Financial Accounting 1 Summary

تلخيص المحاسبة المالية 1

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- التلخيص شامل لكل الكتاب والتشابترات المطلوبة (ما في داعي ترجع لأي اشي غير هاد التلخيص) وكمان العديد من الأسئلة الإضافية بعد كل شابتر ✅✅✅
- التلخيص خاص ، لتعميم الإستفادة تم نشره ، فلذلك ليس لي أي علاقة في كيفية دراستك للتلخيص وعلاماتك ، (يعني إذا ما درست ما تحط الحق ع ضياء😂😂)

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CHAPTER 1

Accounting in Action

المحاسبة في العمل

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Accounting consists of three basic activities—it **identifies**, **records**, and **communicates**

المحاسبة تتكون من 3 نشاطات اساسية : التعريف و التسجيل و التواصل .

- The economic events of an organization to interested users.

الأحداث الاقتصادية للمؤسسة يتم تسجيلها و تنظيمها للمستخدمين المهتمين.

Three Activities

1. **Identifies:** select economic events (transactions) — **التعريف**: تحدد الاحداث الاقتصادية (المعاملات)
2. **Records:** Records, classify, and summarize. — **التسجيل**: التسجيل و التصنيف و التلخيص
3. **Communicates:** prepare accounting reports " Analyze and interpret for users"

التواصل: اعداد التقارير المحاسبية " ما يميزها التحليل و التفسير للمستخدمين"

*** The accounting process includes the bookkeeping function.**

العملية المحاسبية تتضمن وظيفة مسك الدفاتر (العملية المحاسبية: عملية تحديد الاحداث التي يكون لها تاثير مالي و عملية تسجيلها وتوصليها عن طريق عمل تقارير محاسبية ومن ثم تحليلها) **والشخص** الذي يقوم بهذه الخطوات يسمى بال bookkeeper

Who Uses Accounting Data: من يستخدم البيانات المحاسبية

1. INTERNAL USERS: SUCH AS المستخدمون الداخليون: مثل

- **Marketing** "what price should Apple charge for an iPod to maximize the company's net income?

  التسويق: "ما هو السعر الذي يجب أن تتقاضاه Apple مقابل iPod لزيادة صافي دخل الشركة إلى الحد الأقصى؟

- **Management:** "Which PepsiCo product line is the most profitable? Should any products lines be eliminated? "

  الإدارة: "أي خط انتاج لشركة PepsiCo هو الأكثر ربحية؟ هل يجب التخلص من أي خطوط منتجات؟"

- **Finance** "Is cash sufficient to pay dividends to Microsoft stockholders?"

  التمويل "هل التدفق النقدي "الكاش" كافي لدفع أرباح الأسهم لمساهميMicrosoft ؟"

- **Human Resources** "Can General Motors afford to give its employees pay raises this year?"

  الموارد البشرية "هل تستطيع جنرال موتورز دفع زيادات في رواتب موظفيها هذا العام؟"

2. EXTERNAL USERS "المستخدمون الخارجيون"

- **Creditors:** Will United Airlines be able to pay its debts as they come due?

  الدائنون: هل ستكون شركة يونايتد ايرلاينز قادرة على سداد ديونها عند استحقاقها؟

- **Investors**: " IS General Electric earning satisfactory income?"

  المستثمرين: "هل تحقق شركة جنرال إلكتريك دخلاً مرضيًا؟"

Ethics in Financial Reporting أخلاقيات إعداد التقارير المالية

- Effective financial reporting depends on sound ethical behavior.

إعداد التقارير المالية الفعالة يعتمد على السلوك الأخلاقي السليم.

Generally Accepted Accounting Principles مبادئ المحاسبة المتعارف عليها و المقبولة

اختصارها : GAAP

Standards that are generally accepted and universally practiced. These standards indicate how to report economic events.

المعايير المقبولة عمومًا والممارسة عالميًا. تشير هذه المعايير إلى كيفية الإبلاغ عن الأحداث الاقتصادية " المعايير الذي على أساسها تحضر القوائم المالية " .

Financial Statements "القوائم المالية"

- Balance Sheet — "الميزانية العمومية"
- Income Statement — "قائمة الدخل"
- Statement of Owner's Equity — "قائمة رأس المال"
- Statement of Cash Flows — "قائمة التدفق النقدي"
- Note Disclosure — "المعلومات الاضافية "الإفصاحات"

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IFRS: international financial reporting standards المعايير الدولية للتقارير المالية

تعتمدها 120 دولة حول العالم من بينهم فلسطين

Standard-setting bodies: "الهيئات التي تحدد المعايير" (المطلوب منهم الذكر + حفظ الاختصارات)

- Financial Accounting Standards Board (**FASB**) "مجلس معايير المحاسبة المالية"
- Securities and Exchange Commission (**SEC**) "لجنة الأوراق المالية و البورصات "
- International Accounting Standards Board (**IASB**) "مجلس معايير المحاسبة الدولية"

ملاحظة : IFRS يوجد فيها مرونة اما GAAP فهي قوانين وذلك لان IFRS دولية تمشي على المبدأ اما GAAP فهي فقط أمريكية .

Measurement Principles "مبادئ القياس"

1- **HISTORICAL COST PRINCIPLE (or cost principle)** dictates that companies record assets at their cost.

مبدأ التكلفة التاريخية (أو **مبدأ التكلفة**) يفرض على الشركات تسجيل الأصول على نفقتها "حسب التكلفة".

مثال : شركة ما قامت بشراء ارض في رام الله تكلفتها على سبيل المثال $100000 عام 2015 ، عندما تقوم بتحضير الميزانية يجب عليها ان تتظهر تكلفتها التاريخية "$100000"

2- **FAIR VALUE PRINCIPLE** states that assets and liabilities should be reported at fair value (the price received to sell an asset or settle a liability).

ينص **مبدأ القيمة العادلة** على أنه يجب الإبلاغ عن الأصول والخصوم بالقيمة العادلة (السعر المستلم لبيع أصل أو لتسوية التزام).

" تستخدم لبعض الاصول مثل الاسهم"

مثال : شركة بالتل اشترت أرض بقيمة $450,000 في سنة 2020 ، وفي سنة 2022 كان قيمة الأرض $600,000 ، فاحنا منسجل قيمة الأرض في دفاترنا بقيمة $600,000

Assumptions الفرضيات

1- **MONETARY UNIT ASSUMPTION** requires that companies include in the accounting records only transaction data that can be expressed in terms of money.

افتراض الوحدة النقدية يتطلب أن تُدرج الشركات في السجلات المحاسبية فقط بيانات المعاملات التي يمكن التعبير عنها من حيث المال

(مثلا انا كل معاملاتي بالدولار الامريكي الي هو معروف و متداول ومقبول لدى الجميع)

2- **ECONOMIC ENTITY ASSUMPTION** requires that activities of the entity be kept separate and distinct from the activities of its owner and all other economic entities.

يتطلب **افتراض الكيان الاقتصادي** أن تظل أنشطة الكيان منفصلة ومتميزة عن أنشطة مالكها وجميع الكيانات الاقتصادية الأخرى.

Forms of Business Ownership "اشكال ملكية الاعمال"

1. Proprietorship "الملكية الفردية "

- ✓ Owned by one person "يمتلكها شخص واحد "
- ✓ Owner is often manager/operator " المالك عادة يكون مدير او عامل "
- ✓ Owner receives any profits, suffers any losses, and is personally liable for all debts "unlimited liability" يتقاضى المالك أي أرباح ويتكبد أي خسائر ويكون مسؤولاً شخصياً عن جميع الديون

2. Partnership "الشراكة "

- ❖ Owned by two or more persons "يمتلكها شخصان او اكثر "
- ❖ Often retail and service-type businesses " في كثير من الأحيان الخدمات تكون تجارة التجزئة"
- ❖ Generally unlimited personal liability "مسؤولية شخصية غير محدودة بشكل عام "
- ❖ Partnership agreement "تكون الشراكة باتفاقيات"

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3. Corporation "الشركة المساهمة"

- Ownership divided into shares of stock "الأسهم تعبر عن ملكية الشركة"
- Separate legal entity organized under state corporation law .
"التسجيل القانوني منفصل منظم بموجب قانون الشركات الحكومية "
- Limited liability
"مسؤولية محدودة " (بمعنى اذا حدثت خسارة للشركة فانه يتم خسارة الاسهم كحد اعلى وليس الاموال الشخصية"

the accounting equation, and its components المعادلة المحاسبية،ومكوناتها

Assets = Liabilities + Owner's Equity

الأصول "الموجودات" = الالتزامات "الديون" + الملكية (رأس المال)

Basic Accounting Equation معادلة المحاسبة المالية

- Provides the underlying framework for recording and summarizing economic events.
يوفر الإطار الأساسي لتسجيل الأحداث الاقتصادية وتلخيصها.
- Assets are claimed by either creditors or owners. الأصول يطالب بها الدائنون أو المالكون
- **If a business is liquidated,** claims of creditors must be paid before ownership claims.
إذا تم تصفية شركة ، فيجب دفع مطالبات الدائنين قبل مطالبات الملكية.

1. Assets "الأصول"

- Resources a business owns. "الموارد التي يمتلكها النشاط التجاري"
- Provide future services or benefits. "يمكن الاستفادة منها في المستقبل"
- Cash, Supplies, Equipment, etc. "أمثلة عليها : الكاش ، المستلزمات ، المعدات ، الخ"

2. Liabilities "الالتزامات "

- Claims against assets (**debts and obligations**).
المطالبات يتم سدها من الاصول "الموجودات" ، و التي هي عبارة عن **الديون والالتزمات** .
- Creditors (party to whom money is owed).
الدائنون " الطرف الذي تدين له الأموال "
- Accounts Payable, Notes Payable, Salaries and Wages Payable, etc.
أمثلة : الذمم "الحسابات" الدائنة ، أوراق الدفع "كومبيالة" ، الرواتب ، الاجور ، الخ.

3. Owner's Equity "حقوق الملكية"

- Ownership claims on total assets. المطالبة يملكها الاصول الاجمالية .
- Referred to as residual equity. يشار اليها انها حقوق ملكية متبقية.
- Investment by owners and revenues (+)
زيادة الاستثمار "رأس المال" من قبل الملاك يعمل على زيادة الايرادات
- Drawings and expenses (-).
المسحوبات الشخصية من قبل المالك و النفقات تعمل على تقليل الايرادات "خسارة " .

المعادلة الأساسية	الأصول	=	الالتزامات	+	الملكية			
Basic Equation	Assets	=	Liabilities	+	Owner's Equity			
Expanded Equation	Assets	=	Liabilities	+	Owner's Capital	− Owner's Drawings	+ Revenues	− Expenses
المعادلة التفصيلية	الأصول	=	الديون "الالتزامات"	+	بداية رأس المال في اول فترة	- المسحوبات الشخصية	+ العوائد	- النفقات

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1. **Increases in Owner's Equity** **"الزيادات في حقوق الملكية"**
   - **Investments by owner** are the assets the owner puts into the business.
     استثمارات المالك هي الأصول التي يضعها المالك في العمل.
   - **Revenues** result from business activities entered into for the purpose of earning income.
     الإيرادات الناتجة من الأنشطة التجارية التي تم الدخول فيها بغرض كسب الدخل // أو بمعنى اخر **" تنتج الايرادات من عملية تقديم خدمة أو بيع بضاعة "**
     - **Common sources of revenue** are: sales, fees, services, commissions, interest, dividends, royalties, and rent.
       مصادر الدخل الشائعة هي: المبيعات ، والرسوم ، والخدمات ، والعمولات ، والفوائد ، وتوزيعات الأرباح ، والإتاوات ، والإيجارات.

2. **Decreases in Owner's Equity** "تناقص حقوق الملكية"
   - **Drawings** An owner may withdraw cash or other assets for personal use.
     المسحوبات الشخصية : يجوز للمالك سحب النقود أو الأصول الأخرى للاستخدام الشخصي.
   - **Expenses** are the cost of assets consumed or services used in the process of earning revenue.
     المصروفات هي تكلفة الأصول المستهلكة أو الخدمات المستخدمة في عملية كسب الإيرادات.
     - **Common expenses** are: salaries expense, rent expense, utilities expense, tax expense, etc.
       المصروفات الشائعة هي: مصروفات المرتبات "الرواتب" ، مصاريف الإيجار ، الفواتير ، مصروفات الضرائب ، إلخ.

Ex: Classify the following items as investment by owner, owner's drawings, revenue, or. expenses Then indicate whether each item increases or decreases owner's equity.

مثال: **صنف العناصر التالية على أنها** استثمار من قبل المالك ، أو المسحوبات الشخصية ، أو الإيرادات ، أو. المصاريف ثم حدد ما إذا كان كل عنصر يزيد أو ينقص حقوق ملكية المالك.

	Classification التصنيف	Effect On Equity التأثير على حقوق الملاك
1. Rent Expense مصاريف الآجار	Expense	Decrease
2. Service Revenue إيرادات الخدمات	Revenue	Increase
3. Drawings المسحوبات الشخصية	Drawings	Decrease
4. Salaries and Wages Expense مصاريف الرواتب والآجور	Expense	Decrease

Transactions are a business's economic events recorded by accountants.

المعاملات هي الأحداث الاقتصادية التي لها تاثير اقتصادي في حسابات الشركة **"حسابات الشركة هي عبارة عن**

Assets = Liabilities + Owner's Equity"

- May be external or internal. هذه الاحداث يمكن ان تكون داخل الشركة أو خارجها.
- Not all activities represent transactions ليست كل الاحداث لها تاثير اقتصادي في حسابات الشركة
- Each transaction has a dual effect on the accounting equation.
  لكل معاملة تأثير مزدوج على المعادلة المحاسبية.

Ex: Are the following events recorded in the accounting records?

على سبيل المثال: هل الأحداث التالية مسجلة في السجلات المحاسبية؟

Purchase computer شراء حاسوب	**Yes recorded**
Discuss product design with potential customer مناقشة شكل بضاعة معينة مع زبون	**No recorded**
Pay rent دفع إيجار	**Yes recorded**

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سؤال للحل عن المعاملات Transactions :

TRANSACTION 1. INVESTMENT BY OWNER Ray Neal decides to start a smartphone app development company which he names soft byte. On September 1, 2017, he invests $15,000 cash in the business. This transaction results in an equal increase in assets and owner's equity.

المعاملة 1. الاستثمار من قبل المالك قرر Ray Neal بدء شركة تطوير تطبيقات الهواتف الذكية التي سماها **Soft byte**.في 1 سبتمبر 2017 ، استثمر 15000 دولار نقدًا في العمل. تؤدي هذه المعاملة إلى زيادة متساوية في **الأصول وحقوق الملكية**.

يعني هون قام المالك بدفع 15000 كاش نقديا وهذا يعد كذلك الامر الاستثمارات الشخصية لهذا المالك في المعاملات .

TRANSACTION 2. PURCHASE OF EQUIPMENT FOR CASH Soft byte Inc. purchases computer equipment for $7,000 cash.

المعاملة 2. شراء المعدات للنقد تشتري شركة Softbyte Inc. أجهزة كمبيوتر مقابل 7000 دولار أمريكي نقدًا.

في هاي المعاملة تم دفع ما قيمته 7000 دولار نقدا من الكاش الي تم استثماره من المالك كمعدات .

TRANSACTION 3. PURCHASE OF SUPPLIES ON CREDIT Soft byte Inc. purchases for $1,600 headsets and other accessories expected to last several months. The supplier allows Soft byte to pay this bill in October.

المعاملة 3. شراء الإمدادات على **كريديت** Soft byte Inc. مقابل 1,600 دولار أمريكي لسماعات الرأس وغيرها من الملحقات التي يتوقع أن تستمر لعدة أشهر. يسمح المورد لشركة Soft byte بدفع هذه الفاتورة في أكتوبر.

**** اذا هون عنا اشترى المالك لوازم ولكن على كريديت وهو مستحق للدفع ولكن لاحقا "ليس نقدا "**

TRANSACTION 4. SERVICES PERFORMED FOR CASH Soft byte Inc. receives $1,200 cash from customers for app development services it has performed.

المعاملة 4. الخدمات المُقدّمة لـ CASH ، تتلقى شركة Soft byte Inc. مبلغ 1200 دولارًا أمريكيًا نقدًا من العملاء مقابل خدمات تطوير التطبيقات التي قدمتها.

** هون عنا الشركة تلقت مبلغ 1200$ وهذا يعتبر من العوئد للشركة وحصلت عليه نقدا اي كاش .

TRANSACTION 5. PURCHASE OF ADVERTISING ON CREDIT Soft byte Inc. receives a bill for $250 from the *Daily News* for advertising on its online website but postpones payment until a later date.

المعاملة 5. شراء الإعلان على الائتمان تتلقى شركة Soft byte Inc. فاتورة بقيمة 250 دولارًا أمريكيًا من صحيفة ديلي نيوز للإعلان على موقعها على الإنترنت ولكنها تؤجل الدفع حتى تاريخ لاحق.

هون عنا مستحق للدفع 250$ وهذا يعتبر من المصروفات ولكن لا يدفع في الوقت يوجل الى ان يأخذ الاعلان او ينشر .

TRANSACTION 6. SERVICES PERFORMED FOR CASH AND CREDIT. Soft byte performs $3,500 of services. The company receives cash of $1,500 from customers, and it bills the balance of $2,000 on account.

المعاملة 6. الخدمات المنفذة للنقد والائتمان. تقدم Soft byte خدمات بقيمة 3500 دولار. تتلقى الشركة مبلغًا نقديًا قدره 1500 دولار من العملاء ، وتقوم بفواتير رصيد بقيمة 2000 دولار على الحساب.

هون عنا الشركة دفع اجد زبائنها 1500 دولار و عطى الشركة فواتير 2000 دينار على الحساب يعني الشركة تلقت 3500 عوائد اخذت 1500 كاش و الحساب المستحق هو 2000 .

TRANSACTION 7. PAYMENT OF EXPENSES Soft byte Inc. pays the following expenses in cash for September: office rent $600, salaries and wages of employees $900, and utilities $200.

المعاملة 7. دفع النفقات تدفع شركة Soft byte Inc. النفقات التالية نقدًا لشهر سبتمبر: إيجار المكتب 600 دولار ، ورواتب وأجور الموظفين 900 دولار ، والمرافق 200 دولار.

هون عنا الشركة بتدفع نقدا يعني كاش 1700$ يعني بنقصن من الكاش ولكن التوضيحات لازم تيجي عند المصروفات لانو الايجار 600$ و اجور الموظفين 900$ و المرافق 200$ هاي التفاصيل منحتاج نوضحها عند التفاصيل .

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TRANSACTION 8. PAYMENT OF ACCOUNTS PAYABLE Soft byte Inc. pays its $250 *Daily News* bill in cash. The company previously (in Transaction 5) recorded the bill as an increase in Accounts Payable.

