

Accounting 2- Acc 212
Chapter 1 – Summary
(Sales Transactions Under Perpetual System)

1) Sales goods for Cash

مبيعات البضائع نقداً

1-A) sales goods for cash

1-B) sales returns and allowance of goods for

Dr. Cash (+)
Cr. Sales (-)

Dr. Sales returned and allowance (+)
Cr. Cash (-)

العكس

Dr. Cost of goods sold (+)
Cr. Merchandise Inventory (-)

Dr. Merchandise Inventory (+)
Cr. Cost of goods sold (-)

Note:

Under perpetual System we record two Entries in the Sales Transactions. The first entry is to record the sales transaction with sales price and the second one for the cost price of the merchandise inventory.

ملاحظة هامة : يتم تسجيل قيدين في عملية البيع الأولى بسعر البيع الذي باع به التاجر والثانية لتسجيل قيمة تكلفة البضاعة المباعة بقيمتها التي اشتراها البائع.

2) Sales merchandise on account

مبيعات البضائع على الحساب

2-A) on account \ Without discount

2-B) sales returns and allowance \ without discount

Dr. Accounts Receivables- Name (+)

Cr. Sales (-)

Dr. Sales returned and allowance (+)

Cr. Accounts Receivables- Name (-)

العكس

Dr. Cost of goods sold (+)

Cr. Merchandise Inventory (-)

Dr. Merchandise Inventory (+)

Cr. Cost of goods sold (-)

3-C) Received full amount due \ without discount

استلام قيمة المبيعات من المدينين
بدون تخفيض

ملاحظة: في حال المشتري قام بإرجاع جزء من البضاعة بسبب التلف أو أي سبب آخر إلى البائع، يخصم سعر البضاعة المسترجعة من المبلغ المستلم منه.

مبلغ الشراء الكلي = 12500

قيمة البضاعة المسترجعة = 500

قيمة الدفع النهائي = 12500 - 500

= 12000

Dr. Cash (+)

Cr. Account Receivable -Name (-)

4) Sales goods on account With discount

مبيعات البضائع على الحساب مع التخفيض

4-A) sales goods on
account=BD20600

Dr. Account Receivable -Name (+)
Cr. Sales (-)

4-B) Return sales of BD600
 $20600 - 600 = 20,000$

Dr. Sales return and allowance (+)
Cr. Account Receivable -Name (-)

Dr. Cost of goods sold (+)
Cr. Merchandise Inventory

العكس

Dr. Merchandise Inventory (+)
Cr. Cost of goods sold (-)

4-C) received full amount due
Within (2/10 ,n/30)

Dr. Cash (20000-400) (+)
Dr. Sales discount (20000×2%) (+)
Cr. Account Receivable (20600-600) (-)

4-C) After the discount
period

Dr. Cash (20600-600) (+)
Cr. Account Receivable -Name (-)

ملاحظة هامة: لازم يتساوي الطرفين $Dr = CR$

في حالة حصول التخفيض تطرح قيمة الخصم من المبلغ المستلم ويسجل كالمبلغ في طرف Cr.

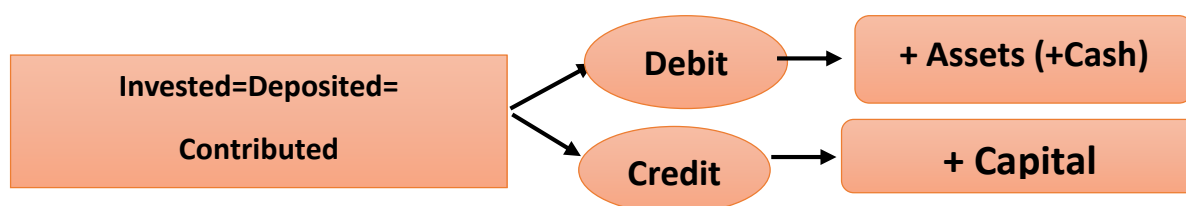
Acc212- chapter 1 summary

Journal Entries for Merchandising Business- Perpetual Inventory System

Lesson vocabularies

Transactions	معاملات تجارية
Purchase goods	شراء بضائع
Purchase Return	إرجاع الزبون للمشتريات في حال التلف أو أي سبب اخر
Allowance	مسموحات
For cash	دفع نقدي
On credit (account payable)	دفع أجل
Investment	استثمار
Perpetual inventory	الجرد الدائم للمخزون
Periodic inventory	جرد دوري للمخزون

1) Investment of Assets:



GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
Jan. 1	Cash		60,000	
	Capital			60,000
	Owner's investment of cash in business			

2) Purchase For Cash

شراء البضاعة نقداً

2-A) Purchase goods
(Merchandise) for cash

Dr. Merchandise Inventory (+)
Cr. Cash (-)

العكس

2-B) Purchase Return &
Allowance for cash

Dr. Cash (+)
Cr. Merchandise inventory (-)

