, 2020:

**General Journal  
Closing Entries**

Date	Explanation	PR	Debit (BD)	Credit (BD)
Dec. 31	Rental Revenues		15000	
	Fees Earned		.7000	
	..Income summary.....			22000
Dec. 31	..Income summary.....		25,000	
	Salaries Expenses			14800
	Telephone Expenses			4000
	Electricity Expenses			6200
Dec. 31	..Capital.....		.3000	
	..Income summary..			..3000
Dec. 31	..Capital.....		1200	
	Osama, Drawing			1200

Handwritten calculations in orange:

- 22,000 - 15,000 = 7,000
- 22,000 + 25,000 - 3,000 = 44,000

**Exercise (6):**

The adjusted trail balance of Dania Company shows the following account balances on December 31, 2020:

**Dania Company  
Adjusted Trail Balance  
December 31, 2020**

Account Title	Debit (BD)	Credit (BD)
Cash	12600	
Prepaid rent	6000	
Buildings	78000	
Furniture	9400	
Mortgage payable		11700
Salaries Payable		3000
Dania, Capital		(a): 77,000
Dania, Drawings	2200	
Services Revenue		11100
Fees Earned		19400
Wages Expenses	5250	
Rent Expenses	2750	
Insurance Expenses	3500	
Miscellaneous Expenses	2500	
<b>Totals</b>	<b>122,200</b>	<b>122,200</b>



122,200  
 - 11700  
 - 3000  
 - 11100  
 - 19400  
 -----  
 77,000

**Required:**

- (a) Find the missing amounts.
- (b) Prepare closing entries on December 31, 2020.
- (c) Post to the following ledger accounts.
- (d) Prepare post - closing trail balance on December 31, 2020.

**Solution:**

**(b) General Journal Closing Entries**

Date	Explanation	PR	Debit (BD)	Credit (BD)
Dec 31	Service Revenue		11100	
	Fees Earned		9400	
	Income summary			30,500
Dec 31	Income summary		14,000	
	Wages Exp			5,250
	Rent Exp			2,750
	Insurance Exp			3,500
	Miscellaneous Exp			2,500
Dec 31	Income summary		16,500	
	Capital			16,500
Dec 31	Capital		2,200	
	Drawing			2,200

**(c): Dania, Capital**

Date	Explanation	PR	Debit	Credit	Balance
Dec 31	Balance			77,000	77,000
Dec 31	Income Summary			16,500	93,500
Dec 31	Drawing		2,200		91,300

**Income Summary**

Date	Explanation	PR	Debit	Credit	Balance
Dec 31	Revenue			30,500	30,500
Dec 31	Expense		14,000		16,500
Dec 31	Capital		16,500		0



## Fees Earned

**CR**

Date	Explanation	Debit	Credit	Balance
Dec 31	Balance		19,400	19,400
Dec 31	Income Summary	19400		0

## Rent Expenses

**DR**

Date	Explanation	Debit	Credit	Balance
Dec 31	Balance	2,750		2,750
Dec 31	Income Summary		2,750	0

(D) **Dania Company**  
**Post - Closing Trail Balance**  
**December 31 2020**

Account Title	Debit (BD)	Credit (BD)
Cash	12,600	
Prepaid rent	6000	
Building	78,000	
Furniture	9400	
Mortgage Payable		11700
Salaries Payable		3000
<b>Capital</b>		<b>91,300</b>
Totals		

**Exercise (7):**

Complete the following Closing Entries for Areej Company for the period ended December 31, 2016:

**General Journal**

Date	Explanation	PR	Debit (BD)	Credit (BD)
Dec. 31	.....		60,000	
	Income Summary			60,000
Dec. 31	Income Summary		42,000	
	Cost of Goods			-----
	Sales Returns (2% of Sales)			-----
	Selling Expense (15% of Sales)			-----
	Supplies Expense			2,000
Dec. 31	Income Summary		-----	
	Areej, Capital			-----
Dec. 31	-----		2,600	
	Areej, Drawings			2,600

**Exercise (8):**

The following adjusted trial balance was extracted from the books of Ahmed Company on December 31, 2020:

**Ahmed Company  
Trail Balance  
December 31, 2020**

Account Title	Debit (BD)	Credit (BD)
Cash	32000	
Accounts Receivable	1950	
Supplies	600	
Equipment	20000	
Accumulated Depreciation-Equipment		300
Accounts Payable		11950
Ahmed, Capital		30000
Ahmed, Drawings	500	
Consulting Fees Earned		35000
Salaries Expense	10000	
Telephone Expense	2000	
Rent Expense	6000	
Miscellaneous Expense	4200	
<b>Totals</b>	<b>77250</b>	<b>77250</b>

**Required**

1. Prepare the closing entries on December 31, 2020.
2. Prepare the Post-Closing Trial Balance on December 31, 2020.

**Solution:**

**1- General Journal**

Date	Explanation	PR	Debit (BD)	Credit (BD)
Dec 31	Consulting Fees Earned		35,000	
	Income summary			35,000
Dec 31	Income Summary		22,200	
	Salaries Exp			10,000
	Telephone Exp			2,000
	Rent Exp			6,000
	Miscellaneous Exp			4,200
Dec 31	Income Summary		12,800	
	Capital			12,800
Dec 31	Capital		500	
	Drawing			500

Ahmed Company

2-

Post-Closing Trial Balance

Dec 31, 2020

Account Title	Debit (BD)	Credit (BD)
Cash	32,000	
Account Receivable	1950	
Supplies	600	
Equipment	20,000	
Accumulated Depreciation - equipment		300
Account Payable		11,950
<b>Capital</b>		<b>42,300</b>
Totals	54,550	54,550

DATE	Explanation	Dr	Cr	Balance
Dec 31	Balance		30,000	30,000
Dec 31	Income Summary		12,800	42,800
Dec 31	Drawing	500		42,300

## Exercise (9):

The following balances were extracted from the books of Salwa Company on December 31, 2020:

	BD		BD
Cash	8000	Salwa, Capital	70400
Accounts Receivable	9400	Salwa, Drawings	600
Supplies	1900	Commission Earned	8900
Truck	43000	Salaries Expense	900
Office equipment	25000	Insurance Expense	250
Accumulated depreciation-Equipment	5000	Utilities Expense	350
Accounts payable	7600	Depreciation Expense-Equipment	2500

## Required:

- 1- Prepare the closing entries on December 31 2020.
- 2- Post to the ledger of **Capital** and **Income Summary**.
- 3- Prepare the Post-Closing Trial Balance on December 31, 2020.

## Solution:

### 1- General Journal

Date	Explanation	PR	Debit	Credit
Dec 31	Commisiion income		8,900	
	Income summary			8,900
Dec 31	Income summary		4000	
	Salaries Exp			900
	Insurance Exp			250
	Utilities Exp			350
	Deprecation Exp -equipment			2,500
Dec 31	Income summary		4,900	
	Capital			4,900
Dec 31	Capital		600	
	Drawing			600

**2- Salwa, Capital**

CR

Date	Explanation	PR	Debit	Credit	Balance
Dec 31	Balance			70,400	70,400
Dec 31	Income summary			4,900	75,300
Dec 31	Drawing		600		74,700

**Income Summary**

CR

Date	Explanation	PR	Debit	Credit	Balance
Dec 31	Revenue			8,900	8900
Dec 31	Expense		4000		4,900
Dec 31	Capital		4,900		0

**Salwa Company**  
.....

**3- Post-Closing Trial Balance**  
for the month ended Dec 31 ,2020  
.....

Account Title	Debit (BD)	Credit (BD)
Cash	8000	
Account Receivable	9400	
Supplies	1900	
Truck	43000	
Office equipment	25,000	
Accumulated deprecation - equipment		5000
Account payable		7600
<b>Capital</b>		<b>74700</b>
<b>Total</b>	<b>87300</b>	<b>87300</b>

**Exercise (10):**

The following balances were extracted from the books of Hawar Company on December 31, 2020:

	<u>BD</u>
Hawar, Capital	25000
Rent Revenue	2000
Service Revenue	4000
Insurance Expense	1500
Salaries Expense	400
Hawar, Drawings	800

**Required:**

- 1- Prepare the closing entries on December 31, 2020.
- 2- Post to the ledger of **Capital**, **Drawings** and **Income Summary**.

**Solution:**

**1- General Journal**

Date	Explanation	Debit	Credit
Dec 31	Rent revenue	2000	
	Service Revenue	4000	
	Income Summary		6000
Dec 31	Income summary	1,900	
	Insurance Exp		1,500
	Salaries Exp		400
Dec 31	Income summary	4100	
	Capital		4100
Dec 31	Capital	800	
	Drawing		800



**2- Income Summary CR**

Date	Explanation	PR	Debit	Credit	Balance
Dec 31	Revenue			6000	6000
Dec 31	Expense		1900		4100
Dec 31	Capital		4100		0

**Hawar, Drawings DR**

Date	Explanation	PR	Debit	Credit	Balance
Dec 31	Balance		800		800
Dec 31	Capital			800	0


**Hawar, Capital CR**

Date	Explanation	PR	Debit	Credit	Balance
Dec 31	Balance			25,000	25,000
Dec 31	Income summary			4100	29,100
Dec 31	Capital		800		28,300

**Exercise (11):**

The following balances were extracted from the books of Manama Company on December 31, 2020:

BD		BD	
Cash	50165	Owner, Capital	108,700
Accounts Receivable	7100	Owner, Drawing	755
Premises	67000	Rent Revenue	1900
Unearned Rent Revenue	25400	Advertising Expense	9715
Accounts Payable	9800	Salaries Expense	11065



**Required:** Total Dr side = 145,800       $145,800 - (25,400 + 9800 + 1900) = 108,700$

- 1- Prepare the closing entries on December 31 2020.
- 2- Post to the ledger of **Capital** and **Income Summary**.
- 3- Prepare the Post-Closing Trial Balance on December 31, 2020.

**Solution:**

**1- General Journal**

Date	Explanation	Debit (BD)	Credit (BD)
Dec 31	Rent Revenue	1900	
	Income summary		1900
Dec 31	Income summary	20,780	
	Advertising Exp		9,715
	Salaries Exp		11,065
Dec 31	Capital	18,880	
	Income summary		18,880
Dec 31	Capital	755	
	Drawing		755

**2- Income Summary**

CR

Date	Explanation	PR	Debit	Credit	Balance
Dec 31	Revenue			1900	1900
Dec 31	Expense		20,780		-188,880
Dec 31	Capital			188,880	0

**Owner, Capital**

CR

Date	Explanation	PR	Debit	Credit	Balance
Dec 31	Balance			108,700	108,700
Dec 31	Income summary		18,880		89,820
Dec 31	Drawing		755		89,065

**Manama Company**

**3- Post-Closing Trial Balance  
December 31, 2020**

Account Title	Debit (BD)	Credit (BD)
Cash	50,165	
Account Receivable	7,100	
Premises	67,000	
Unearned Rent Revenue	25,400	
Account Payable	9,800	
<b>Capital</b>		<b>89,065</b>
Totals	124,265	124,265

**Exercise (12):**

The following balances were extracted from the books of Fadwa Furnishing Company on December 31 2020:

	BD		BD
Cash	35000	Fadwa, Capital	198,200
Accounts Receivable	9400	Fadwa, Drawings	800
Equipment	78700	Rent Received	22800
Buildings	108000	Miscellaneous Expenses	900
Unearned Revenue	12500	Advertising Expense	5100
Accounts Payable	7600	Salaries Expense	3200

**Required:**

- 1- Prepare the closing entries on December 31, 2020.
- 2- Post to the ledger of **Capital** and **Income Summary**.
- 3- Prepare the Post-Closing Trial Balance on December 31, 2020.