المعاملة 8. دفع الحسابات المستحقة الدفع تدفع شركة Soft byte Inc. فاتورة "أخبار يومية" بقيمة 250 دولارًا أمريكيًا نقدًا. سجلت الشركة سابقًا (في المعاملة 5) الفاتورة كزيادة في الحسابات الدائنة.

هون دفعت الشركة ما مقداره $250 من الكاش نقدا وهذا يعتبر من المستحق للدفع من قبل الشركة

TRANSACTION 9. RECEIPT OF CASH ON ACCOUNT Soft byte Inc. receives $600 in cash from customers who had been billed for services (in Transaction 6).

المعاملة 9. استلام النقد على الحساب تتلقى شركة Soft byte Inc. 600 دولارًا أمريكيًا نقدًا من العملاء الذين تم تحرير فواتيرهم مقابل الخدمات (في المعاملة 6).

هون بهاي المعاملة كان **بمعاملة رقم 6** دفع احد الزبائن من $2000 الي عليه $600 فهون دفعهم نقدا يعني منضيفهم ع الكاش ولكن منيجي منقصهم من الحسابات المستحقة لانو وصلني فعليا وخلصت منهم .

TRANSACTION 10. WITHDRAWAL OF CASH BY OWNER Ray Neal withdraws $1,300 in cash in cash from the business for his personal use.

المعاملة 10. سحب المال النقدي من قبل المالك يسحب Ray Neal 1300 دولار نقدًا نقدًا من الشركة لاستخدامه الشخصي.

هون انسحب من المال نقديا من قبل المالك $1300 من الشركة فهاد يعتبر من المصروفات الشخصية للمالك وسحبهم نقدا يعني بنقص من الكاش مقدار $1300 .

يتم توضيحهم بالأسفل مع الصورة لكيفية شرح المعاملات

هون عنا توضيح للي انشرح فوق كل معاملة وكيف تم التصنيف تبعها ..

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	Assets				= Liabilities +		Owner's Equity		
Trans-action	Cash +	Accounts Receivable +	Supplies +	Equipment =	Accounts Payable +	Owner's Capital	- Owner's Drawings	+ Rev.	- Exp.
1.	+15,000					+15,000			
2.	-7,000			+7,000					
3.			+1,600		+1,600				
4.	+1,200							+1,200	
5.					+250				-250
6.	+1,500	+2,000						+3,500	
7.	-1,700								-600 -900 -200
8.	-250				-250				
9.	+600	-600							
10.	-1,300						-1,300		
	$18,050				$18,050				

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قوانين لازم نعرفهم ضروري "تصنيفات مهمة"

Assets = Cash + Accounts Receivable + Supplies + Prepaid insurance + Equipment (Deduct Accumulated Depreciation)

الأصول = النقد + الذمم المدينة + اللوازم + التأمين المدفوع مسبقاً + المعدات (ناقصا منها الإستهلاك المتراكم للآلة)

Liabilities = Notes Payable + Accounts Payable + Interest Payable + Unearned Service Revenue + Salaries and Wages Payable

الإلتزامات = أوراق الدفع + الحسابات الدائنة + الفوائد المستحقة للدفع + إيرادات الخدمات غير المكتسبة + الرواتب والأجور المستحقة الدفع

Owners' equity = Owner's Capital - Owner's Drawing + Net income + Additional Investment

حقوق الملكية = رأس مال المالك - سحوبات المالك + صافي الدخل + الاستثمار الإضافي

Net income = Revenue – Expenses **صافي الدخل = الإيرادات - المصروفات**

Revenue = Service Revenue + sales + fees+ commissions+ interest+ dividends+ royalties+ rent.

الإيرادات = إيرادات الخدمة + إيرادات المبيعات + الرسوم + العمولات + الفوائد + الأرباح + الإتاوات + الإيجار.

Expense = salaries expense+ rent expense+ utilities expense+ tax expense+ Depreciation expense

المصروفات = مصروفات الرواتب + مصاريف الإيجار + مصروفات المرافق + مصروفات الضرائب + مصروفات الإهلاك

Summary of Transactions "ملخص المعاملات"

1. **Each transaction is analyzed in terms of its effect on: "يتم تحليل كل معاملة من حيث تاثيرها على"**
   a) The three components of the basic accounting equation. المكونات الثلاثة للمعادلة المحاسبية الأساسية
   b) Specific of items within each component. محدد من العناصر داخل كل مكون
2. **The two sides of the equation must always be equal. يجب أن يكون طرفا المعادلة متساويين دائمًا**

Financial Statements البيانات المالية

Companies prepare four financial statements تقوم الشركات بإعداد أربعة بيانات مالية

1. **Income Statement** **"بيان الدخل"**
2. **Owner's Equity Statement** **"بيان حقوق الملكية"**
3. **Balance Sheet** **"الميزانية العمومية"**
4. **Statement of Cash Flows** **"بيان التدفقات النقدية"**

Net income is needed to determine the ending balance in owner's equity.

صافي الدخل ضروري لتحديد الرصيد النهائي في حقوق الملكية.

يوجد لدينا صورة هنا تتحدث عن البيانات المالية وعلاقاتهم المتبادلة سيتم شرحها عن البيانات المالية لشركة SOFTBYTE

**** هون رح نشرح بشكل مبسط عن أربعة بيانات مالية تقوم لاشركة بإعداداها**

1. **Income Statement بيان الدخل**

SOFTBYTE اسم الشركة: **Income Statement بيان الدخل** For the Month Ended September 30,2017		
Revenues		
Service Revenue إيرادت الخدمات		$4,700
Expenses		
salaries and Wages expense الرواتب	$900	
Rent expense مصاريف الآجار	600	
Advertising expense مصاريف الدعاية	250	
Utilities expense مصاريف المرافق	200	
Total expense مجموع المصاريف		1,950
Net income صافي الدخل		**$2,750**

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2. Owner's Equity Statement بيان حقوق الملكية

SOFTBYTE اسم الشركة Owners' Equity Statement بيان حقوق الملكية For the Month Ended September 30,2017		
Owners' capital, September 1		0
Add: Investment الإستثمارات	$15,000	
Net Income صافي الدخل	2,750	17,750
Less: Drawing السحوبات		- 1,300
Owners' capital, September 30		**$16,450**

The ending balance in owner's equity is needed in preparing **the balance sheet**.
الرصيد النهائي في حقوق المالك مطلوب في إعداد **الميزانية العمومية.**

3. Balance Sheet الميزانية العمومية

SOFTBYTE Balance sheet الميزانية العمومية For the Month Ended September 30,2017		
Assets الأصول		
Cash النقد		$ 8,050
Accounts receivable ذمم مدينة		1,400
Supplies اللوازم		1,600
Equipment المعدات		7,000
Total assets إجمالي الأصول		**$18,050**
Liabilities and Owners Equity الإلتزامات وحقوق الملكية		
Liabilities		
Accounts payable		$ 1,600
Owners' Equity		
Owners' capital		16,450
Total Liabilities and Owners' Equity		**$18,050**

4. Statement of Cash Flows بيان التدفقات النقدية

SOFTBYTE Statement of cash flow بيان التدفقات النقدية For the Month Ended September 30,2017		
Cash Flows from Operating activities		
Cash receipts from revenues		$3,300
Cash Payment from expenses		(1,950)
Net cash Provided by Operating activities		$1,350
Cash Flows from investing activities		
Purchases of equipment		(7,000)
Cash Flows from financing activities		
Investment by owner	$15,000	
Drawing by owner	(1,300)	13,700
Net increase in cash		**8,050**
Cash at the beginning of the period		0
Cash at the end of the period		**8,050**

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Balance sheet and income statement are needed to prepare statement of cash flows.
الميزانية العمومية وبيان الدخل ضروريان لإعداد بيان التدفقات النقدية.

1. Income Statement بيان الدخل

- Reports the revenues and expenses for a specific period of time.
  تقارير الإيرادات والمصروفات لفترة زمنية محددة.
- Lists revenues first, followed by expenses. منضع الإيرادات أولا ، تليها المصروفات
- Shows net income (or net loss). يظهر صافي الدخل (أو صافي الخسارة)
- Does not include investment and withdrawal transactions between the owner and the business in measuring net income.
  لا تشمل معاملات الاستثمار والسحب بين المالك والمنشأة في قياس صافي الدخل.

2. Owner's Equity Statement بيان حقوق الملكية

- Reports the changes in owner's equity for a specific period of time.
  الإبلاغ عن التغييرات في حقوق ملكية المالك لفترة زمنية محددة.
- The time period is the same as that covered by the income statement.
  الفترة الزمنية هي نفسها التي يغطيها بيان الدخل.

3. Balance Sheet الميزانية العمومية

- Reports the assets, liabilities, and owner's equity at a specific date.
  تقارير الأصول والإلتزامات وحقوق الملكية في تاريخ محدد
- Lists assets at the top, followed by liabilities and owner's equity.
  يسرد الأصول في الجزء العلوي ، متبوعًا بالإلتزامات وحقوق الملكية
- Total assets must equal total liabilities and owner's equity.
  يجب أن يساوي إجمالي الأصول إجمالي الإلتزامات وحقوق ملكية المالك
- Is a snapshot of the company's financial condition at a specific moment in time (usually the month-end or year-end).
  عبارة عن لقطة سريعة للوضع المالي للشركة في وقت محدد (عادةً في نهاية الشهر أو نهاية العام).

4. Statement of Cash Flows بيان التدفقات النقدية

1. Information on the cash receipts and payments for a specific period of time.
   معلومات عن المقبوضات والمدفوعات النقدية لفترة زمنية محددة.
2. **Answers the following:** **"يجيب على ما يلي "**
   - Where did cash come from? من أين اتت النقود
   - What was cash used for? ما الغرض من استخدام النقود
   - What was the change in the cash balance? ما هو التغيير في الرصيد النقدي

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الأسئلة الإضافية

هذه الأسئلة كافية لمن يريد دراستها " ليس هنا ترجمة ، لأن الإمتحانات تكون باللغة الإنجليزية"

Q1. Circle the correct answer

1. **The accounting process includes each of the following except**
   a. communication.
   b. convergence.
   c. identification.
   d. recording.

2. **Which of the following events cannot be quantified into dollars and cents and recorded as an accounting transaction?**
   a. The appointment of a new accounting firm to perform an audit.
   b. The purchase of a new computer.
   c. The sale of store equipment.
   d. Payment of income taxes.

3. **The accounting process involves all of the following except**
   a. identifying economic events that are relevant to the business.
   b. communicating financial information to users by preparing financial reports.
   c. recording non quantifiable economic events.
   d. analyzing and interpreting financial reports.

4. **Which of the following techniques is not used by accountants to interpret and report financial information?**
   a. Graphs.
   b. Special memos for each class of external users.
   c. Charts.
   d. Ratios.

5. **Bookkeeping primarily involves which of the following parts of the accounting process?**
   a. Identification.
   b. Communication.
   c. Recording.
   d. Analysis.

6. **Which of the following would not be considered internal users of accounting data for a company?**
   a. The president of a company.
   b. The controller of a company.
   c. Creditors of a company.
   d. Salesmen of a company.

7. **Which of the following is an external user of accounting information?**
   a. Labor unions.
   b. Finance directors.
   c. Company officers.
   d. Managers.

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8. Internal users of accounting information include all of following except the
a. CEO of Sony.
b. Human Resources department at Hyundai.
c. Marketing department at Braun.
d. Shareholders of Airbus.

9. External users of accounting information include the
a. international Accounting Standards Board.
b. shareholders of Ferragamo.
c. Marketing department at Olivetti.
d. CEO of Air Italy.

10. Financial accounting provides economic and financial information for each of the following except
a. creditors.
b. investors.
c. managers.
d. other external users.

11. Ethics are the standards of conduct by which one's actions are judged as
a. right or wrong.
b. honest or dishonest.
c. fair or unfair.
d. All of these answer choices are correct.

12. The historical cost principle requires that companies record assets at their
a. appraisal value.
b. **cost.**
c. market price.
d. list price.

13. GAAP stands for
a. Generally Accepted Auditing Procedures.
b. Generally Accepted Accounting Principles.
c. Generally Accepted Auditing Principles.
d. Generally Accepted Accounting Procedures.

14. The Duce Company has five plants nationwide that cost $200 million. The current fair value of the plants is $500 million. The plants will be recorded and reported as assets at
a. $200 million. b. $700 million. c. $300 million. d. $500 million.

15. The fair value principle
a. is one of the two costing principles followed by the IASB.
b. is more useful than the historical cost principle for valuing some assets.
c. dictates that an asset should be valued at the price at which it could be sold.
d. All of these answer choices are correct.

16. Most assets should be valued at cost because fair values
a. are not useful for decision-making. **b. may not be representationally faithful.**
c. are not relevant. d. may be higher or lower than historical cost.

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17. Harrod's Inc. purchased land for £55,000 in 2004. At December 31, 2014, an appraisal determined the fair value of the land is £65,000. If Harrod's follows the historical cost principle, in the 2014 financial statements, the land will be reported at

a. **£55,000 on the statement of financial position.**
b. £65,000 on the statement of financial position.
c. £55,000 on the income statement.
d. £65,000 on the income statement.

18. Hyundai Inc. purchased land for $118,000,000 in 2005. At December 31, 2014, an appraisal determined the fair value of the land is $136,000,0000. If Hyundai follows the cost principle, the land will be reported on the statement of financial position at

a. $100,000,000. **b. $118,000,000.**
c. $136,000,000. d. $154,000,000.

19. Bhumi Corporation purchased an investment in the ordinary shares of another corporation for $250,000,000 in 2012. The shares are actively traded on the Indonesian Stock Exchange. The fair value of the investment at December 31, 2014 is $268,000,000. If the company follows the fair value principle, the investment will be reported in the 2014 financial statement at

a. $250,000,000 on the statement of financial position.
b. **$268,000,000 on the statement of financial position.**
c. $250,000,000 on the retained earnings statement.
d. $268,000,000 on the retained earnings statement.

20. The proprietorship form of business organization

a. must have at least three owners in most states.
b. **requires that the owner be personally liable for all debts of the business.**
c. combines the records of the business with the personal records of the owner.
d. is characterized by a legal distinction between the business as an economic unit and the owner.

21. The economic entity assumption requires that the activities

a. of different entities can be combined if all the entities are corporations.
b. must be reported to the Securities and Exchange Commission.
c. of a sole proprietorship cannot be distinguished from the personal economic events of its owners.
d. **of an entity be kept separate from the activities of its owner.**

22. A business organized as a corporation

a. is not a separate legal entity in most countries.
b. requires that shareholders be personally liable for the debts of the business.
c. **is owned by its shareholders.**
d. terminates when one of its original shareholders dies.

23. The partnership form of business organization

a. is a separate legal entity.
b. **is a common form of organization for service-type businesses.**
c. enjoys an unlimited life.
d. has limited liability.

24. A basic assumption of accounting that requires activities of an entity be kept separate from the activities of its owner is referred to as the

a. stand alone concept.
b. monetary unit assumption.
c. corporate form of ownership.
d. **economic entity assumption.**

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25. A business whose owners enjoy limited liability is a
- a. proprietorship.
- b. partnership.
- **c. corporation.**
- d. sole proprietorship.

26. Equity is best depicted by the following:
- a. Assets = Liabilities.
- b. Liabilities + Assets.
- c. Residual equity + Assets.
- **d. Assets – Liabilities.**

27. Liabilities
- a. are future economic benefits.
- **b. are existing debts and obligations.**
- c. possess service potential.
- d. are things of value used by the business in its operation.

28. Liabilities of a company would not include
- a. notes payable.
- b. accounts payable.
- c. wages payable.
- **d. cash.**

29. Liabilities of a company are owed to
- a. debtors.
- b. benefactors.
- **c. creditors.**
- d. underwriters.

30. Equity is often referred to as
- **a. residual equity.**
- b. leftovers.
- c. spoils.
- d. second equity.

31. When assets are distributed to the shareholders of a corporation, these distributions are termed
- a. depletions.
- b. consumptions.
- **c. dividends.**
- d. a credit line.

32. Revenues would not result from
- a. sale of merchandise.
- **b. issuance of ordinary shares.**
- c. performance of services.
- d. rental of property.

33. Equity is decreased by all of the following except
- **a. issuance of shares.**
- b. dividends.
- c. expenses.
- d. net losses.

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34. If total liabilities increased by ¥35,000 and equity increased by ¥10,000 during a period of time, then total assets must change by what amount and direction during that same period?
a. ¥45,000 decrease **b. ¥45,000 increase**
c. ¥60,000 increase d. ¥70,000 increase

35. If total liabilities decreased by ¥35,000 and equity decreased by ¥10,000 during a period of time, then total assets must change by what amount and direction during that same period?
a. ¥45,000 increase b. ¥25,000 increase
c. ¥45,000 decrease d. ¥25,000 decrease

36. On its December 31, 2014 statement of financial position, Adaro Corporation reported liabilities of $5,132,000,000, share capital of $2,662,000,000 and retained earnings of $4,202,000,000. Total assets as of December 31, 2014 are
a. $1,732,000,000.
b. $4,202,000,000.
c. $6,864,000,000.
d. $11,996,000,000.

37. Bennoit Corporation paid dividends totaling €295,000 to its shareholders. This transaction will decrease assets and
a. decrease equity by €295,000.
b. decrease liabilities by €295,000.
c. increase expenses by €295,000.
d. have no effect on the accounting equation.

38. Freirs Company paid the monthly rent of €6,000. This transaction will
a. increase Cash and decrease Rent Expense by €6,000.
b. decrease Cash and decrease Rent Expense by €6,000.
c. decrease Cash and increase Rent Expense by €6,000.
d. have no effect on the accounting equation.

39. On February 1, Potter Company paid £900 for advertisements to run during the month of February. This transaction will
a. decrease Cash and increase Advertising Expense by £900.
b. increase Advertising Expense and increase Accounts Payable by £900.
c. decrease Accounts Payable and decrease Cash by £900.
d. decrease Cash and decrease Advertising Expense by £900.

40. An investment of cash by an owner of a business increases assets and
a. increases liabilities.
b. increases equity.
c. decreases equity.
d. decreases liabilities.

41. The purchase of supplies on account increases assets and
a. also decreases assets so there is no net change. **b. increases liabilities.**
c. decreases equity. d. increases equity.

42. Equity is increased by
a. dividends. **b. revenues.**
c. expenses. d. liabilities.

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43. If total liabilities increased by $6,000, then
a. assets must have decreased by $6,000.
b. equity must have increased by $6,000.
c. assets must have increased by $6,000, or equity must have decreased by $6,000.
d. assets and equity each increased by $3,000.

44. Net income results when
a. Assets > Liabilities.
b. Revenues = Expenses.
c. Revenues > Expenses.
d. Revenues < Expenses.