3) Purchase goods on account

شراء البضائع على الحساب

3-A) on account /
without Discount

(شراء البضاعة على الحساب بدون تخفيض)

Dr. Merchandise Inventory (+)
Cr. Account payable (+)

العكس

3-B) Purchase Return &
Allowance/without Discount

(إرجاع البضائع المشتراة على الحساب بدون تخفيض)

Dr. Account payable (-)
Cr. Merchandise inventory (-)

Purchase goods= 5000

Return goods = 200

3-c) payment of net purchases to creditors without discount

دفع صافي المشتريات للدائنين بدون تخفيضات

ملاحظة: في حال المشتري قام بإرجاع جزء من البضاعة بسبب التلف أو أي سبب آخر، يخصم سعر البضاعة المسترجعة من المبلغ الكلي عند الدفع.

مبلغ الشراء الكلي = 12500
قيمة البضاعة المسترجعة = 500
قيمة الدفع النهائي 12500-500
12000=

Dr. Account payable(-)

Cr. Cash (-)

4) purchase goods on account with discount

شراء البضائع على الحساب مع تخفيض

4-B) Return goods of BD
600

$20600 - 600 = 20,000$

Dr. Account payable 600

Cr. Merchandise inventory 600

4-A) Purchase goods on
account = BD20600

Dr. Merchandise inventory 20600

Cr. Account payable 20600

4-c) pay the amount due
within 10 days and get 2%
discount
(2/10, n/30)

تم الحصول على تخفيض من البائع بقيمة 2 %
وذلك للالتزام والدفع خلال 10 أيام من يوم الاتفاق

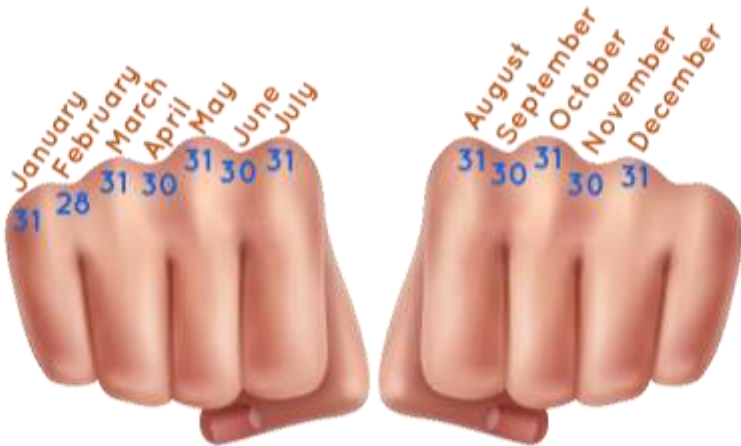
Date	Account Title and Explanation	PR	Debit	Credit
Jan. 23	Account Payable (Eman Est,) (20,600 - 600)		20,000	
	Merchandise Inventory (20,000 × 2%)			400
	Cash (20,000 – 600)			19,600

Chapter 1

Chapter 2

Title	Perpetual Inventory system	Dr.	Cr.	Periodic Inventory System	Dr.	Cr.
1- Purchases goods for cash	Merchandise Inventory	xx		Purchases	xx	
	Cash		xx	Cash		xx
2- Purchases returns goods for cash.	Cash	xx		Cash	xx	
	Merchandise Inventory		xx	Purchases Returns and Allowance		xx
3- Purchases goods on credit	Merchandise Inventory	xx		Purchases	xx	
	Account Payable		xx	Account Payable		xx
4- Purchases returns goods on credit.	Account Payable	xx		Account Payable	xx	
	Merchandise Inventory		xx	Purchases Returns and Allowance		xx
5- Payment to creditor without discount.	Account Payable	xx		Account Payable	xx	
	Cash		xx	Cash		xx
6- Payment to creditor with discount	Account Payable	xx		Account Payable	xx	
	Cash		xx	Cash		xx
	Merchandise Inventory (discount)		xx	Purchases Discount		xx
7- Sales goods for cash.	Cash	xx		Cash	xx	
	Sales		xx	Sales		xx
	COGS	xx				
	Merchandise Inventory		xx			
8- Sales returns goods for cash.	Sales Returns and Allowance	xx		Sales Returns and Allowance	xx	
	Cash		xx	Cash		xx
	Merchandise Inventory	xx				
	COGS		xx			
9- Sales goods on credit.	Account Receivable	xx		Account Receivable	xx	
	Sales		xx	Sales		xx
	COGS	xx				
	Merchandise Inventory		xx			
10- Sales returns goods on credit.	Sales Returns and Allowance	xx		Sales Returns and Allowance	xx	
	Account Receivable		xx	Account Receivable		xx
	Merchandise Inventory	xx				
	COGS		xx			
11- Received from debtors without discount.	Cash	xx		Cash	xx	
	Account Receivable		xx	Account Receivable		xx
12- Received from debtors with discount	Cash	xx		Cash	xx	
	Sales Discount	xx		Sales Discount	xx	
	Account Receivable		xx	Account Receivable		xx

