



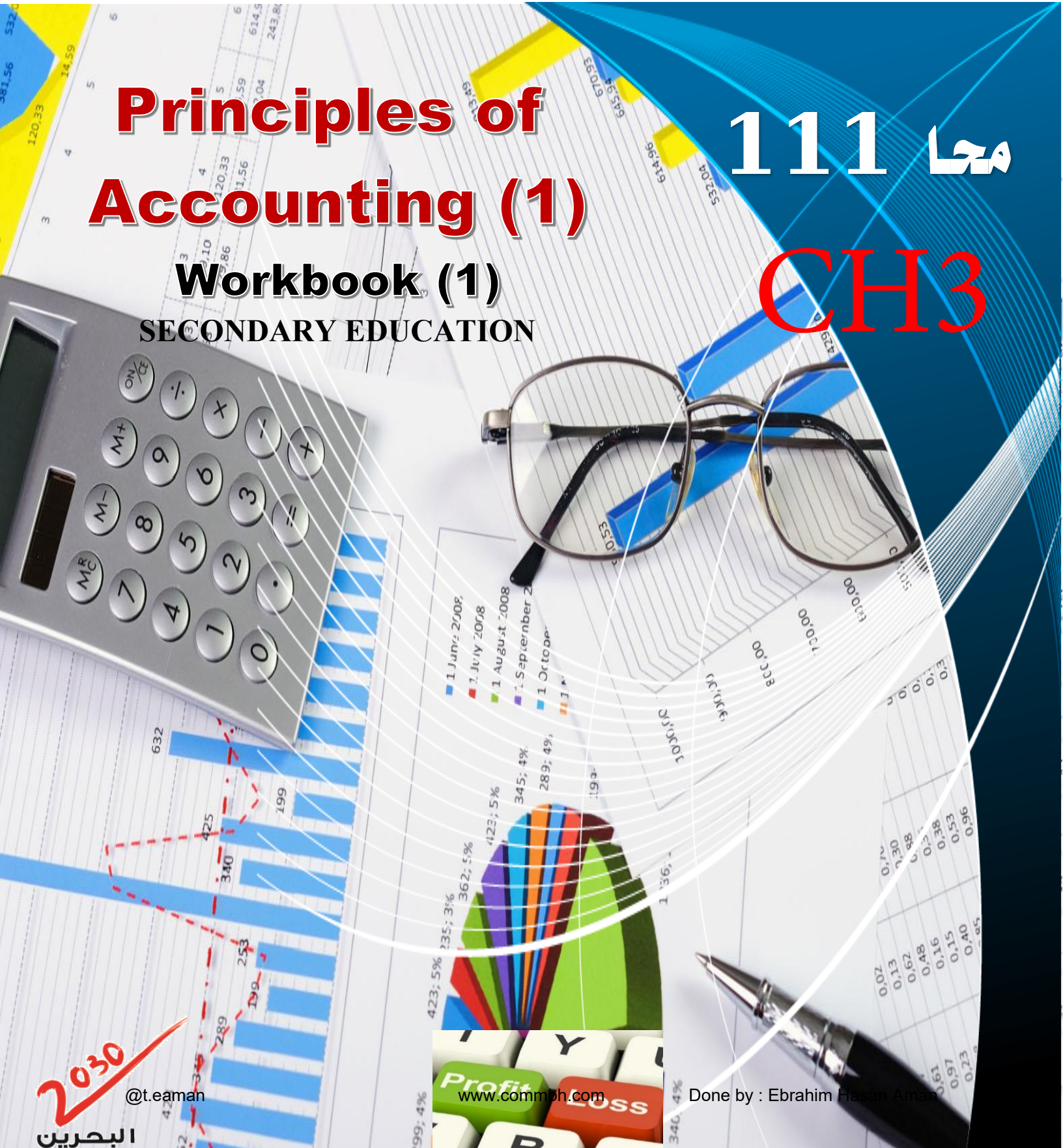
Principles of Accounting (1)

Workbook (1)

SECONDARY EDUCATION

مجا 111

CH3



The Ministry of Education in the Kingdom of Bahrain has approved this workbook to be taught
in secondary schools

PRINCIPLES OF ACCOUNTING (1)

(محا 111)