45. Which of the following is not part of the accounting process?
a. Recording
b. Identifying
c. financial decision-making
d. Communicating

46. The first part of the accounting process is
a. communicating.
b. identifying.
c. processing.
d. recording.

47. Internal users of accounting information include all of the following except
a. company officers.
b. investors.
c. marketing managers.
d. production supervisors.

48. A proprietorship is a business
a. owned by one person.
b. owned by two or more persons.
c. organized as a separate legal entity under state corporation law.
d. owned by a governmental agency.

49. Fontaine Fox Company buys a $12,000 van on credit. This transaction will affect the
a. income statement only.
b. statement of financial position only.
c. income statement and retained earnings statement only.
d. income statement, retained earnings statement, and statement of financial position.

50. A net loss will result during a time period when
a. assets exceed liabilities.
b. assets exceed equity.
c. expenses exceed revenues.
d. revenues exceed expenses.

Q2: Indicate whether each of the following statements is true or false

False___ **1.** Management of a business enterprise is the major external user of information.
True___ **2.** Accounting communicates financial information about a business enterprise to both internal and external users.
False___ **3.** Accounting information is used only by external users with a financial interest in a business enterprise
True___ **4.** Financial statements are the major means of communicating accounting information to interested parties.
False___ **5.** Bookkeeping and accounting are one and the same because the bookkeeping function includes the accounting process.
True___ **6.** The two primary accounting standard-setting bodies are the International Accounting Standards Board and the Financial Accounting Standards Board.

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True___ **7.** The economic entity assumption requires that the activities of an entity be kept separate and distinct from the activities of its owner and all other economic entities

True___ **8.** The monetary unit assumption states that transactions that can be measured in terms of money should be recorded in the accounting records.

False___ **9.** Owners' claims to total business assets take precedence over the claims of creditors because owners invest assets in the business and are liable for losses.

False___ **10.** The basic accounting equation states that Assets = Liabilities.

False___ **11.** Expenses are increases in equity that result from operating the business.

True___ **12.** Accountants record both internal and external transactions.

True___ **13.** The purchase of office equipment on credit increases total assets and total liabilities.

True___ **14.** The statement of financial position is also known as the balance sheet.

False___ **15.** Identifying is the process of keeping a chronological diary of events measured in dollars and cents

False___ **16.** Accountants do not have to worry about issues of ethics.

False___ **17.** The monetary unit assumption requires that all dollar amounts be rounded to the nearest dollar.

True___ **18.** The basic accounting equation is in balance when the creditor and ownership claims against the business equal the assets.

True___ **19.** External transactions involve economic events between the company and some other enterprise or party.

False___ **20.** In the retained earnings statement, revenues are listed first, followed by expenses, and net income (or net loss).

Q3: Match the following terms and definitions.

a. Accounts receivable c. Accounts payable
b. Creditor d. Note payable

_____ (1) Amounts due from customers
_____ (2) Amounts owed to suppliers for goods and services purchased
_____ (3) Amounts owed to bank
_____ (4) Party to whom money is owed

Answer: 1. a 2. c 3. d 4. b

Q4: Indicate which of these items is an asset (A), liability (L) or equity (E) account.

_____ (1) Supplies _____ (2) Dividends
_____ (3) Buildings _____ (4) Note Payable _____ (5) Taxes Payable

Answer: 1. Assets (A) 2. Equity (E) 3. Asset (A) 4. Liability (L) 5. Liability (L)

Q5: Use the accounting equation to answer the following questions.

1. Force 10 Sails Co. has total assets of $120,000 and total liabilities of $65,000. What is equity?
2. Marcy Fun Center has total assets of $225,000 and equity of $105,000. What are total liabilities?
3. Franco's Restaurant has total liabilities of $50,000 and equity of $75,000. What are total assets?

Answer: 1. $120,000 – $65,000 = $55,000 equity
2. $225,000 – $105,000 = $120,000 total liabilities
3. $50,000 + $75,000 = $125,000 total assets

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Q6: For the items listed below, fill in the appropriate code letter to indicate whether the item is an asset, liability, or equity item.

	Code
Asset	**A**
Liabilities	**L**
Equity	**E**

_____ 1. Rent Expense
_____ 2. Equipment
_____ 3. Accounts Payable
_____ 4. Share Capital-Ordinary
_____ 5. Insurance Expense
_____ 6. Cash
_____ 7. Accounts Receivable
_____ 8. Dividends
_____ 9. Service Revenue
_____10. Notes Payable

Solution 1. E 2. A 3. L 4. E 5. E 6. A 7. A 8. E 9. E 10. L

Q7: Compute the missing amount in each category of the accounting equation.

	Assets	Liabilities	Equity
	$279,000	**$?**	$143,000
	$223,000	$ 79,000	**$?**
	$?	$173,000	$325,000

Solution:

(a) $136,000 ($279,000 – $143,000 = $136,000).
(b) $144,000 ($223,000 – $79,000 = $144,000).
(c) $498,000 ($173,000 + $325,000 = $498,000).

Q8: Determine the missing items.

Assets =	Liabilities +	Owners' equity
$85,000	$52,000	**(a)**
(b)	$28,000	$34,000
$89,000	**(C)**	$55,000

Solution

a. Owners' equity = $85,000 – $52,000 = **$33,000**
b. Assets = $28,000 + $34,000 = **$62,000**
c. Liabilities = $89,000 – $55,000 = **$34,000**

Q9: made by Virali & Co., a public accounting firm, for the month of August are shown below. Prepare a tabular analysis which shows the effects of these transactions on the expanded accounting equation.

1. The owner invested $25,000 cash in the business.
2. The company purchased $7,000 of office equipment on credit.
3. The company received $8,000 cash in exchange for services performed.
4. The company paid $850 for this month's rent.
5. The owner withdrew $1,000 cash for personal use

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	Assets			=	Liabilities +		Owner's Equity					
Trans-action	Cash	+	Equipment	=	Accounts Payable	+	Owner's Capital	-	Owner's Drawings	+	Rev.	- Exp.
1.	+25,000						+25,000					
2.			+7,000		+7,000							
3.	+8,000										+8,000	
4.	-850											-850
5.	-1,000								-1,000			
	$31,150	+	$7,000	=	$7,000	+	$25,000	-	$1,000	+	$8,000	- $850
	$38,150						$38,150					

Q10: Presented below is selected information related to Flanagan Company at December 31, 2017. Flanagan reports financial information monthly.

Equipment	$10,000	Utilities Expense	$ 4,000
Cash	8,000	Accounts Receivable	9,000
Service Revenue	36,000	Salaries and Wages Expense	7,000
Rent Expanse	11,000	Notes Payable	16,500
Accounts Payable	2,000	Owner's Drawings	5,000

(a) Determine the total assets of at December 31, 2017.
(b) Determine the net income reported for December 2017.
(c) Determine the owner's equity at December 31, 2017.

Solution:

(a) Determine the total assets of at December 31, 2017.

The total assets are $27,000

comprised of Cash	$8,000
Accounts Receivable	$9,000
Equipment	$10,000

(b) Determine the net income reported for December 2017.

Revenues		
Service Revenue		$36,000
Expenses		
Rent expense	$11,000	
salaries and Wages expense	7,000	
Utilities expense	4,000	
Total expense		22,000
Net income		**$14,000**

(c) Determine the owner's equity at December 31, 2017.

Owners' equity = Total Assets – Total Liabilities
= $27,000 – ($16,500 + $2,000) = $27,000 – $18,500 = $8,500

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Q11: Find the following as required (Assuming that each year is separate from the other)

	Assets =	Liabilities +	Owners' equity
2021	$300,000	$120,000	A
2022	B	C	$200,000
2023	D	E	F

Required:

1. Find the A dependence Assets and liabilities for the year **2021**
2. Find the B, C dependence Owners' equity, if you know the Notes Payable $15,000, Accounts Payable $10,000, Unearned Service Revenue $8,000, Salaries and wages Payable $12,000, and Interest Payable $25,000 for the year **2022**
3. Find the additional investment for the year 2022, if you know the total Revenue $90,000, the total Expenses $40,000, Owners Capital $120,000 and the Owners Drawing $5,000 For **2022**
4. Find D, E, F, if you know the Cash $180,000, the Accounts Receivable $40,000, Supplies $25,000, Equipment $35,000, and Inventory 70,000, **The** Owners Capital $130,000 and the Owners Drawing $30,000, the Service Revenue 280,000, the Supplies Expense $10,000, Depreciation Expense $20,000, Insurance Expense $15,000, Salaries and Wages Expense $35,000, Rent Expense $20,000, Utilities Expense $20,000, and Interest Expense $30,000 For **2023**

Answers:

1. **A** = Assets – Liabilities = $300,000 – 120,000 = **$180,000**

2. **C** = Notes Payable+ Accounts Payable+ Unearned Service Revenue + Salaries and wages Payable + Interest Payable = $15,000 + $10,000 + $8,000 + $12,000 + $25,000 = **$70,000**

   B = C + Owners Equity = $70,000 + $200,000 = **$270,000**

3. Owners' Equity = Owners Capital – Owners Drawing + Net income + Additional investment
   Owners' Equity = Owners Capital – Owners Drawing + (Revenue – Expense) + Additional investment
   $200,000 = $120,000 – $5,000 + ($90,000 – $40,000) + Additional investment
   $200,000 = $115,000 + ($50,000) + Additional investment
   $200,000 = $165,000 + Additional investment
   Additional investment = $200,000 – $165,000 = **$35,000**

4. **D** = Cash + Accounts Receivable + Supplies + Equipment + Inventory
   = $180,000 + $40,000 + $25,000 + $35,000 + $70,000 **= $350,000**

   F = Owners Capital – Owners Drawing + Net income + Additional investment
   F = Owners Capital – Owners Drawing + (Revenue – Expense) + Additional investment
   F = Owners Capital – Owners Drawing + (Service Revenue – (Supplies Expense + Depreciation Expense + Insurance Expense + Salaries and Wages Expense + Rent Expense + Utilities Expense + Interest Expense) + Additional investment
   F = $130,000 – $30,000 + ($280,000 – ($10,000 + $20,000 + $15,000 + $35,000 + $20,000 + $20,000 +$30,000)) + 0
   F = $100,000 + ($280,000 – ($150,000) + 0
   F = $100,000 + $130,000
   F = $230,000

   E = D – F = $350,000 – $230,000 = $120,000

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Q12: Match the items below by entering the appropriate code letter in the space provided.

A. Convergence
B. Bookkeeping
C. IASB
D. Proprietorship
E. Economic entity assumption
F. Corporation
G. Assets
H. Equities
I. Expenses
J. Transactions

_____ 1. Activities of an entity must be kept separate from its owner's activities.
_____ 2. Consumed assets or services.
_____ 3. Ownership is limited to one person.
_____ 4. Process of reducing differences between IFRS and GAAP.
_____ 5. Creditor and ownership claims against the assets of the business.
_____ 6. A separate legal entity under state laws.
_____ 7. Accounting organization that issues standards.
_____ 8. Involves only the recording of economic events.
_____ 9. Future economic benefits.
_____ 10. Economic events recorded by accountants.

Answers to Matching

1. E
2. I
3. D
4. A
5. H
6. F
7. C
8. B
9. G
10. J

End OF CHAPTER

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CHAPTER 2

The Recording Process

عملية التسجيل

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ACCT130_CHAPTER 2

ضياء الدين صبح

Record of **increases and decreases** in a specific asset, liability, owners' equity, revenue, or expense item.

سجل **بالزيادة والنقصان** في بند معين سواء أصل أو التزام أو حقوق ملكية أو إيرادات أو مصاريف

Debit = "Left" المدين "يسار الجدول" اشي الك مستحق انك توخذه

Credit = "Right" الدائن " يمين الجدول " " اشي تم اخذه او اقتراضه "اشي عليك"

An account can be illustrated in a T-account form.(يمكن توضيح الحساب في نموذج (ت – أكاونت

Account Name	
Debit / Dr.	Credit / Cr.

DEBIT AND CREDIT PROCEDURES "شروط الدائن والمدين"

Double-entry system "مكون من طرفين"

- Each transaction must affect two or more accounts to keep the basic accounting equation in balance.

  يجب أن تؤثر كل معاملة على حسابين أو أكثر للحفاظ على توازن المعادلة المحاسبية الأساسية

- Recording done by debiting at least one account and crediting at least one other account.

  يتم التسجيل عن طريق مدين حساب واحد على الأقل ودائن حساب آخر على الأقل

- **DEBITS must equal CREDITS.** **Total credits = total Debits يجب ان تكون متساوية**

If the sum of Debit entries is greater than the sum of Credit entries, the account will have a debit balance. **إذا كان مجموع إدخالات المدين أكبر من مجموع إدخالات الدائن ، فسيكون للحساب رصيد المدين**

	Supplies		
	Debit / Dr.	Credit / Cr.	
Transaction #1	$10,000	$3,000	Transaction #2
Transaction #3	8,000		
Balance الحساب	$15,000		

If the sum of Credit entries is greater than the sum of Debit entries, the account will have a credit balance.

اذا كان مجموع ادخالات الدائن اكبر اعلى من مجموع ادخالات المدين ، فان حساب الدائن أكبر

	Account payable الديون على الشركة		
	Debit / Dr.	Credit / Cr.	
Transaction #1	$10,000	$3,000	Transaction #2
		8,000	Transaction #3
Balance		$1,000	

- ✓ **Assets** - Debits should exceed credits. **الأصول** يجب ان تتجاوز "يفوق" المدين على المدائن
- ✓ **Liabilities** – Credits should exceed debits. **المصروفات** يجب ان تتجاوز "يفوق" الدائن على المدين
- ✓ **Normal balance** is on the increase side. **الحساب الطبيعي** على جانب الزيادة

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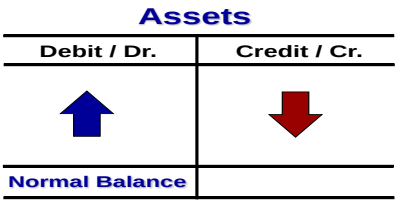
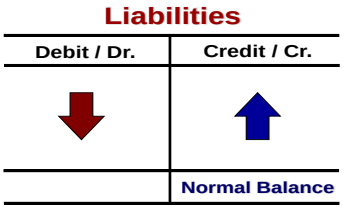
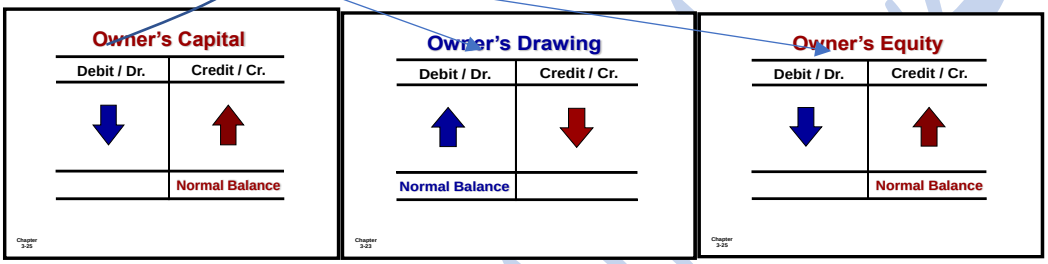
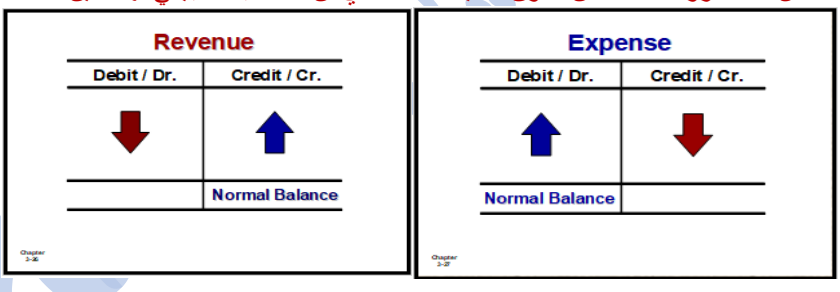




- **Owner's investments** and **revenues** increase owner's equity (credit).
  تزيد **استثمارات المالك وعائداته** من حقوق الملكية (دائن) .
- **Owner's drawings** and **expenses** decrease owner's equity (debit).
  سحوبات المالك ونفقاته تقلل من حقوق الملكية (مدين).



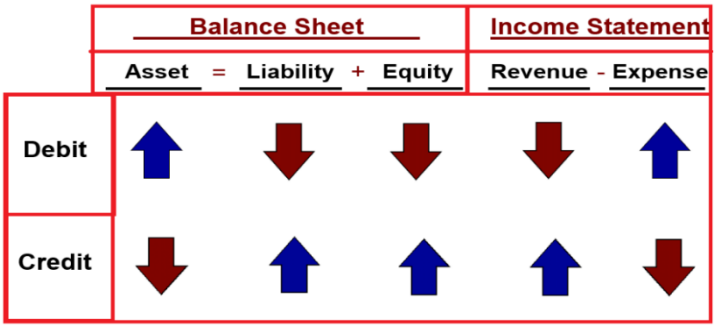
- The purpose of earning **revenues** is to benefit the owner(s).
  الغرض من كسب **الإيرادات** هو إفادة المالك (الملاك).
- The effect of debits and credits on revenue accounts is the **same as** their effect on Owner's Capital.
  إن تأثير المدين و الدائن على حسابات الإيرادات هو نفس تأثيرها على رأس مال المالك. " اي ان الحساب الطبيعي للايرادات نفس الحساب الطبيعي لرأس مال المالك أي وهو الدائن"
- **Expenses** have the opposite effect: expenses decrease owner's equity.
  المصروفات لها تأثير معاكس: المصروفات تقلل من حقوق ملكية المال . "أي أن الحساب الطبيعي لها مدين.



تأثير Debit & Credit على المعادلة الأساسية للمحاسبة وأي حالة منهم تحصل زيادة للمدين أو للدائن أو نقصان

Chart of Accounts جدول الحسابات

When the item	Increases	Decreases
Asset	DR	CR
Liability	CR	DR
Owner's Capital (Equity)	CR	DR
Revenue	CR	DR
Expense	DR	CR
Drawing	DR	CR



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- ✓ **Any increase in assets or in expenses or drawings should be debited Withdrawal Any increase in assets or expenses or withdrawals should be debited**
  أي زيادة في الأصول أو النفقات أو الرسومات يجب إلى رصيد Debit ،مما يعني أي زيادة في الأصول أو النفقات أو الرسومات إلى رصيد Debit.
- ✓ **Any decrease in assets or in expenses or drawings should be credited Withdrawal Any decrease in assets or exp or withdrawal should be credit**
  أي نقص في الأصول أو المصروفات أو الرسومات إلى رصيد Credit ، مما يعني أي انخفاض في الأصول أو المصاريف أو السحب يجب أن يكون الرصيد Credit

Steps in the Recording Process خطوات عملية التسجيل

1. Analyze each transaction تحليل كل المعاملات
2. Enter transactions in a journal أدخل المعاملات في المجلة
3. transfer journal informationto ledger accounts نقل المعلومات من المجلة الى المسؤول عن الحسابات

Business documents, such as a sales slip, a check, or a bill, provide evidence of the transaction.
مستندات العمل ، مثل إيصال المبيعات أو شيك أو فاتورة ، دليلاً على المعاملة.