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
31	28/29	31	30	31	30	31	31	30	31	30	31



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Chapter 3- Accounting for Receivables



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Transaction	Direct Write Off Method	Allowance Method
Sold goods on Account Credit Sales	Dr. Account Receivable (Name) Cr. Sales	
Estimating The Allowance <div style="border: 1px solid black; border-radius: 10px; padding: 5px; width: fit-content; margin: 10px auto;"> Key Word: Estimated </div>	No Estimation	Dr. Bad Debt expense Cr. Allowance (Provision) for doubtful debts
Write- off <div style="border: 1px solid black; border-radius: 10px; padding: 5px; width: fit-content; margin: 10px auto;"> Key Word: uncollectible / Write off/die / worthless/ Bankrupt/ Can't paid /unable to pay </div>	Dr. Bad Debt expense Cr. Account Receivable (Name)	Dr. Allowance (Provision) for doubtful debts Cr. Account Receivable (Name)
Recovery <div style="border: 1px solid black; border-radius: 10px; padding: 5px; width: fit-content; margin: 10px auto;"> Key Word: Recovery / made profit / gain /Can paid /won money </div>	Dr. Account Receivable (Name) Cr. Bad Debt expense Dr. Cash Cr. Account Receivable (Name)	Dr. Account Receivable (Name) Cr. Allowance (Provision) for doubtful debts Dr. Cash Cr. Account Receivable (Name)

Allowance Method Calculation

<p>% Credit Sales Income statement Approach</p>	<p>% Accounts Receivables Balance sheet Approach</p>
<p>Credit Sales × %</p>	<p>Accounts receivables × % OR (Aging Schedule)</p>
<p>Ignoring Any Balance of Allowance for doubtful debts</p>	<p>If we have DR. Balance of Allowance (+) Add If we have CR. Balance of Allowance (-) Less</p>

Credit card sales transaction

<p>Sold goods using (visa + Master cards)</p>	<p>Sold goods using (American Express + Diners club Cards)</p>
	
<p>Dr. Cash Dr. Credit card Expense Cr. Sales</p>	<p>Dr. Account receivables -name Dr. Credit card Expense Cr. Sales</p>