**Solution:**

**1- General Journal**

Date	Explanation	Debit (BD)	Credit (BD)
Dec 31	Rent Received	22,800	
	Income summary		22,800
Dec 31	Income summary	9,200	
	Miscellaneous Exp		900
	Advertising EXp		5100
	Salaries EXp		3,200
Dec 31	Income summary	13,600	
	Capital		13,600
Dec 31	Capital	800	
	Drawing		800

**2- Fadwa, Capital**

Date	Explanation	PR	Debit	Credit	Balance <span style="color: red;">CR</span>
Dec 31	Balance			198,200	198,200
Dec 31	income summary			13,600	211,800
Dec 31	Drawing		800		211,000

**Income Summary**

Date	Explanation	PR	Debit	Credit	Balance <span style="color: red;">CR</span>
Dec 31	Revenue			22,800	22,800
Dec 31	Expense		9,200		13,600
Dec 31	Capital		13,600		0

**Fadwa Furnishing**

**3- Post-Closing Trial Balance  
for the month ended Dec 31 2020**

Account Title	Debit (BD)	Credit (BD)
Cash	35,000	
Account Receivable	9,400	
Equipment	78,700	
Building	108,000	
Unearned Revenue		125,00
Account Payable		7,600
Capital		211,000
Totals	231,100	231,100

**Exercise (13):**

The following balances were extracted from the books of Yousif Company on December 31, 2020:

Account Title	Debit (BD)	Credit (BD)
Cash	6 000	
Motor van	7 000	
Unearned Rent Revenue		2 200
Yousif, Capital		12 000
Yousif, Drawing	500	
Rent Revenue		2 500
Fees Earned		1300
Supplies Expense	3 000	
Insurance Expense	1 500	
<b>Totals</b>	<b>18 000</b>	<b>18 000</b>

**Required:**

- 1- Prepare the closing entries on December 31 2020.
- 2- Post to **Capital** and **Income Summary**.
- 3- Prepare the Post - Closing Trial Balance on December 31, 2020.

**Solution:**

**1- General Journal**

Date	Explanation	Debit (BD)	Credit (BD)
Dec 31	Rent Revenue	2500	
	Fees earned	1300	
	Income Summary		3800
Dec 31	Income Summary	4500	
	supplies Exp		3000
	Insurance Exp		1500
Dec 31	Capital	700	
	Income summary		700
Dec 31	Capital	500	
	Drawing		500

**2- Income Summary CR**

Date	Explanation	PR	Debit	Credit	Balance
Dec 31	Revenue			3,800	3,800
Dec 31	Expense		4,500		-700
Dec 31	Capital			700	0

**Yousif, Capital CR**

Date	Explanation	PR	Debit	Credit	Balance
Dec 31	Balance			12,000	12,000
Dec 31	Income summary		700		11,300
Dec 31	drawing		500		10,800



.....  
 Yousif Company  
 .....

**Post-Closing Trial Balance**  
 for the month ended Dec 31 2020  
 .....

Account Title	Debit (BD)	Credit (BD)
Cash	6000	
Motor Van	7000	
unearned Rent Revenue		2,200
Capital		10,800
Totals	13,000	13,000

Prepared By : T.Fatima Ismail Hammad

Al- Wafa School

# Unit Two

## VALUATION OF INVENTORIES AND COST OF SALES

### TEXT BOOK EXERCISES





## Exercises:

### Exercise (1):

The accounting records of Mariam Electronics show the following data:

Cost of goods Available for sale

Beginning Inventory	4,000 units @ BD30	=	120,000
Purchases	6,000 units @ BD40	=	240,000
Sales	5,000 units @ BD60		360,000

WA:  $\frac{360,000}{10,000}$

### Required:

10,000

- Compute the **Cost of Ending Inventory** and **Cost of goods sold** during the period under a **periodic inventory system** using
  - FIFO Method.
  - Weighted Average Method (WA).
- Compute the **gross profit** under each method.

### Solution:

- (1) Calculate the **Ending Inventory** using **FIFO method**.

Units	Unit Cost (BD)	Total Value (BD)
5000	40	200,000
<u>5000</u>		<u>200,000</u>

Calculate the **Cost of Goods Sold** using **FIFO method**.

Units	Unit Cost (BD)	Total Value (BD)
4000	30	120,000
1000	40	40,000
<u>5000</u>		<u>160,000</u>

(2) Calculate the **Ending Inventory** using **WA method**.

Units	Unit Cost (BD)	Total Value (BD)
5000	36	180,000
5000		180,000

Calculate the **Cost of Goods Sold** using **WA method**.

Units	Unit Cost (BD)	Total Value (BD)
4000	36	144,000
1000	36	36,000
5000		180,000

b. **Gross Profit:**

1. **Under FIFO method:**

Sales .....	-	C.O.G.S .....	=	Gross profit .....
( 5000 * 60 )	-	160,000		
300,000	-	160,000		
= 140,000				

2. **Under WA method:**

Sales .....	-	C.O.G.S .....	=	Gross profit .....
( 5000 * 60 )	-	180,000		
300,000	-	180,000		
= 120,000				

# Prepared By : T.Fatima Ismail Hammad

Workbook Account (3)

---

## Exercise (2):

Al-Amal Company has the following records for the month of May 2020, in which 78 units were sold:

Date	Explanation	Units	Unit Cost (BD)	Total Cost (BD)
May 01	Inventory	30	8	240
15	Purchases	25	10	250
24	Purchases	35	12	420
Totals		90		910

## Required:

Compute the value of Ending Inventory on May 31, 2020 and Cost of Goods Sold using FIFO method. The company **uses the periodic inventory system.**

## Solution:

Calculate the **Ending Inventory** using **FIFO method.**

Date	Units	Unit Cost (BD)	Total Value (BD)
24	12	12	144
	<u>12</u>		<u>144</u>

# Prepared By : T.Fatima Ismail Hammad

Calculate the **Cost of Goods Sold** using **FIFO** method.

Date	Units	Unit Cost (BD)	Total Value (BD)
1	30	8	240
15	25	10	250
24	23	12	276
	<b>78</b>		<b>766</b>

*Handwritten notes: Orange brackets and arrows group the first three rows and the total row. Red underlines are under the total units (78) and total value (766). Blue underlines are under the unit costs (8, 10, 12) and total values (240, 250, 276). Red 'X' marks are in the unit cost column for the first three rows.*

### Exercise (3):

The following information relates to purchases and sales of watches for the period ended on December 31, 2020:

Date	Explanation	Units	Unit Cost (BD)	Total Cost (BD)
Jan. 01	Beginning Inventory	200	20	4,000
May 12	Purchases	300	22	6,600
Sept.24	Purchases	400	24	9,600
Dec. 15	Purchases	600	25	15,000
	<b>Total</b>	<b>1,500</b>		<b>35,200</b>

*Handwritten notes: A box with '1' is next to the table. Blue text says 'Cost of goods available for sale'. A pink bracket highlights the total row. Orange calculations show WA = 35,200 / 1500 = 23.467. Red circles highlight 'Sales' and 'ending inventory' in the text below.*

During the year, **850 units were sold** and **650 units are on hand** on December 31, 2020. Find the cost of **Ending Inventory** and **Cost of goods sold** using **(WA) method**. The company uses the periodic inventory system.

# Prepared By : T.Fatima Ismail Hammad

Workbook Account (3)

## Solution:

Calculate the **Ending Inventory** using **WA method**.

Date	Units	Unit Cost (BD)	Total Value (BD)
24 Sep	50	23.467	1173.35
15 dec	600	23.467	14080.2
	650		15253.55

OR  $650 \times 23.467 = 15253.55$

Calculate the **Cost of Goods Sold** using **WA method**.

Date	Units	Unit Cost (BD)	Total Value (BD)
1 Jan	200	23.467	4693.4
12 May	300	23.467	7040.1
24 Sep	350	23.467	8213.45
	850		19946.95

OR  $850 \times 23.467 = 19946.95$

# Prepared By : T.Fatima Ismail Hammad

## Exercise (4):

Salman Company uses a **perpetual inventory system**. It entered into the following information for the month of June 2020.

Date	Explanation	Units	Unit Cost (BD)	Unit Sold (BD)
June 01	Beginning Inventory	800	10	
June 09	Purchases	1000	12	
June 14	Sales	1200		20
June 18	Purchases	700	15	
June 23	Purchases	500	18	
June 27	Sales	250		20

### Required:

1. Compute cost of goods available for sales.
2. Compute the number of units in ending inventory.
3. Compute cost of goods sold and cost of ending Inventory using
  - a) FIFO Method
  - b) Weighted Average Method
4. Compute the gross profit under each method.

### Solution:

1. Compute cost of goods available for sales.

Date	Units	Unit Cost (BD)	Total Value (BD)
1	800	10	8000
9	1000	12	12,000
18	700	15	10,500
23	500	18	9000
	<u>3000</u>		<u>39,500</u>

2. Compute the number of units in ending inventory.

$$\begin{array}{r}
 \text{Units Available for sales} - \text{Units sold} = \text{units of ending inventory} \\
 3000 \quad \quad \quad - \quad (1200 + 250) = 1550
 \end{array}$$

# Prepared By : T.Fatima Ismail Hammad

Workbook Account (3)

### 3. (a) Compute cost of goods sold and cost of ending Inventory (FIFO)

Date	Goods Purchased	Cost of Goods Sold	Inventory Balance
1			800 * 10 = 8000
9	1000 * 12 = 12,000		1000 * 12 = 12,000
14		800 * 10 = 8000	
		400 * 12 = 4800	600 * 12 = 7200
18	700 * 15 = 10500		700 * 15 = 10500
23	500 * 18 = 9000		500 * 18 = 9000
27		250 * 12 = 3000	350 * 12 = 4200
			700 * 15 = 10500
			500 * 18 = 9000
	<b>Total</b>	<b>15800</b>	<b>23700</b>

### 3. (b) Compute cost of goods sold and cost of ending Inventory (FIFO)

Date	Goods Purchased	Cost of Goods Sold	Inventory Balance
1			800 * 10 = 8000
9	1000 * 12 = 12,000		1000 * 12 = 12,000
			1800 11.111 20,000
14		1200 * 11.111 = 13333.500	
			600 * 11.111 = 6666.6
18	700 * 15 = 10500		700 * 15 = 10500
23	500 * 18 = 9000		500 * 18 = 9000
			1800 14.537 26166.6
		250 * 14.537 = 3634.250	
			1550 * 14.537 = 22532.35

*total*

**16967.75**

**22532.35**

4. (a) Gross profit: (FIFO Method)

Sales	-	C.O.G.S	= Gross profit
( 1200 * 20)+ (1250 *20)	-	15800	= 13200
29,000	-	15800	= 13200

(b) Gross profit: (WA Method)

Sales	-	C.O.G.S	= Gross profit
( 1200 * 20)+ (1250 *20)	-	16967.75	=
29,000	-	16967.75	= 12032.25

**Exercise (5):**

1 cost of goods available for sale

**Monthly Inventory Purchases**

Month	Units Purchased	Unit Cost (BD)	Total Value (BD)
beginig inventory	4000	8	32,000
January	1,000	10	10,000
February	1,000	12	12,000
March	1,000	15	15,000
Totals	3,000		37,000

7000

69,000

Beginning Inventory = 4,000 units purchased @ BD8 each, and 3,000 units have been sold. The company **uses the periodic inventory system**.