The Journal المجلة

- ❖ Book of original entry. "كتاب القيد الأصلي"
- ❖ Transactions recorded in chronological order. "المعاملات المسجلة بالترتيب الزماني"

Contributions to the recording process: مساهمات عملية التسجيل

1. Discloses the **complete effects of a transaction**. "يكشف عن **الآثار الكاملة للمعاملة**"
2. Provides a **chronological record** of transactions. "يوفر **سجلا زمنيا** للمعاملات "
3. Helps to **prevent or locate errors** because the debit and credit amounts can be easily compared
   "يساعد على **منع أو تحديد الأخطاء** لأنه يمكن مقارنة مبالغ للمدين والدائن بسهولة"

JOURNALIZING - Entering transaction data in the journal. **دفتر اليومية** : إدخال بيانات المعاملة في المجلة

Ex: On September 1, Ray Neal invested $15,000 cash in the business, and Soft byte purchased computer equipment for $7,000 cash.

على سبيل المثال: في 1 سبتمبر ، استثمر Ray Neal 15000 دولار نقدًا في الشركة ، واشترت Soft byte أجهزة كمبيوتر مقابل 7000 دولار نقدًا. "يعني هون معو $15000 دفع منهم 7000 $ كمعدات "اجهزة كمبيوتر" و بقي 8000 $ "

	GENERAL JOURNAL			
Date	**Account Title**	**Ref.**	**Debit**	**Credit**
Sept.1	Cash		15,000	
	Owners Capital			15,000
	Equipment		7,000	
	Cash			7,000

SIMPLE AND COMPOUND ENTRIES "مداخل بسيطة ومركبة"

Ex: On July 1, Butler Company purchases a delivery truck costing $14,000. It pays $8,000 cash now and agrees to pay the remaining $6,000 on account.

على سبيل المثال : في 1 يوليو ، اشترت شركة بتلر شاحنة توصيل بتكلفة 14000 دولار. يدفع الآن 8000 دولار نقدًا ويوافق على دفع المبلغ المتبقي 6000 دولار على الحساب. **"هون دفعت الشركة من 14000 $ مما معها من الاموال وهو 8000 $ وبقي عليهم متحق للدفع 6000 $ "**

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	GENERAL JOURNAL			
Date	**Account Title**	**Ref.**	**Debit**	**Credit**
July .1	Equipment		14,000	
	Cash			8,000
	Accounts Payable			6,000

Explain how a ledger and posting help in the recording process.

اشرح كيف يساعد المسؤول عن دفتر المعاملات والنشر في عملية التسجيل.

The Ledger

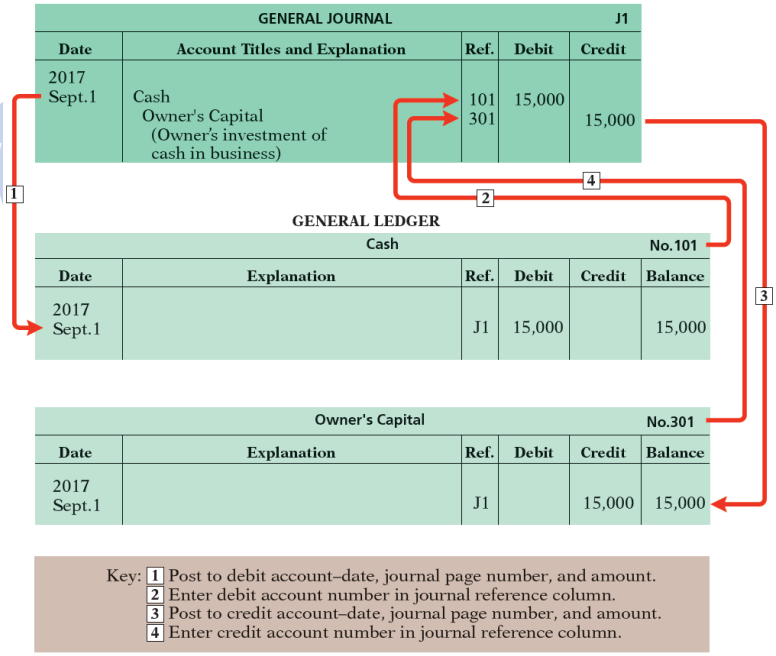
- **General Ledger** contains all the asset, liability, and owner's equity accounts.

دفتر المعاملات العام يحتوي على جميع الأصول والخصوم وحسابات حقوق الملكية للمالك.

STANDARD FORM OF ACCOUNT الشكل القياسي للحساب

CASH					NO. 101
Date	**Explanation**	**Ref.**	**Debit**	**Credit**	**Balance**
2017					
June 1			25,000		25,000
2				8,000	17,000
3			4,200		21,200
9			7,500		28,700
17				11,700	17,000
20				250	16,750
30				7,300	9,450

هذا الشكل يوضح المعاملات التالية (Debit, Credit)



GENERAL JOURNAL — J1

Date	Account Titles and Explanation	Ref.	Debit	Credit
2017 Sept.1	Cash	101	15,000	
	Owner's Capital (Owner's investment of cash in business)	301		15,000

GENERAL LEDGER

Cash — No.101

Date	Explanation	Ref.	Debit	Credit	Balance
2017 Sept.1		J1	15,000		15,000

Owner's Capital — No.301

Date	Explanation	Ref.	Debit	Credit	Balance
2017 Sept.1		J1		15,000	15,000

Key: 1 Post to debit account–date, journal page number, and amount.
2 Enter debit account number in journal reference column.
3 Post to credit account–date, journal page number, and amount.
4 Enter credit account number in journal reference column.

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POSTING Transferring journal entries to the ledger accounts.

الترحيل نقل إدخالات دفتر اليومية إلى حسابات دفتر المعاملات العام .

فمثلا هنا في الأعلى عندما نعود الى حساب المعاملات الى حساب 101 و 301 حيث الحساب 101 خاص بالمدين والحساب 301 خاص بالدائن حيث يعمل على عمل قوائم مالية كما في الأعلى

PIONEER ADVERTISING
Chart of Accounts

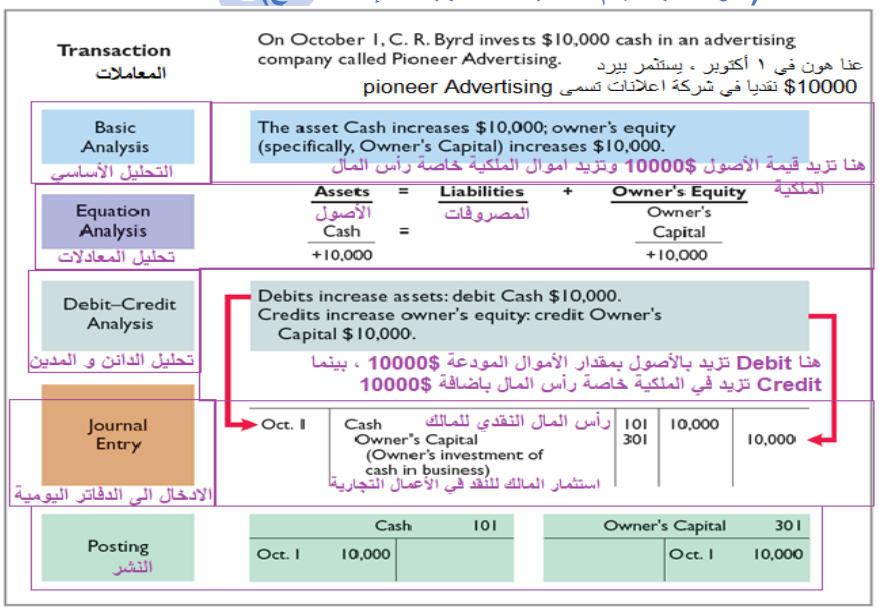
Assets الأصول	**Owners' Equity حقوق الملكية**
101 Cash النقد	301 Owners Capital رأس مال المالك
112 Accounts Receivable الذمم المدينة	306 Owners Drawing سحوبات المالك
126 Supplies اللوازم	350 Income Summary ملخص الدخل
130 Prepaid Insurance التأمين مسبق الدفع	**Revenues العوائد**
157 Equipment المعدات	400 Service Revenue عوائد الخدمة
158 Accumulated Depreciation – Equipment الإستهلاك المتراكم _ للمعدات	**Expenses المصاريف**
Liabilities الإلتزامات	631 Supplies Expense مصاريف اللوازم
200 Notes Payable أوراق الدفع	711 Depreciation Expense مصاريف الإستهلاك
201 Accounts Payable حسابات مستحقة الدفع	722 Insurance Expense مصاريف التأمين
209 Unearned Service Revenue إيرادات الخدمات غير المكتسبة	726 Salaries and Wages Expense رواتب وآجور
212 Salaries and Wages Payable الرواتب والأجور مستحقة الدفع	729 Rent Expense مصاريف آجار
230 Interest Payable الفوائد المستحقة للدفع	732 Utilities Expense مصاريف المرافق
	905 Interest Expense مصروفات الفوائد

The Recording Process Illustrated توضيح عملية التسجيل

Follow these steps: أتبع هذه الخطوات

1. Determine what type of account is involved. تحديد نوع الحساب المتضمن
2. Determine what items increased or decreased and by how much تحديد العناصر التي زادت أو انخفضت ومقدارها
3. Translate the increases and decreases into debits and credits ترجم الزيادة أو النقصان الى مدين أو دائن

هون عنا عدة أمثلة عن المعاملات (شوف كيف بتم التحليل، التسجيل ، الإدخال..الخ)



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Transaction

في ١ أكتوبر، اشترت شركة الاعلانات معدات مكتبية

On October 1, Pioneer purchases office equipment costing $5,000 by signing a 3-month, 12%, $5,000 note payable.

بتكلفة 5000$ من خلال التوقيع على مذكرة لدفع لمدة 3 أشهر، 5000$& 12%

Basic Analysis

The asset Equipment increases $5,000; the liability Notes Payable increases $5,000.

معدات الأصول تزيد 5000$

ولكن الالتزامات تزيد هنا 5000$

Equation Analysis

الأصول Assets	=	الالتزامات Liabilities	+	الملكية Owner's Equity
معدات Equipment +5,000	=	مستحق للدفع Notes Payable +5,000		

Debit–Credit Analysis

هنا المدين يزيد في الأصول

Debits increase assets: debit Equipment $5,000.
Credits increase liabilities: credit Notes Payable $5,000.

بينما الدائن يزيد في الالتزامات كمستحق للدفع بمقدار 5000$

Journal Entry

Oct. 1	Equipment (معدات)	157	5,000	
	Notes Payable (مستحق للدفع)	200		5,000
	(Issued 3-month, 12% note for office equipment) (خلال ٣ أشهر و زيادة 12%)			

Posting

Equipment 157		Notes Payable 200	
Oct. 1 5,000			Oct. 1 5,000

Transaction

في ٢ أكتوبر، تلقت بايونير سلفة نقدية 1200$ من آر نوكس،أحد العملاء،للخدمات الاعلانية المتوقع أن تكتمل ب 31/12

On October 2, Pioneer receives a $1,200 cash advance from R. Knox, a client, for advertising services that are expected to be completed by December 31.

تزيد الأصول بمقدار 1200$ ويزيد ايراد الخدمة غير المكتسبة 1200$ لان الخدمة لم تقدم بعد ،"عندما تتلقى بايونير دفعة مقدمة يجب تسجيلها كايردات غير مكتسبة "التزام"

Basic Analysis

The asset Cash increases $1,200; the liability Unearned Service Revenue increases $1,200 because the service has not been performed yet. That is, when Pioneer receives an advance payment, it should record an unearned revenue (a liability) in order to recognize the obligation that exists. Note also that although most liabilities have the word "payable" in their title, unearned revenue is considered a liability because the liability is satisfied by providing a product or performing a service.

ملاحظة : معظم الالتزامات تحتوي على "مستحقة للدفع" في ملكيتها ، فان الايرادات غير المكتسبة تعتبر التزاما لان الالتزام يتم اكماله من خلال تقديم المنتج أو الخدمة

Equation Analysis

Assets	=	Liabilities	+	Owner's Equity
Cash +1,200	=	عوائد خدمة غير مكتسبة Unearned Service Revenue +1,200		

Debit–Credit Analysis

Debits increase assets: debit Cash $1,200.
Credits increase liabilities: credit Unearned Service Revenue $1,200.

هنا المدين يزيد في الأصول ، بينما الدائن يزيد في الالتزامات لان الخدمة غير مقدمة بعد

Journal Entry

Oct. 2	Cash	101	1,200	
	Unearned Service Revenue (عوائد خدمة غير مكتسبة)	209		1,200
	(Received cash from R. Knox for future service)			

Posting

Cash 101		Unearned Service Revenue 209	
Oct. 1 10,000			Oct. 2 1,200
2 1,200			

Transaction

On October 3, Pioneer pays office rent for October in cash, $900.

في ٣ أكتوبر،تدفع بايونير ايجار مكتب لشهر اكتوبر نقدا ، 900$

Basic Analysis

The expense account Rent Expense increases $900 because the payment pertains only to the current month; the asset Cash decreases $900.

حساب المصاريف "مصاريف الاجار" تزيد 900$ لان الدفعة تخص الشهر الحالي فقط ، ينخفض الأصل النقدي 900$

Equation Analysis

Assets	=	Liabilities	+	Owner's Equity
Cash -900	=			Rent Expense -900

Debit–Credit Analysis

Debits increase expenses: debit Rent Expense $900.
Credits decrease assets: credit Cash $900.

زيادة نفقات الديون بمقدار مصاريف الاجار للمدين 900"$ ، انخفاض الاعتمادات للاصول بمقدار 900$

Journal Entry

Oct. 3	Rent Expense (مصاريف الاجار)	729	900	
	Cash (كاش)	101		900
	(Paid October rent) (تم دفعه في شهر)			

Posting

Cash 101			Rent Expense 729	
Oct. 1 10,000	Oct. 3 900		Oct. 3 900	
2 1,200				

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Transaction

في ٤ اكتوبر، تدفع الشركة "بايونير" $600 كتأمين لمدة عام والتي تنتهي في العام المقبل في 30/9

On October 4, Pioneer pays $600 for a one-year insurance policy that will expire next year on September 30.

Basic Analysis

الأصول يزيد التأمين بمقدار $600 لأن الدفعة تمتد من الشهر الحالي ، ينخفض الأصل النقدي بمقدار $600 ،

The asset Prepaid Insurance increases $600 because the payment extends to more than the current month; the asset Cash decreases $600. Payments of expenses that will benefit more than one accounting period are prepaid expenses or prepayments. When a company makes a payment, it debits an asset account in order to show the service or benefit that will be received in the future.

مدفوعات المصاريف التي ستستفيد أكثر من فترة محاسبية هي مصاريف مدفوعة مسبقا أو مدفوعات مسبقة. عندما تقوم شركة بالدفع فانها تخصم حساب الأصول من أجل اظهار الخدمة أو المنفعة التي سيتم تلقيها بالمستقبل

Equation Analysis

Assets			=	Liabilities	+	Owner's Equity
Cash	+	Prepaid Insurance				
-600		+600				

Debit–Credit Analysis

زيادة الاصول المدين حيث تم دفع التأمين بمقدار $600

Debits increase assets: debit Prepaid Insurance $600.
Credits decrease assets: credit Cash $600.

الدائن يقل في الأصول بمقدار $600

Journal Entry

Oct. 4	Prepaid Insurance (نقدا للتأمين)	130	600	
	Cash (كاش "مدفوع مسبقا")	101		600
	(Paid one-year policy; effective date October 1) (تأمين لعام واحد؛ تاريخ النفاذ من ١ / اكتوبر)			

Posting

Cash			101
Oct. 1	10,000	Oct. 3	900
2	1,200	4	600

Prepaid Insurance			130
Oct. 4	600		

Transaction

٥/اكتوبر ، اشترت الشركة ما يقدر ب٣أشهر من المواد الاعلانية على الحساب من شركة أخرى مقابل $2500

On October 5, Pioneer purchases an estimated 3-month supply of advertising materials on account from Aero Supply for $2,500.

Basic Analysis

يزداد مخزون الأصول بمقدار $2500 ، زيادة المصروفات المستحقة للدفع بمقدار $2500

The asset Supplies increases $2,500; the liability Accounts Payable increases $2,500.

Equation Analysis

Assets		Liabilities	+	Owner's Equity
Supplies	=	Accounts Payable		
+2,500	=	+2,500		

Debit–Credit Analysis

هنا المدين يزيد في الاصول بمقدار $2500

Debits increase assets: debit Supplies $2,500.
Credits increase liabilities: credit Accounts Payable $2,500.

هنا الدائن يزيد في المصروفات المستحقة للدفع بمقدار $2500

Journal Entry

Oct. 5	Supplies (التوريدات)	126	2,500	
	Accounts Payable (المستحق للدفع)	201		2,500
	(Purchased supplies on account from Aero Supply)			

التوريدات المشتراة على الحساب من الشركة الاخرى

Posting

Supplies			126
Oct. 5	2,500		

Accounts Payable			201
		Oct. 5	2,500

Event (حدث)

On October 9, Pioneer hires four employees to begin work on October 15. Each employee is to receive a weekly salary of $500 for a 5-day work week, payable every 2 weeks—first payment made on October 26.

9/ اكتوبر ، عينت الشركة "بايونير" اربعة موظفين لبدء العمل في ١٥ أكتوبر ، سيتلقى كل موظف راتبا أسبوعيا مقداره $٥٠٠ مقابل أسبوع عمل مدته ٥ أيام ، يدفع كل أسبوعين -أول دفعة يتم سدادها في ٢٦ أكتوبر

Basic Analysis (التحليل الأساسي)

A business transaction has not occurred. There is only an agreement between the employer and the employees to enter into a business transaction beginning on October 15. Thus, a debit–credit analysis is not needed because there is no accounting entry. (See transaction of October 26 for first entry.)

لم تحدث معاملة تجارية ، لا يوجد سوى اتفاق بين صاحب العمل و الموظفين للدخول في صفقة تجارية تبدأ من ١٥ اكتوبر وبالتالي لا يلزم اجراء تحليل مدين_دائن نظرا لعدم وجود قيد محاسبي(انظر معاملة ٢٦ أكتوبر للدخول الأول)

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Transaction

٣١/اكتوبر ، تلقت شركة Pioneer 10000$ نقدا من شركة copa للخدمات الاعلانية التي تم تقديمها في اكتوبر

On October 31, Pioneer receives $10,000 in cash from Copa Company for advertising services performed in October.

