

NET INCOME

Prepared by | T. Mahmood Almutawa

EXAMPLE:

The following balances were extracted from the books of, on December 31, 2010:

Sales	9,200	Import Tax	200
Sales Returns	1,200	Purchase Insurance	350
Sales Discount	800	Freight-In	450
Beginning Inventory (Jan 1 st)	3,000	Freight-Out	100
Ending Inventory (Dec 31 st)	4,000	Commission earned	1,600
Purchases	7,200	Rent Expense	550
Purchases Returns	2,000	Utility Expense	150
Purchases Discount	200	Salaries Expense	1,000

ANSWER:

STEP (1) NET SALES	Sales/ Gross Sales		9,200	
	Less: Sales Discount		800	
	Less: Sales Return & allowance		1,200	
	Net Sales			7,200
STEP (2) COGS	Beginning Inventory		3,000	↑
	Purchases	7,200	↑	
	Less: Purchase Discount	2,000	↓	
	Less: Purchase Return & allowance	200	↓	
	Net Purchase	5,000	(+)	
	Add: Import Tax	200	↑	(-)
	Add: Purchase Insurance	350	↑	
	Add: Freight In	450	↓	
	Cost of Purchases		6,000	
	Cost of Goods Available		9,000	
Less: Ending Inventory		4,000	↓	
Cost of Goods Sold (COGS)			5,000	
STEP (3) GROSS PROFIT	Gross Profit			2,200
STEP (4) TOTAL REVENUE	Add: Commission earned			1,600
	Total Revenues			3,800
STEP (5) TOTAL EXPENSE	Freight-out		100	↑
	Rent Expense		550	↓
	Utility Expense		150	(-)
	Salaries Expense		1,000	↓
	Total Expenses			1,800
STEP (6) NET PROFIT	Net Profit			2,000

الشرح - EXPLANATION

Sales/ Gross Sales		9,200	
Less: Sales Discount		800	
Less: Sales Return & allowance		1,200	
Net Sales			7,200

STEP (1) NET SALES

- حساب الـ Net Sales
(أطرح السيلز دسكاونت والريتيرن من Sale)

Beginning Inventory		3,000	
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- اكتب الـ Beginning Inventory

Purchases	7,200		
Less: Purchase Discount	2,000		
Less: Pur. Return & allowance	200		
Net Purchase	5,000		

STEP (2) COGS

- حساب الـ Net Purchase
(أطرح البرجيز دسكاونت والريتيرن فقط من الـ Purchase)

		(+)	(-)
Add: Import Tax	200		
Add: Purchase Insurance	350		
Add: Freight In	450		
Cost of Purchases		6,000	

- حساب الـ Cost of Purchase
(أجمع كل المصاريف المتعلقة بالسلعة فقط)

		=	
Cost of Goods Available		9,000	
Less: Ending Inventory		4,000	
Cost of Goods Sold (COGD)			5,000

- حساب الـ Cost of Goods Sold
(Cost of Purchase + Beginning)
ثم أطرح الـ Ending

Gross Profit			2,200
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STEP (3) GROSS PROFIT

- لحساب الـ Gross Profit قم بطرح الـ COGS من الـ Net Sales

Add: Commission earned			1,600
Total Revenues			3,800

STEP (4) TOTAL REVENUES

- أجمع الـ Gross Profit مع أي أرباح أخرى

Freight-out		100	(-)
Rent Expense		550	
Utility Expense		150	
Salaries Expense		1,000	
Total Expenses			1,800

STEP (5) TOTAL EXPENSE

Calculate Total Expenses

Net Profit			2,000
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STEP (6) NET INOCME/LOSS

- أطرح الـ Total Exp. من الـ Total Rev.

DEPRECIATION 1

Prepared by | T. Mahmood Almutawa

DEPRECIATION: استهلاك الأصول

هو مقدار الاستهلاك من قيمة الأصل (مثال: السيارة – الآلات – المعدات) خلال عمرها الافتراضي، وهناك طريقتان لحسابه:

1- Straight Line Method

2- Double Declining Method

(1) STRAIGHT LINE METHODS

تكون فيها قيمة الاستهلاك ثابتة ومتساوية في جميع السنوات

STRAIGHT LINE DEPRECIATION EQUATION:

$$\frac{\text{Acquisition cost} - \text{Salvage value}}{\text{Useful life}}$$

تستخدم هذه الطريقة عندما تكون المعطيات في السؤال بالسنوات

$$(\text{Acquisition cost} - \text{salvage value}) \times \text{Depreciation Rate } \%$$

تستخدم هذه الطريقة عندما تكون المعطيات في السؤال بالنسبة %
ملاحظة: لاتنس وضع الأقواس للحصول على إجابة صحيحة

ACQUISITION COST (TOTAL COST):

هو قيمة شراء الأصل (Assets) + مجموع التكاليف المتعلقة بشرائه
(مثال: Cost Price + Insurance + Tax + Freight In + Installing)