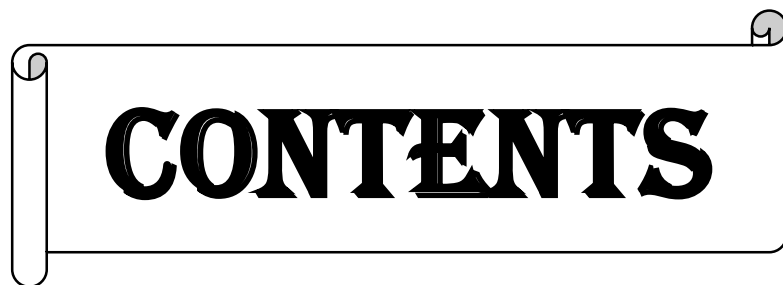
SECONDARY EDUCATION

WORKBOOK (1)

FIRST EDITION

2020 - 1442

All copyright reserved for the Ministry of Education in the Kingdom of Bahrain



CONTENTS

Chapter and Contents Title	Brief Chapter Page
Chapter One: Introduction to Accounting	5
Chapter Two: Accounting in Action	14
Chapter Three: Analyzing and Journalizing Transactions	30
Chapter Four: Posting Journal Entries and Preparing Trail Balance	50
Chapter Five: Preparing Financial Statements for Services Business	73
Chapter Six: Adjusting the Accounts	94
Chapter Seven: Worksheet for Services Business	107

CHAPTER 3

Analyzing and Journalizing Transactions

تنويه مهم

قد تكون هناك بعض الأخطاء الغير مقصودة
وجب التنبيه

Textbook Exercises



Exercises

Exercise (3-1):

Identify the normal balance (debit or credit) for each of the following accounts.

NO.	Account title	Normal balance
1	Account Receivable	DR= Debit
2	Notes Payable	CR= Credit
3	Fees Income	CR
4	Unearned Revenues	CR
5	Salaries Expenses	DR
6	Trucks	DR
7	Prepaid Rent	DR
8	Capital	CR
9	Premises	DR
10	Wages Payable	CR
11	Drawings	DR
12	Equipment	DR

Exercise (3-2):

Indicate whether a debit or credit will decrease the normal balance of the following accounts. (Using ✓ in the appropriate column.)

No.	Account title	Increase in	
		DR	CR
1	Supplies	✓	
2	Lands	✓	
3	Fees Earned		✓
4	Cash	✓	
5	Building	✓	
6	Service Revenues		✓
7	Prepaid Insurance	✓	
8	Capital		✓
9	Motor Van	✓	
10	Interest Payable		✓
11	Drawings	✓	
12	Notes Receivable	✓	

Exercise (3-3):

Identify whether a debit or credit yields the Indicated change for each of the following accounts.

No.	Accounts	Answer
1	To increase furniture	Debit
2	To increase account payable	Credit
3	To increase capital	Credit
4	To increase Drawings	Debit
5	To increase building	Debit
6	To decrease machines	Credit
7	To decrease loans	Debit
8	To decrease cash	Credit
9	To decrease notes receivable	Credit
10	To Increase revenues	Credit

Exercise (3-4):

Selected transactions for Essa Company in his first month of business are as follows.

- Jan, 1 Invested BD40,000 cash in the business.
- Jan, 3 Purchased furniture on credit for BD3,500.
- Jan, 5 Billed customers BD6,200 for services performed.
- Jan, 8 Paid BD1,500 cash to creditor purchased on Jan. 3.
- Jan, 10 Paid BD800 cash for repair expenses.
- Jan, 12 Received BD2,200 cash from customers billed on Jan. 5.
- Jan, 15 Essa withdrew BD1,600 cash for personal use by owner.

Required:

For each transactions, indicate the following.

- (a) The basic type of account debited and credited (Assets, Liability, Owner’s Equity).
- (b) The specific account debited and credited (Cash, Capital, Repair Expenses, Services Revenues, etc.).
- (c) Whether the specific account is increased or decreased.
- (d) The normal balance of the specific account.

Use the following format, in which the January 1 transaction is given as an example.

Date	Account Debited				Account Credited			
	Basic Type. (a)	Specific Account (b)	Effect (c)	Normal Balance (d)	Basic Type. (a)	Specific Account (b)	Effect (c)	Normal Balance (d)
Jan, 1	Assets	Cash	Increase	Debit	Owner’s Equity	Owner’s Capital	Increase	Credit
Jan, 3								
Jan, 5								
Jan, 8								
Jan, 10								
Jan, 12								
Jan, 15								

Exercise (3-5):

Hamad started his business on May 1, 2020. The following selected events and transactions occurred during May.