**Required:**

Compute the Ending Inventory on May 31, 2020 using FIFO method. Prove the amount allocated to the Cost of Goods Sold under this method.



# Prepared By : T.Fatima Ismail Hammad

Workbook Account (3)

## Solution:

③ Calculate the **Ending Inventory** using **FIFO method**.

Date	Units	Unit Cost (BD)	Total Value (BD)
1 (begining )	1000	8	8000
Jan	1000	10	10,000
Feb	1000	12	12,000
March	1000	15	15,000
	<u>4000</u>		<u>45,000</u>

② Calculate the **Cost of Goods Sold** using **FIFO method**.

Date	Units	Unit Cost (BD)	Total Value (BD)
1 (begining )	3000	8	24,000
	<u>3000</u>		<u>24,000</u>

# Prepared By : T.Fatima Ismail Hammad

## Exercise (6):

The following details relate to an identical line of inventory carried by a business:

January 01	Beginning Inventory	1,000 units @ BD5 each
February 28	Purchases	2,000 units @ BD8 each
June 30	Sales	1,000 units @ BD15 each
September 30	Purchases	1,000 units @ BD7 each
December 31	Sales	1,500 units @ BD15 each

## Required:

Calculate the value of closing inventory and Cost of Goods Sold, which would be included in the financial statements under the FIFO method. The company uses the **perpetual inventory system**.

## Solution:

Date	Goods Purchased	Cost of Goods Sold	Inventory Balance
1 Jan			$1000 * 5 = 5000$
28 Feb	$2000 * 8 = 16,000$		$2000 * 8 = 16,000$
30 June		$1000 * 5 = 5000$	
			$2000 * 8 = 16,000$
30 sep	$1000 * 7 = 7000$		$1000 * 7 = 7000$
Dec 31		$1500 * 8 = 12,000$	$500 * 8 = 4000$
			$1000 * 7 = 7000$
		<b>17,000</b>	<b>11,000</b>

**Exercise (7):**

Al-Noor Company has the following records for the month of June 2020:

Date	Explanation	Units	Unit Cost (BD)	Total Cost (BD)
June 01	Inventory <i>Beginning inventory</i>	200	5	1,000
12	Purchases	300	6	1,800
23	Purchases	500	7	3,500
		<del>1000</del>		<del>6300</del>
30	Inventory <i>ending inventory</i>	180		

WA =  $\frac{6300}{1000}$   
= 6.3

**Required:**

1. Compute the Ending Inventory and Cost of Goods Sold on June 30 2020, using FIFO and WA method. (The company uses the periodic inventory system).
2. Which valuation method gives higher ending inventory?
3. Which valuation method results in higher cost of goods sold?

$$\begin{aligned} \text{Sold units} &= \text{units available for sales} - \text{ending inventory} \\ &= (200 + 300 + 500) - 180 \\ &= 1000 - 180 \\ &= 820 \end{aligned}$$

**Solution:**

(1) Calculate the **Ending Inventory** using **FIFO** method.

Units	Unit Cost (BD)	Total Value (BD)
180	7	1260
180		1260

# Prepared By : T.Fatima Ismail Hammad

Calculate the **Cost of Goods Sold** using **FIFO** method.

Units	Unit Cost (BD)	Total Value (BD)
200	5	1000
300	6	1800
<u>320</u>	7	<u>2240</u>

820

5040

(1) Calculate the **Ending Inventory** using **WA** method.

Units	Unit Cost (BD)	Total Value (BD)
180	6.3	1134
<u>180</u>		<u>1134</u>

Calculate the **Cost of Goods Sold** using **WA** method.

Units	Unit Cost (BD)	Total Value (BD)
200	6.3	1260
300	6.3	1890
<u>320</u>	6.3	<u>2016</u>

820

5166

2. ....  
Higher ending inventory is FIFO method = 1260  
.....
3. ....  
Higher cost of goods sold - Whighted Averag WA method = 5166  
.....

# Prepared By : T.Fatima Ismail Hammad

Workbook Account (3)

## Exercise (8):

The following information relates to an identical line of inventory carried by a business:

January 01	Beginning Inventory	500 units @ BD30 each
March 31	Purchases	400 units @ BD32 each
July 31	Sales	600 units @ BD50 each
October 31	Purchases	900 units @ BD 37 each
December 31	Sales	800 units @ BD50 each

بجواب السؤال

## Required:

Calculate the value of closing inventory and Cost of Goods Sold, which would be included in the financial statements under the WA method. The company uses the **perpetual inventory system**.

## Solution:

Date	Goods Purchased	Cost of Goods Sold	Inventory Balance
Jan 1			500 * 30 = 15,000
31 March	400 * 32 = 12800		400 * 32 = 12800
			900 30.889 27800
31 July		600 * 30.889 = 18533.4	300 * 30.889 = 9266.7
Oct 31	900 * 37 = 33300		900 * 37 = 33300
			1200 35.472 42566.7
		800 * 35.472 = 28377.6	
			400 * 35.472 = 14188.8
		46911	14188.8

# Prepared By : T.Fatima Ismail Hammad

## Exercise (9):

### Choose the correct answer:

If the company uses a periodic inventory system and it has 200 units of inventory of the beginning of the year that cost BD20 per unit. The company buys 200 units more at BD30 each during January. At the end of January, the company sells 150 units at BD40 each. Answer questions 1- 4:

1. Assuming that you are using FIFO, the **Cost of Goods Sold** is:

- (a) BD3,000
- (b) BD4,500
- (c) BD3,500
- (d) BD3,250

$$150 * 20 = 3000$$

2. Assuming the firm uses FIFO, the **value of inventory** after the sale takes place is:

- (a) BD4,500
- (b) BD7,000
- (c) BD5,500
- (d) BD4,000

$$\begin{array}{r} 50 * 20 = 1000 \\ 200 * 30 = 6000 \\ \hline 7000 \end{array}$$

3. Assuming the firm uses **WA method**, the **Cost of Goods Sold** is:

- (a) BD4,500
- (b) BD3,500
- (c) BD3,750
- (d) BD6,250

date	good purchased	cost of goods sold	Inventory in balance
1			$200 * 20 = 4000$
2	$200 * 30 = 6000$		$200 * 30 = 6000$
		$150 * 25 = 3750$	400 25 10,000
		<u>3750</u>	$20 * 25 = 1250$
			$200 * 25 = 5000$
			<u>6250</u>

4. Assuming the firm using WA method, the **value of inventory** after the **items are sold** is: ( ending inventory )

- (a) BD6,250
- (b) BD7,000
- (c) BD4,500
- (d) BD3,500

# Prepared By : T.Fatima Ismail Hammad

5. A firm that sells a single product had a beginning inventory of 4,000 units with a total cost of BD24,000. Early in the year, 10,000 units were purchased at BD8 each. Using FIFO, what is the value of the ending inventory of 3,000 units using a periodic inventory system?

(a) BD24,000.

24,000

(b) BD18,000.

80,000

(c) BD21,000.

(d) BD32,000.

$$3000 * 8 = 24,000$$

6. A firm that sells a single product had a beginning inventory of 4,000 units with a total cost of BD16,000. Early in the year, 8,000 units were purchased at BD5 each. Using WA method, what is the value of the ending inventory of 2,000 units using a periodic inventory system?

(a) BD10,000.

begining inventory      4000      4      16,000

purchases                      8,000      5      40,000

(b) BD9,200.

(c) BD8,000.

(d) BD19,200.

Handwritten calculations for Question 6:

- 12,000 (circled)
- 56,000 (circled)
- $WA = \frac{56,000}{12,000} = 4.667$
- توزین = 5 (circled)
- 2000 \* 5 = 10,000

7. The firm had a beginning inventory of 50 units with a unit cost of BD10. Purchases during the year were as follows: March--50 units with a unit cost of BD12; July--60 units with a unit cost of BD15. If FIFO method is used, the value of the ending inventory of 40 units using a periodic inventory system is:

(a) BD400

(b) BD450

(c) BD600

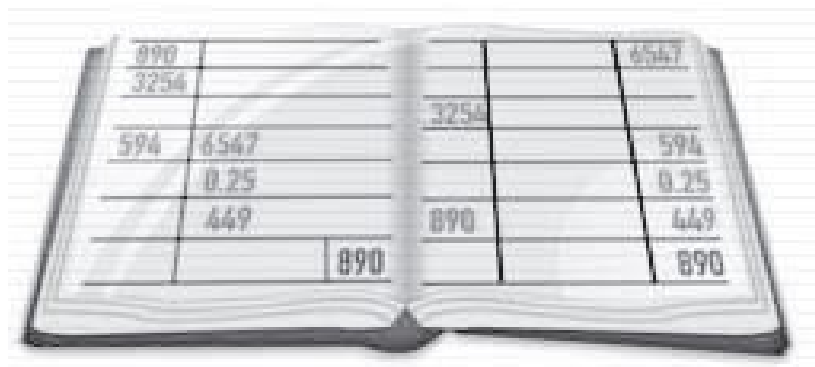
(d) BD500

$$40 * 15 = 600$$

# Unit Two

## VALUATION OF INVENTORIES AND COST OF SALES

### EXTRA EXERCISES





# Prepared By : T.Fatima Ismail Hammad

Workbook Account (3)

## Exercise (1):

(A) The following information relates to Razan Company for the month of July, 2020:

Date	Explanation	Units	Unit Cost (BD)	Total Value (BD)
July 01	Inventory	650	3	1950
05	Purchases	200	5	1000
15	Purchases	150	5	750
25	Purchases	500	6	3000

1500

6700

During the month, 900 units were sold. The company uses a periodic inventory system.

## Required:

Calculate the Ending Inventory using FIFO method.

Date	Units	Unit Cost (BD)	Total Value (BD)
July 15	100	5	500
July 25	500	6	3000
	600		3500

## Cost of good sold

Date	units	units cost	Total value
1 July	650	3	1950
5 July	200	5	1000
15 July	50	5	250
	900		3200

# Prepared By : T.Fatima Ismail Hammad

(B) The following information relates to Sarah Sweet Shop for the month of January 2020.

Date	Explanation	Units	Unit Cost (BD)	Total Value (BD)
January 01	Inventory	200	7	1400
11	Purchases	70	8	560
20	Purchases	130	10	1300
31	Purchases	300	9	2700

700

5960

During the month 530 units were sold. The company uses a periodic inventory system.