SALVAGE VALUE (SCRAPE VALUE):

هو قيمة الأصل المتوقعة بعد إنقضاء عمره الافتراضي

USEFUL LIFE:

هو العمر الافتراضي للأصل

EXAMPLE (1): مثال باستخدام السنوات

Abadi Co. bought equipment on January 1st, 2018. Information given below:

Cost price	BD 36,000
Installation	2,000
Salvage value	4,000
Useful life	4 years

Acquisition Cost =
36,000+2,000=
38,000

A- By using the straight-line method, calculate depreciation expense, accumulated depreciation & net book value for four years using the following table:

year	Calculation	Depreciation Expense	Accumulated Depreciation	Net Book Value Acq. - Acc. Dep
2018	$\frac{\text{Acquisition cost} - \text{Salvage value}}{\text{Useful life}}$ $\frac{38,000 - 4,000}{4}$	8,500	8,500	38,000 - 8,500 = 29,500
2019	$\frac{38,000 - 4,000}{4}$	8,500	17,000	38,000 - 17,000 = 21,000
2020	$\frac{38,000 - 4,000}{4}$	8,500	25,500	38,000 - 25,500 = 12,500
2021	$\frac{38,000 - 4,000}{4}$	8,500	34,000	4,000

ملاحظة للتأكد من اجابتك:

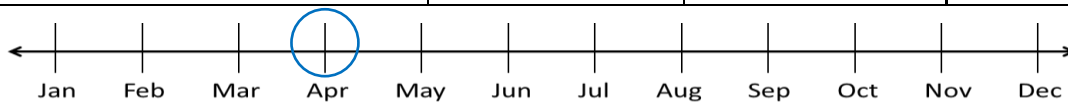
NBV year 5 = Salvage Value

B- Prepare **journal entry** for the Third year.

Date	Explanation	Debit (BD)	Credit (BD)
Dec 31 2020	Depreciation Expense	8,500	
	Accumulated Depreciation		8,500

C- Assume the truck has been bought on April 1st, 2018. Calculate depreciation expense for the first year.

year	Calculation	Depreciation Expense	Accumulated Expense	Net Book Value
2018	$\frac{38,000 - 4,000}{4} \times \frac{9}{12}$	6,363	6,363	38,000 - 6,363 = 31,625



الاستهلاك
9 شهور

EXAMPLE (2): نفس المثال ولكن باستخدام النسبة

Abadi Co. bought equipment on January 1st, 2018. Information given below:

Cost price	BD 36,000
Installation	2,000
Salvage value	4,000
Rate	25%

Acquisition Cost =
36,000+2,000=
38,000

A- By using the straight-line method, calculate depreciation expense, accumulated depreciation & net book value for four years using the following table:

year	Calculation	Depreciation Expense	Accumulated Depreciation	Net Book Value Acq. - Acc. Dep.
2018	$(\text{Acq.} - \text{salvag.}) \times \text{Rate} (\%)$ $(38,000 - 4,000) \times 25\%$	8500	8500	$38,000 - 8500 = 29500$
2019	$(38,000 - 4,000) \times 25\%$	8500	= 17,000	$38,000 - 17,000 = 21,000$
2020	$(38,000 - 4,000) \times 25\%$	8500	= 25,500	$38,000 - 25,500 = 12,500$
2021	$(38,000 - 4,000) \times 25\%$	8500	= 34,000	4,000

ملاحظة للتأكد من اجابتك:

NBV year 5 = Salvage Value

B- Prepare **journal entry** for the Third year.

Date	Explanation	Debit (BD)	Credit (BD)
Dec 31, 2020	Depreciation Expense	8,500	
	Accumulated Depreciation		8,500

C- Assume the truck has been bought on April 1st, 2018. Calculate depreciation expense for the first year.

year	Calculation	Depreciation Expense	Accumulated Expense	Net Book Value
2018	$(83,000 - 4,000) \times 25\% \times \frac{9}{12}$	6,363	6,363	$38,000 - 6,363 = 31,625$

EXAMPLE: (3)

Al-Eman Company purchased a machine on April 1, 2011, for BD4,000 and freight cost of BD100. It has an estimated life of 5 years and a scrap value BD1,500.

$$\text{Acquisition Cost} = 4,000 + 100 = 4,100$$

Required:

(a) Calculate depreciation using the Straight-Line method.

Year	Calculation	Depreciation Expense	Accumulated Depreciation	Net Book Value
1	$\frac{4,100 - 1,500}{5} \times \frac{9}{12}$	390	390	$4,100 - 390 = 3,710$
2	$\frac{4,100 - 1,500}{5} \times \frac{12}{12}$	520	910	3,190
3	$\frac{4,100 - 1,500}{5} \times \frac{12}{12}$	520	1,430	2,670
4	$\frac{4,100 - 1,500}{5} \times \frac{12}{12}$	520	1,950	2,150
5	$\frac{4,100 - 1,500}{5} \times \frac{12}{12}$	520	2,470	1,630
	$\frac{4,100 - 1,500}{5} \times \frac{3}{12}$	130	2,600	1,500

(b) Prepare Journal Entry for year 1.