Basic Analysis

يزيد الاصل النقدي بمقدار 10000$ ،زيادة ايرادات الخدمة بالايرادات بمقادر 10000$

The asset Cash increases $10,000; the revenue account Service Revenue increases $10,000.

Equation Analysis

Assets	=	Liabilities	+	Owner's Equity
Cash	=			Service Revenue
+10,000				+10,000

Debit–Credit Analysis

زيادة Debit للأصول بمقدار 10000$ نقديا

Debits increase assets: debit Cash $10,000.
Credits increase revenues: credit Service Revenue $10,000.

زيادة Credit كعوائد بمقدار 10000$ كايرادات خدمة

Journal Entry

Oct. 31	Cash نقدا Service Revenue عوائد الخدمات (Received cash for services performed) النقدية المستلمة مقابل الخدمة المؤداة	101 400	10,000	10,000

Posting

Cash		101		
Oct. 1	10,000	Oct. 3	900
2	1,200	4	600
31	10,000	20	500
		26	4,000

Service Revenue		400	
	Oct. 31	10,000

Transaction

٢٦/اكتوبر ، تدين شركه بايونير الموظفين البالغه 4000$ وتدفعها نقدا ،"راجع الحدث ٩/اكتوبر"

On October 26, Pioneer owes employee salaries of $4,000 and pays them in cash. (See October 9 event.)

Basic Analysis

زيادة الرواتب وحساب الاجور 4000$ ، ينخفض الأصل النقدي بمقدار 4000$

The expense account Salaries and Wages Expense increases $4,000; the asset Cash decreases $4,000.

Equation Analysis

Assets	=	Liabilities	+	Owner's Equity
Cash	=			Salaries and Wages Expense
-4,000				-4,000

Debit–Credit Analysis

زيادة الديون للمصروفات : الرواتب و الاجور بنفقات تقدر 4000$

Debits increase expenses: debit Salaries and Wages Expense $4,000.
Credits decrease assets: credit Cash $4,000.

انخفاض Credit في الأصول نقدا بمقدار 4000$

Journal Entry

Oct. 26	Salaries and Wages Expense نفقات الرواتب و الاجور Cash نقدا (Paid salaries to date)	726 101	4,000	4,000

Posting

Cash		101	
Oct. 1	10,000	Oct. 3	900
2	1,200	4	600
		20	500
		26	4,000

Salaries and Wages Expense		726	
Oct. 26	4,000		

Transaction

On October 20, C. R. Byrd withdraws $500 cash for personal use. ٢٠/اكتوبر ، قام سي ار بيرد بسحب 500$ نقدا للاستخدام الشخصي

Basic Analysis

The owner's equity account Owner's Drawings increases $500; the asset Cash decreases $500.

تزيد مسحوبات المالك من حساب الملكية بمقدار 500$ ، ينخفض الأصول نقديا بمقدار 500$

Equation Analysis

Assets	=	Liabilities	+	Owner's Equity
Cash	=			Owner's Drawings
-500				-500

Debit–Credit Analysis

زيادة الالتزامات بالديون من خلال المسحوبات الشخصية بمقدار 500$

Debits increase drawings: debit Owner's Drawings $500.
Credits decrease assets: credit Cash $500.

انخفاضات الدائن بالأصول نقدا بمقدار 500$

Journal Entry

Oct. 20	Owner's Drawings المسحوبات الشخصية Cash نقدا (Withdrew cash for personal use) سحب النقود للاستخدام الشخصي	306 101	500	500

Posting

Cash		101	
Oct. 1	10,000	Oct. 3	900
2	1,200	4	600
		20	500

Owner's Drawings		306	
Oct. 20	500		

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ضياء الدين صبح

Summary Journalizing and Posting التدوين المنجز و النشر

هنا أختصارا لما تم عمله في الأعلى ويوضح كل شيء في عملية التسجيل و كل شيء في **Ladger &General Journal**

GENERAL JOURNAL — PAGE J1

Date	Account Titles and Explanation	Ref.	Debit	Credit
2017 Oct. 1	Cash	101	10,000	
	Owner's Capital	301		10,000
	(Owner's investment of cash in business)			
1	Equipment	157	5,000	
	Notes Payable	200		5,000
	(Issued 3-month, 12% note for office equipment)			
2	Cash	101	1,200	
	Unearned Service Revenue	209		1,200
	(Received cash from R. Knox for future service)			
3	Rent Expense	729	900	
	Cash	101		900
	(Paid October rent)			
4	Prepaid Insurance	130	600	
	Cash	101		600
	(Paid one-year policy; effective date October 1)			
5	Supplies	126	2,500	
	Accounts Payable	201		2,500
	(Purchased supplies on account from Aero Supply)			
20	Owner's Drawings	306	500	
	Cash	101		500
	(Withdrew cash for personal use)			
26	Salaries and Wages Expense	726	4,000	
	Cash	101		4,000
	(Paid salaries to date)			
31	Cash	101	10,000	
	Service Revenue	400		10,000
	(Received cash for services performed)			

GENERAL LEDGER

Cash — No. 101

Date	Explanation	Ref.	Debit	Credit	Balance
2017 Oct. 1		J1	10,000		10,000
2		J1	1,200		11,200
3		J1		900	10,300
4		J1		600	9,700
20		J1		500	9,200
26		J1		4,000	5,200
31		J1	10,000		15,200

Supplies — No. 126

Date	Explanation	Ref.	Debit	Credit	Balance
2017 Oct. 5		J1	2,500		2,500

Prepaid Insurance — No. 130

Date	Explanation	Ref.	Debit	Credit	Balance
2017 Oct. 4		J1	600		600

Equipment — No. 157

Date	Explanation	Ref.	Debit	Credit	Balance
2017 Oct. 1		J1	5,000		5,000

Notes Payable — No. 200

Date	Explanation	Ref.	Debit	Credit	Balance
2017 Oct. 1		J1		5,000	5,000

Accounts Payable — No. 201

Date	Explanation	Ref.	Debit	Credit	Balance
2017 Oct. 5		J1		2,500	2,500

Unearned Service Revenue — No. 209

Date	Explanation	Ref.	Debit	Credit	Balance
2017 Oct. 2		J1		1,200	1,200

Owner's Capital — No. 301

Date	Explanation	Ref.	Debit	Credit	Balance
2017 Oct. 1		J1		10,000	10,000

Owner's Drawings — No. 306

Date	Explanation	Ref.	Debit	Credit	Balance
2017 Oct. 20		J1	500		500

Service Revenue — No. 400

Date	Explanation	Ref.	Debit	Credit	Balance
2017 Oct. 31		J1		10,000	10,000

Salaries and Wages Expense — No. 726

Date	Explanation	Ref.	Debit	Credit	Balance
2017 Oct. 26		J1	4,000		4,000

Rent Expense — No. 729

Date	Explanation	Ref.	Debit	Credit	Balance
2017 Oct. 3		J1	900		900

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Prepare a trial balance. قم بإعداد القائمة المالية للشركة

PIONEER ADVERTISING Trial Balance October 31,2017		
	Debit	**Credit**
Cash	$15,200	
Supplies	2,500	
Prepaid Insurance	600	
Equipment	5,000	
Notes Payable		$ 5,000
Account Payable		2,500
Unearned Service Revenue		1,200
Owners Capital		10,000
Owners Drawing	500	
Service Revenue		10,000
Salaries and Wages expense	4,000	
Rent expense	900	
	$28,700	$28,700

Trial Balance قائمة المراجعة المالية

Limitations of a Trial Balance حدود قائمة المراجعة

Trial balance may balance even when: قد يوازن قائمة المراجعة "ميزان المراجعة" حتى عندما

1. A transaction is not journalized. لا يتم تسجيل الصفقة في دفتر اليومية
2. A correct journal entry is not posted. لم يتم نشر إدخال دفتر اليومية الصحيح
3. A journal entry is posted twice. يتم نشر إدخال دفتر اليومية مرتين
4. Incorrect accounts are used in journalizing or posting.
   يتم استخدام الحسابات غير الصحيحة في كتابة دفتر اليومية أو النشر.
5. Offsetting errors are made in recording the amount of a transaction.
   أخطاء التعويض تحدث في تسجيل مبلغ الصفقة

ETHICS NOTE ملاحظة أخلاقية

An error is the result of an unintentional mistake; it is neither ethical nor unethical. An irregularity is an intentional misstatement, which is viewed as unethical.

الخطأ هو نتيجة لخطأ غير مقصود ؛ إنه ليس أخلاقيًا ولا غير أخلاقي. المخالفة هي خطأ متعمد يُنظر إليه على أنه غير أخلاقي.

Dollar Signs and Underlining اشارات الدولار و التسطير

Dollar Signs اشارة الدولار

- Do not appear in journals or ledgers. لا تظهر في المجلات أو دفاتر المعاملات
- Typically used only in the trial balance and the financial statements.
  تستخدم عادة فقط في ميزان المراجعة والبيانات المالية.
- Shown only for the first item in the column and for the total of that column.
  يظهر فقط للعنصر الأول في العمود ولإجمالي هذا العمود.

Underlining التسطير

- A single line is placed under the column of figures to be added or subtracted.
  يتم وضع سطر واحد تحت عمود الأشكال المراد إضافتها أو طرحها.
- Totals are double-underlined. المجاميع بخط واحد

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الأسئلة الإضافية

Q1. Circle the correct answer

1. **If total assets are increased, there must be a corresponding**
   (a) increase in liabilities only.
   (b) increase in shareholders' equity only.
   (c) increase in liabilities and decrease in shareholders' equity.
   (d) increase in liabilities and/or increase in shareholders' equity.

2. **Prepaid expenses are recorded as**
   (a) expenses on the income statement.
   (b) assets on the statement of financial position.
   (c) revenues on the income statement.
   (d) liabilities on the statement of financial position.

3. **The payment of an account payable**
   (a) decreases total assets.
   (b) increases total assets.
   (c) has no effect on total assets.
   (d) increases total liabilities.

4. **Shareholders' equity is increased by**
   (a) dividends declared.
   (b) revenues.
   (c) expenses.
   (d) liabilities.

5. **If total liabilities increased by $22,500, then**
   (a) assets must have increased by $22,500.
   (b) only shareholders' equity must have increased by $22,500.
   (c) assets must have increased by $22,500, or shareholders' equity must have decreased by $22,500.
   (d) assets and shareholders' equity must have both decreased by $22,500.

6. **If services are performed on credit, then**
   (a) assets will decrease.
   (b) liabilities will increase.
   (c) shareholders' equity will increase.
   (d) liabilities will decrease

7. **If services are performed on credit, then**
   (a) assets will decrease.
   (b) liabilities will increase.
   (c) shareholders' equity will increase.
   (d) liabilities will decrease

8. **An investment by the shareholders in a company increases**
   (a) assets and shareholders' equity.
   (b) assets and liabilities.
   (c) liabilities and shareholders' equity.
   (d) assets only.

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9. The purchase of an asset on credit

(a) increases assets and shareholders' equity.
(b) increases assets and liabilities.
(c) decreases assets and increases liabilities.
(d) has no effect on total assets.

10. Recording revenue

(a) increases assets and liabilities.
(b) increases assets and shareholders' equity.
(c) increases assets and decreases shareholders' equity.
(d) has no effect on total assets.

11. A paid dividend

(a) decreases assets and shareholders' equity.
(b) increases assets and shareholders' equity.
(c) increases assets and decreases shareholders' equity.
(d) decreases assets and increases shareholders' equity.

12. An expense

(a) decreases assets and liabilities.
(b) decreases shareholders' equity.
(c) has no effect on shareholders' equity.
(d) increases assets and decreases shareholder' equity

13. Debit and credit can be interpreted to mean

(a) "bad" and "good," respectively.
(b) increase and decrease, respectively.
(c) decrease and increase, respectively.
(d) either an increase or decrease depending on the account.

14. The left side of a T account is the

(a) credit side.
(b) debit side.
(c) description of the account.
(d) balance of the account.

15. The right side of an account is

(a) always used to record increases.
(b) the credit side.
(c) the debit side.
(d) always used to record decreases.

16. A T account is

(a) a way of illustrating the basic form of an account.
(b) a special account used to record only debits.
(c) a special account used to record only credits.
(d) the actual account form used in real accounting systems

17. The normal balance of any account is the

(a) left side.
(b) right side.
(c) side which increases the account.
(d) side which decreases the account.

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18. Which one of the following represents the expanded basic accounting equation?
- **(a) Assets = Liabilities + Common Shares + Retained Earnings + Revenues – Expenses – Dividends Declared.**
- (b) Assets + Liabilities = Dividends Declared + Expenses + Common Shares + Revenues.
- (c) Assets – Liabilities – Dividends Declared = Common Shares + Revenues – Expenses.
- (d) Assets = Revenues + Expenses – Liabilities.

19. An accountant has debited an asset account for $2,000 and credited an expense account for $4,000. Which of the following would be the correct way to complete the recording of the transaction?
- (a) Credit an asset account for $4,000.
- (b) Credit a liability account for $2,000.
- **(c) Credit a shareholders' equity account for $2,000.**
- (d) Debit a shareholders' equity account for $2,000.

20. An account will have a credit balance if the
- **(a) credits exceed the debits.**
- (b) first transaction entered was a credit.
- (c) debits exceed the credits.
- (d) last transaction entered was a credit.

21. Which of the following statements is true?
- (a) Debits increase assets and increase liabilities.
- (b) Credits decrease assets and decrease liabilities.
- **(c) Credits decrease assets and increase liabilities.**
- (d) Debits increase liabilities and decrease assets.

22. When a corporation pays a dividend, the
- (a) Cash account will be increased with a debit.
- (b) Dividends Declared account will be increased with a credit.
- (c) Retained Earnings account will be directly increased with a debit.
- **(d) Dividends Declared account will be increased with a debit.**

23. Which of the following statements is not true?
- **(a) Expenses increase shareholders' equity.**
- (b) Expenses have normal debit balances.
- (c) Expenses decrease shareholders' equity.
- (d) Expenses are a negative factor in the calculation of net income.

24. In the first month of operations, the total of the debit entries to the cash account amounted to $1,900 and the total of the credit entries to the cash account amounted to $1,500. Therefore, at the end of the month, the cash account has a

(a) $500 credit balance. (b) $900 debit balance.
(c) $400 debit balance. (d) $400 credit balance.

25. The sequence of steps in the transaction recording process is

(a) journal ◊ analyze ◊ ledger. **(b) analyze ◊ journal ◊ ledger.**
(c) journal ◊ ledger ◊ analyze. (d) ledger ◊ journal ◊ analyze.

26. The first step in the recording process is to
- (a) prepare financial statements.
- **(b) analyze the transaction in terms of its effect on the accounts.**
- (c) post to a journal.
- (d) post to the ledger.

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27. The recording process occurs
(a) once a year.
(b) once a month.
(c) repeatedly during the accounting period.
(d) infrequently – usually every two or three months.

28. A journal provides
(a) the balances for each account.
(b) information about a transaction in several different places.
(c) a list of all accounts used in the business.
(d) a chronological record of transactions.

29. Transactions recorded in a journal are done in
(a) account number order.
(b) financial statement order.
(c) alphabetical order.
(d) chronological order

30. The name given to entering transaction data in the journal is
(a) transacting. (b) listing.
(c) posting. **(d) journalizing.**

31. A company that receives money in advance of performing a service
(a) debits Cash and credits a Prepaid account.
(b) debits Unearned Revenue and credits Accounts Payable.
(c) debits Cash and credits Unearned Revenue.
(d) debits Cash and credits Accounts Receivable.

32. A $50,000 machine is purchased by paying $35,000 cash and signing a bank loan payable for the balance. The journal entry should include a
(a) credit to Bank Loan Payable.
(b) debit to Cash.
(c) credit to Accounts Receivable.
(d) credit to Machinery.

33. After transaction information has been recorded in the journal, it is transferred to the
(a) chart of accounts.
(b) income statement.
(c) book of original entry.
(d) ledger.

34. The chart of accounts begins with
(a) asset accounts.
(b) liability accounts.
(c) revenue accounts.
(d) expense accounts.

35. All transactions
(a) are entered in the general ledger and then transferred to the general journal.
(b) are non-economic events that are recorded.
(c) are recorded and reported.
(d) are entered in the general journal and posted to the general ledger.

36. The Unearned Revenue account is classified as a(n)
(a) asset. (b) revenue.
(c) expense. **(d) liability.**

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37. The ledger accounts should be arranged in
(a) date order.
(b) alphabetical order.
(c) financial statement order.
(d) order of appearance in the journal.

38. If the sum of the debit column equals the sum of the credit column in a trial balance, it indicates
(a) no errors have been made.
(b) no errors can be discovered.
(c) that all accounts reflect correct balances.
(d) the mathematical equality of the accounting equation.

39. The trial balance will not balance when
(a) a transaction is not journalized.
(b) a correction journal entry is not posted.
(c) a debit and a credit amount are unequal in a journal entry.
(d) a journal entry is posted twice.

40. A trial balance proves
(a) the mathematical equality of debits and credits in the ledger.
(b) the ledger is posted correctly.
(c) that all transactions have been recorded correctly.
(d) that all transactions have been posted.

Q2: Indicate whether each of the following statements is true or false

False___ **1.** Revenue is only recorded when cash is received.
False___ **2.** Collection of an account receivable will increase total assets.
False___ **3.** In its simplest form, a T account consists of three parts: (1) its title, (2) a left or credit side and (3) a right or debit side.
True___ **4.** An individual accounting record for a specific asset, liability or shareholders' equity item is called an account.
False___ **5.** A debit increases an account and a credit decreases an account.
True___ **6.** If a revenue account is credited, this must increase shareholders' equity.
False___ **7.** The normal balance of a liability account is a debit.
False___ **8.** A credit means that an account has been increased.
True___ **9.** A decrease in a liability account is recorded by a debit.
True___ **10.** An increase in an asset is recorded by a debit.
False__ **11.** The normal balance of an asset is a credit.
True___ **12.** Assets are decreased with a credit.
False__ **13.** The first step in the recording process is entering the transaction into the general journal.
False__ **14.** Entering transactions into the journal is called posting.
False__ **15.** The account to be credited is entered first in a journal entry.
False__ **16.** Posting is the process of proving the equality of debits and credits in the trial balance
True___ **17.** A trial balance can still balance even if an entry is posted to the wrong account.
True___ **18.** The main purpose of the trial balance is to check that debits equal credits.
False__ **19.** If a journal entry is posted twice, this will be discovered by preparing a trial balance.
True___ **20.** Revenues are a subdivision of shareholders' equity.

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Q3: Analyze the transactions of a business organized as a corporation described below and indicate their effect on the basic accounting equation. Use a plus sign (+) to indicate an increase and a minus sign (–) to indicate a decrease.

