

# Accounting 212

## *Unit one: Financial Statements for Merchandise Business*



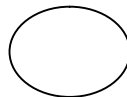
..... اسم الطالب/ة:

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..... المدرسة:

الرقم التسلسلي



## Key term introduced

Income statement: ..... قائمة الدخل Sales: ..... مبيعات Sales return:..... مردودات المبيعات Sales discount:..... خصم على المبيعات Net sales:..... صافي المبيعات Opening Inventory : ..... بضاعة أول المدة Purchase:..... مشتريات Purchase returns:..... مردودات المشتريات Net of purchase:..... صافي المشتريات Freight in (inward):..... نقل للداخل	Carriage in:..... نقل للداخل Import Tax:..... ضريبة على الواردات Cost of purchase:..... تكلفة المشتريات Cost of goods available for sale: ..... تكلفة البضاعة المعدة للبيع Closing Inventory:..... بضاعة آخر المدة Cost of goods sold:..... تكلفة البضاعة المباعة Gross profit/loss:..... مجمل الربح /الخسارة Operation expenses:..... مصاريف التشغيل Net profit /loss:..... صافي الربح / الخسارة
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### Accounting concepts:

#### 1. Net of Sales = Sales – (Sales Return and Sales Discount)

Exercise 1.

The following balances were extracted from the books of Noof Est. at 31<sup>st</sup> Dec. 2011

Sales	35,000
Purchases	18,000
Sales returns & allowances	150
Purchase discount	100
Sales discount	50

Required: compute the Net of sales.

The answer


#### Exercise 2:

The following balances were extracted from the books of Salim Cleaning Trading at 31<sup>st</sup> Dec., 2011.

Sales discount	50
General exp.	2,550
Sales returns	150
Purchases	7,200
Salaries	100
Sales	10,000

Required: compute the Net of sales.

The answer




## 2. Net of Purchases and Cost of Purchases.

**Net of Purchases = Purchases – (Purchases Return and Purchases Discount)**

**Cost of Purchases= Net of Purchases + Expenses on Purchases.**

Exercise3:

The following balances were extracted from the books of Zainab at 31<sup>st</sup> Dec. 2011.

Sales	45,000
Purchases	22,000
Purchaser returns & allowances	100
Sales discount	75
Purchase discount	1200
Freight in	500
Import tax	1200

Required: compute the following

- 1.Net of Purchases
2. Cost of Purchases

The answer


Exercise 4:

The following balances were extracted from the books of Maryam Cleaning Trading at 31<sup>st</sup> Dec. 2011.

Purchases discount	25
Transportation in	240
Purchases returns	100
Purchases	57,200
Salaries	100
Import tax	950
Sales	10,000

Required: Compute the following

- 1.Net of Purchases
2. Cost of Purchases

The answer


Exercise 5:

The following balances were extracted from the books of Rashed CO. at 31<sup>st</sup> Dec. 2011.

Sales	24,000
Purchases	16,000
Purchaser returns & allowances	1500
Sales discount	2000
Purchase discount	1400
Freight in	700
Sales returns & allowances	2500

The answer


Required: Compute the following

1. Net of Sales
2. Cost of Purchases


### 3. Cost of Goods Available for sales = Opening Inventory + Cost of Purchases

Exercise 6:

The following balances were extracted from the books of Mohammed Co. at 31<sup>st</sup> Dec. 2011.

Opening Inventory	2,000
Purchases	18,000
Purchases returns	150
Purchase discount	100
Import tax	1500

Required: Compute the Cost of Goods Available for sale.

The answer


Exercise:7

The following balances were extracted from the books of Fatema Co. at 31<sup>st</sup> Dec. 2011.

Purchases	4,500
Purchases returns	900
Opening Inventory	2,300
Purchase Discount	1,500
Import Tax	180
Carriage inwards	140

Required: Compute the Cost of Goods Available for sale.