Date	Explanation	Debit (BD)	Credit (BD)
Dec 31, 2020	Depreciation Expense	390	
	Accumulated Depreciation		390

(c) Assume that the machine has been purchased on 1st of Jan 2011. Using the Straight-Line Method calculate the depreciation expense for year-1. (Use the table)

Year	Calculation	Depreciation Expense	Accumulated Depreciation	Net Book Value
1	$\frac{4,100 - 1,500}{5} \times \frac{12}{12}$	520	910	$4,100 - 520 = 3,580$

DEPRECIATION 2

Prepared by | T. Mahmood Almutawa

(2) DOUBLE DECLINING METHODS

تكون فيها قيمة الاستهلاك في السنوات الأولى أكبر من قيمة الاستهلاك في السنوات اللاحقة

EQUATION

Book Value x Depreciation Rate %

- تستخدم هذه المعادلة لحساب جميع السنوات ماعدا السنة الأخيرة
- يجب إيجاد النسبة قبل عملية الضرب

Book Value – Salvage Value

- تستخدم هذه المعادلة لحساب السنة الأخيرة فقط

DOUBLE DECLINING DEPRECIATION RATE (حساب النسبة)

$$\text{Rate} = \frac{100}{\text{Useful Life}} \times 2 \quad \text{Or} \quad \text{Rate} = \text{Rate} \times 2$$

إذا كانت معطيات السؤال بالنسبة تضربها $\times 2$ وإذا كانت معطيات السؤال بالسنوات $2 \times \frac{100}{\text{السنوات}}$

EXAMPLE (1): مثال باستخدام النسبة

A company bought office equipment on January 1st, 2018 information is given below :

DD Rate =
25% × 2 = 50%

Cost price	BD 90,000
Tax	3,000
Salvage value	4,000
Rate	25%

Acquisition Cost =
90,000+3,000=
93,000

D- By using the Double Declining method, calculate depreciation expense, accumulated depreciation & net book value for 4 years using the following table:

لا يوجد اختلاف بين Straight Line و Double Decline في حساب هذه الأرقام
الاختلاف فقط في الـ Calculation

year	Calculation	Depreciation Expense	Accumulated Depreciation	Net Book Value Acq. – Acc. Dep
2018	93,000 × 50%	46,500	46,500	93,000 – 46,500 = 46,500
2019	46,500 × 50%	23,250	69,750	93,000 – 69,750 = 23,250
2020	23,250 × 50%	11,625	81,375	93,000 – 81,375 = 11,625
2021	11,625 – 4,000	7,625	89,000	4,000

ملاحظة :

ستكون النتيجة في السنة الأخيرة دائماً = Salvage value حتى لو كانت حساباتك خاطئة، لذا تأكد من اجاباتك أكثر من مرة

E- Prepare **journal entry** for the 1st and 3rd year.

Date	Explanation	Debit (BD)	Credit (BD)
Dec 31 2018	Depreciation Expense	46,500	
	Accumulated Depreciation		46,500
Dec 31 2020	Depreciation Expense	11,625	
	Accumulated Depreciation		11,625

EXAMPLE (2): نفس المثال ولكن باستخدام السنوات

A company bought office equipment on January 1st, 2018 information is given below :

DD Rate = $\frac{100}{4} \times 2 = 50\%$

Cost price	BD 90,000
Tax	3,000
Salvage value	4,000
Year	4

Acquisition Cost =
90,000+3,000=
93,000

A- By using the Double Declining method, calculate depreciation expense, accumulated depreciation & net book value for 4 years using the following table:

year	Calculation	Depreciation Expense	Accumulated Depreciation	Net Book Value Acq. – Acc. Dep
2018	93,000 × 50%	46,500	46,500	93,000 – 46,500 = 46,500
2019	46,500 × 50%	23,250	69,750	93,000 – 69,750 = 23,250
2020	23,250 × 50%	11,625	81,375	93,000 – 81,375 = 11,625
2021	11,625 – 4,000	7,625	89,000	4,000

A- Prepare **journal entry** for the 1st and 3rd year.

Date	Explanation	Debit (BD)	Credit (BD)
Dec 31 2018	Depreciation Expense	46,500	
	Accumulated Depreciation		46,500
Dec 31 2020	Depreciation Expense	11,625	
	Accumulated Depreciation		11,625

EXAMPLE: (3)

In **April 30, 2018** Almutawa Co. purchased a motor vehicle for BD10,500. It will be kept for 5 years, and then sold for a scrap for BD1,000.