		Assets =	Liabilities +	Shareholders' + Equity
1	Received cash for services provided.	+		+
2	Purchased office equipment on credit.	+	+	
3	Paid employees' salaries	-		-
4	Received cash from customer in payment of his account receivable.	+,-		
5	Paid telephone bill for the month.	-		-
6	Paid for office equipment purchased in transaction 2.	-	-	
7	Received cash from a customer for work to be done later.	+	+	
8	Dividends declared were paid.	-		-
9	Obtained a loan from the bank.	+	+	
10	Billed customers for services performed	+		+

Q4: For each of the following: (a) Identify what type of account it is (Asset, Liability, Shareholders' Equity, Revenue, or Expense); and (b) its normal balance (debit or credit).

		Type of Account	Normal Balance
1	Supplies		
2	Mortgage Payable		
3	Service Revenue		
4	Accounts Payable		
5	Salaries Expense		
6	Common Shares		
7	Accounts Receivable		
8	Unearned Revenue		
9	Income Tax Expense		

Solution:

		Type of Account	Normal Balance
1	Supplies	Asset	Dr.
2	Mortgage Payable	Liability	Cr.
3	Service Revenue	Revenue	Cr.
4	Accounts Payable	Liability	Cr.
5	Salaries Expense	Expense	Dr.
6	Common Shares	Shareholders' Equity	Cr.
7	Accounts Receivable	Asset	Dr.
8	Unearned Revenue	Liability	Cr.
9	Income Tax Expense	Expense	Dr.

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Q5: For the accounts listed below, indicate if the normal balance of the account is a debit or credit:

	Accounts	Normal Balance **Debit Or Credit**
1	Service Revenue	
2	Rent Expense	
3	Accounts Receivable	
4	Accounts Payable	
5	Common Shares	
6	Supplies	
7	Insurance Expense	
8	Dividends Declared	
9	Buildings	
10	Bank Loan Payable	

Solution:

	Accounts	Normal Balance **Debit Or Credit**
1	Service Revenue	**Credit**
2	Rent Expense	**Debit**
3	Accounts Receivable	**Debit**
4	Accounts Payable	**Credit**
5	Common Shares	**Credit**
6	Supplies	**Debit**
7	Insurance Expense	**Debit**
8	Dividends Declared	**Debit**
9	Buildings	**Debit**
10	Bank Loan Payable	**Credit**

Q6: Kate Browne engaged in the following activities in establishing her salon, Hair It Is:

1. Opened a bank account in the name of Hair It Is and deposited $20,000 of her own money in this account as her initial investment.
2. Purchased equipment on account (to be paid in 30 days) for a total cost of $4,800.
3. Interviewed three persons for the position of hair stylist.

Prepare the entries to record the transactions.

Answer:

Prepare the entries to record the transactions.

1. Opened a bank account and deposited $20,000.

Cash	20,000	
Owner's Capital		20,000

2. Purchased equipment on account (to be paid in 30 days) for a total cost of $4,800.

Equipment	4,800	
Accounts Payable		4,800

3. Interviewed three persons for the position of hair stylist. " **No entry** "

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Q7: Journalize the following business transactions in general journal form. Identify each transaction by number. You may omit explanations.

1. Invested $25,000 in exchange for common shares of the corporation
2. Hired an employee to be paid $400 per week, starting tomorrow.
3. Paid six months' rent in advance, $6,000.
4. Paid the worker's weekly salary.
5. Recorded service revenue earned and received for the week, $1,750.

Solution

1. Cash..... 25,000
   Common Shares..... 25,000
2. **No entry**
3. Prepaid Rent..... 6,000
   Cash..... 6,000
4. Salaries Expense..... 400
   Cash..... 400
5. Cash..... 1,750
   Service Revenue..... 1,750

Q8 : Match the items below by entering the appropriate code letter in the space provided.

A. Account	F. Journal
B. Normal balance	G. Posting
C. Debit	H. Chart of accounts
D. Revenue account	I. Trial balance
E. Ledger	J. Source document

_____ 1. The entire group of accounts maintained by a company
_____ 2. Transferring journal entries to ledger accounts
_____ 3. The side which increases an account
_____ 4. A list of all the accounts used by a company
_____ 5. An accounting record of increases and decreases in specific assets, liabilities, and shareholders' equity items
_____ 6. Left side of an account
_____ 7. Evidence that a transaction has taken place
_____ 8. Shows the debit and credit effects of specific transactions
_____ 9. A list of accounts and their balances at a given time
_____10. An account with a normal credit balance

Solution:

1. E 2. G 3. B 4. H 5. A 6. C 7. J 8.F 9. I 10. D

End of Chapter

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CHAPTER 3

Adjusting the Accounts

ضبط الحسابات

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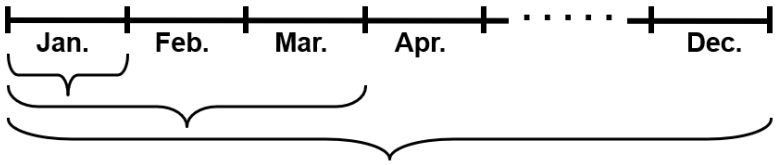
ضياء الدين صبح

Accountants divide the economic life of a business into artificial time periods (Time Period Assumption).
يقسم المحاسبون الحياة الاقتصادية للشركة إلى فترات زمنية مصطنعة (افتراض الفترة الزمنية).

Generally, a **month**, **quarter**, or **year**. بشكل عام **شهر أو ربع أو سنة** "عام"



Alternative Terminology " The time **period assumptions** also called the ***periodicity assumption*."**
مصطلحات بديلة **افتراض الفترة الزمنية** يسمى أيضًا افتراض دورية.

Fiscal and Calendar Years السنوات المالية والتقويمية

- Monthly and quarterly time periods are called **interim periods**.
  - تسمى الفترات الزمنية الشهرية والفصلية بالفترات المؤقتة.
- Most large companies must prepare both **quarterly** and **annual** financial statements.
  - يجب على معظم الشركات الكبيرة إعداد بيانات مالية ربع سنوية وسنوية.
- **Fiscal Year** = Accounting time period that is one year in length.
  السنة المالية = فترة زمنية محاسبية مدتها سنة واحدة
- **Calendar Year** = January 1 to December 31. **سنة التقويم** = 1 يناير إلى 31 ديسمبر

Accrual- versus Cash-Basis Accounting الاستحقاق مقابل محاسبة الأساس النقدي

Accrual-Basis Accounting

- Transactions recorded in the **periods in which the events occur**.
  - المعاملات المسجلة في الفترات التي تقع فيها الأحداث.
- Companies **recognize revenues when they perform services** (rather than when they receive cash).
  - تعترف الشركات بالإيرادات عندما تؤدي الخدمات (وليس عندما تتلقى النقد).
- **Expenses** are recognized when **incurred** (rather than when paid).
  - يتم الاعتراف بالمصروفات عند تكبدها (وليس عند دفعها).
- In accordance with **generally accepted accounting principles (GAAP)**.
  - وفقًا لمبادئ المحاسبة المقبولة عمومًا.**(GAAP)**

Cash-Basis Accounting أساس المحاسبة النقدية

- Revenues recognized when cash is received. يتم الاعتراف بالايرادات عند الاستلام
- Expenses recognized when cash is paid. المصروفات المعترف بها عند الدفع نقدا
- Cash-basis accounting is not in accordance with generally accepted accounting principles (GAAP).
  لا تتوافق المحاسبة على أساس النقد مع مبادئ المحاسبة المقبولة عمومًا (GAAP)

Recognizing Revenues and Expenses التعرف على الايرادات و المصروفات

REVENUE RECOGNITION PRINCIPLE مبدأ الاعتراف بالايرادات

Recognize revenue in the accounting period in which the **performance obligation** is satisfied.
الإيراد في الفترة المحاسبية : هي الفترة التي يتم فيها الوفاء **بالتزام الأداء**.

EXPENSE RECOGNITION PRINCIPLE مبدأ الاعتراف بالمصروفات

Match expenses with revenues in the period when the company makes efforts that generate those revenues.
مطابقة المصروفات مع الإيرادات في الفترة التي تبذل فيها الشركة الجهود التي تولد تلك الإيرادات.

"Let the expenses follow the revenues." دع النفقات تتبع الايرادات

ضياء الدين صبح

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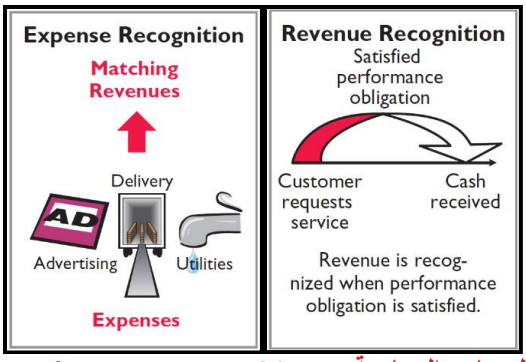
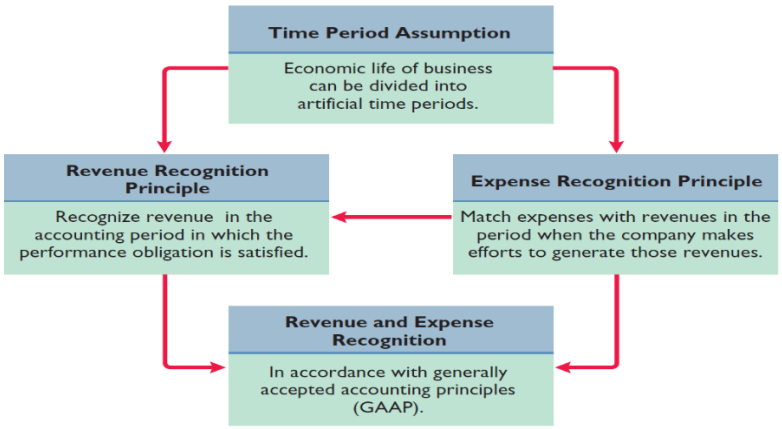


GAAP relationships in revenue and expense recognition تمييز الايرادات و المصروفات من خلال مبادئ المحاسبة



The Need for Adjusting Entries الحاجة الى تعديل الادخالات

Adjusting Entries

- Ensure that the **revenue recognition** and **expense recognition** principles are followed.
  تأكد من اتباع مبادئ **الاعتراف بالإيرادات والمصروفات**.
- Necessary because the **trial balance may not contain up-to-date** and complete data.
  ضروري لأن **ميزان المراجعة قد لا يحتوي على بيانات محدثة وكاملة**.
- **Required** every time a company prepares financial statements.
  مطلوب في كل مرة تعد فيها الشركة البيانات المالية.
- Will include **one income statement account** and **one balance sheet account**.
  سيتضمن حساب **بيان دخل واحد وحساب ميزانية عمومية**.

Types of Adjusting Entries أنواع تعديلات الإدخال

Deferrals التأجيلات	Accruals المستحقات
1. **Prepaid Expenses. مصروفات الدفع المسبق** **Expenses paid in cash before they are used or consumed.** **المصروفات المدفوعة نقدًا قبل استخدامها أو استهلاكها.** 2. **Unearned Revenues. الايرادات غير المكتسبة** **Cash received before services are performed.** **المبالغ النقدية المستلمة قبل أداء الخدمات.**	1. **Accrued Revenues. الايرادات المتراكمة** Revenues for services performed but not yet received in cash or recorded. إيرادات الخدمات التي تم أداؤها ولكن لم يتم استلامها نقدًا أو تسجيلها . 2. **Accrued Expenses. المصاريف المستحقة** Expenses incurred but not yet paid in cash or recorded. المصروفات المتكبدة ولكن لم تدفع نقدًا أو مسجلة بعد.

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Trial Balance – Each account is analyzed to determine whether it is complete and up-to-date.
- يتم تحليل كل حساب لتحديد ما إذا كان كاملاً ومُحدَّثًا

Ex:

PIONEER ADVERTISING Trial Balance October 31,2017		
	Debit	**Credit**
Cash	$15,200	
Supplies	2,500	
Prepaid Insurance	600	
Equipment	5,000	
Notes Payable		$ 5,000
Account Payable		2,500
Unearned Service Revenue		1,200
Owners Capital		10,000
Owners Drawing	500	
Service Revenue		10,000
Salaries and Wages expense	4,000	
Rent expense	900	
	$28,700	**$28,700**

Prepare adjusting entries for deferrals. تحضير تعديل الادخالات للمؤجلات "التأجيل"

Deferrals are expenses or revenues that are recognized at a date later than the point when cash was originally exchanged. There are two types:

التأجيلات عبارة عن مصروفات أو إيرادات يتم الاعتراف بها في تاريخ لاحق للوقت الذي تم فيه تبادل النقد في الأصل. هناك نوعان:

- **Prepaid expenses** **النفقات المدفوعة مسبقا**
- **Unearned revenue** **الايرادات غير المكتسبة**

1. Prepaid Expenses النفقات المدفوعة مسبقا

Payment of cash, that is recorded as an asset to show the service or benefit the company will receive in the future. الدفع النقدي ، الذي يتم تسجيله كأصل لإظهار الخدمة أو المنفعة التي ستحصل عليها الشركة في المستقبل

Cash Payment **BEFORE** **Expense Recorded** الدفع النقدي قبل تسجيل المصروفات

Prepayments often occur in regard to: غالبًا ما تحدث **المدفوعات** المسبقة فيما يتعلق بما يلي

❖ Insurance التأمين	❖ rent الايجار
❖ Supplies اللوازم	❖ Equipment المعدات
❖ Advertising الدعاية / الإعلان	❖ buildings المباني

- **Expire either with the passage of time or through use.** **تنتهي صلاحيته من خلال الوقت أو من خلال الاستخدام**
- Adjusting entry: تعديل المداخل
  - **Increase** (debit) to an **expense account** and . زيادة "المدين" لحساب المصاريف و
  - **Decrease** (credit) to an **asset account**. تقليل "الدائن" الى حساب الأصول

Prepaid Expenses

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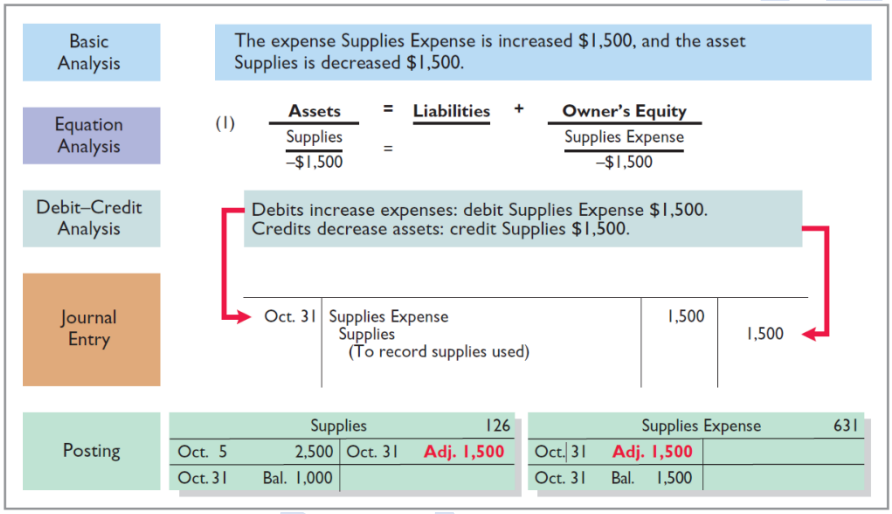
Supplies اللوازم

Ex: Pioneer Advertising purchased supplies costing $2,500 on October 5. Pioneer recorded the payment by increasing (debiting) the asset Supplies. This account shows a balance of $2,500 in the October 31 trial balance. An inventory count at the close of business on October 31 reveals that $1,000 of supplies are still on hand.

على سبيل المثال: اشترت شركة بايونير للإعلان لوازم تبلغ تكلفتها 2500 دولار في 5 أكتوبر. سجلت بايونير الدفع عن طريق زيادة (مدين) مستلزمات الأصول. يُظهر هذا الحساب رصيدًا قدره 2500 دولار في ميزان المراجعة 31 أكتوبر. يكشف جرد المخزون عند إغلاق العمل في 31 أكتوبر أن 1،000 دولار من الإمدادات لا تزال في متناول اليد.

Oct.31 Supplies Expense 1,500
Supplies 1,500

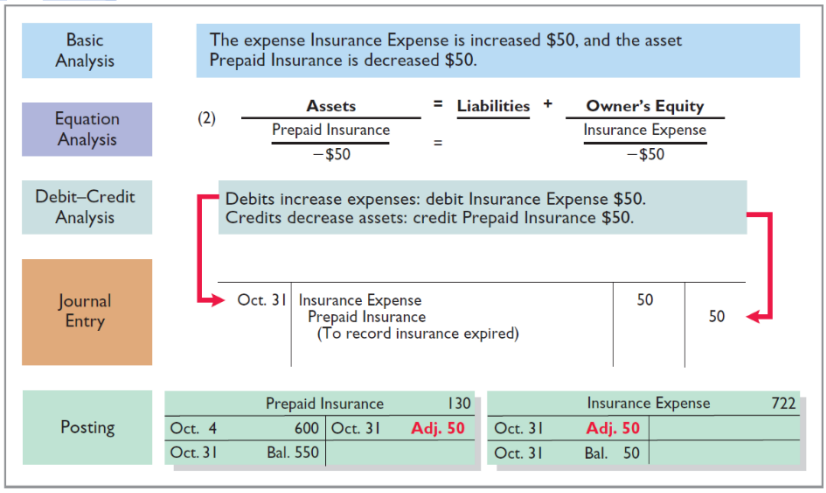


Insurance التأمين

Ex: On October 4, Pioneer Advertising paid $600 for a one-year fire insurance policy. Coverage began on October 1. Pioneer recorded the payment by increasing (debiting) Prepaid Insurance. This account shows a balance of $600 in the October 31 trial balance. Insurance of $50 ($600 ÷ 12) expires each month

في 4 أكتوبر ، دفعت شركة بايونير للدعاية 600 دولار لبوليصة تأمين ضد الحريق لمدة عام. بدأت التغطية في الأول من أكتوبر. سجلت بايونير الدفع عن طريق زيادة (مدين) التأمين المدفوع مقدمًا. يعرض هذا الحساب رصيدًا قدره 600 دولار في ميزان المراجعة 31 أكتوبر. ينتهي التأمين بقيمة 50 دولارًا (600 دولارًا 12) كل شهر

Oct.31 Insurance Expense 50
Prepaid Insurance 50



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Depreciation الإستهلاك

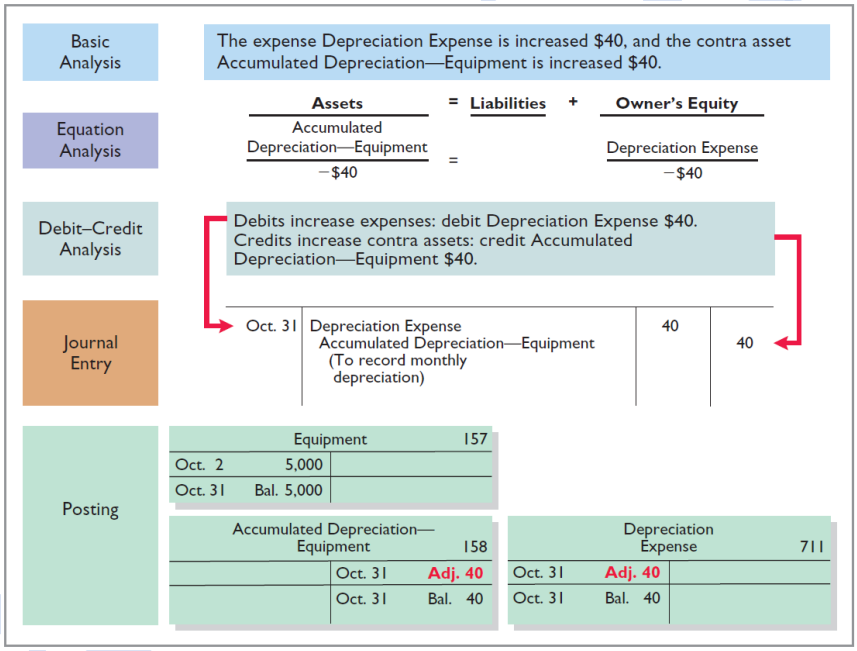
- **Buildings**, **equipment**, and **motor vehicles** (assets that provide service for many years) are **recorded as assets**, rather than an expense, on the date acquired.
  يتم تسجيل **المباني والمعدات والسيارات** (الأصول التي توفر الخدمة لسنوات عديدة) **كأصول** ، وليس كمصروفات ، في تاريخ الاستحواذ.
- **Depreciation** is the process of **allocating the cost of an asset to expense** over its **useful life**.
  الاستهلاك هو عملية **تخصيص تكلفة الأصل للمصروفات** على مدار **عمره الإنتاجي**.
- Depreciation **does not attempt** to report the actual change in the **value of the asset**.
  لا يحاول الإستهلاك الإبلاغ عن التغيير الفعلي في **قيمة الأصل**.
  - **Allocation concept**, not a valuation concept. **مفهوم التخصيص** وليس مفهوم التقييم

Ex: For Pioneer Advertising, assume that depreciation on the equipment is $480 a year, or $40 per month.