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Chapter 4 Summary

Depreciation of Plant Assets

Useful life

NET BOOK VALUE

SCRAP VALUE

Depreciation Rate

Acquisition cost

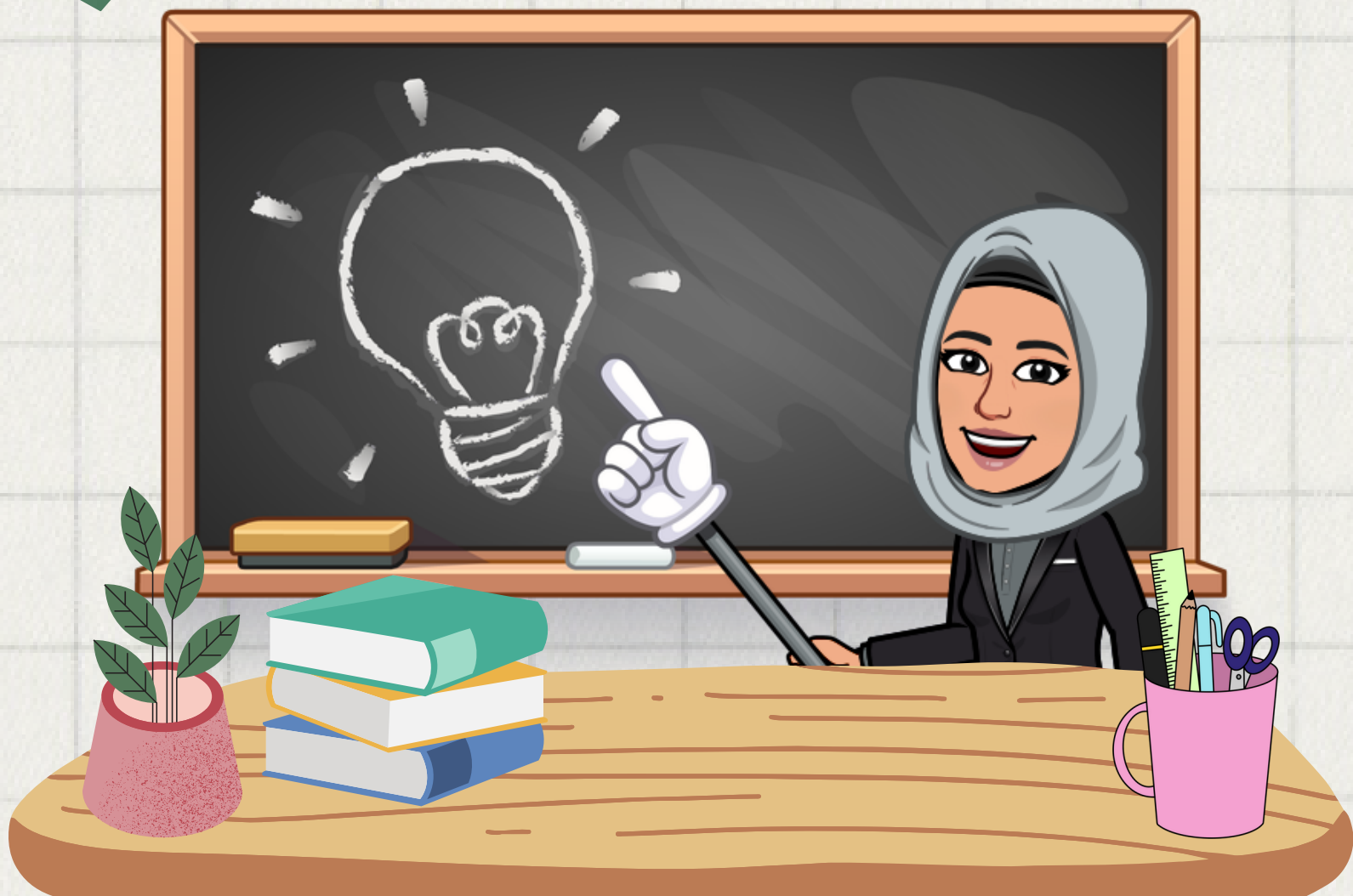
Depreciable Base

Fixed Asset

Straight line Method

Double Declining Balance Method

Units of Activity Method





Depreciation of Plant (fixed) Assets

Depreciation expense is the cost of an asset that has been depreciated for a single period, and shows how much of the asset's value has been used up in that year.

Depreciation expense is recognized on the income statement as a non-cash expense that reduces the company's net income.

Accumulated depreciation is the total amount of depreciation expense that has been allocated for an asset since the asset was put into use.

Depreciation Expenses Formula

1. Straight Line Method

$$\text{Depreciation Expense} = \frac{\text{Fixed Asset's Cost} - \text{Salvage Value}}{\text{Useful Life Span}}$$

2. Unit of Production Method

$$\text{Total Depreciation} = \text{Per Unit Depreciation} \times \text{Total Number of Units Produced}$$

3. Double-Declining Balance Method

$$\text{Total Depreciation} = 2 \times \text{Straight Line Depreciation Percentage} \times \text{Book Value}$$

Three Methods

Fixed - Plant Assets



Fixed assets, which are sometimes referred to as plant assets, unlike current assets, it cannot not be acquired for resale or otherwise turned into cash within an accounting period. These assets usually exist in the company for a year or longer and can be physically touched (tangible).