Required:

(a) Calculate depreciation using the Double Declining method. $\frac{100}{5} \times 2 = 40\%$

Year	Calculation	Depreciation Expense	Accumulated Depreciation	Net Book Value
1	$10,500 \times 40\% \times \frac{8}{12}$	3,150	3,150	$10,500 - 3,150 = 7,350$
2	$7,350 \times 40\% \times \frac{12}{12}$	2,940	6,090	$10,500 - 6,090 = 4,410$
3	$4,410 \times 40\% \times \frac{12}{12}$	1,764	7,854	$10,500 - 7,854 = 2,646$
4	$2,646 \times 40\% \times \frac{12}{12}$	1,058	8,912	$10,500 - 8,912 = 1,588$
5	$1,588 - 1,000$	588	9,500	1,000

عند حصولك على كسور، يمكنك التقريب لأقرب رقم صحيح

(b) Prepare Journal Entry for the 1st year.

Date	Explanation	Debit (BD)	Credit (BD)
Dec 31, 2018	Depreciation Expense	3,150	
	Accumulated Depreciation		3,150

BAD DEBTS 1

Prepared by | T. Mahmood Almutawa

ملاحظة: سوف اضع خط تحت الكلمات
المفتاحية في الأسئلة

الديون المعدومة BAD DEBTS

هي الديون (Account Receivable) التي لا يمكن تحصيلها من العملاء، وهناك طريقتان

2- Direct Method

2- Allowance Method

(2) DIRECT METHOD

تحسب الديون المعدومة مباشرة عند تعذر الدفع من أحد العملاء

عملية البيع

الكلمات المفتاحية: Account Receivable – Credit – Owe

Date	Explanation	Debit	Credit
	Account Receivable	100,000	
	Sales		100,000

تسجيل الديون المعدومة للعميل NOOR CO.

الكلمات المفتاحية: Write off – Could not pay – Unable to pay – Uncollectable

Date	Explanation	Debit	Credit
	Bad Debit Expense	2,000	
	Account Receivable – Noor Co.		2,000

إلغاء بعض/ كل الديون المعدومة واستلام النقود

الكلمات المفتاحية: Paid

Date	Explanation	Debit	Credit
	Account Receivable – Noor Co.	500	
	Bad Debit Expense		500
	Cash	500	
	Account Receivable – Noor Co.		500

EXAMPLE (1):

Nass Company made credit sales of BD100,000 during the year. In addition, the company wrote off BD4,500 of uncollectible accounts receivable in September 2009.

Required:

Make the necessary journal entries.

GENERAL JOURNAL

Date	Explanation	Debit	Credit
Sep,	Account Receivables	100,000	
2009	Sales		100,000
Sep,	Bad Debt Expense	4,500	
2009	Account Receivables		4,500

EXAMPLE (2):

On August 31, 2009 the book of Ahlam Trading shows a balance of BD65,000 for Accounts Receivable. On October 15, 2009 one of the accounts – Noor Company could not pay the balance of BD1,600. On November 23, 2009 Noor Company made some profit and paid the amount due.

Required:

Make the necessary journal entries.

GENERAL JOURNAL

Date	Explanation	Debit	Credit
Aug 31,	Account Receivables	65,000	
2009	Sales		65,000
Oct 15,	Bad Debt Expense	1,600	
2009	Account Receivables – Noor Co.		1,600
Nov 23	Account Receivables – Noor Co.	1,600	
2009	Bad Debt Expense		1,600
Nov 23	Cash	1,600	
2009	Accounts Receivables – Noor Co.		1,600

BAD DEBTS 2

Prepared by | T. Mahmood Almutawa

ملاحظة: سوف اضع خط تحت الكلمات
المفتاحية في الأسئلة

الديون المعدومة BAD DEBTS

هي الديون (Account Receivable) التي لا يمكن تحصيلها من العملاء، وهناك طريقتان

3- Direct Method

2- Allowance Method

(2) ALLOWANCE METHOD

تحسب الديون المعدومة بتقدير مسبق عند نهاية الفترة المحاسبية

تسجيل الديون المعدومة المتوقعة

الكلمات المفتاحية: Estimated - % of Account Receivable - % of Sales – by Aging

Date	Explanation	Debit	Credit
Dec 31	Bad Debt Expense	45,000	
	Allowance (Provision) for Doubtful Debt		45,000

تسجيل الديون المعدومة الفعلية للعميل NOOR CO.

الكلمات المفتاحية: Write off – Could not pay – Unable to pay – Uncollectable

Date	Explanation	Debit	Credit
	Allowance (Provision) for Doubtful Debt	2,000	
	Account Receivable – Noor Co.		2,000

إلغاء بعض / كل الديون المعدومة واستلام المبلغ

الكلمات المفتاحية: Paid

Date	Explanation	Debit	Credit
	Account Receivable – Noor Co.	500	
	Allowance (Provision) for Doubtful Debt		500
	Cash	500	
	Account Receivable – Noor Co.		500

EXAMPLE (1):

Waseem CO. had the following transactions involving bad debts in 2007 and 2008:

- Dec 31, 2007 Records Estimated Bad Debt Expense of BD 8,500.
May 05, 2008 Wrote off Basam's account receivable of BD 2,350 as uncollectible.
Sep 02, 2008 Basam won money and paid the amount due.

