

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

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RESIT EXAM 2018/2019

MODEL ANSWERS

COURSE NAME: ACCOUNTING (2)

TRACK: توحيد المسارات

COURSE CODE: 212 محا

TIME: 2 Hours

QUESTION ONE:

The following balances were extracted from the books of Saleh Company
On Dec 312017.

24×1/2

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Account Title	BD
Cash	15,000
Account Receivable	7,000
Supplies	3,000
Lands	95,000
Building	112,000
Furniture	43,000
Account Payable	6,900
Unearned Services Revenues	12,100
Sales	980,000
Sales Returns	30,000
Purchases	715,000
Purchases Discount	5,000
Carriage in	8,000
Opening Inventory	130,000
Ending Inventory	150,000
Commission Income	76,000
Salaries Expenses	99,800
Carriage Out	26,200
Rent Expenses	26,500

Required: Prepare an **Income statement** for the period ended on Dec 31 2017.

Saleh Company /
Income statement /
 For the period ended on Dec 31 2017 /

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Sales /		980,000	
- Sales Returns /		(30,000)	
Net Sales /			950,000
<u>COGS:</u>			
Opening Inventory /		130,000	
Purchases /	715,000		
- Purchases Discount /	(5,000)		
= Net Purchases /	710,000	+	(-)
+ Carriage in /	8,000		
= Cost of Purchases /		718,000	
= Cost of Goods Available for Sales /		848,000	
Ending Inventory /		(150,000)	
= Cost of Goods Sold /			(698,000)
= Gross Profit /			252,000
+ Other Revenues:			+
Commission Income /			76,000
Total Revenues /			328,000
- Operating Expenses:			
Salaries Expenses /		99,800	
Carriage Out /		26,200	(-)
Rent Expenses /		26,500	
Total Operating Expenses /			(152,500)
Net Profit (Income) //			175,500

QUESTION TWO:

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On Jan 1 2016, AL Eman Factory purchased a new machines by cost price for BD435,000 and paid BD5,000 for taxes. It has estimated a salvage value BD 40,000 at the end of useful life 8 years. AL Eman Factory uses Straight-line Method.

Required:

a) Compute Acquisition Cost :

$3 \times 1/2 = 1.5$

$= 435,000 / + 5,000 / = \text{BD}440,000 /$

b) Compute Depreciation Base :

$3 \times 1/2 = 1.5$

$= 440,000 / - 40,000 / = \text{BD}400,000 /$

c) Complete the following table for first 4 years to find Depreciation expense, Accumulated depreciation and Net book value.

$16 \times 1/4 = 4$

Year	Calculation	Depreciation expense	Accumulated depreciation	Net book value
2016	$400,000 \div 8 /$	$50,000 /$	$50,000 /$	$390,000 /$
2017	$400,000 \div 8 /$	$50,000 /$	$100,000 /$	$340,000 /$
2018	$400,000 \div 8 /$	$50,000 /$	$150,000 /$	$290,000 /$
2019	$400,000 \div 8 /$	$50,000 /$	$200,000 /$	$240,000 /$

d) If, AL Eman Factory purchased a new machines on September 30 2016 and uses Double Declining Balance Method. Compute annual depreciation expense for the first year 2016.

$8 \times 1/2 = 4$

Depreciation Rate = $(100 / \div 8 /) \times 2 / = 25\% /$

Annual Depreciation Expense (2016) = $(440,000 / \times 25\% /) \times (3 \div 12) /$
 $= \text{BD}27,500 /$

QUESTION THREE:

The following aging schedule shows the percentage for uncollectible account receivable.

9×1

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Period	Accounts Receivable (BD)	Provision %	Estimated Amount of Provision (BD)
1-30 days past due	80,000	3%	2,400 /
31-60 days past due	120,000	5%	6,000 /
61-90 days past due	160,000	7%	11,200 /
Over 90 days past due	200,000	9%	18,000 /
Total	560,000		37,600 /

Required:

a) Compute the amount of provision for doubtful debts in the table above.

b) On Jan 1 2015, the company has a credit balance of provision for doubtful debts for BD12,600. Prepare the adjusting entry needed to maintain the provision for doubtful debts to proper amount.

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Date	Explanation	Debit	Credit
Jan 1 2015	Bad Debts Expense (37,600 – 12,600) /	25,000	
	Provision for Doubtful Debts /		25,000

c) On Jan 18 2015, Customer Ashraf Can't pay and wrote off his balance BD28,00 as uncollectible. Prepare the adjusting entry to record the uncollectible balance of Customer Ashraf.

Date	Explanation	Debit	Credit
Jan 18 2015	Provision for Doubtful Debts /	2,800	
	Account Receivable /		28,00

QUESTION FOUR:

The following adjustments for AL Islam Company on Dec 31 2017:

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- 1- Supplies on hand for BD2,000.
- 2- Insurance was unexpired for BD1,100.
- 3- Accrued interest on notes payable was BD1,800.

$$6 \times 1 = 6$$

Required:

- a) Prepare the necessary adjusting entries by using the information in the following work sheet.

تعطي درجة القيد على صحة البيان والرقم مما

Date	Explanation	Debit	Credit
Dec 31 2017	Supplies Expenses (5,700 – 2,000) /	3,700	
	Supplies /		3,700
Dec 31 2017	Insurance Expenses (4,100 -1,100) /	3,000	
	Prepaid Insurance /		3,000
Dec 31 2017	Interest Expense /	1,800	
	Accrued Interest (Payable) /		1,800

- b) Enter the previous adjusting entries in the following work and complete the work sheet for AL Islam Company for the period ended on Dec 31 2017.

AL Islam Company /
Work Sheet

48 × 1/4 = 12

For the period ended on Dec 31 2017 /

Account Title	Unadjusted Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Cash	13,200				13,200/				13,200/	
Supplies	5,700			3,700/	2,000/				2,000/	
Prepaid Insurance	4,100			3,000/	1,100/				1,100/	
Building	192,000				192,000/				192,000/	
Furniture	45,000				45,000/				45,000/	
Notes Payable		12,500				12,500/				12,500/
Unearned Rent Revenues		6,500				6,500/				6,500/
Capital		167,000				167,000/				167,000/
Drawings	6,000				6,000/				6,000/	
Services Revenues		87,000				87,000/		87,000/		
Fees Earned		13,000				13,000/		13,000/		
Salaries Expenses	7,000				7,000/		7,000/			
Supplies Expenses	8,000		3,700/		11,700/		11,700/			
Insurance Expenses	5,000		3,000/		8,000/		8,000/			
Total	286,000	286,000								
Interest Expense			1,800/		1,800/		1,800/	1,800/		1,800/
Accrued Interest (Payable)			8,500	8,500	287,800	287,800	28,500	100,000	259,300	187,800
Net Profit /							71,500			71,500
Grand Total							100,000	100,000	259,300	259,300

END OF EXAM