**Required:**

Calculate the cost of goods sold using WA method.

$$WA = \frac{5960}{700} = 8.514$$

**Solution:** 2 Cost of goods sold

Date	units	unit cost	Total value
1	200	8.514	1702.8
11	70	8.514	599.980
20	130	8.514	1106.820
31	130	8.514	1106.820
	<u>530</u>		<u>4512.42</u>

$$530 * 8.514 = 4512.42$$

OR

3 Ending inventory

Date	units	unit cost	Total value
31	170	8.514	1447.38

$$170 * 8.514 = 1447.38$$

170

84

1447.38

# Prepared By : T.Fatima Ismail Hammad

Workbook Account (3)

## Exercise (2):

Given below is information extracted from the books of Habiba Company for the month of April 2020:

### Cost of goods Available for sale

Date	Explanation	Units	Unit cost (BD)	
April 01	Inventory	800	20	= 16,000
April 10	Purchases	950	22	= 20,900
April 18	Purchases	1250	25	= 31,250
April 27	Purchases	1500	26	= 39,000
		<u>4500</u>		<u>107,150</u>

Sales during the year were 1750 units. The company uses a periodic inventory system.

$$WA = \frac{107,150}{4500} = 23.811$$

### Required:

- 1- Compute the cost of goods sold and ending inventory using the FIFO method, show your calculations.

<u>Cost of goods sold</u>				<u>Ending inventory</u>			
April 1	800	*	20 = 16,000	April 18	1250	*	25 = 31,250
April 10	950	*	22 = 20,900	April 27	1500	*	26 = 39,000
	<u>1750</u>		<u>36900</u>		<u>2,750</u>		<u>70,250</u>

- 2- Compute the cost of goods sold and ending inventory using the WA method, show your calculations.

<u>Cost of goods sold</u>				<u>Ending inventory</u>			
April 1	800	*	23.811 = 19,048.8	April 18	1250	*	23.811 = 29,763.75
April 10	950	*	23.811 = 22,620.45	April 27	1500	*	23.811 = 35,716.5
	<u>1750</u>		<u>41669.25</u>		<u>2750</u>		<u>65480.25</u>

OR

$$1750 \times 23.811 = 41669.25$$

OR

$$2750 \times 23.811 = 65480.25$$

# Prepared By : T.Fatima Ismail Hammad

## Exercise (3):

The following information relates to an identical line of inventory carried by a business:

January 01	Beginning Inventory	1000 units @ BD50 each
April 31	Purchases	1700 units @ BD60 each
May 31	Sales	2000 units @ BD100 each
November 30	Purchases	1800units @ BD70 each
December 31	Sales	1200 units @ BD100 each

## Required:

Calculate the value of **closing inventory**, **cost of goods sold** and **gross profit**, which would be included in the financial statements under the **WA** method. The company uses a **perpetual inventory system**.

## Solution:

Date	Goods Purchased	Cost of Goods Sold	Inventory Balance
Jan 1			1000 * 50 = 50,000
April 31	1700 * 60 = 102,000		1700 * 60 = 102,000
			2700 * 56.296 = 152,000
May 31		2000 * 56.296 = 112592	
			700 * 56.296 = 39407.2
Nov 30	1800 * 70 = 126,000		1800 * 70 = 126,000
			2500 * 66.162 = 165407.2
dec 31		1200 * 66.162 = 79394.4	
			1300 * 66.162 = 86010.6
		<u>191986.4</u>	<u>86010.6</u>

## Gross profit:

Sales.....	-	C.O.G.S.....	=	Gross profit.....
( 2000 * 100 ) + ( 1200 * 100 )	-	191986.4		
320,000	-	191986.4		= 128013.6

# Prepared By : T.Fatima Ismail Hammad

Workbook Account (3)

## Exercise (4):

(A) The following information relates to Hani Flower shop for the period ended March 31, 2020. The company uses a periodic inventory system. **cost of goods available for sale**

Date	Explanation	Units	Unit Cost (BD)	Total Value (BD)
January 1	Inventory <i>begining inventory</i>	300	12	3600
February 5	Purchases	200	15	3000
March 1	Purchases	500	16	8000
March 7	Purchases	400	17	6800
March 31	Inventory <i>ending inventory</i>	600		21,400

1400

$$\begin{aligned} \text{sold units} &= \text{Avaliable for sale units} - \text{Ending inventory units} \\ &= 1400 - 600 \\ &= 800 \end{aligned}$$

21400

**Required:**

2 Calculate the **Cost of Goods Sold** using **FIFO** method.

Date	Units	Unit Cost (BD)	Total Value (BD)
Jan 1	300	12	3600
Feb 5	200	15	3000
March 1	300	16	4800
	<u>800</u>		<u>11400</u>

# Prepared By : T.Fatima Ismail Hammad

(B) The following information relates to Raja Book Shop for the period ended December 31, 2020. The company uses a periodic inventory system.

**Cost of goods available for sale**

Date	Explanation	Units	Unit Cost (BD)	Total Value (BD)
January 1	Inventory begining inventory	2500	5	12500
April 10	Purchases	500	10	5000
September 20	Purchases	300	7	2100
		<u>3300</u>		<u>19600</u>

On December 31, 2020, 30% of total units remain on hand

$3300 * 30\% = 990$   
ending inventory

**Required:** Calculate the **Cost of Goods Sold** using **WA** method.

**Solution:**

$$\begin{aligned} \text{Sold units} &= \text{Avaliable for sale units} - \text{ending inventory units} \\ &= 3300 - 990 \\ &= 2310 \end{aligned}$$

$$WA = \frac{19600}{3300} = 5.939$$

$$\text{cost of good sold} = 2310 * 5.939 = 13719.09$$

OR

Date	units	units cost	Total value
Jan 1	2310	5.939	13719.09

# Prepared By : T.Fatima Ismail Hammad

Workbook Account (3)

## Exercise (5):

The following information relates to Al Amal Company for the period ended 31, July 2020. The company uses a periodic inventory system.

Date	Explanation	Units	Unit Cost (BD)	Total Value (BD)
July 01	Inventory	300	5	1500
12	Purchases	200	6	1200
23	Purchases	400	7	2800
31	Sales	320		
<b>Totals</b>				

## Required:

Calculate the **Ending Inventory** and **Cost of Goods Sold** using

1- FIFO method.

2- WA method.

$$\rightarrow WA = \frac{5500}{900} = 6.111$$

**Solution:**

## 1- FIFO Method:

### - Ending Inventory:

Date	Units	Unit Cost( BD)	Total Value (BD)
July 12	180	6	1080
July 23	400	7	2800
	<u>580</u>		<u>3880</u>

### - Cost of Goods Sold:

Date	Units	Unit Cost(BD)	Total Value (BD)
July 1	300	5	1500
July 12	20	6	120
	<u>320</u>		<u>1620</u>

# Prepared By : T.Fatima Ismail Hammad

## 2- WA Method:

.....  
 $\text{Cost of good sold} = 320 * 6.111 = 1955.52$   
.....

.....  
 $\text{Ending inventory} = 580 * 6.111 = 3544.38$   
.....  
.....  
.....

## Exercise (6):

The following information relates to an identical line of inventory carried by a business:

January 01	Beginning Inventory	500 units @ BD30 each
March 31	Purchases	400 units @ BD32 each
July 31	Sales	600 units @ BD50 each
October 31	Purchases	900 units @ BD37 each
December 31	Sales	800 units @ BD50 each

## Required:

Calculate the value of **closing Inventory**, **cost of goods sold** and **Gross Profit**, which would be included in the financial statements under the **WA** method. The company uses a **perpetual inventory system**.



# Prepared By : T.Fatima Ismail Hammad

Workbook Account (3)

## Solution:

Date	Goods Purchased	Cost of Goods Sold	Inventory Balance
Jan 1			500 * 30 = 15,000
March 31	400 * 32 = 12,800		400 * 32 = 12,800
			900 <del>30.889</del> 27,800
July 31		600 * 30.889 = 18533.4	
			300 * 30.889 = 9266.7
Oct 31	900 * 37 = 33,300		900 * 37 = 33,300
			1200 <del>35.472</del> 42,566.7
Dec 31		800 * 35.472 = 28377.6	
			400 * 35.472 = 14188.8
		<b>46911</b>	<b>14188.8</b>

## Gross profit:

...Sales..... - ..... Cost of goods sold C.O.G.S..... = gross profit  
 ( 800\* 50 ) + ( 600\*50 ) - ..... 46911 ..... = 23,089  
 ..... 70,000 .....  
 .....

**Exercise (7):**

The following information were extracted from the records of Riffa Company for the month of May 2020:

① **cost of goods Available for sale**

Date	Explanation	Units	Unit Cost (BD)	Total Value (BD)
May 01	Inventory	180	6	1080
05	Purchases	120	8	960
18	Purchases	200	11	2200
Total		500		4240

**275 units were sold. The company uses a periodic inventory system.**

**Required:**

② **cost of goods sold**

	unit	unit cost	Total value
May 1	180	6	1080
May 5	95	8	760
	275		1840

- 1- Calculate the **Ending Inventory** using **FIFO** and **WA** method.
- 2- Prove the amount allocated to the **Cost of Goods Sold** under each method.

**1- FIFO Method** ③ **Ending Inventory**

Date	Units	Unit Cost (BD)	Total Value (BD)
May 5	25	8	200
May 18	200	11	2200
	<u>225</u>		<u>2400</u>

**WA Method:**

Date	Units	Unit Cost (BD)	Total Value (BD)
May 5	25	8.48	212
May 18	200	8.48	1696
	<u>225</u>		<u>1908</u>

**2- Cost of goods sold**

	FIFO	WA
Cost of goods available for sale	4240	4240
Less Ending Inventory	<u>2400</u>	<u>1908</u>
<b>= Cost of goods sold</b>	<u>1840</u>	<u>2332</u>

WA =  
4240  
500  
= 8.48

prepared by : T.Fatima Ismai Hammad

The Error In the Bank Reconciliation is cancelled during the second semester of 2023-2024

لذلك يوجد تعديل في حجم الأسئلة -

# Unit THREE

## CASH AND INTERNAL CONTROL BANK RECONCILIATION

### TEXT BOOK EXERCISES



**Exercises:**

دو جزو

**Exercise (1):**

On November 30, 2020, the bank statement of Anwar Co. showed balance of BD9,387. The cash book balance was BD12,761. The following information is given to reconcile the book balance with bank statement balance:

- During November checks deposited for BD 5,846 did not appear on the bank statement.
- The following checks were issued on November but were not paid by the bank:

No.924 BD136 – No.941 BD11 – No.944 BD95 – No.946 BD60 – No.940 BD105 – No.943 BD826 – No.945 BD16.

- The bank erroneously deducted service charges of BD340.
- ~~▪ Check No.936 for BD504 for buying furniture has been recorded in cash payment journal for BD405 and check No 942 for BD245 was recorded for BD254 for buying supplies.~~
- NSF check by Waleed Jassim of BD 319
- Cash collected by bank from Ahmed BD 1899 and a collection charge for BD5, not entered in cash ledger.
- The amount of BD12 were charged for a new check book for the company but not recorded in the cash payment journal.

**Required:**

1. Prepare the Bank Reconciliation.
2. Prepare Journal entries necessary to reconcile the cash account balances.

**Solution:**

**Anwar Company**

1-

**Bank Reconciliation**

.....On November 30., 2020.....