Required:

Journalize the above transactions.

GENERAL JOURNAL

Date	Explanation	Debit	Credit
31 Dec 2007	Bad debt expense	8,500	
	Allowance for doubtful debts		8,500
5 May 2008	Allowance for doubtful debts	2,350	
	Accounts Receivable – Basam		2,350
2 Sep 2008	Accounts Receivable – Basam	2,350	
	Allowance for doubtful debts		2,350
2 Sep 2008	Cash	2,350	
	Accounts Receivable – Basam		2,350

EXAMPLE (2):

The following aging schedule shows the percentage uncollectible account receivable:

Age Group	Amount	Estimated Percent	Uncollectible Estimated Amount
1 – 30 days	150,000	* 5%	7,500
31 – 60 days	100,000	* 15%	15,000
61 – 90 days	70,000	* 30%	21,000
Total Accounts Receivable	320,000		43,500

The Provision for Doubtful Debts showed a balance of BD 9,000.

إذا عطاك provision تطرحه من نسبة الـ Uncollectable Estimated amount
 $43,500 - 9,000 = 34,500$

Required:

- 1- Compute the estimated amount of bad debt.
- 2- At the year-end, it was discovered that Zena Co. who had purchased BD 300 worth of goods has gone into liquidation. Show the journal entry to record this direct write-off.

GENERAL JOURNAL

Date	Explanation	Debit	Credit
31 Dec	Bad debt expense	34,500	
	Allowance for doubtful debts		34,500
31 Dec	Allowance for doubtful debts	300	
	Accounts receivable – Zena Co.		300

EXAMPLE (3):

Sameh Trading Co. had the following balances on December, 31, 2009:

Credit Sales	BD 850,000	× 1%	= 8,500
Cash Sales	BD 700,000		
Accounts Receivable	BD 190,000	× 3%	= 5,700
Provision for Doubtful Debts	BD 250		

ملاحظة: كل شي تطرح منه ال Provision
ماعدًا % of Credit Sales

Required:

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

1- Provision for doubtful debts is to be increased to 3% of Accounts Receivable

$$5,700 - 250 = 5,450$$

2- Provision for doubtful debts is to be increased to BD7,300 as indicated by aging

$$7,300 - 250 = 7,050$$

3- Bad debts expense is estimated to be 1% of sales on credit

$$8,500$$

GENERAL JOURNAL

Date	Explanation	Debit	Credit
31 Dec	Bad debt expense	5,450	
	Allowance for doubtful debts		5,450
31 Dec	Bad debt expense	7,050	
	Allowance for doubtful debts		7,050
31 Dec	Bad debt expense	8,500	
	Allowance for doubtful debts		8,500

PREPAID & ACCRUALS

Prepared by | T. Mahmood Almutawa

ملاحظة: الـ Expense دائما في الـ Debit

الـ Revenues دائما في الـ Credit

تعتمد هذه الوحدة على الحفظ بشكل أساسي

1. PREPAID EXPENSE

مصاريف مسبقة الدفع

وتوضع في الـ Balance Sheet تحت الـ Assets

الكلمات المفتاحية: Paid in advance – Expired – Supply Used – Supply Remains/on Hand/Unused

EXAMPLE (1):

Prepare the adjusting entries for the month of June and show your calculations where needed for Yousif Bin Ali Cleaning Services. Note Supplies is **BD2,000**

1- Rent paid in advance for one month is BD200.

Date	Explanation	Debit	Credit
June 30	Rent expenses	200	
	Prepaid Rent		200

4- Insurance Expired BD360.

الـ Insurance دائما Prepaid

Date	Explanation	Debit	Credit
June 30	Insurance Expense	360	
	Prepaid Insurance		360

2- Supplies used during the period was BD700. اذا في السؤال supply used اضع الرقم مباشرة

Date	Explanation	Debit	Credit
June 30	Supplies Expense	700	
	Supplies		700

3- Supplies On Hand/ Remains during the period was BD1,500. اذا السؤال supply remain

Supplies used = Supplies –Supplies on hand = 2,000 – 1,500 = 500

اطرحه من supply

Date	Explanation	Debit	Credit
June 30	Supplies Expense	500	
	Supplies		500

5- Depreciation on office furniture is BD1,200 annually. هالتقيد ثابت للـ Depreciation

Date	Explanation	Debit	Credit
June 30	Depreciation Expense	1,200	
	Accumulated Depreciation-Furniture		1,200

2. ACCRUED EXPENSE

مصارييف آجلة الدفع

وتوضع في قائمة ال Balance Sheet تحت ال Labillities

الكلمات المفتاحية: Not paid – Accrued – Payable

EXAMPLE (2):

Prepare the adjusting entries for the month of December and show your calculations where needed for Yousif Bin Ali Cleaning Services.