May 1: Invested BD35,000 cash and BD5000 on equipment in the business.

May 3: Purchased building BD64,000 from Salman. Paid cash BD34,000 and balance on credit.

May 6: Ordered supplies BD2,000 from Ebrahim.

May 8: Completed services to customer for BD4,800 cash.

May 9: Incurred advertising expenses BD1,100 on account.

May 10: Paid the amount due to creditor Salman.

May 15: Paid salaries BD1,400 for cash.

May 18: Withdrew cash BD2,300 for private use.

Required:

Journalize the May transactions.

Answer (3-5): GENERAL JOURNA

Date	Account Title and Explanation	PR	Debit	Credit
May1	Cash		35,000	
	Equipment		5,000	
	Capital			
May3	Building		64,000	
	Cash			34,000
	A/c Payable - Salman			30,000

Answer (3-5): GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
May6	No Effect - No Effect			
May8	Cash		4,800	
	Services Revenue			4,800
May9	Advertising Expenses		1,100	
	A/c Payable			1,100
May10	A/c Payable - Salman		30,000	
	Cash			30,000
May15	Salaries Expenses		1,400	
	Cash			1,400
May18	Drawings		2,300	
	Cash			2,300

Exercise (3-6):

The following transactions were completed during the month of April 2020 for Amina Est.:

April 1: Amina invested cash BD31,000 in the business.

April 5: Purchased Furniture BD1,050 for cash.

April 7: Performed service to Rana BD5,400 on account.

April 9: Paid BD940 for advertising expense.

April 11: Purchased supplies on account for BD650.

April 13: Received BD100 from Rana for the service performed

On April 7.

April 16 Found that BD400 of supplies has been used.

Required:

Prepare the Journal Entries.

Answer 3-6:**GENERAL JOURNAL**

Date	Account Title and Explanation	PR	Debit	Credit
April 1	Cash		31,000	
	Capital			31,000
5	Furniture		1,050	
	Cash			1,050
7	A/c Receivable - Rana		5,400	
	Service Revenue			5,400

Answer 3-6:

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
9	Advertising Expense		940	
	Cash			940
11	Supplies		650	
	A/c Payable			650
13	Cash		100	
	A/c Receivable - Rana			100
16	Supplies		400	
	Supplies Expense			400

Exercises 3-7:

Complete the following journal entries of Hady Company for the month of March 2020. (Using the explanation)

Date	Account Title and Explanation	PR	Debit	Credit
March 1	Cash.....		25,000	
	Capital.....			25,000
	Invested Cash BD25,000 in the Business.			
March 4	Rent Expense....		3,120	
	Cash.....			3,120.
	Paid Cash BD3,120 for office rent.			
March 8	Equipment		3,600	
	A/c Payable.....			3,600
	Purchased equipment on credit.			
March 13	A/c Receivable.....		9,550.	
	Service Revenue.....			9,550.
	Completed services BD9,550 to customer on account.			
March 17	A/c Payable...		1,800	
	Cash.....			1,800
	Paid cash BD1,800 to creditor.			

Exercises 3-8:

An inexperienced bookkeeper made the following entries during the month of July 2020; you are required to **correct the wrong entry**. **In each entry, the explanation is correct.**

Date	Account Title and Explanation	PR	Debit	Credit
July 9	Service Revenues Account Receivable		8,240	
	Account Receivable Service Revenues			8,240
	Performed services BD8,240 to customer on credit.			
July 10	Supplies		1,650 1,560	
	Cash			1,650 1,560
	Purchased supplies BD1,560 for cash.			
July 12	Cash Account Payable		2,500	
	Account Payable Cash			2,500
	Paid cash BD2,500 to creditor.			
July 15	Capital Drawings		7,100 1,700	
	Cash			7,100 1,700
	Withdrew cash BD1,700 for personal.			
July 19	Account Receivable Cash		18,000	
	Cash Account Receivable			18,000
	Received cash BD18,000 from account receivable.			

Extra Exercise



Exercise (3-1):

Choose the correct answer.