Bank Balance		9387	cash book balance		12761
Add:			Add:		
Deposit in transit	5846		collection of A/c receivable		1894
Less :			Less:		
Outstanding checks			Collection caharge	5	
No.924	136		Bank Service Charge	340	
No.941	11		NSF checks	319	
No.944	95		Check printing Charge	12	
No.946	60				
No.940	105				
No.943	826				
No.945	16				
		1249			
Adjusted Bank Balance		13984	Adjusted cash book Balance		13984

2-

**General Journal**

Date	Explanation	Debit (BD)	Credit (BD)
	Cash	1894	
30 Nov	A/c receivable		1894
30 Nov	Collection Expense	5	
	Miscellaneous Expense ( 340+12)	352	
	A/c Receivable	319	
	Cash		676

**Exercise (2):**

يوجر تعديل

The following information for Hayfa Est.is shown on March 31, 2020:

	BD
Cash per books	447
Balance per bank statement	100
Unpresented checks	79
Deposits not entered by the bank	546
Dividend received by the bank not entered in cash book	140
<del>Check drawn for BD672 for buying furniture entered in books as</del>	<del>762</del>
Bank charges not entered in books	27
Check returned "refer to drawer" not entered in books	83
Credit transfer received by bank not entered in books	90

**Required:**

1. Prepare the Bank Reconciliation.
2. Prepare Journal entries necessary to reconcile the cash account balances.

**Solution:**

Hayfa Est.

1-

**Bank Reconciliation**

.....On March 31, 2020.....

Bank Balance	100	Cash book balance	447
<b>Add:</b>		<b>Add:</b>	
Deposit in transit	546	Dividends received	140
		Credit Transfer	90
<b>Less:</b>		<b>Less:</b>	
Outstanding Checks	79	Bank Charge	27
		NSF checks	83
Adjusted Bank Balance	567	Adjusted Cash book Balance	567

2-

**General Journal**

Date	Explanation	Debit (BD)	Credit (BD)
	Cash	230	
March 31	Dividend earned		140
	A/c Receivable		90
March 31	Miscellaneous Expense	27	
	A/c Receivable	83	
	Cash		110

**Exercise (3):**

The following information for Maysa Est. is shown on December 31, 2020:

- On December 31, cash per bank statement was BD7,990.500; cash per the cash account was BD8,722.500.
- Service charges for December were BD12.
- BD300 check drawn by Khalid marked NSF.
- Cash receipts of BD2,176.500 on December 31, 2020 were not deposited until January 2021.
- Outstanding checks: No.123 for BD489 – No.134 for BD1,026 – No.141 for BD241.500.

**Required:**

1. Prepare the Bank Reconciliation
2. Prepare Journal entries necessary to reconcile the cash account balances.

**Solution:**

Maysa Est

1-

**Bank Reconciliation**

On December 31, 2020

Bank Balance		7990.500	Cash Book Balance		8722.500
Add:			Add:		
Deposit in transit		2176.500			
Less :			Less :		
Outstanding Checks			Services charge	12	
NO.123	489		NSF checks	300	
NO.134	1026				
NO.141	241.500				
Adjusted Bank balance		8410.500	Adjusted Cash Book balance		8410.500



**2- General Journal**

Date	Explanation	Debit (BD)	Credit (BD)
dec 31	Miscellaneous Expense	12	
	A/c Receivable	300	
	cash		312

**Exercise (4):**

On July 31, 2020 AL Najma Est. has the following information concerning its bank account:

1. On July 31, cash per the bank statement was BD18,879 and cash per the accounting records was BD21,500.
2. The cash receipts of BD3,122 on July 31 were deposited on 1<sup>st</sup> August.
3. Included on the bank statement was a credit of BD167 interest earned.
4. Three checks were outstanding on July 31: Check No.11 o BD250 – Check No.20 for BD324.500 – Check No.31 for BD200.
5. Service charges for July were BD7 and NSF check of Sameeh (customer), of BD433.500.

**Required:**

1. Prepare the Bank Reconciliation.
2. Prepare Journal entries necessary to reconcile the cash account balances.



**Exercise (5):**

Mariam Company is preparing bank reconciliation on June 30, 2020. The following facts are determined:

	<b>BD</b>
Balance in cash account, June 30	1,575
Cash balance from the bank statement	1,542
Outstanding checks: No.165	130
No.168	80
Deposits in transit, June 30	290
Bank service charge unrecorded by the company	19
NSF check from Dana unrecorded by the company	112
Note of BD180 collected by the bank, plus interest of BD10 and less collection fees of BD12 (unrecorded by the company)	178
<del>The bank recorded a deposit of BD242 as</del>	<del>224</del>
<del>The company recorded an issued check of BD132 for the purchase of supplies as</del>	<del>123</del>

**Required:**

1. Prepare the bank reconciliation.
2. Prepare Journal entries necessary to reconcile the cash account balances.

**Solution:****Mariam Company****Bank Reconciliation****June 30, 2020**

1-

Bank Balance		1542	Cash Book Balance		1575
Add:			Add:		
Deposit in transit	290		collection of Note receivable	180	
			Interest Earned	10	
Less:			Less:		
Outstanding Checks			NSF checks	112	
NO.165	130		Bank service Charge	19	
NO.168	80		collection fees	12	
Adjusted Bank balance		1622	Adjusted Cash Book balance		1622

2-

**General Journal**

Date	Explanation	Debit (BD)	Credit (BD)
June 30	Cash	190	
	Note Receivable		180
	Interest Earned		10
June 30	A/c Receivable	112	
	Miscellaneous Expense	19	
	Collection Expense	12	
	Cash		143

**Exercise (6):**

Omar Company reported the following data related to its cash transactions for the month of March 2020:

	<b>BD</b>
▪ Balance per bank statement at March 31, 2020	38,000
▪ Service charge for the month	100
▪ Collection of notes receivable	5,000
▪ Deposits in transit	9,000
▪ Outstanding checks	7,000
▪ NSF check from Ali Co. returned by the bank	750

**Required:**

1. Determine the amount of cash that should appear on the company's Balance Sheet as of March 1, 2020. (show the calculations)
2. Prepare Journal entries necessary to reconcile the cash account balances.
3. What is the journal entry required for recording the BD7,000 of the outstanding checks? **No Entry required**

**Solution:**

$40,000 + 750 + 100 - 5000$

**1- Omar Company**  
**Bank Reconciliation**  
**on the 31 March 2020**

Bank Balance		38000	Cash Book Balance		35850
Add:			Add:		
Deposit in transit	9000		collection of Note receivable	5000	
Less:			Less:		
Outstanding Checks	7000		Bank service Charge	100	
			NSF checks	750	
Adjusted Bank balance		40000	Adjusted Cash Book balance		40000

**2- General Journal**

Date	Explanation	Debit (BD)	Credit (BD)
31	Cash	5000	
March	Note Receivable		5000
31	Miscellanouse Expense	100	
March	A/c Receivable	750	
	Cash		850

3- .....  
 .....  
 .....  
 .....  
 .....

No Entry required

**Exercise (7):**

Using the information of the following Bank Reconciliation, answer the questions below:

<b>Bank Reconciliation</b>			
Bank Cash Balance	----	Book Cash Balance	----
Add: Section 1	----	Add: Section 3	----
Deduct: Section 2	----	Deduct: Section 4	----
Adjusted Bank Cash Balance	----	Adjusted Book Cash Balance	----

- a- In which section would you find outstanding checks? **Bank Balance**
- b- In which section would you find bank service charges? **Cash book Balance**
- c- In which section would you find late deposits? **Bank Balance**
- d- In which section would you find customer NSF checks? **Bank Balance**

**Exercise (8):**

Select the proper name or phrase below that matches the questions.

**Note:** You may use the same answer more than once.

- a- Petty Cash Fund
- b- NSF Checks
- c- Canceled Checks
- d- Deposits in transit
- e- Bank Service Charge
- f- None of these
- g- Outstanding Checks

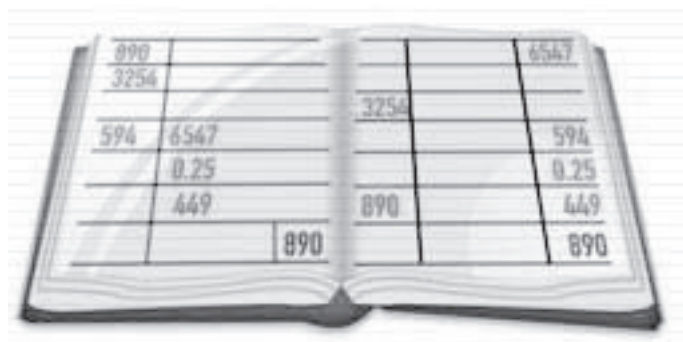
- 1- Checks issued by the depositor that have been paid by the bank and listed on the bank statement. [c- Canceled Checks](#)
- 2- A small sum of cash used to make immediate cash payments. [a- Petty Cash Fund](#)
- 3- A deposit not recorded on the bank statement because the deposit was made between the time of the bank's closing date for compiling items for its statement and the time the statement is received by the depositor. [d- Deposits in transit](#)
- 4- Checks drawn against an account in which there are not sufficient funds, so the check is returned because of nonpayment. [b- NSF Checks](#)
- 5- The process by which the payee transfers ownership of the check to a bank or another party. [f-None of these](#)
- 6- The fee charged for handling the checks, collections, and other items for the depositor's account. [e- Bank Service Charge](#)
- 7- Checks that have been written by the depositor and deducted on his or her records but have not reached the bank for payment. [g- Outstanding Checks](#)



# Unit THREE

## Cash and Internal Control BANK RECONCILIATION

### EXTRA EXERCISES



**Exercise (1):**

Ahmed Company is unable to reconcile the bank statement at July 31, 2020. Ahmed's reconciliation is as follows.

Bank Balance		7,500	Book Balance		8,200
<b>Add:</b> NSF checks	1,100		<b>Add:</b> outstanding Checks	1,000	
Interest earned	400		Collection of notes receivable	600	
		1,500			1,600
<b>Less:</b> Bank services charge		(100)	<b>Less:</b> Deposits in transit		(1,500)
<b>Adjusted bank balance</b>		<b>8,900</b>	<b>Adjusted book balance</b>		<b>8,300</b>

**Required:**

- 1- Prepare a correct bank reconciliation at July 31, 2020.
- 2- Journalize the entries required for the reconciliation at July 31, 2020.

**Solution:**

Ahmed Company

1-

**Bank Reconciliation**

July 31, 2020

Bank balance		7500	Cash book balance		8200
<b>Add:</b>			<b>Add:</b>		
Deposits in transit		1500	Interest earned	400	
			Collection of notes receivable	600	
<b>Less:</b>			<b>Less:</b>		
Outstanding checks		1000	NSF checks	1100	
			Service charge	100	
<b>Adjusted Bank Balance</b>		<b>8000</b>	<b>Adjusted cash book Balance</b>		<b>8000</b>

**2- General Journal**

Date	Explanation	Debit (BD)	Credit (BD)
July 31	Cash	1000	
	Interest earned		400
	Notes receivable		600
July 31	A/c receivable	1100	
	Miscellaneous Expense	100	
	Cash		1200

**Exercise (2):**

*Handwritten notes in blue ink: "ج. ٢٠٢٠" (Exercise 2020)*

On Sept 30, 2020, Rabab Company had a book cash balance of BD12,750. The bank statement on that date showed a balance of BD12,871. A comparison of the statement with the cash account revealed the following facts:

- ~~1. Cash sales of BD 336 on Sept. 16 were deposited in the bank, but recorded incorrectly in the cash account of BD363.~~
2. The bank statement showed NSF check of BD720.
3. The statement included a debit memo of BD65 for the printing checks.
4. Outstanding checks NO.2001 for BD425 and check No.2002 for BD575.
- ~~5. On Sept, 20, the company issued check NO.2009 to buy furniture for BD1,215, but appeared in statement incorrectly as BD1,512.~~
6. The amount of BD1,800 of notes receivable was collected by the bank less collection fees of BD70.
7. Deposits in transit were of BD1,500.