1- Salaries Expense of BD800.

ال Wages/Salaries دائما Payable

Date	Explanation	Debit	Credit
Dec 30	Salaries Expense	800	
	Salaries Payable		800

2- Rent expense BD500 not paid yet.

Date	Explanation	Debit	Credit
Dec 30	Rent Expense	500	
	Rent Payable		500

3- The Interest payable is BD400

Date	Explanation	Debit	Credit
Dec 30	Interest Expense	400	
	Interest Payable		400

4- The notes payable BD5,000 is dated Oct 1, 2011. It is a 3 months, 10% note.

$$\text{Interest payable} = 5,000 \times 10\% \times \frac{3}{12} = 41.7$$

ملاحظة اذا كان الشهر Dec وليس Oct تضرب في $\frac{1}{12}$

Date	Explanation	Debit	Credit
Dec 30	Interest Expense	125	
	Interest Payable		125

اذا كان السؤال صعب لاتعور راسك غالباً الأسئلة مباشرة في الامتحان

3- UNEARNED REVENUE

ايرادات غير مستحقة (استلمت النقود بعدين بتقديم الخدمة)

وتوضع في قائمة الـ Balance Sheet تحت الـ Liabilities

الكلمات المفتاحية: Received in advance – Unearned – Earned – Customer advance

EXAMPLE (3):

Prepare the adjusting entries for the month of December and show your calculations where needed for Yousif Bin Ali Cleaning Services. Customer advance **BD4,000**

1- The earned rent revenue is BD400

Date	Explanation	Debit	Credit
Dec 30	Unearned Rent Revenue	400	
	Rent Revenue		400

2- 20% of customer advances have been completed. $4,000 \times 20\% = 800$

Date	Explanation	Debit	Credit
Dec 30	Customer Advance	800	
	Service Revenue		800

4- ACCRUED REVENUES

ايرادات مستحقة (قدمت الخدمة بعدين بتستلم النقود)

وتوضع في قائمة الـ Balance Sheet تحت الـ Assets

الكلمات المفتاحية: Not Received/Recorded – Receive later – Accrued Receivable/Revenue – Credit

EXAMPLE (4):

Prepare the adjusting entries for the month of December and show your calculations where needed for Yousif Bin Ali Cleaning Services.

1- Completed cleaning services for BD850 and agreed to receive the later

Date	Explanation	Debit	Credit
Dec 30	Account Receivable	850	
	Service Revenue		850

2- The credit sales invoice of BD1,250 not recorded in the current year.

Date	Explanation	Debit	Credit
Dec 30	Account Receivable	1,250	
	Sales Revenue		1,250

3- There was an accrued amount of BD300 for rent revenue.

Date	Explanation	Debit	Credit
Dec 30	Accrued Rent Revenue/ Account Receivable	300	
	Rent Revenue		300

المختصر المفيد

EXPENSE

الـ Expense دائما في الـ Debit

1-PREPAID EXPENSE

الكلمات المفتاحية: Expired – Paid in advance –
Supply Used/Remains/on Hand/Unused

Dr. Rent/ Insurance/ Utility **Expense**
Cr. **Prepaid** Insurance/Utility Rent

Dr. **Supplies Expense**
Cr. **Supplies**

Dr. **Depreciation Expense**
Cr. **Accumulated Depreciation**

2- ACCRUED EXPENSE

الكلمات المفتاحية: Payable – Accrued – Not paid

Dr. Rent/ Salaries/ Interest **Expense**
Cr. Rent/ Salaries/ Interest **Payable**
/Accrued

REVENUES

الـ Revenues دائما في الـ Credit

3- UNEARNED REVENUE

الكلمات المفتاحية: Unearned – Received in advance –
– Earned – Customer Advance

Dr. **Unearned** Rent
Cr. Rent **Revenue**

Dr. **Customers advance**
Cr. Service **Revenue**

4- ACCRUED REVENUES

الكلمات المفتاحية: Recorded – Not Received/
Receive later – Accrued Receivable/Revenue –
on Account/Credit

Dr. Account **Receivable / Accrued**
Cr. Service/Sales **Revenue**

EXAMPLE (5): EXTRA QUESTIONS

The ledger of Yaser Agency on September 30 , 2010 include the following selected accounts:

Account	Debit	Credit
Supplies	2,000	
Unearned Rent Revenue	600	
Customer Advance	16,000	
Notes Payable		8,000

Prepare the adjusting entries on September 30, 2010 for the following transactions:

- 1- Depreciation on office furniture is BD1,200 annually.
- 2- Rent expired for one month is BD200.
- 3- Supplies on hand during the period was BD500.
- 4- 30% of customer advances have been completed.
- 5- Salaries Expense of BD800 not paid yet.
- 6- Accrued interest on notes payable BD650.
- 7- Service preformed to a customer on account for BD1,100 but unrecorded.