بالنسبة إلى شركة بايونير للدعاية ، افترض أن استهلاك المعدات يبلغ 480 دولارًا في السنة ، أو 40 دولارًا في الشهر.

Oct. 31 Depreciation expense 40
Accumulated depreciation 40

Accumulated Depreciation is called a **contra asset account**. **يسمى الاستهلاك المتراكم بحساب الأصول مقابل**



STATEMENT PRESENTATION

- Accumulated Depreciation is a **contra asset account** (credit).
  الاستهلاك المتراكم هو حساب أصول مقابل (دائن).
- **Offsets related asset account** on the balance sheet.
  إزاحة حساب الأصول ذات الصلة في الميزانية العمومية.
- **Book value** is the difference between the cost of any depreciable asset and its accumulated depreciation.
  القيمة الدفترية هي الفرق بين تكلفة أي أصل قابل للاستهلاك واستهلاكه المتراكم.

Book Value = Equipment – Accumulated depreciation – equipment

Ex: When equipment $5,000 and the Accumulated depreciation – equipment is $40 What BV ?

Book Value = Equipment – Accumulated depreciation – equipment

BV = $5,000 – 40 **= $4,960**

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Summary of the accounting for prepaid expenses.

ACCOUNTING FOR PREPAID EXPENSES محاسبة المصروفات المدفوعة مقدمًا			
Examples الأمثلة	**Reason for Adjustment سبب التعديل**	**Accounts Before Adjustment الحسابات قبل التعديل**	**Adjusting Entry تعديل المدخل**
Insurance, supplies, advertising, rent, depreciation التأمين ، اللوازم ، الإعلان ، الإيجار ، الاستهلاك	Prepaid expenses recorded in asset accounts have been used. تم استخدام المصروفات المدفوعة مسبقًا المسجلة في حسابات الأصول.	Assets overstated. Expenses understated. تتم المبالغة بالأصول يتم تقليل المصروفات	Dr. Expenses Cr. Assets or Contra Assets كيفية التسجيل

2. Unearned Revenues الإيرادات غير المكتسبة

Receipt of cash that is recorded as a liability because the service has not been performed.

استلام النقد الذي تم تسجيله كالتزام لأنه لم يتم أداء الخدمة.

Cash Receipt BEFORE Revenue Recorded استلام نقدي قبل تسجيل الإيرادات

Unearned revenues often occur in regard to: غالبا ما تحدث **الإيرادات غير المكتسبة** فيما يتعلق

❖ Airline tickets تذاكر الطيران	❖ rent الايجار
❖ Magazine subscriptions اشتراكات المجلات	❖ Customer deposits ودائع الزبائن

- Adjusting entry is made to **record the revenue** for services performed during the period and to show the liability that remains at the end of the period.
  يتم إجراء تعديل الإدخال لتسجيل الإيرادات للخدمات التي تم إجراؤها خلال الفترة ولإظهار الالتزام المتبقي في نهاية الفترة.
- Results in a **decrease** (debit) to a **liability account** and an **increase** (credit) to a **revenue account**.
  ينتج عنه انخفاض (مدين) لحساب التزام وزيادة (دائن) لحساب الإيرادات.

Unearned Revenues

Ex: Pioneer Advertising received $1,200 on October 2 from R. Knox for advertising services expected to be completed by December 31. Unearned Service Revenue shows a balance of $1,200 in the October 31 trial balance. Analysis reveals that the company performed $400 of services in October.

تلقت شركة بايونير للإعلان مبلغ 1200 دولار في 2 أكتوبر من R. Knox مقابل خدمات إعلانية من المتوقع أن تكتمل بحلول 31 ديسمبر. وتظهر إيرادات الخدمة غير المكتسبة رصيدًا قدره 1200 دولار في ميزان المراجعة 31 أكتوبر. يكشف التحليل أن الشركة قدمت خدمات بقيمة 400 دولار في أكتوبر.

Oct. 31 Unearned Service Revenue 400
Service Revenue 400

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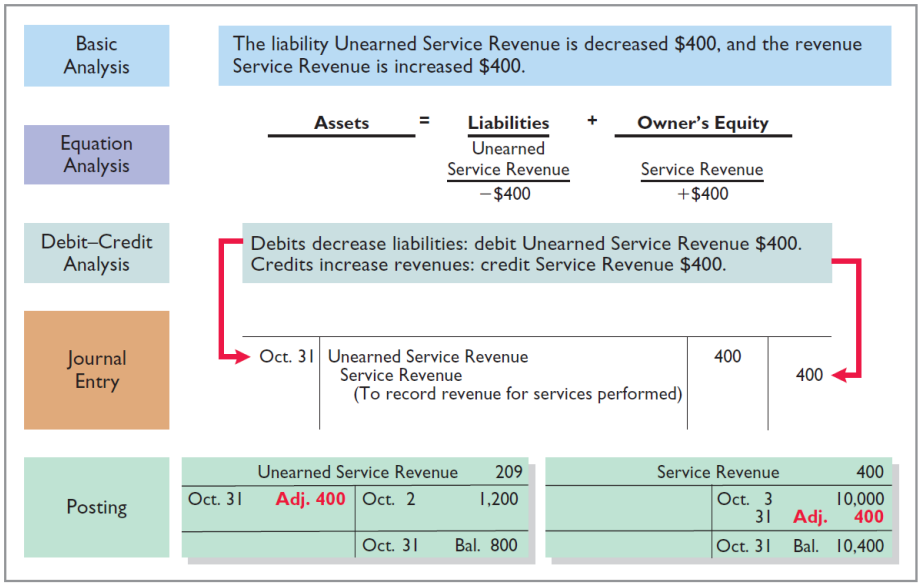

Summary of the accounting for unearned revenues ملخص محاسبة الايرادات غير المكتسبة

ACCOUNTING FOR UNEARNED REVENUES محاسبة الإيرادات غير المكتسبة			
Examples الأمثلة	**Reason for Adjustment سبب التعديل**	**Accounts Before Adjustment الحسابات قبل التعديل**	**Adjusting Entry تعديل المدخل**
Airline tickets, Magazine subscriptions, rent, Customer deposits تذاكر الطيران ، واشتراكات المجلات ، والإيجار ، ودائع الزبائن	Unearned revenues recorded in liability accounts are now recognized as revenue for services performed. يتم الآن الاعتراف بالإيرادات غير المكتسبة المسجلة في حسابات الإلتزامات كإيرادات للخدمات المقدمة.	Liabilities overstated. revenues understated. تتم المبالغة بالإلتزامات يتم تقليل العوائد	Dr. Liabilities Cr. revenues كيفية التسجيل

Accruals are made to record **المستحقات**: يتم إجراء التسجيل

- **Revenues** for services performed but not yet recorded at the statement date.
  إيرادات الخدمات التي تم أداؤها ولكن لم يتم تسجيلها بعد في تاريخ الكشف
- **Expenses** incurred but not yet paid or recorded at the statement date.
  المصروفات المتكبدة ولكن لم يتم دفعها أو تسجيلها في تاريخ البيان.

1. Accrued Revenues الإيرادات المستحقة

Revenues for services performed but not yet received in cash or recorded.

إيرادات الخدمات التي تم أداؤها ولكن لم يتم استلامها نقدًا أو تسجيلها بعد

Revenue Recorded BEFORE Cash Receipt **تم تسجيل الإيرادات قبل استلام النقد**

Accrued revenues often occur in regard to: **الإيرادات المستحقة** غالبًا ما تحدث فيما يتعلق بما يلي:

- Rent الإيجار
- Interest الفائدة
- Services الخدمات

- Adjusting entry shows the **receivable** that exists and records the **revenues for services performed**.

يُظهر تعديل الإدخال **المستحق** الموجود ويسجل **إيرادات الخدمات المؤداة**.

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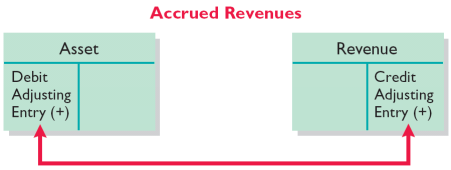
- Adjusting entry: تعديل الإدخال
  - **Increases** (debits) an **asset account** and — **يزيد** (مدين) **حساب الأصول** و
  - **Increases** (credits) a **revenue account**. — **يزيد** (دائن) **حساب الإيرادات**



Ex: In October Pioneer Advertising performed services worth $200 that were not billed to clients on or before October 31.

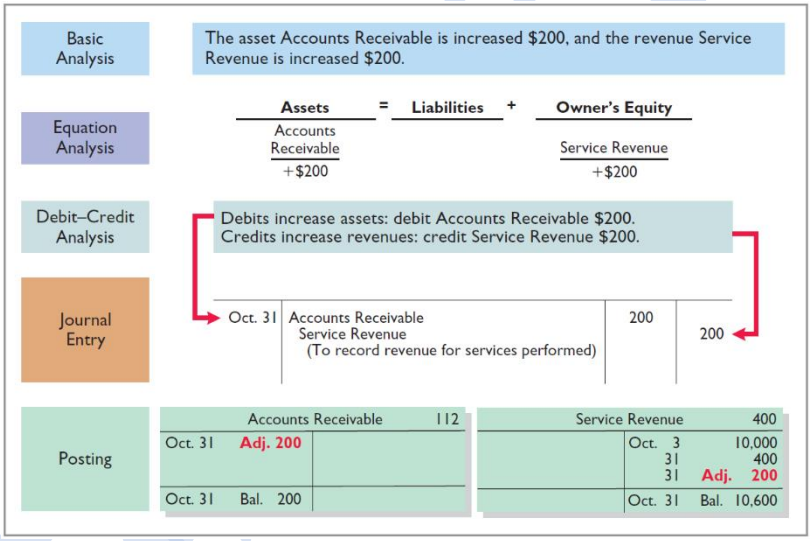
في أكتوبر ، قدمت شركة بايونير للإعلان خدمات بقيمة 200 دولار لم يتم إصدار فواتير بها للزبائن في أو قبل 31 أكتوبر.

Oct. 31 Accounts Receivable 200
Service Revenue 200

On November 10, Pioneer receives cash of $200 for the services performed.

في 10 نوفمبر ، تتلقى بايونير مبلغًا نقديًا قدره 200 دولار مقابل الخدمات المقدمة.

Nov. 10 Cash 200
Accounts Receivable 200



Summary of the accounting for accrued revenues. **ملخص المحاسبة عن الإيرادات المستحقة**

ACCOUNTING FOR ACCRUED REVENUES محاسبة الإيرادات المستحقة			
Examples الأمثلة	**Reason for Adjustment سبب التعديل**	**Accounts Before Adjustment الحسابات قبل التعديل**	**Adjusting Entry تعديل المدخل**
rent, interest, Service الإيجار ، الفوائد ، الخدمات	services performed but not yet received in cash or recorded الخدمات المؤداة ولكن لم يتم استلامها نقدًا أو مسجلة بعد	Assets understated. revenues understated. يتم تقليل الأصول يتم تقليل العوائد	Dr. Assets Cr. revenues كيفية التسجيل

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2. Accrued expenses المصاريف المستحقة

Expenses incurred but not yet paid in cash or recorded. المصروفات المتكبدة ولكن لم تدفع نقدًا أو مسجلة بعد

Expense Recorded BEFORE Cash Payment تسجيل المصروفات قبل الدفع النقدي

Accrued expenses often occur in regard to: غالبا ما تحدث المصروفات المستحقة فيما يتعلق بالتالي

- Rent تأجير
- Interest فائدة
- Taxes الضرائب
- Salaries الرواتب

► Adjusting entry records the obligation and recognizes the expense.
تعديل الإدخال يسجل الالتزام ويعترف بالمصروفات.

► Adjusting entry: تعديل الادخال
- **Increase** (debit) an **expense account** and زيادة "الدائن" لحساب المصاريف و
- **Increase** (credit) a **liability account**. زيادة "المدين" لحسبات الالتزامات "المصاريف"

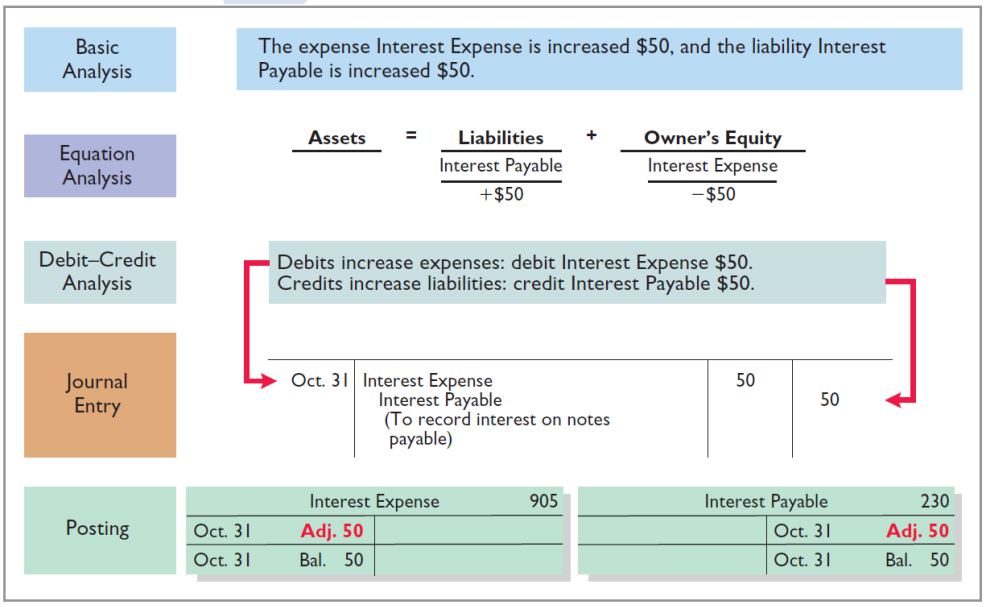
Accrued Expenses

Ex: **Pioneer Advertising** signed a three-month note payable in the amount of $5,000 on October 1. The note requires Pioneer to pay interest at an annual rate of 12%.

على سبيل المثال: وقعت شركة **Pioneer Advertising** على مذكرة لمدة ثلاثة أشهر مستحقة الدفع بمبلغ 5000 دولار في 1 أكتوبر. تتطلب المذكرة من بايونير دفع فائدة بمعدل سنوي قدره 12٪.

Interest = Face value of Note * Annual Interest Rate * Time Terms Of one Year
= $5,000 * 12% * 1/12 = **$50**

Oct.31 Interset expense 50
Interset Payable 50



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ACCRUED INTEREST الفائدة المستحقة

Ex: **Pioneer Advertising** paid salaries and wages on October 26; the next payment of salaries will not occur until November 9. The employees receive total salaries of $2,000 for a five-day work week, or $400 per day.

على سبيل المثال: دفعت شركة **Pioneer Advertising** الرواتب والأجور في 26 أكتوبر ؛ لن يتم الدفع التالي للرواتب حتى 9 نوفمبر. يتلقى الموظفون رواتب إجمالية قدرها 2000 دولار مقابل خمسة أيام عمل في الأسبوع ، أو 400 دولار أمريكي في اليوم.

Basic Analysis

The expense Salaries and Wages Expense is increased $1,200, and the liability account Salaries and Wages Payable is increased $1,200.

Equation Analysis

Assets	=	Liabilities	+	Owner's Equity
		Salaries and Wages Payable		Salaries and Wages Expense
		+$1,200		−$1,200

Debit–Credit Analysis

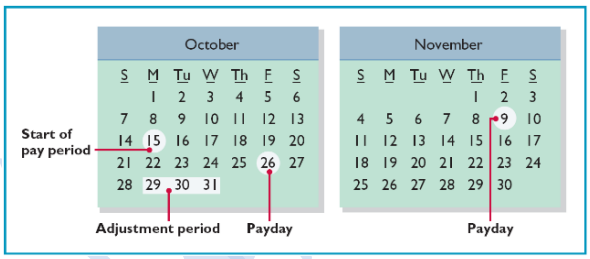
Debits increase expenses: debit Salaries and Wages Expense $1,200.
Credits increase liabilities: credit Salaries and Wages Payable $1,200.