The answer:


**4. Cost of Goods sold = Cost of Goods Available for sale - Closing Inventory**

Exercise 8:

The following balances were extracted from the books of Jamal Co. at 31<sup>st</sup> Dec. 2011.

Ending inventory	3,000
Purchases	18,000
Purchases returns	150
Beginning inventory	400
Transportation-in	80

Required: Compute the Cost of Goods Sold.

The answer		

Exercise 9:

The following balances were extracted from the books of Amena Co. at 31<sup>st</sup> Dec. 2011.

Opening inventory	400
Purchases Discount	800
Purchases returns	1100
Ending inventory	900
Purchases	3200
Freight in	200
Freight out	200

Required: Compute the Cost of Goods Sold.

The answer:		

**5. Gross profit /loss:**

**Gross Profit =Net Sales - Cost of Goods sold**

**Gross Loss = Cost of Goods sold - Net Sales**

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Exercise 10:

The following balances were extracted from the books of Amena Co. at 31<sup>st</sup> Dec. 2011.

Beginning Inventory	18,000	Net sales	55,000
Cost of Purchases	40,000	Ending Inventory	15,000.

Required: Find the Gross profit / loss.

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Exercise 11:

The following balances were extracted from the books of Amena Co. at 31<sup>st</sup> Dec. 2011.

Beginning Inventory	18,000	Net sales	28,000
Cost of Purchases	40,000	Ending Inventory	15,000.

Required: Find the Gross profit / loss.

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**6. Net profit /loss:**

Net Profit / Loss = Gross profit - Operation Expenses

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Exercise 12:

The following balances were extracted from the books of Amena Co. at 31<sup>st</sup> Dec. 2011.

Goods available for sales	58000	Net sales	55,000
Operating expenses	5,000	Ending Inventory	15,000.

Required: Find the Net profit / loss.

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Exercise 13:

The following balances were extracted from the books of Amena Co. at 31<sup>st</sup> Dec. 2011.

Goods available for sales	58000	Net sales	55,000
Operating expenses	20,000	Ending Inventory	15,000.

Require: Find the Net Profit / loss.

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Exercise 14:

When Anwar Hameed closed his books for the year on September 25, 2011, he has the following balance:

Opening inventory	17,280	Purchases	66,275
Sales	184,000	Purchases Returns	21,275
Sales Returns	22,500	Closing inventory	14,180

Required:

Compute his Gross Profit by preparing his Income Statement.

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Exercise 15: The following balances were extracted from the books of Al Bader Est. at 31<sup>st</sup> Dec. 2011.

Sales	BD336,000
Sales returns	4,660
Beginning inventory	6,100
Purchases	276,000
Purchases return	2,600
Freight in	5,800
Ending Inventory	4,000
Total Operating Expenses	91,000

You are required to compute:

1. Net Sales.

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2. Cost of Purchases.

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3. Cost of Goods Available for Sales.

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4. Cost of Goods Sold.

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5. Gross profit /loss.

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6. Net profit/ loss.

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Exercise 15:

The following balances were extracted from the books of Ahmad Co. at 31<sup>st</sup> Dec.2011.

Sales	BD357,000
Sales returns	4,660
Beginning inventory	6,100
Purchases	276,000
Purchases return	2,600
Freight in	5,800
Ending Inventory	4,000
Total Operating Expenses	91,000

You are required to compute:

1. Net sales.

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2. Cost of purchases.

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3. Cost of Goods available for Sales.

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4. Cost of goods sold.

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5. Gross profit /loss.

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6. Net profit/ loss.

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Exercise 16:

The following balances were extracted from the books of Bader Est., on December 31, 2011.

Sales return	3,200	Carriage Out	150
Purchase Returns	1,300	Insurance Expenses	380
Sales Discount	800	Import Tax	270
Sales	9,200	Beginning inventory	3,200
Purchases	5,600	Ending inventory	1,600
Freight in	250	Rent Expense	750

You are required to compute:

1. Net sales.

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2. Cost of purchases.