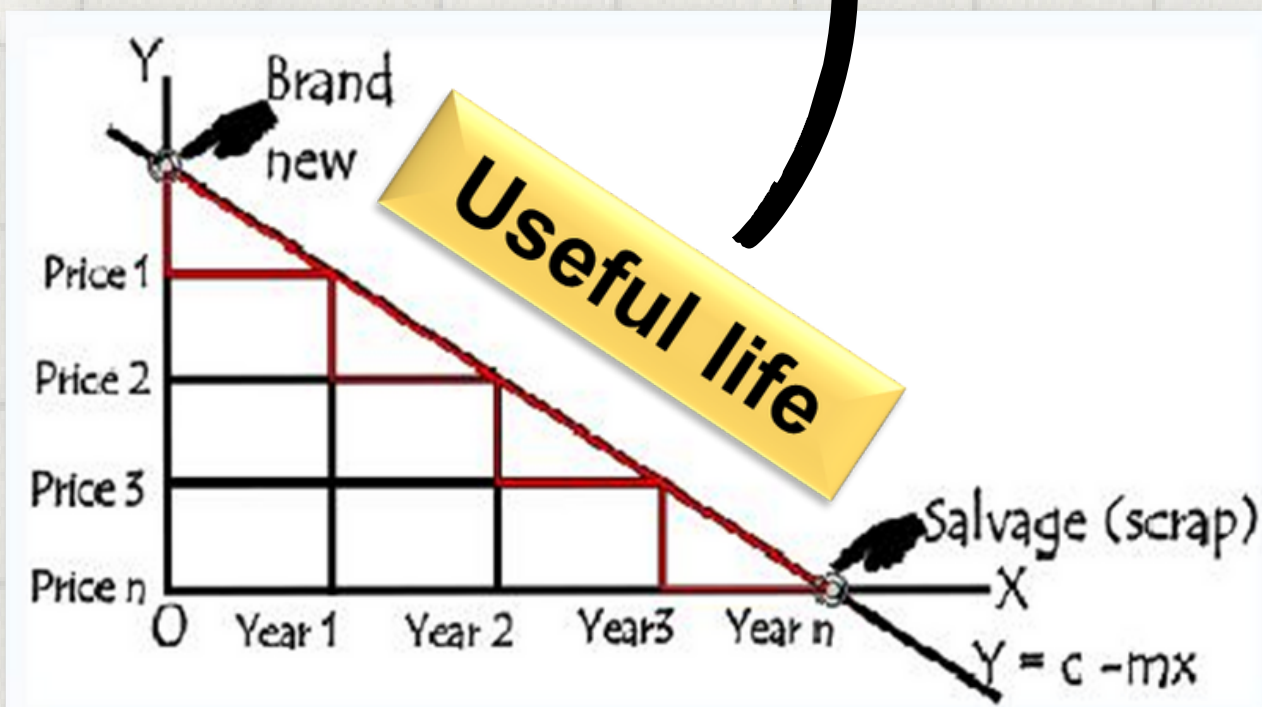
Plant Assets





Useful Life

The period over which you expect to get benefits from the asset.





Scrap Value

Value of
asset at the
end of useful
life.

**Other terms:
Residual Value
Salvage Value**





Depreciation Rate

100

Useful life



25%

For example if
useful life is 4
years

$$100 \div 4 = 25\%$$

In double declining
Balance $\times 2$

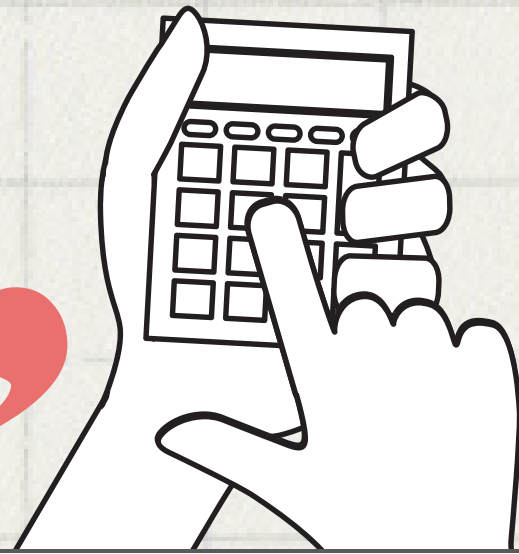
$\times 2$



Depreciable Base

Depreciation Base =

Acquisition cost - Salvage value



Acquisition cost

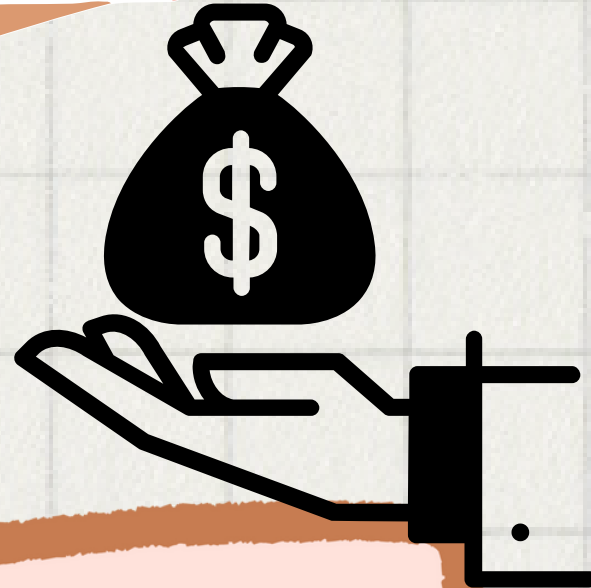
	Total Cost
Purchase Price	\$ 54,000
Shipping Costs	1,500
Set-up Costs	2,500
	<u>\$ 58,000</u>
Total Cost	\$ 58,000
- Salvage Value	<u>(10,000)</u>
Depreciable Base	\$ 48,000

Depreciable Base is used in calculation of Depreciation Expense under straight line Method.



Acquisition Cost

Acquisition cost refers to an amount paid for fixed assets, for expenses related to the acquisition of that assets. It is useful in identifying the full cost of fixed assets because it includes items such as legal fees and commissions .etc..



Acquisition cost =
Cost price + taxes + Freight in +
Installation + Fixing + Legal fees +
insurance ...etc.





Net Book Value

Net book value is the historical cost of an asset, less any amounts recorded for depreciation. It derives from the idea that, over time, assets lose some of their value as they are used.