Required:

Prepare the adjusting entries on September 30, 2010

GENERAL JOURNAL

Date	Explanation	Debit	Credit
Sep 30	Depreciation Expense	1,200	
	Accumulated Depreciation-Furniture		1,200
Sep 30	Rent expenses	200	
	Prepaid Rent		200
Sep 30	Supplies Expense	1,500	
	Supplies		1,500
Sep 30	Customer Advances	4,800	
	Service Revenue		4,800
Sep 30	Salaries Expense	800	
	Salaries Payable		800
Sep 30	Interest Expense	650	
	Interest Payable		650
Sep 30	Account Receivable	1,100	
	Service Revenue		1,100

EXAMPLE (6): EXTRA QUESTIONS

Choose the correct answer for each of the following questions:

1. The balance of supplies on 1st Jan 2014 was BD800. During the year BD600 was bought and the balance on hand on 31st Dec 2014 was BD200, then supplies expense is:
 - a) BD1,400
 - b) BD600
 - c) BD1,200
 - d) BD400

Show your calculation ... $800+600-200=1200$

2. The office supplies account had a BD450 debit balance. A physical count of the office supplies showed BD200 unused supplies available, the required adjusting entries:
 - a) Debit supplies expense BD200 and Credit Supplies BD200
 - b) Debit supplies BD200 and Credit Supplies expense BD200
 - c) Debit supplies expense BD250 and Credit Supplies BD250
 - d) Debit supplies BD250 and Credit Supplies expense BD250

Show your calculation $450-200=250$

3. On April 1st, 2016 the company paid BD3,600 for one year insurance. What will be the insurance expense on the annual income statement for the year end Dec 31st, 2016:
 - a) BD2,700
 - b) BD3,600
 - c) BD1,200
 - d) BD2,400

Show your calculation ... $3600 \times (9 \div 12) = 2700$

4. Accrued revenues is reported in the financial statement as:
 - a) A Revenue on the income statement
 - b) An Asset on the balance sheet
 - c) A liability on the balance sheet
 - d) None of the above.

5. The adjusting entry to record the earned but unpaid salaries of employees at the end of accounting period is:
 - a) Debit salaries expense and Credit cash
 - b) Debit salaries expense and Credit salaries payable
 - c) Debit cash and Credit salaries expense
 - d) Debit salaries payable and Credit salaries Expense

TRIAL BALANCE

Prepared by | T. Mahmood Almutawa

TRIAL BALANCE: المراجعة

هي قائمة لجميع الحسابات، تعد قبل إعداد القوائم المالية نهاية الفترة المحاسبية

EXAMPLE (1):

ملاحظة: في بعض الاختبارات تكون الـ adjusting entries جاهزة وبعض الامتحانات تطها بروحك مثل الوحدة السابقة

Complete the work sheet of **Hayat Cleaning Services**. for the year ended 31st December, 2015, using the following adjusting entries:

GENERAL JOURNAL

Date	Explanation	Debit	Credit
Dec. 31	Customer Advances	750	
	Service Revenues		750
Dec. 31	Insurance Expense	250	
	Prepaid Insurance		250
Dec. 31	Supplies Expense	800	
	Supplies		800

اسم الشركة
اسم القائمة
تاريخ نهاية الفترة المحاسبية

Hayat Cleaning Services
Worksheet

For the year end Dec 31st, 2015

هناك 5 قوائم

Account Title	Unadjusted Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Cash	10,900									
Account Receivable	6,800									
Prepaid Insurance	3,450			250						
Supplies	2,000			800						
Cleaning Equipment	15,900									
Furniture	8,800									
Account Payable		5,200								
Customer Advances		2,150	750							
Capital		30,500								
Drawings	250									
Service Revenue		11,650		750						
Rent Expense	200									
Salaries Expense	700									
Insurance Expense	500		250							
Total	49,500	49,500								
Supplies Expense			800							
Total			1,800	1,800						

- في هذه القائمة أضف الـ Adjusting entries من الجدول اللي في صفحة السؤال
- في حال عدم وجود الحساب يجب اضافته بعد Total في هذا المثال اضفنا Supplies Expense
- يجب أن تتساوى Total Debit & Total Credit

Hayat Cleaning Services
Worksheet
For the year end Dec 31st, 2015

Account Title	1 Unadjusted Trial Balance		2 Adjustments		3 Adjusted Trial Balance		4 Income Statement		5 Balance Sheet	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Cash	10,900				10,900					
Account Receivable	6,800				6,800					
Prepaid Insurance	3,450			250	3,200					
Supplies	2,000			800	1,200					
Cleaning Equipment	15,900				15,900					
Furniture	8,800				8,800					
Account Payable		5,200				5,200				
Customer Advances		2,150	750			1,400				
Capital		30,500				30,500				
Drawings	250				250					
Service Revenue		11,650		750		12,400				
Rent Expense	200				200					
Salaries Expense	700				700					
Insurance Expense	500		250		750					
Total	49,500	49,500								
Supplies Expense			800		800					
Total			1,800	1,800	49,500	49,500				
Net Income										
Grand Total										