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3. Cost of Goods available for Sales.

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4. Cost of goods sold.

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5. Gross profit /loss.

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6. Net profit/ loss.

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**\* Preparing income statement step:**

1. Net of soles.
2. Cost of goods sales.
3. Gross profit /Loss.
4. Net profit /Loss.

**\*Layout of income statement:**

(Name of Business)  
**Income statement**  
 For the period ended .....

	Sale		xxxxx	
	<b>Less:</b> Sales Returns& Allowance		xxx	
	Sales Discount		xxx	
→	<b>Net of sales</b>			xxxxx
	Opening Inventory		xxxx	
	Purchase	xxxxxxx		
	<b>Less:</b> purchase returns & Allowance	xxx		
	Purchase Discount	xxx		
	Net of Purchases	xxxxx		
	<b>Add:</b> fright in (carriage in)	xxx		
	Import Tax	xxx		
	Cost of Purchase		xxxx	
	Cost of Goods available for sales		xxxxx	
	<b>Less:</b> Closing Inventory		xxx	
→	<b>Cost of Goods Sold</b>			xxxx
→	<b>Gross Profit /Loss</b>			xxxx
	<b>Add:</b> Other Revenue:			
	Commissions Income		xx	
	Rent revenue		xx	
	Interest received ...Etc.		xx	
	Total Other Revenue			xxx
	Total revenue			xxx
	<b>Less:</b> Operating Expenses:			
	Salaries Exp.		xx	
	Rent exp.		xx	
	Interest Exp. .... Etc.		xx	
	Total Expenses			xxx
→	<b>Net profit/Loss</b>			xxx

Exercise 17:

The following listed of balance was extracted from the book of Nawaf Flower shop as in 31<sup>st</sup> Dec. 2011:

Merchandise Inventory	23,700	Purchases returns & Allowance	1,300
Sales	120,200	Carriage inwards	3,900
Sales return & Allowance	3,100	Office Salaries	12,300
Sales discount	2,300	Rent Paid	1,400
Rent received	4,000	Office light & Heat	700
Purchases	75,800	Carriage outward	500
Purchases discount	1,200	Entertainment of visitors	2,600

\* Ending Inventory BD18,500.

Required:

Prepare the Income Statement for the year ended 31<sup>st</sup> Dec. 2011.





Exercise 18:

Below is some of account balance of Bader & Co. at 31<sup>st</sup> December 2004.

Sales	13,600	Purchases	8,400
Returns inward	600	Returns outward	400
Freight in	300	Opening stock	600
Wages exp.	1,200	Rent exp.	2,400
Advertising exp.	700	Drawing	2,000
Capital	10,000		

Note: the closing Inventory was BD 3,300.

Require: Prepare Income Statement as at 31<sup>st</sup> Dec, 2011.

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Exercise19:

Use the Trial Balance information of Nagah Co. to Prepare Income Statement as at 31<sup>st</sup> Dec, 2011.

Opening Inventory	21,500	Sales return	1,450
Sales	60,450	Rent exp.	2,600
Purchases	37,750	Salaries exp.	11,000
Purchases return	1,250	General exp.	2,550
<b>Closing inventory</b>	<b>12000</b>		


Exercise 20:

The accounts and the balance appearing in the ledger of the JEHAD COMPANY, at Dec.31, 2011 are listed below.

Opening Inventory	6,400	Sales	30,400
Sales returns	200	Purchases	21,500
Fright in	300	Salaries expense	3,600
Rent expense	2,400	Advertising expense	1,200
<u>Closing inventory</u>	14,000		

Require: Prepare Income Statement as at 31<sup>st</sup> Dec, 2011.


Exercise 21:

The following balances were extracted from the books of Jamal Store on December 31, 2011.