Net Book Value =

Acquisition Cost

-

Accumulated Depreciation

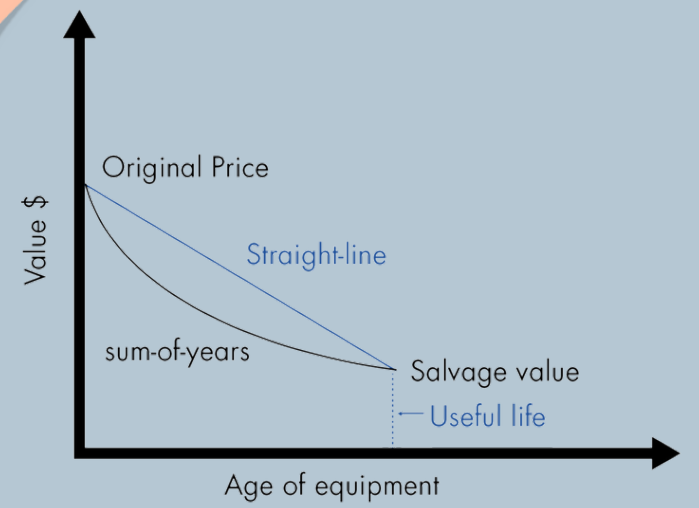


Straight line Method

Straight Line Basis

[ˈstræt ˈlɪn ˈbɑːsɪs]

A method of accounting for depreciation that assumes an asset loses value at a constant rate.



$$\text{Depreciation Per Year Formula} = \frac{(\text{Cost of Asset} - \text{Salvage Value})}{\text{Useful Life of Asset}}$$



$$\text{Depreciation Expense} = \text{Depreciable Base} \times \text{Rate}$$

Example

Straight line Method

Example

On January 1, 2021, the Moon Est. purchased a machine for BD70000.

The machine had an estimated useful life of 5 years and an estimated salvage value of BD7000.

A) prepare Depreciation schedule using Straight line Method.

B) Record the Journal Entry for third year.

KEY POINTS

Acquisition cost = BD70,000
Base = 70,000 - 7,000 = 63,000

Rate = $100 \div 5 = 20\%$

A

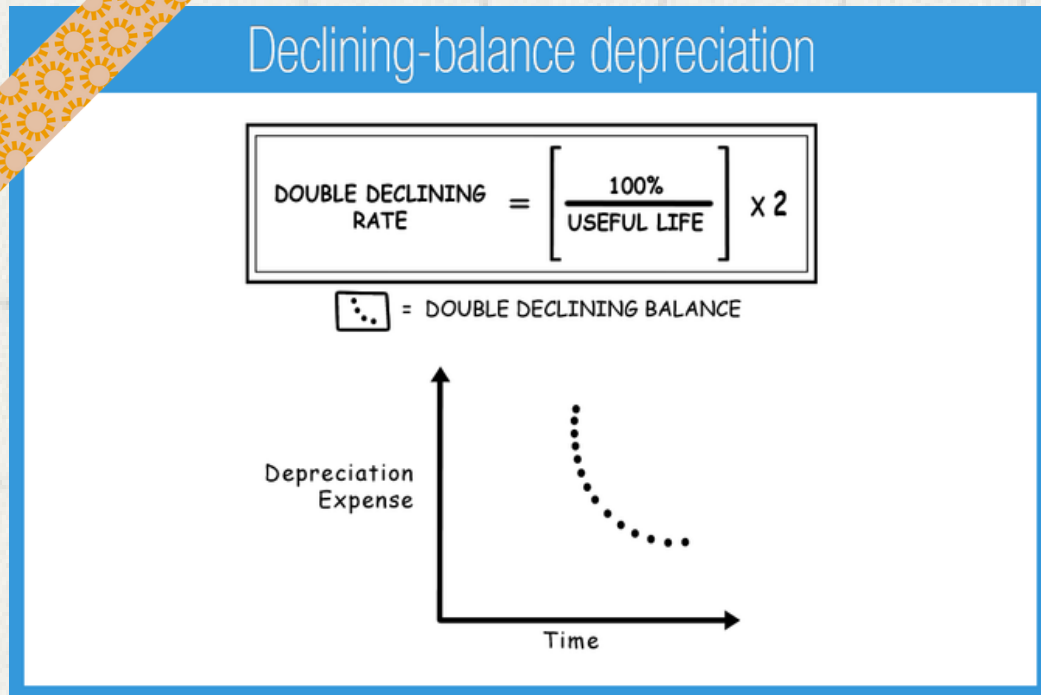
year	calculation	Depreciation expense	Accumulated Depreciation	Net Book Value
1	63000 X 20%	12600	12600	57400
2	63000 X 20%	12600	25200	44800
3	63000 X 20%	12600	37800	32200
4	63000 X 20%	12600	50400	19600
5	63000 X 20%	12600	63000	7000 Scrap

B

Date	Account Title and Explanation	PR	Debit	Credit
31 Dec, 2023	Depreciation Expense - Machine		12,600	
	Accumulated Depreciation - Machine			12,600

The Date of the Transaction is the last day of the year
31st December

Double declining Method



DOUBLE DECLINING DEPRECIATION

MEANING

This is an accelerated depreciation method where depreciation expense decreases with the age of asset. Higher depreciation rate is used at the start of the period.