- في هذه القائمة اجمع الحسابات من القائمة 1 + القائمة 2
 Debit, Debit ⇒ (+)
 Credit, Credit ⇒ (+)
 والفرق يوضع جهة الأكبر (-) ⇒ Debit, Credit
 - يجب أن تتساوى Total Debit & Total Credit

Hayat Cleaning Services
Worksheet
For the year end Dec 31st, 2015

Account Title	1 Unadjusted Trial Balance		2 Adjustments		3 Adjusted Trial Balance		4 Income Statement		5 Balance Sheet	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Cash	10,900				10,900					
Account Receivable	6,800				6,800					
Prepaid Insurance	3,450			250	3,200					
Supplies	2,000			800	1,200					
Cleaning Equipment	15,900				15,900					
Furniture	8,800				8,800					
Account Payable		5,200				5,200				
Customer Advances		2,150	750			1,400				
Capital		30,500				30,500				
Drawings	250				250					
Service Revenue		11,650		750		12,400		12,400		
Rent Expense	200				200		200			
Salaries Expense	700				700		700			
Insurance Expense	500		250		750		750			
Total	49,500	49,500								
Supplies Expense			800		800		800			
Total			1,800	1,800	49,500	49,500	2,450	12,400		
Net Income							9,950			
Grand Total							12,400	12,400		

- في هذه القائمة أنقل الـ Revenues و Expense و Purchases و Sales من قائمة 3 إن وجدوا
- انتبه!!! Unearned Revenue و Prepaid Expense لا يوضعون في هذه القائمة
- لا تتساوى Total Debit & Total Credit
- إذا كان Credit أكبر من Debit ⇒ Net Income وأضع الفرق تحت الأصغر
- إذا كان Debit أكبر من Credit ⇒ Net Loss وأضع الفرق تحت الأصغر

Hayat Cleaning Services
Worksheet
For the year end Dec 31st, 2015

Account Title	① Unadjusted Trial Balance		② Adjustments		③ Adjusted Trial Balance		④ Income Statement		⑤ Balance Sheet	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Cash	10,900				10,900				10,900	
Account Receivable	6,800				6,800				6,800	
Prepaid Insurance	3,450			250	3,200				3,200	
Supplies	2,000			800	1,200				1,200	
Cleaning Equipment	15,900				15,900				15,900	
Furniture	8,800				8,800				8,800	
Account Payable		5,200				5,200				5,200
Customer Advances		2,150	750			1,400				1,400
Capital		30,500				30,500				30,500
Drawings	250				250				250	
Service Revenue		11,650		750		12,400		12,400		
Rent Expense	200				200		200			
Salaries Expense	700				700		700			
Insurance Expense	500		250		750		750			
Total	49,500	49,500								
Supplies Expense			800		800		800			
Total			1,800	1,800	49,500	49,500	2,450	12,400		
Net Income							9,950			9,950
Grand Total							12,400	12,400	47,050	47,050

- في هذه القائمة أنقل جميع الحسابات من قائمة 3 التي لم توضع في قائمة 4
- Unearned Revenue و Prepaid Expense يوضعون في هذه القائمة
- ينقل Net Income من عمود 4 من Debit إلى Credit
- وإذا كان Net Loss في عمود 4 ينقل من Credit إلى Debit
- يجب أن تتساوى Total Debit & Total Credit

EXAMPLE (2):

Complete the work sheet of Nahla Trading Est. for the year ended 31st December, 2012, using the following adjusting entries:

GENERAL JOURNAL

Date	Explanation	Debit	Credit
Dec. 31	Accounts Receivable	1,900	
	Sales		1,900
Dec. 31	Rent Expense	350	
	Prepaid Rent		350
Dec. 31	Accrued Interest Revenue	250	
	Interest Revenue		250

Nahla Trading Est.
Worksheet
For the year end Dec 31st, 2012

Account Title	Unadjusted Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Cash	180,000				180,000				180,000	
Account Receivable	90,000		1,900		91,900				91,900	
Prepaid Rent	1,550			350	1,200				1,200	
Opening Inventory	65,000				65,000		65,000			
Trucks	134,480				134,480				134,480	
Equipment	77,300				77,300				77,300	
Account Payable		70,000				70,000				70,000
Capital		450,000				450,000				450,000
Drawings	2,000				2,000				2,000	
Sales		144,600		1,900		146,500		146,500		
Sales Return	5,600				5,600		5,600			
Purchases	113,420				113,420		113,420			
Purchase Returns		11,000				11,000		11,000		
Rent Expense	1,850		350		2,200		2,200			
Advertising Expense	4,400				4,400		4,400			
Total	675,000	675,000								
Accrued Interest Rev			250		250				250	
Interest Revenue				250		250		250		
Total			2,500	2,500	677,750	677,750	190,620	157,750		
Net Loss								32,870	32,870	
Grand Total							190,620	190,620	520,000	520,000