Account title	DR	CR
Opening Inventory	650	
Sales		10,000
Sales discount	30	
Returns inwards	20	
Purchases	4,000	
Purchases return		300
Purchases discount	50	
Purchases Tax	150	
Fright inward	100	
Wages Expense	2,000	
Rent Expense	100	

**Note:** The closing inventory at 31<sup>st</sup> Dec 2011 was BD 1850.

Require: Prepare Income Statement as at 31<sup>st</sup> Dec, 2011.

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Exercise 22:

A fire destroyed the ending merchandise inventory of the Heavenly friend company on October 18, 2010.

The following data was available at the company's accounting office:

Beginning inventory	31,300
Cost of goods sold	140,400
Fright –in	4,700
Purchase Discounts	1,800
Purchases return and allowance	2,600
Purchase	127,200

Required: Prepare a table to calculate the value of the Ending Inventory.

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Exercise 23:

Using the data presented below for the Maine Company, calculate the beginning merchandise inventory as January 1, 2011.

Cost of Goods Sold	86,100
Fright – in	1,900
Merchandise inventory December 31, 2011	17,600
Purchases Discounts	900
Purchase returns and allowances	1,400
Purchaser	87,000


Exercise 24:

Using the data presented below for the Ameen Company, calculate the Ending merchandise inventory as December 31, 2010.

Cost of Goods Sold	86,100
Fright – in	1,000
Merchandise inventory January 1, 2011	17,600
Purchases Discounts	400
Purchase returns and allowances	2,400
Purchaser	70,000


Exercise 25:

The income statement information, for 2010 of the Waleed Company is as follows:

Beginning inventory	?
Sales	200,000
Purchases	120,000
Purchases returns and allowance	5,000
Ending inventory	52,000
Sales returns and allowanced	3,000
Gross Profit	?
Cost of Goods Sold	109,000
Operating Expenses	50,000
Transportation-in	1,000
Net income	?

Required: Compute the missing amount.

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Exercise 26:

The income statement information, for 2011 of the Noora Company is as follows:

Beginning inventory	?
Sales	100,000
Purchases	60,000
Purchases returns and allowance	4,000
Ending inventory	10,000
Sales returns and allowanced	2,000
Gross Profit	?
Cost of Goods Sold	110,000
Operating Expenses	55,000
Transportation-in	1,500
Net income	?

Required: Prepare the Income Statement and calculate the missing amounts.

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Exercise 27:

For each situation below, determine the missing figures.

Case	Net sales	Beginning Inventory	Cost of Purchases	Ending Inventory	Cast of Goods Available for Sales	Cost of Goods sold.	Gross Profit
1	9,000	1,500	5,100	1,600	.....	.....	.....
2	7,000	2,000	4,000	.....	.....	3,500	.....
3	8,000	.....	3,800	1,600	.....	.....	4,000

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Exercise 28:

In the five following income statement table, several items are missing. You are required to compute the missing items and complete the table.

Details	1	2	3	4	5
Net Sales			750	860	690
Merchandise inventory, Jan.1 2010		210	90		270
Net Purchases	320			390	420
Goods Available for Sales	450	830			
Merchandise inventory, dec.31 2010	180		110	120	
Cost of Goods Sold		670	410		470
Gross Profit	240	260		450	

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Exercise 29:

Find the missing amount in the Cost of Goods Sold section for 3 different businesses (A-B&C).

	Business A (BD)	Business B (BD)	Business C (BD)
<u>Cost of Goods Sold:</u>			
Merchandises inventory (beginning)	8,500	20,100	8,500
Cost of Purchases	42,000	?	21,200
Merchandise inventory (Ending)	?	8,900	7,950
Cost of Goods Sold	40,200	61,800	?

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Exercise 30:

In the three following income statement table, several items are missing. You are required to compute the missing items and complete the table.

	1 (BD)	2 (BD)	3 (BD)
Net sales	6,500	7,000	
Merchandise inventory, January 1,2011	1,000	1,500	
Net purchases	2,500		5,000
Goods Available for Sales		4,000	8,000
Merchandise inventory, December 1,2011		300	1,500
Cost of Goods Sold	3,100		
Gross profit			2,000

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