*Handwritten note in red ink: "8- Bank services charge BD 324"*

**Required:**

- 1- Prepare the bank reconciliation at Sept. 30, 2020.
- 2- Prepare the necessary adjusting entries at Sept. 30, 2020.

**Solution:****Rabab Company**

1-

**Bank Reconciliation**

On September 30, 2020

Bank balance		12871	Cash book balance		12750
<b>Add:</b>			<b>Add:</b>		
Deposits in transit		1500	Collection of notes receivable		1800
<b>Less:</b>			<b>Less:</b>		
Outstanding checks			NSF checks	720	
No.2001	425		Printing checks charge	65	
No.2002	575		collection fees	70	
			Bank charge	324	
Adjusted Bank Balance		13371	Adjusted cash book Balance		13371

2-

**General Journal**

Date	Explanation	Debit (BD)	Credit (BD)
Sep. 30	Cash	1800	
	Notes receivable		1800
Sep. 30	A/c receivable	720	
	Miscellaneous Expense ( 65 + 324 )	389	
	Collection Expense	70	
	Cash		1179

**Exercise (3):**

يوجد نقص

**On June 30, 2020**, Fatima Company had a book cash balance of BD13,287. The bank statement on that date showed a balance of BD13,294. A comparison of the statement with the cash account revealed the following facts:

- ~~1. Statement included issued check by Hend Company to Ahmed for BD650 that was incorrectly charged to (withdrew from) Fatima Company by the bank.~~
2. Deposits in transit were BD1750.
3. Statement included a credit memo for interest earned of BD275.
4. Outstanding checks: No.5010 is BD700 and check No.2002 for BD600.
5. A BD980 note receivable was collected by the bank less collection fees of BD80.
6. The statement included a debit memo of BD50 for bank services charge.
- ~~7. On June 12, the company issued check for equipment for BD153. The check, is cleared by the bank in June, but is recorded in the cash account for BD135.~~

8. NSF checks BD 668

**Required:**

- 1- Prepare the bank reconciliation at June 30, 2020.
- 2- Prepare the necessary adjusting entries at June 30, 2020.

**Solution:****Fatima Company****1- Bank Reconciliation****On June 30 ,2020**

Bank balance		13294	Cash book balance		13287
<b>Add:</b>			<b>Add:</b>		
Deposits in transit		1750	Interest earned		275
			Collection of notes receivable		980
<b>Less :</b>			<b>Less :</b>		
Outstanding checks			Collection Fees		80
NO.5010	700		Bank service charge		50
NO.2002	600		NSF checks		668
<b>Adjusted Bank Balance</b>		<b>13744</b>	<b>Adjusted cash book Balance</b>		<b>13744</b>

**2- General Journal**

Date	Explanation	Debit (BD)	Credit (BD)
June 30	cash	1255	
	Interest earned		275
	Notes receivable		980
June 30			
	Collection Expense	80	
	Miscellaneous Expense	50	
	A/c Receivable	668	
	Cash		798

**Exercise (4):**

Ahmed Company is unable to reconcile the bank statement at July 31, 2020. Ahmed’s reconciliation is as follows:

Bank balance		10,200	Book balance		11,800
<b>Add:</b> Outstanding Checks	900		<b>Add:</b> Deposits in transit	3,800	
Collection of notes receivable	2,200		Bank services Charge	150	
		3,100			3,950
<b>Less:</b> NSF checks		(1,050)	<b>Less:</b> Interest earned		(300)
<b>Adjusted Bank balance</b>		<b>12,250</b>	<b>Adjusted book balance</b>		<b>15,450</b>

**Required:**

- 1- Prepare the correct bank reconciliation at July 31, 2020.
- 2- Journalize the entries required for the reconciliation at July 31, 2020.

**Solution:**

..... Ahmed Company .....

**1- Bank Reconciliation Statement**

..... July 31 ,2020 .....

Bank balance		10200	Cash book balance		11800
<b>Add:</b>			<b>Add:</b>		
Deposits in transit		3800	Interest earned		300
			Collection of notes receivable		2200
<b>Less :</b>			<b>Less :</b>		
Outstanding checks		900	Bank service charge		150
			NSF checks		1050
<b>Adjusted Bank Balance</b>		<b>13100</b>	<b>Adjusted cash book Balance</b>		<b>13100</b>

**2- General Journal**

Date	Explanation	Debit (BD)	Credit (BD)
July 31	Cash	2500	
	Interest earned		300
	Notes receivable		2200
July 31	Miscellaneous Expense	150	
	A/c Receivable	1050	
	Cash		1200

**Exercise (5):**

The following information for Mona Est., is shown on April 30, 2020:

- 1- Balance per bank statement BD3,000.
- 2- Cash account balance BD2,720.
- 3- Outstanding checks BD500.
- 4- Deposits in transit BD1,000.
- 5- Bank service charge not recorded by the company BD10.
- 6- NSF check drawn by Raja BD290.
- 7- Notes Receivable collected by the bank BD 1080
- ~~8- The company issued check for rent for BD240. The check was correctly included in the bank statement but incorrectly in the cash account for BD420.~~

**Required:**

- 1 - Prepare the Bank Reconciliation at April 30, 2020.
- 2 - Prepare the necessary adjusting entries at April 30, 2020.



**Solution:**

Mona EST  
.....

1-

**Bank Reconciliation**

.....**On April 30, 2020**.....

Bank balance		3000	Cash book balance		2720
<b>Add:</b>			<b>Add:</b>		
Deposits in transit		1000	Collection of notes receivable		1080
<b>Less:</b>			<b>Less:</b>		
Outstanding checks		500	Bank service charge	10	
			NSF checks	290	
<b>Adjusted Bank Balance</b>		<b>3500</b>	<b>Adjusted cash book Balance</b>		<b>3500</b>

2-

**General Journal**

Date	Explanation	Debit	Credit
30 April	Cash	1080	
	Notes receivable		1080
30 April	Miscellaneous Expense	10	
	A/c Receivable	290	
	Cash		300

**Exercise (6):**

يوجد تعديلي

The following information for Hamad Est. is shown on March 31, 2020:

- 1- Bank statement balance BD5,500.
- 2- Cash account balance BD2,950.
- 3- Deposits in transit BD2,300.
- 4- Dividends received directly by the bank BD 5150
- 5- Bank charge BD20.
- ~~6- Check #458 deposited by mistake in the bank account for BD950.~~
- 7- Check returned "refer to drawer" BD1,480.
- 8- Unpresented checks BD1200.

**Required:**

- 1- Prepare the Bank Reconciliation at March 31, 2020.
- 2- Prepare the necessary adjusting entries at March 31, 2020.

**Solution:**

..... Hamad Est. ....  
**1- Bank Reconciliation**  
 ..... On March 31, 2020 .....  
 .....

Bank balance		5500	Cash book balance		2950
Add:			Add:		
Deposits in transit		2300	Dividends Received	5150	
Less:			Less:		
Outstanding checks		1200	Bank charge	20	
			NSF checks	1480	
Adjusted Bank Balance		6600	Adjusted cash book Balance		6600

**2- General Journal**

Date	Explanation	Debit	Credit
March 31	Cash	5150	
	Dividends Received		5150
March 31	Miscellaneous Expense	20	
	A/c Receivable	1480	
	Cash		1500

**Exercise (7):**

Given the following information, **prepare the bank Reconciliation and adjusting entries** for **Mahmoud Company** for the month of January 31, 2020:

No.	Title	BD
1	Balance per cash book	7,100
2	Balance per bank statement	6,860
3	Outstanding checks	900
4	Deposits in transit	2,100
5	Collection of account receivable	6,000
6	Interest earned	1,400
7	Services charge	310
8	Repayment of loan	6,220
9	Dividends received by the bank not entered in business records	90

**Solution:**

1-

Mahmoud Company  
 Bank Recnciliation  
 On January 31, 2020

Bank balance		6860	Cash book balance		7100
Add:			Add:		
Deposits in transit		2100	Collection of A/c receivable		6000
			Interest earned		1400
			Dividends Received		90
Less:			Less:		
Outstanding checks		900	Service charge		310
			Loan payment		6220
Adjusted Bank Balance		8060	Adjusted cash book Balance		8060

2-

**General Journal**

Date	Explanation	Debit	Credit
Jan 31	Cash	7490	
	A/c receivable		6000
	Interest earned		1400
	Dividends Received		90
Jan 31	Miscellaneous Expense	310	
	Loan payment OR A/c payable	6220	
	Cash		6530

# Unit FOUR

## CASH AND INTERNAL CONTROL PETTY CASH SYSTEM OF CONTROL

### TEXT BOOK EXERCISES



**Exercises:**

**Exercise (1):**

Nawaf Company maintains a petty cash fund for small expenditures. The following transactions occurred during July 2020.

July 01 Established petty cash fund by writing a check for BD200.

July 15 Replenished the petty cash fund by writing a check for BD196. On this date the fund consisted of BD4 in cash and the following petty cash receipts: freight-out BD94, postage expense BD42.400, entertainment expense BD46.600, and miscellaneous expense BD11.200

July 20 Replenished the petty cash fund by writing a check for BD192. On this date the fund consisted of BD8 in cash and the following petty cash receipts: freight-out BD82, postage expense BD45.100, entertainment expense BD25.500, and miscellaneous expense BD39.400

July 31 Decreased the amount of the petty cash fund to BD150.

**Required:**

Prepare the necessary journal entries for the petty cash transactions.

**Solution:****General Journal**

Date	Explanation	Debit	Credit
July 1	Petty cash	200	
	cash		200
July 5	Freight - out	94	
	Postage Expense	42.400	
	Entertainment Expense	46.600	
	Miscellaneous Expense	11.200	
	Cash over & short	1.800	
	Cash		196
20 July	Freight - out	82	
	Postage Expense	45.100	
	Entertainment Expense	25.500	
	Miscellaneous Expense	39.400	
	Cash		192
31 July	Cash	50	
	Petty Cash		50

**Exercise (2):**

Rule a simple **Petty Cash Book** with account analysis columns for Postage & Telegrams, Stationery, Transport Expenses, Carriage, and Sundry Office Expenses.

- June 01 Petty cash balance in hand, BD7.  
Received BD11 cash to make imprest up to BD18.
- 02 Paid bus fares BD1.300, postages BD0.870, ink BD2.230.
- 02 Paid postages BD0.900, bus fares BD1.500.
- 03 Paid window cleaner BD1.300.
- 04 Office cleaner’s wages BD2.500.
- 05 Bus fares BD0.700.
- 06 The fund was replenished by receiving check for BD10.800 from the chief cashier

**Required:**

Journalize the entries in June that pertain to the operation of the petty cash fund.