ADVANTAGES

- Reduces tax obligations
- Matched Maintenance Cost
- Good Interest
- The Minimum Loss at the Disposal

STEPS

- Determine Opening Book Value, Useful life and residual value
- Calculate the SLM Depreciation
- Double Decl. Dep Rate = SLM X 2
- Depreciation = Rate X Book value
- Repeat until asset depreciates.

DIS-ADVANTAGES

- Depicts Poor Performance
- Low Dividend
- More Complicated
- Value of Asset can Never be Zero

Depreciation Expense =
Acquisition cost (Book Value of the year) X Rate (if Double X 2)

Example

Declining (Reducing) Balance Method

Example

On January 1, 2021, the Moon Est. purchased a machine for BD70000.

The machine had an estimated useful life of 5 years and an estimated salvage value of BD7000.

A) prepare Depreciation schedule using Double Decline Balance Method.

B) Record the Journal Entry for third year.

KEY POINTS

Acquisition cost = BD70,000
Base = 70,000 - 7,000 = 63,000

Rate = $100 \div 5 = 20\%$ $\times 2$
= 40%

A

year	calculation	Depreciation expense	Accumulated Depreciation	Net Book Value
1	70000X40%	28000	28000	42000
2	42000X40%	16800	44800	25200
3	25200X40%	10080	54880	15120
4	15120X40%	6048	60928	9072
5	9072-7000	2072	63000	7000

Minus - Salvage value

B

Date	Account Title and Explanation	PR	Debit	Credit
31 Dec, 2023	Depreciation Expense - Machine		10,080	
	Accumulated Depreciation - Machine			10,080

The Date of the Transaction is the last day of the year
31st December

Units of (Production) activity Method



Units of Production Depreciation is based on the use of an asset rather than just the amount of time it is in service. This depreciation method helps you calculate how to reduce the value of a fixed asset in your business based on the number of units it produces in a given period of time.

Example

Units-of-Activity Depreciation Method

Step 1:

$$\text{Depreciation Per Unit} = \frac{\text{Cost} - \text{Salvage Value}}{\text{Total Units of Production}}$$

Step 2:

$$\text{Depreciation Expense} = \text{Depreciation Per Unit} \times \text{Number of Units Produced in the Period}$$

Units of (Production) activity Method

example

The following data for a delivery truck purchased by Ahmed's company on January 1, 2018.

Cost price BD42,000

Freight cost BD1,300

Taxes BD1,700

Estimated salvage value

Estimated useful life in years

Estimated useful life in miles

Distributed miles for 5 years, 30,000 – 25,000 – 20,000 – 15,000 – 10,000.

Required

- Compute annual depreciation expense, accumulated depreciation and net book value for 5 years useful life. Under Units-of-Production (Activity).
- Prepare the adjusted entry for year 2018.

Step 1 : Cost = 42,000 + 1,300 + 1,700 = BD45,000

Depreciation cost per unit = $\frac{\text{Cost} - \text{Salvage Value}}{\text{Total Units of Production}} = \frac{45,000 - 3,000}{100,000} = \text{BD}0.42 / \text{mile}$

Step 2

Depreciation expense = Depreciation cost per unit × Units produce in period.

Period	Number of Units	Depreciation cost per unit	Depreciation Expense	Accumulated Depreciation	Book Value
2018	30,000	× 0.42	= 12,600	12,600	32,400
2019	25,000	× 0.42	= 10,500	23,100	21,900
2020	20,000	× 0.42	= 8,400	31,500	13,500
2021	15,000	× 0.42	= 6,300	37,800	7,200
2022	10,000	× 0.42	= 4,200	42,000	3,000

b) Prepare the adjusted entry for year 2018.

Date	Explanation	Debit	Credit
Dec 31 2018	Depreciation Expense - delivery truck	12,600	
	Accumulated Depreciation - delivery truck		12,600

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Chapter 5 Summary
Disposal of Plant Assets

Serial	Cases of Disposal	General Journal
1	Retirement of Plant Assets (Retired) Fully depreciated = zero book value	Dr. Accumulated Depreciation- Asset name XX Cr. Assest name XX
2	Discarded of Plant Assets انتهاء العمر الافتراضي للأصول قبل انتهاء العمر الافتراضي المتوقع Estimate useful life Discard>>>loss Disposal	Dr. Accumulated Depreciation- Asset name XX Dr. Loss on Disposal XX Cr. Assest name XX
3	Sales of Plant Assets: بيع الأصول الثابتة A-Gain on Disposal- ربح على بيع الأصل Sales > book value Gain on disposal Gain on disposal—Revenues –Credit side	Dr. Cash XX Dr. Accumulated Depreciation- Asset name XX Cr. Assest name XX Cr. Gain on Disposal XX
	Sales of Plant Assets: بيع الأصول الثابتة B-Loss on Disposal- خسارة على بيع الأصل Sales < book value loss on Disposal loss on Disposal- Expense- Debit side	Dr. Cash XX Dr. Accumulated Depreciation- Asset name XX Dr. Loss on Disposal XX Cr. Assest name XX