1. The debit side of the journal entry is:
 - a) + Assets +Expense +Liabilities + Capital
 - b) **+ Assets +Expense - Liabilities - Capital**
 - c) + Assets - Expense +Liabilities - Capital
 - d) - Assets +Expense - Liabilities + Capital

2. Fahad Est, Invested Cash BD32,000 in the business. The journal entry should be:
 - a) Debit cash and credit revenue
 - b) Debit cash and credit account receivable
 - c) Debit capital and credit cash
 - d) **Debit cash and credit capital**

3. Paid salary expense BD450. The journal entry should be:
 - a) Debit cash and credit salary expense
 - b) **Debit salary expense and credit cash**
 - c) Debit salary expense and credit account payable
 - d) Debit salary expense and credit capital

4. All the following are on the Debit side except:
 - a) Increase in Assets
 - b) Increase in Drawings
 - c) **Increase in Revenue**
 - d) Increase in Expense

Exercise (3-2):

Complete the following table by classifying the account into: Assets, Liabilities, Owners equity, Revenue, Expense, and Debit or Credit for the increase and decrease:

Account	classification	Increase	Decrease
Truck	Assets	DR=Debit	CR = Credit
Supplies used	Expense,	DR=Debit	CR = Credit
Fees earned	Revenue	CR = Credit	DR=Debit
Loan	Liabilities	CR = Credit	DR=Debit
Notes receivable	Assets	DR=Debit	CR = Credit
Capital	Owners equity	CR = Credit	DR=Debit
Rent expense	Expense	DR=Debit	CR = Credit
Account payable	Liabilities	CR = Credit	DR=Debit

Exercise (3-3):

Place (✓) for the transactions that should be recorded in the general journal and (X) for those that should not be recorded.

X	Hired an employee with a salary of BD 500 monthly.
✓	Paid BD 100 for the telephone bill.
✓	Withdrew BD 40 for personal use.
X	Decided to purchase supplies for BD 550.
X	Ordered a new photocopy machine at the price of BD 600.
✓	Preformed service BD250 cash to a customer.

Exercise (3-4):

Complete the following journal entries of ABC Company for the month of June 2020. (Using the explanation)

Date	Account Title and Explanation	PR	Debit	Credit
June 1	Cash.....		45,000	
	Equipment		25,000	
	Capital.....			70,000
	Invested cash and equipment in the business.			
June 6	Electricity Exp		200	
Cash.....			200..
	Paid for electricity.			
June 14	Furniture.....		400..	
	...Account Payable			400..
	Bought furniture BD 400 on account.			
June 20	Cash.....		370..	
	Services Revenue.....			370..
	Received BD 370 for service preformed.			
June 26	Account Payable		400..	
	Cash.....			400.....
	Paid the amount due to the creditor.			

Exercise (3-5):

Mohammed Jasim started his business MJ cleaning services; he completed the following transaction during March 2020:

01. Invested BD50,000 cash and BD5,000 truck in the business.
03. Completed cleaning service for Faisal co. for BD750, and received BD300 cash.
07. Purchased equipment for BD6,500 on credit.
13. Paid salaries for BD800.
17. Withdrew BD100 for private use.
19. Collected the amount due from Faisal co.
23. Paid the 40% of the balance due from transaction (March 07). $6,500 \times 40\% = 2600$
27. BD 250 of supplies were used.

Required:

Record the above transactions in the General journal.

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
01	Cash		50,000	
	Truck		5000	
	Capital			55,000

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
03	Cash		300	
	Account Receivable - Faisal		450	
	Services Revenue			750
07	Equipment		6500	
	Account payable			6500
13	Salaries exp		800	
	Cash			800
17	Drawings		100	
	Cash			100
19	Cash		450	
	Account Receivable - Faisal			450
	Account payable		2600	
23	Cash			2600
27	Supplies Exp		250	
	Supplies			250

Exercise (3-6):

Al Noor Est. had the following transactions in April 2020:

- 01. Invested BD 10,000 cash in the business.
- 04. Purchased Supplies for BD 220 cash.
- 09. Paid wages expense for BD 900.
- 15. Suggested to buying a new machine for BD 6,600.
- 18. Performed a service for BD 500 on account.
- 21. Purchase equipment for BD 300 on credit.
- 24. Received 50% of the amount due from the debtors. $500 \times 50\% = 250$
- 29. Paid the amount due to creditors.

Required:

Record the above transactions in the General journal.

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
01	Cash		10,000	
	Capital			10,000
04	Supplies		220	
	Cash			220

GENERAL JOURNAL

Date	Account Title and Explanation	PR	Debit	Credit
09	Wages Expense		900	
	Cash			900
15	No Entry or NO effect			
18	Account receivable		500	
	Services Revenue			500
21	Equipment		300	
	Account Payable			300
24	Cash		250	
	Account receivable			250
29	Account Payable		300	
	Cash			300