**Solution:**

**General Journal**

Date	Explanation	Debit	Credit
June 1	Petty cash	11	
	Cash		11
June 5	Postage & Telegrams	1.770	
	Stationery	2.230	
	Transport Expense	3.500	
	Sundry Office Expense	3.800	
	Cash <u>over &amp; short</u>		0.500
	Cash		10.800



**Exercise (3):**

You are required to prepare the journal entries for the following transactions occurred during September 2020, with account analysis columns for Postage Expenses, Stationery Expenses and Miscellaneous Expenses:

Sept. 01	Received from the chief cashier to establish the petty cash fund.	30.000
05	Paid for postage stamps.	3.500
07	Paid for A4 paper.	2.750
10	Paid for office tea.	4.250
14	Paid for Coffee.	5.600
20	Paid for stationery.	2.400
23	Paid for postage.	1.800
30	Received reimbursement for BD 22 for the month's expenditures to restore (replenish) the float.	

**Solution:**

**General Journal**

Date	Explanation	Debit	Credit
Sep 1	Petty cash	30	
	Cash		30
Sep 1	Postage Expense	5.300	
	Stationery Expense	5.150	
	Miscellaneous Expense	9.850	
	Cash over & <u>short</u>	1.700	
	Cash		22

**Exercise (4):**

Using the following accounts analysis columns for the Petty Cash system: (1) Postage & Telegrams (2) Carriage (3) Stationery.

February 4	Balance in hand	35.000
4	Paid for postage stamps	3.600
5	Paid for stationery	4.800
5	Paid for carriage	2.650
6	Paid for postage stamps	2.350
8	Paid for stationery	2.700
9	Received from the chief cashier to replenish the petty cash fund	16.100
10	Increased the amount of the petty cash fund to BD60 by writing check for BD25.	

**Required:**

Prepare the necessary journal entries for the petty cash transactions.

**Solution:**

**General Journal**

Date	Explanation	Debit	Credit
Feb 8	Postage & Telegrams	5.950	
	Carriage	2.650	
	Stationery	7.500	
	Cash		16.100
Feb 10	Petty cash	25	
	Cash		25

**Exercise (5):**

Rule a Petty Cash Book with four account analysis columns for Postages and Stationery, Transport Expenses, Carriage, and Miscellaneous Expenses. The book is kept on the imprest system where the amount of the imprest is BD45.

Nov.01 Petty cash in hand BD11.600.

Received BD33.400 cash to make up the Imprest.

02 Bought stamps BD5.800.

05 Paid bus fares BD0.650, taxi fares BD2.500, telegrams BD6.000 and bought shorthand notebooks for office BD1.800.

06 Paid carriage on small parcels, BD3.450, bus fares BD2.700 and bought envelopes BD1.300.

07 Paid for repairs to photocopy machine BD4.300 and carrier's account for November BD5.150.

08 Paid office cleaner BD7.

09 Received reimbursements for the month's expenditures to restore (replenish) the float.

**Required:**

Prepare the necessary journal entries for the petty cash transactions.

**Solution:**

**General Journal**

Date	Explanation	Debit	Credit
Nov 1	Petty cash	33.400	
	Cash		33.400
Nov 9	Postage & Stationary	14.900	
	Transport Expense	5.850	
	Carriage	3.450	
	Miscellaneous Expense	16.450	
	Cash		40.650

**Exercise (6):**

The following transactions occurred during December 2020, with accounts analysis columns for Postage Expenses, Stationery Expenses, Transportation-in, and Miscellaneous Expenses:

- Dec. 01 Balance on hand BD12.000.  
 02 Received BD24.000 cash to make imprest up to BD36.000.  
 03 Paid for postage stamps BD1.900.  
 04 Paid for office cleaner's wages BD8.000.  
 05 Paid for telegram BD4.800.  
 06 Paid bus fares BD2.100.  
 07 Paid for stationary BD2.500.  
 08 Paid BD4.300 for tea and coffee.  
 09 Received reimbursements for the month's expenditures to restore (replenish) the float.

**Required:**

Prepare the necessary journal entries for the petty cash transactions

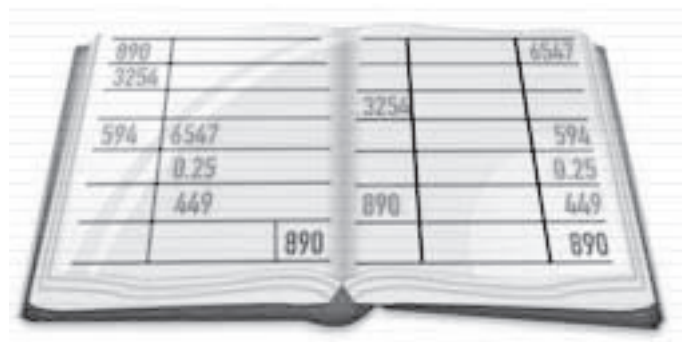
**Solution:****General Journal**

Date	Explanation	Debit	Credit
Dec 2	Petty cash	24	
	Cash		24
Dec 8	Postage Expense	6.700	
	Stationary Expense	2.500	
	Transportation Expense	2.100	
	Miscellaneous Expense	12.300	
	Cash		23.600

# Unit FOUR

## Cash and Internal Control PETTY CASH SYSTEM of Control

### EXTRA EXERCISES



**Exercise (1):**

Salama Company establishes a BD200 petty cash fund on July 5, 2020. The fund shows BD34 in cash along with receipts for the following expenditures: postage and stationery expenses BD72, delivery expenses BD48 and Miscellaneous expenses BD83. On July 31, 2020, received cash from the chief cashier to reimburse (replenish) the fund. On August 1, 2020, the petty cashier increased the petty cash fund to BD225.

**Required:**

Prepare the necessary journal entries for the petty cash transactions.

**Solution:****General Journal**

Date	Explanation	Debit	Credit
July 5	Petty cash	200	
	Cash		200
July 31	Postage & Stationery Expense	72	
	Delivery Expense	48	
	Miscellaneous Expense	83	
	Cash <del>over</del> & short		37
	Cash		166
Aug 1	Petty cash	25	
	Cash		25

**Exercise (2):**

Abeer is the petty cashier of the company. She is allowed a weekly float of BD45.000. Given the following information, write up a petty cash book for the first week of May 2020, using the following account analysis columns: Postage & Stationery – Travelling – Other Expenses. **Prepare the necessary Journal entries.**

1. Balance on hand BD28. Received an amount of cash from the chief cashier to make up the float.
2. Sent registered packages BD6.200.
3. Bought note pads & staples BD1.900.
4. Tea & coffee BD3.100, taxi fares BD3.600.
5. Bought post cards BD0.800.
6. Paid for tea & coffee BD2.700.
7. Paid for bus fares BD1.800, soft drinks BD0.600.
8. Received from the chief cashier BD20.700 to replenish the petty cash fund.



**Solution:****General Journal**

Date	Explanation	Debit	Credit
May 1	Petty cash	17	
	Cash		17
	(45 -28 =17)		
May 7	Postage & Stationery	8.900	
	Travelling	5.400	
	Other Expense	6.400	
	Cash		20.700

**Exercise (3):**

ALMash Company establishes a BD175 petty cash fund on February 4, 2020. The fund shows BD50 in cash along with receipts for the following expenditures: transportation-in BD65, entertainment expense BD36 and Miscellaneous expenses BD28. On February 28, 2020, received cash from the chief cashier to reimburse (replenish) the fund. On March 1, 2020, the petty cashier decreased the petty cash fund to BD125.

**Required:**

Prepare the necessary journal entries for the petty cash transactions.

**Solution:****General Journal**

Date	Explanation	Debit	Credit
Feb 1	Petty cash	175	
	Cash		175
Feb 28	Transportation - in	65	
	Entertainment Expense	36	
	Miscellaneous Expense	28	
	<u>Cash over &amp; short</u>		4
	Cash		125
March 1	Cash	50	
	Petty Cash		50

**Exercise (4):**

**You are required to prepare journal entries for a Petty Cash Fund**, using the following account analysis columns for: Postage & Telegrams, Stationery, Transport-in and Miscellaneous Expenses:

- March 01 Received BD45.000 from the chief cashier to establish the petty cash fund.
- 07 Paid BD8.650 for the carrier's account.
- 07 Paid BD9.000 for computer repairs.
- 08 Purchased pens BD0.800 and paid BD4.800 for cleaning expense.
- 09 Sent registered package BD6.500.
- 10 Bought stamps BD0.350.
- 10 Bought papers for the photocopy machine BD5.000.
- 11 Paid BD1.700 for taxi fares.
- 12 Received reimbursement for the week's expenditures to restore (replenish) the float.

**Solution:****General Journal**

Date	Explanation	Debit	Credit
March 1	Petty cash	45	
	Cash		45
March 12	Postage & Telegrams	6.850	
	Stationery	5.800	
	Transport - in	10.350	
	Miscellaneous Expense	13.800	
	Cash		36.800

**Exercise (5):**

Hassan is a petty cashier and keeps a petty cash book using the imprest system. He starts each week with a float of BD18.000. Transactions during the week are as follows:

- July 06 Received BD18.000 from the chief cashier and paid transport expenses BD0.750 (Voucher No.1).
- 07 Paid for coffee BD0.450 (Voucher No.2).
- 07 Bought postage stamps BD2.750 (Voucher No.3) and paid for tea BD0.550 (Voucher No.4).
- 08 Paid transport expenses BD2.300 and BD0.700 for tea. (Both items appeared on Voucher No.5).
- 09 Paid BD3.200 for registered letter and BD0.850 for soft drinks (Voucher No.6).
- 10 Received an amount of cash from the chief cashier to make up the imprest.

**Required:**

Prepare the necessary journal entries for the petty cash transactions (Using the following account analysis columns for, Postage & Telegrams, Stationery, Transport-in and Miscellaneous Expenses)

**Solution:**

**General Journal**

Date	Explanation	Debit	Credit
July 6	Petty cash	18	
	Cash		18
July 10	Postage & Telegrams	2.750	
	Stationery	3.200	
	Transport - In	3.050	
	Miscellaneous Expense	2.550	
	Cash		11.550

# Unit Five

## FINANCIAL STATEMENTS ANALYSIS

### TEXT BOOK EXERCISES



## Exercises

### Exercise (1):

Choose the correct answer:

1. Comparison of data within a company is an example of the following comparative basis:
  - a) Industry average
  - b) Intracompany**
  - c) Intercompany
  - d) Both (b) and (c)
  
2. In Horizontal Analysis, each item is expressed as a percentage of the:
  - a) Net Income amount
  - b) Stockholder's Equity amount
  - c) Total Assets amount
  - d) Base year amount**

3. Asma Company reported Net Sales of **BD300,000**, BD330,000 and **BD360,000** in the years, 2012, 2011 and 2010 respectively. **If 2010 is the base year**, what is the trend percentage for 2012.