Rules:

1- Book Value = Original Cost - Accumulated Depreciation

2- Gain / Loss = Proceeds from sales – Book Value (بعد الطرح اذا الإجابة بالموجب ربح واذا بالسالب خسارة)

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Accounting 2- (Acc 212)
Chapter six Summary
Income Statement for Merchandising Business

Chapter Vocabularies

Terms	Meaning
Income statement	قائمة (بيان) الدخل
Multiple step Income Statement	بيان الدخل - متعدد الخطوات
Sales	المبيعات
Sales returns & allowances	مرتجعات المبيعات والبدلات
Sales discount	خصم (تخفيض) المبيعات
Net sales	صافي المبيعات
Opening (Beginning) Inventory	البضاعة بداية (أول) المدة
Purchases	المشتريات
Purchase returns & allowances	مرتجعات المشتريات والبدلات
Net purchases	صافي المشتريات
Expenses on Purchases	مصاريف المشتريات
Cost of Purchases	تكلفة المشتريات
Ending (closing) inventory	بضاعة نهاية (آخر) المدة
Cost of Goods Sold	تكلفة البضائع المباعة
Gross profit	إجمالي الربح
Gross Loss	إجمالي الخسارة
Operating (Operation) Expenses	مصاريف التشغيل
Income from Operation	الدخل من العمليات
Non- operating Activities	الأنشطة غير التشغيلية
Other revenues and gains	إيرادات ومكاسب أخرى
Dividend Revenues	إيرادات توزيعات الأرباح من الأسهم
Other Expenses and losses	المصاريف والخسائر الأخرى
Casualty Losses	الخسائر بسبب الحوادث او غير متوقعة
Net Income Before tax	صافي الدخل قبل الضريبة
Net Income /Profit	صافي الدخل / الربح
Net Loss	صافي الخسارة

ملاحظة هامة: المطلوب فقط هو قائمة الدخل متعددة الخطوات – Multiple Step Income Statement

Multiple Income Statement Formulas

1-Net Sales = Gross Sales – (Sales Discount + Sales Returns and Allowance)

2-Net Purchases = Gross Purchases – (Purchases Discount + Purchases Returns and Allowance)

3- Cost of purchases = Net Purchases + Expenses on Purchases

4-Cost of Goods Available for Sales = Opening Inventory + Cost of purchases

5-Cost of Goods Sold = Cost of Goods Available for Sales - Ending Inventory

6-Gross Profit/**Loss** = Net Sales - Cost of Goods Sold

7-**Income from Operation** = Gross Profit – Operation Expenses

Loss from Operation = Gross Loss + Operation Expenses



8-Net Income/ Loss Before tax = Income from Operation + Other Revenues and gain – Other Expenses and losses

9-Net Income = Net Income Before tax – (Net Income before tax × %)

Net Loss = Net Income Before tax + (Net Income before tax × %)



Example of Different Expenses & Revenues:

Expenses on Purchase:

Import tax – installation – freight in – Shipping in - carriage in – transportation in – insurance on Purchases

Operation Expenses:

Depreciation Expense – Rent Expense – Salaries – Wages – Rent Expense – Supplies used – Utilities Expense – Carriage out – freight out – Electricity expense – Bad debt expense – Miscellaneous expenses – Administrative Expense- Repair Expense – Maintenance Expense.

Other Expenses & Losses:

Interest expense – Losses on sales of plant Assets – Losses from war – Losses from strikes – Law case Expense- Losses from floods

Other Revenues & Gain:

Interest Revenue – Service Revenue – Fees Earned – Rent Received – Gain from sales of Plant Assets

Multiple Income Statement Layout

**Manama Fashion Center
Income Statement
For Year Ended Dec, 31 2016**

Sales		178,000	
Less: Sales returns	2,600	(-)	
Sales Discount	5,400	(8,000)	
= Net Sales			170,000
Less: Cost of Goods Sold:			
Beginning Inventory		3,000	
Purchases	106,000		
Less: Purchases Returns	(2,000)		
Less: Purchases Discount	(1,000)	+	-
= Net Purchases	103,000		
+ Freight In	2,000		
= Cost of Purchases		105,000	
= Cost of Goods Available for Sale		108,000	
Less: Ending Inventory		(6,100)	
= Cost of Goods Sold			101,900
= Gross Profit			68,100
- Operating Expenses:			
Freight Out		3,900	
Salaries Expenses		12,300	
Repair Expenses		8,200	-
Advertising Expenses		5,400	
Sales Commission Expenses (170,000×1%)		1,700	
Total Operating Expenses			31,500
Income from Operations			36,600
+ Other Revenues and Gains:			
Dividend Revenues		4,400	+
Rent Revenues		17,000	21,400
- Other Expenses and Losses:			
Interest Expenses		7,600	-
Loss from Sales Equipment		2,200	(9,800)
= Net Income (Profit)			48,200