- a) 77%
- b) 108%
- c) 120%**
- d) 130%

$$\frac{\text{CY}}{\text{BY}} \times 100$$

$$\frac{360,000}{300,000} \times 100$$

**Exercise (2):**

The total assets figures of Sharif Co. are as follows:

2017	2018	2019	2020
<b>BD30,777</b>	BD33,664	BD39,004	BD41,031

$$\frac{CY - BY}{BY} \times 100$$

**Required:**

Measure all percentage of increase or decrease for the Total Assets if 2017 is the base year. (Using Horizontal Analysis)

**Solution:**

	2017	2018	2019	2020
Base Year	BD30,777	BD33,664	BD39,004	BD41,031
	$\frac{30,777 - 30,777}{30,777} \times 100 = 0\%$	$\frac{33,664 - 30,777}{30,777} \times 100 = 9.38\%$	$\frac{39,004 - 30,777}{30,777} \times 100 = 26.731\%$	$\frac{41,031 - 30,777}{30,777} \times 100 = 33.371\%$

**Exercise (3):**

Given the following data from the Balance Sheet of Al Mhameed Co., use Horizontal Analysis to find assets as a percentage of the base year 2019:

Account	December 31,2020	December 31,2019
Accounts receivable	BD52,000	BD40,000
Inventory	BD84,000	BD60,000
Total Assets	BD136,000	BD100,000

$$\frac{CY}{BY} \times 100$$



**Solution:**

Account	Base Year		Percentage %
	Dec,31,2020	Dec,31,2019	
Accounts Receivable	BD52,000	BD40,000	$\frac{52,000}{40,000} \times 100 = 130\%$
Inventory	BD84,000	BD60,000	$\frac{84,000}{60,000} \times 100 = 140\%$
Total Assets	BD136,000	BD100,000	$\frac{136,000}{100,000} \times 100 = 136\%$

**Exercise (4):**

Aisha Co. has a net income of BD60,000 in 2018 and BD40,000 in 2019, and BD50,000 in 2020.

1. What is the percentage of change from:

- ◆ 2018 to 2019 = - 33.33 %
- ◆ 2019 to 2020 = - 16.666%

2. Is the change an increase or decrease?

$$\frac{CY - BY}{BY} \times 100$$

Horizontal Analysis

**Solution:**

Base Year		
2018	2019	2020
BD60000	BD40000	BD50000
$\frac{60,000 - 60,000}{60,000} \times 100 = 0\%$	$\frac{40,000 - 60,000}{60,000} \times 100 = (-33.33\%)$	$\frac{50,000 - 60,000}{60,000} \times 100 = (-16.666\%)$
No change	decrease	decrease

**Exercise (5):**

An item of Assets

Total assets

$\times 100$

Using the Vertical Analysis, complete the following table:

Account	Amount (BD)	Percentage %
Current Assets	200,000	$\frac{200,000}{800,000} \times 100 = 25\%$
Property, Plant and Equipment	600,000	$\frac{600,000}{800,000} \times 100 = 75\%$
Total Assets	800,000	$\frac{800,000}{800,000} \times 100 = 100\%$

**Exercise (6):**

Compute all the percentages of increase or decrease for Sami Est. using the vertical analysis. (Show your calculations)

Sami Est.  
Balance Sheet  
December 31, 2020

ACCOUNT	AMOUNT (BD)
Current Assets	35,000
Plant Assets	65,000
Total Assets	100,000
Current Liabilities	25,000
Stockholders' Equity	75,000
Total Liabilities and Stockholders' Equity	100,000

Workbook Account (3)

**Solution:**  $\frac{\text{An item of Assets}}{\text{Total assets}} \times 100$        $\frac{\text{An item of Liabilities \& equity}}{\text{Total Liabilities \& owner's Equity}} \times 100$

Compute the percentage of **balance sheet** for Sami Est. using the **Vertical Analysis**:

**Sami Est.**  
**Balance sheet**  
**December 31, 2020**

Account	Amount (BD)	Percentage %
Current Assets	35,000	$\frac{35,000}{100,000} \times 100 = 35\%$
Plant Assets	65,000	$\frac{65,000}{100,000} \times 100 = 65\%$
<b>Total Assets</b>	<b>100,000</b>	$\frac{100,000}{100,000} \times 100 = 100\%$
Current liabilities	25,000	$\frac{25,000}{100,000} \times 100 = 25\%$
Stockholder's Equity	75,000	$\frac{75,000}{100,000} \times 100 = 75\%$
<b>Total Liabilities and Equity</b>	<b>100,000</b>	$\frac{100,000}{100,000} \times 100 = 100\%$

**Exercise (7):**

Using the **Vertical Analysis**, complete the following table for **income statement** values:

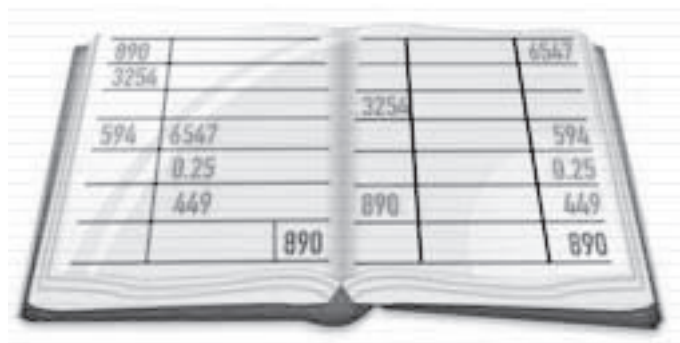
$\frac{\text{Each Item on Income statement}}{\text{Net Sales}} \times 100$

Account	Amount (BD)	Percentage %
Sales	35,600	$\frac{35,600}{34,000} \times 100 = 104.705\%$
- Sales Returns	1,600	$\frac{1,600}{34,000} \times 100 = 4.705\%$
<b>Net Sales</b>	<b>34,000</b>	$\frac{34,000}{34,000} \times 100 = 100\%$
- Cost of goods sold	18,400	$\frac{18,400}{34,000} \times 100 = 54.117\%$
Gross Profit	15,600	$\frac{15,600}{34,000} \times 100 = 45.882\%$

# Unit Five

## FINANCIAL STATEMENTS ANALYSIS

### EXTRA EXERCISES



**Exercise (1):**

Using the Vertical analysis, you are required to complete the following tables (1) and (2):

An item of Assets  $\times 100$   
 Total assets

Table (1)

Account	Amount (BD)	Calculation	Percentage %
Current Assets	5,000	$\frac{5000}{12000} \times 100 = 41.666\%$	
Fixed Assets	7,000	$\frac{7000}{121000} \times 100 = 58.33\%$	
<b>Total Assets</b>	<b>12,000</b>	$\frac{121000}{121000} \times 100 = 100\%$	

Balance sheet

Each Item on Income statement  $\times 100$   
 Net Sales

Table (2)

Account	Amount (BD)	Calculation	Percentage %
Net Sales	65,000	$\frac{65,000}{65,000} \times 100 = 100\%$	
Cost of Goods Sold	31,000	$\frac{31,000}{65,000} \times 100 = 47.692\%$	
Gross Profit	34,000	$\frac{34,000}{65,000} \times 100 = 52.307\%$	
Total Expense	12,300	$\frac{12,300}{65,000} \times 100 = 18.923\%$	
Net Income	21,700	$\frac{21,700}{65,000} \times 100 = 33.384\%$	

Income statement

**Exercise (2):**

Using the vertical analysis, complete the following table:

$\frac{\text{Each Item on Income statement}}{\text{Net Sales}} \times 100$

Income Statement

Account	Amount (BD)	Percentage %
Sales	35,600	$\frac{35,600}{34,000} \times 100 = 104.705\%$
- Sales returns	1,600	$\frac{1,600}{34,000} \times 100 = 4.705\%$
<b>Net sales</b>	<b>34,000</b>	$\frac{34,000}{34,000} \times 100 = 100\%$
Cost of goods sold	18,400	$\frac{18,400}{34,000} \times 100 = 54.117\%$
<b>Gross profit</b>	<b>15,600</b>	$\frac{15,600}{34,000} \times 100 = 45.882\%$

**Exercise (3):**

$$\frac{CY - BY}{BY} \times 100$$

(A) Measure the percentage of increase or decrease using Horizontal analysis for the Total Assets, if year 2013 is the base period:

Base Year	2017	2018	2019	2020
	BD30,000	BD33,000	BD45,000	BD66,000
	$\frac{30,000 - 30,000}{30,000} \times 100 = 0\%$	$\frac{33,000 - 30,000}{30,000} \times 100 = 10\%$	$\frac{45,000 - 30,000}{30,000} \times 100 = 50\%$	$\frac{66,000 - 30,000}{30,000} \times 100 = 120\%$

(B) Using the Vertical analysis, you are required to complete table (1) and (2):

Table (1)

Account	Amount (BD)	Calculation	Percentage %
Current Assets	70,000	$\frac{70,000}{190,000} \times 100$	36.842%
Fixed Assets	120,000	$\frac{120,000}{190,000} \times 100$	63.157%
<b>Total Assets</b>	<b>190,000</b>	$\frac{190,000}{190,000} \times 100$	100.0%

Table (2)

Account	Amount (BD)	Calculation	Percentage %
Net Sales	45,000	$\frac{45,000}{45,000} \times 100$	100%
Cost of Goods Sold	*1 18,000	$\frac{18,000}{45,000} \times 100$	40%
Gross Profit	27,000	$\frac{27,000}{45,000} \times 100$	60%
Rent Expense	*2 16,200	$\frac{16,200}{45,000} \times 100$	36%
Net Income	10,800	$\frac{10,800}{45,000} \times 100$	24%

\*1 Net Sales - C.O.G.S = Gross profit  
 $45,000 - x = 27,000$   
 $45,000 - 27,000 = x$   
 $18,000 = x$

\*2 Gross profit - Rent Expense = Net Income  
 $27,000 - x = 10,800$   
 $27,000 - 10,800 = x$   
 $16,200 = x$

**Exercise (4):**

Given the following information, compute all percentages of **Income Statement** for Mansoor Co. using the **Vertical Analysis** (show your calculations):

	2020		2019	
	Amount (BD)	Percentage %	Amount (BD)	Percentage %
Sales (Net Sales)	70,000	$\frac{70,000}{70,000} \times 100 = 100\%$	75,000	$\frac{75,000}{75,000} \times 100 = 100\%$
Cost of goods sold	32,200	$\frac{32,200}{70,000} \times 100 = 46\%$	46,250	$\frac{46,250}{75,000} \times 100 = 61.666\%$
Gross Profit	37,800	$\frac{37,800}{70,000} \times 100 = 54\%$	28,750	$\frac{28,750}{75,000} \times 100 = 38.333\%$
Expenses	5,000	$\frac{5,000}{70,000} \times 100 = 7.142\%$	10,250	$\frac{10,250}{75,000} \times 100 = 13.666\%$
Net Profit	32,800	$\frac{32,800}{70,000} \times 100 = 46.857\%$	18,500	$\frac{18,500}{75,000} \times 100 = 24.667\%$

How to find the Net Sales ?

- Sales
- Sales discount
- Sales return & allowance

Net sales



**Exercise (5):**

You are required to calculate all percentages of balance sheet using the **Vertical analysis:**

Account	Amount (BD)	Calculation	Percentage %
<b>Current Assets</b>			
Cash	15,000	$\frac{15,000}{110,000} \times 100$	13.636%
Supplies	3,000	$\frac{3,000}{110,000} \times 100$	2.727%
Equipment	12,000	$\frac{12,000}{110,000} \times 100$	10.909%
Buildings	80,000	$\frac{80,000}{110,000} \times 100$	72.727%
<b>Total Assets</b>	<b>110,000</b>	$\frac{110,000}{110,000} \times 100$	100%
<b>Liabilities</b>			
Accounts Payable	16,000	$\frac{16,000}{110,000} \times 100$	14.545%
Bonds Payable	24,000	$\frac{24,000}{110,000} \times 100$	21.818%
<b>Owner's Equity</b>			
Capital	70,000	$\frac{70,000}{110,000} \times 100$	63.636%
<b>Total Liabilities and Equity</b>	<b>110,000</b>	$\frac{110,000}{110,000} \times 100$	100%