Journal Entry

Oct. 31	Salaries and Wages Expense Salaries and Wages Payable (To record accrued salaries and wages)	1,200	1,200

Posting

Salaries and Wages Expense 726				Salaries and Wages Payable 212			
Oct. 26		4,000			Oct. 31	Adj.	1,200
31	Adj.	1,200					
Oct. 31	Bal.	5,200			Oct. 31	Bal.	1,200



Oct.31 Salaries and Wages expense 1,200
Salaries and Wages Payable 1,200

Summary of the accounting for accrued expenses ملخص الحسابات المستحقة

ACCOUNTING FOR ACCRUED EXPENSES محاسبة المصاريف المستحقة			
Examples الأمثلة	**Reason for Adjustment سبب التعديل**	**Accounts Before Adjustment الحسابات قبل التعديل**	**Adjusting Entry تعديل المدخل**
rent, interest, Salaries الإيجار ، الفوائد ، الرواتب	Expenses have been incurred but not yet paid in cash or recorded تم تكبد المصروفات ولكن لم يتم دفعها نقدًا أو تسجيلها	Expenses understated. Liabilities understated. يتم تقليل المصاريف يتم تقليل الإلتزامات	Dr. Expenses Cr. Liabilities كيفية التسجيل

Summary of Basic Relationships ملخص العلاقات الأساسية

Type of Adjustment نوع التعديل	Accounts Before Adjustment	Adjusting Entry تعديل الإدخال
Prepaid Expense	Assets Overstated Expense Understated	Dr. Expenses Cr. Assets or Contra Assets
Unearned Revenue	Liabilities Overstated Revenue Understated	Dr. Liabilities Cr. Revenue
Accrued Expense	Assets Understated Revenue Understated	Dr. Assets Cr. Revenue
Accrued Revenue	Expenses Understated Liabilities Understated	Dr. Expenses Cr. Liabilities

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Describe the nature and purpose of an adjusted trial balance.

وصف طبيعة والغرض من المراجعة "المعدل"

Adjusted Trial Balance المراجعة المعدلة

- Prepared after all adjusting entries are journalized and posted.
- يتم إعدادها بعد تسجيل جميع إدخالات التعديل في دفتر اليومية ونشرها.
- Purpose is to prove the equality of debit balances and credit balances in the ledger.
- الغرض هو إثبات المساواة في أرصدة المدين والأرصدة الدائنة في دفتر الأستاذ .
- Is the primary basis for the preparation of financial statements.
- هي الأساس الأساسي لإعداد البيانات المالية .

PIONEER ADVERTISING
Adjusted Trial Balance
October 31, 2017

	Debit	Credit
Cash	$ 15,200	
Accounts Receivable	200	
Supplies	1,000	
Prepaid Insurance	550	
Equipment	5,000	
Accumulated Depreciation—Equipment		$ 40
Notes Payable		5,000
Accounts Payable		2,500
Interest Payable		50
Unearned Service Revenue		800
Salaries and Wages Payable		1,200
Owner's Capital		10,000
Owner's Drawings	500	
Service Revenue		10,600
Salaries and Wages Expense	5,200	
Supplies Expense	1,500	
Rent Expense	900	
Insurance Expense	50	
Interest Expense	50	
Depreciation Expense	40	
	$30,190	$30,190

Preparing Financial Statements اعداد القوائم المالية

Financial Statements are prepared directly from the **Adjusted Trial Balance**.

يتم إعداد البيانات المالية مباشرة من **قائمة المراجعة المعدلة.**

Income Statement قوائم الدخل /// **Owner's Equity Statement** بيان حقوق المالك

Balance Sheet قائمة الميزانية العمومية

PIONEER ADVERTISING
Adjusted Trial Balance
October 31, 2017

Account	Debit	Credit
Cash	$15,200	
Accounts Receivable	200	
Supplies	1,000	
Prepaid Insurance	550	
Equipment	5,000	
Accumulated Depreciation—Equipment		$ 40
Notes Payable		5,000
Accounts Payable		2,500
Unearned Service Revenue		800
Salaries and Wages Payable		1,200
Interest Payable		50
Owner's Capital		10,000
Owner's Drawings	500	
Service Revenue		10,600
Salaries and Wages Expense	5,200	
Supplies Expense	1,500	
Rent Expense	900	
Insurance Expense	50	
Interest Expense	50	
Depreciation Expense	40	
	$30,190	$30,190

PIONEER ADVERTISING
Income Statement
For the Month Ended October 31, 2017

Revenues		
Service revenue		$10,600
Expenses		
Salaries and wages expense	$5,200	
Supplies expense	1,500	
Rent expense	900	
Insurance expense	50	
Interest expense	50	
Depreciation expense	40	
Total expenses		7,740
Net income		$ 2,860

PIONEER ADVERTISING
Owner's Equity Statement
For the Month Ended October 31, 2017

Owner's capital, October 1	$ –0–
Add: Investments	10,000
	10,000
Net income	2,860
	12,860
Owner's drawings	500
Owner's capital, October 31	$12,360

To balance sheet

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PIONEER ADVERTISING
Adjusted Trial Balance
October 31, 2017

Account	Debit	Credit
Cash	$15,200	
Accounts Receivable	200	
Supplies	1,000	
Prepaid Insurance	550	
Equipment	5,000	
Accumulated Depreciation—Equipment		$ 40
Notes Payable		5,000
Accounts Payable		2,500
Unearned Service Revenue		800
Salaries and Wages Payable		1,200
Interest Payable		50
Owner's Capital		10,000
Owner's Drawings	500	
Service Revenue		10,600
Salaries and Wages Expense	5,200	
Supplies Expense	1,500	
Rent Expense	900	
Insurance Expense	50	
Interest Expense	50	
Depreciation Expense	40	
	$30,190	$30,190

PIONEER ADVERTISING
Balance Sheet
October 31, 2017

Assets		
Cash		$15,200
Accounts receivable		200
Supplies		1,000
Prepaid insurance		550
Equipment	$5,000	
Less: Accumulated depreciation—equip.	40	4,960
Total assets		$21,910
Liabilities and Owner's Equity		
Liabilities		
Notes payable		$ 5,000
Accounts payable		2,500
Unearned service revenue		800
Salaries and wages payable		1,200
Interest payable		50
Total liabilities		9,550
Owner's equity		
Owner's capital		12,360
Total liabilities and owner's equity		$21,910

Capital balance at Oct. 31 from owner's equity statement in Illustration 3-26

Prepare adjusting entries for the alternative treatment of deferrals. إعداد قيود ضبط للمعالجة البديلة للتأجيلات

Alternate Treatment for Adjusting Entries المعالجة البديلة لتعديل الادخالات

1. When a company prepays an expense, it **debits** that amount to **an expense account**.
   عندما تقوم شركة بدفع مصروفات ما ، فإنها تكون من رصيد **المدين** هذا المبلغ من **حساب المصروفات**.
2. When it receives payment for future services, it **credits** the amount to **a revenue account**.
   عندما يتلقى مدفوعات مقابل خدمات مستقبلية ، فإنه فإنها تكون من رصيد **الدائن** للمبلغ **لحساب الإيرادات**.

Prepaid Expenses النفقات المدفوعة مسبقا

Company may choose to **debit (increase) an expense account** rather than an asset account. This alternative treatment is simply more convenient.

قد تختار الشركة مدين (زيادة) حساب المصروفات بدلاً من حساب الأصول. هذا العلاج البديل هو ببساطة أكثر ملاءمة.

Prepayment Initially Debited to Asset Account (per chapter)			Prepayment Initially Debited to Expense Account (per appendix)		
Oct. 5 Supplies	2,500		Oct. 5 Supplies Expense	2,500	
Accounts Payable		2,500	Accounts Payable		2,500
Oct. 31 Supplies Expense	1,500		Oct. 31 Supplies	1,000	
Supplies		1,500	Supplies Expense		1,000

Unearned Revenues الايرادات غير المكتسبة

Company may **credit (increase) a revenue account** when they receive cash for future services.

يجوز للشركة دائن (زيادة) حساب الإيرادات عندما تتلقى النقد للخدمات المستقبلية.

Unearned Service Revenue Initially Credited to Liability Account (per chapter)			Unearned Service Revenue Initially Credited to Revenue Account (per appendix)		
Oct. 2 Cash	1,200		Oct. 2 Cash	1,200	
Unearned Service Revenue		1,200	Service Revenue		1,200
Oct. 31 Unearned Service Revenue	400		Oct. 31 Service Revenue	800	
Service Revenue		400	Unearned Service Revenue		800

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Type of Adjustment	Reason for Adjustment	Account Balances before Adjustment	Adjusting Entry
1. Prepaid expenses	(a) Prepaid expenses initially recorded in asset accounts have been used.	Assets overstated. Expenses understated.	Dr. Expenses Cr. Assets
	(b) **Prepaid expenses initially recorded in expense accounts have not been used.**	**Assets understated. Expenses overstated.**	**Dr. Assets Cr. Expenses**
2. Unearned revenues	(a) Unearned revenues initially recorded in liability accounts are now recognized as revenue.	Liabilities overstated. Revenues understated.	Dr. Liabilities Cr. Revenues
	(b) **Unearned revenues initially recorded in revenue accounts are still unearned.**	**Liabilities understated. Revenues overstated.**	**Dr. Revenues Cr. Liabilities**

financial reporting concepts. مفاهيم التقارير المالية

هذا الموضوع مش كل فصل بنطلب من الطلاب "انتبهوا" (رح توخذوا بالتفصيل بانتر 1)

Qualities of Useful Information صفات المعلومات المفيدة

Two fundamental qualities, **relevance** and **faithful representation**.

صفتان أساسيتان ، **الملاءمة والتمثيل الصادق "المصداقية"**.

1. **Relevance** الملاءمة
   - Make a difference in a business decision. تحدث فرقا في قرار العمل
   - Provides information that has **predictive value** and **confirmatory value**.
     يوفر معلومات ذات **قيمة تنبؤية وقيمة تأكيدية**.
   - **Materiality** is a company-specific aspect of relevance.
     الأهمية النسبية هي جانب خاص بالشركة ذي صلة بالموضوع.
     - An item is material when its **size** makes it likely to influence the decision of an investor or creditor.
       يعتبر العنصر جوهريًا عندما يجعل حجمه من المحتمل أن يؤثر على قرار المستثمر أو الدائن.

2. **Faithful Representation** **التمثيل الصادق "المصداقية"**
   - Information accurately depicts what really happened. المعلومات تصور بدقة ما حدث بالفعل
   - **Information must be** **يجب أن تكون المعلومات**
     - **complete** (nothing important has been omitted),
       مكتملة "كاملة" (لم يتم حذف أي شيء مهم)
     - **neutral** (is not biased toward one position or another), and
       محايد (غير متحيز تجاه موقف أو آخر) ، و
     - **free from error.** **خالية من الخطأ**

- **ENHANCING QUALITIES** **الصفات المحسنة "التحسينية"**
- **Comparability** results when different companies use the same accounting principles.
  نتائج **المقارنة** عندما تستخدم شركات مختلفة نفس مبادئ المحاسبة.
- Information is **verifiable** if independent observers, using the same methods, obtain similar results.
  يمكن التحقق من المعلومات إذا حصل مراقبون مستقلون ، باستخدام نفس الأساليب ، على نتائج مماثلة.
- Information has the quality of **understandability** if it is presented in a clear and concise fashion
  تتمتع المعلومات **بجودة الفهم** إذا تم تقديمها بطريقة واضحة وموجزة
- **Consistency** means that a company uses the same accounting principles and methods from year to year.
  يعني **الاتساق** أن الشركة تستخدم نفس المبادئ والأساليب المحاسبية من سنة إلى أخرى.
- For accounting information to have relevance, it must be **timely**.
  لكي تكون المعلومات المحاسبية ذات صلة بالموضوع ، يجب أن تكون في **الوقت المناسب**.

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Assumptions in Financial Reporting الافتراضات في إعداد التقارير المالية

1. **Monetary Unit**: Requires that only those things that can be expressed in money are included in the accounting records.
   الوحدة النقدية: تتطلب إدراج الأشياء التي يمكن التعبير عنها بالنقود فقط في السجلات المحاسبية.
2. **Economic Entity**: States that every economic entity can be separately identified and accounted for.
   الكيان الاقتصادي: ينص على أنه يمكن تحديد كل كيان اقتصادي وحسابه بشكل منفصل.
3. **Time Period**: States that the life of a business can be divided into artificial time periods.
   الفترة الزمنية: تنص على أنه يمكن تقسيم عمر النشاط التجاري إلى فترات زمنية مصطنعة.
4. **Going Concern**: The business will remain in operation for the foreseeable future.
   استمرارية العمل: سيظل العمل قيد التشغيل في المستقبل المنظور.

Principles of Financial Reporting مبادئ التقارير المالية

1. MEASUREMENT PRINCIPLES أساسيات القياس

Historical Cost: Or cost principle, dictates that companies record assets at their cost.
التكلفة التاريخية: أو مبدأ التكلفة ، يفرض على الشركات تسجيل الأصول على نفقتها.

Fair Value: Indicates that assets and liabilities should be reported at fair value (the price received to sell an asset or settle a liability).
القيمة العادلة: تشير إلى أنه يجب الإبلاغ عن الأصول والخصوم بالقيمة العادلة (السعر المستلم لبيع أصل أو تسوية التزام).

2. Revenue Recognition Principle مبدأ الإعتراف بالإيرادات

Requires that companies recognize revenue in the accounting period in which the performance obligation is satisfied.
يتطلب أن تعترف الشركات بالإيرادات في الفترة المحاسبية التي يتم فيها الوفاء بالتزام الأداء.

3. Expense Recognition Principle مبدأ الإعتراف بالمصروفات

Dictates that efforts (expenses) be matched with results (revenues). Thus, expenses follow revenues.
يملي أن الجهود (النفقات) تتوافق مع النتائج (الإيرادات). وبالتالي ، فإن النفقات تتبع الإيرادات.

4. Full Disclosure Principle مبدأ الإفصاح الكامل

Requires that companies disclose all circumstances and events that would make a difference to financial statement users.
يتطلب من الشركات الإفصاح عن جميع الظروف والأحداث التي من شأنها أن تحدث فرقًا لمستخدمي البيانات المالية.

Cost Constraint قيود التكلفة

Accounting standard-setters weigh the cost that companies will incur to provide the information against the benefit that financial statement users will gain from having the information available.
يزن واضعو المعايير المحاسبية التكلفة التي ستتكبدها الشركات لتوفير المعلومات مقابل الفائدة التي سيكسبها مستخدمو البيانات المالية من توفر المعلومات.

Pioneer Company Example " تلخيص مثال شركة بايونير"

Pioneer Company Example				
General Journal				
Date	Account title	Ref	Debit	Credit
Oct. 1	Cash	101	10,000	
	Owner's capital	301		10,000

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Oct. 1	Equipment	157	5,000	
	Notes Payable	200		5,000
Oct. 2	Cash	101	1,200	
	Unearned Service revenue	209		1,200
Oct.3	Rent Expense	729	900	
	Cash	101		900
Oct. 4	Prepaid Insurance	130	600	
	Cash	101		600
Oct. 5	Supplies	126	2,500	
	Accounts Payable	201		2,500
Oct. 20	Owner's Drawing	306	500	
	Cash	101		500
Oct. 26	Salaries and Wages Expense	726	4,000	
	Cash	101		4,000
Oct.31	Cash	101	10,000	
	Service revenue	400		10,000
Oct.31	Supplies Expense		1,500	
	Supplies			1,500
Oct.31	Insurance Expense		50	
	Prepaid Insurance			50
oct.31	Depreciation Expense		40	
	Accumulated Depreciation			40
Oct. 31	Unearned Service revenue		400	
	Service Revenue			400
Oct.31	Accounts receivable		200	
	Service revenue			200
Oct.31	Interest expense		50	
	Interest payable			50
Oct.31	Salaries Expense		1,200	
	Salaries Payable			1,200

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Rent Expense			729
	DR	CR	
Oct.3	900		
BAL	900		

Accounts Payable			201
	DR	CR	
		2,500	Oct.5
2,500	BAL		

Owner's Drawing			306
	DR	CR	
Oct.20	500		
BAL	500		

Salaries and wages Expense			726
	DR	CR	
Oct.26	4,000		
BAL	4,000		
Oct.31	1,200		
Bal	5200		

Supplies			126
	DR	CR	
Oct.5	2,500		
BAL	2,500		
		1,500	Oct.31
BAL	1000		

Owner's Capital			301
	DR	CR	
		10,000	Oct. 1
		10,000	BAL

Service Revenue			400
	DR	CR	
		10,000	Oct.31
		10,000	BAL
		400	Oct.31
		200	Oct.31
10600	BAL		

Equipment			157
	DR	CR	
Oct.1	5,000		
BAL	5,000		

Unearned Service revenue			209
	DR	CR	
		1,200	Oct.2
		1,200	BAL
Oct.31	400		
		800	BAL

Notes Payable			200
	DR	CR	
		5,000	Oct.1
		5,000	BAL

Cash			101
	DR	CR	
Oct.1	10,000		
Oct.2	1,200		
		900	Oct.3
		600	Oct.4
		500	Oct.20
		4,000	Oct.26
Oct.31	10,000		
BAL	15,200		

Prepaid Insurance			130
	DR	CR	
Oct.4	600		
BAL	600		
		50	Oct.31
BAL	550		

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Supplies Expense			**631**
	DR	**CR**	
Oct.31	**1,500**		
BAL	**1500**		
Insurance Expense			**722**
	DR	**CR**	
Oct.31	**50**		
BAL	**50**		
Depreciation Expense			**711**
	DR	**CR**	
Oct.31	**40**		
BAL	**40**		
Accounts receivable			**112**
	DR	**CR**	
Oct.31	**200**		
BAL	**200**		

Pioneer Advertising Company
Trial Balance
31 October, 20XX

	Account	**Debit**	**Credit**
101	Cash	15,200	
126	Supplies	2,500	
130	Prepaid Insurance	600	
157	Equipment	5,000	
200	Notes Payable		5,000
201	Accounts Payable		2,500
209	Unearned Service Revenue		1,200
301	Owner's Capital		10,000
306	Owner's Drawing	500	
400	Service Revenue		10,000
726	Salaries and wages Expense	4,000	
729	Rent Expense	900	
	Totals	28,700	28,700

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Pioneer Advertising Company Adjusted Trial Balance 31 October, 20XX			
	Account	**Debit**	**Credit**
101	Cash	15,200	
112	Accounts receivable	200	
126	Supplies	1000	
130	Prepaid Insurance	550	
157	Equipment	5,000	
158	Accumulated Depreciation (Equipment)		40
200	Notes payable		5,000
201	Accounts payable		2,500
209	Unearned Service revenue		800
212	Salaries payable		1,200
230	Interest payable		50
301	Owner\s capital		10,000
306	Owner's drawing	500	
400	Service revenue		10,600
631	Supplies expense	1500	
711	Depreciation expense	40	
722	Inurance expense	50	
726	Salaries and wages expense	5200	
729	Rent expense	900	
905	Interest expense	50	
	Totals	**30,190**	**30,190**

Pioneer Advertising Company Income statement For the Month, ended 31 October, 20XX		
Service Revenue		10,600
Less:		
Supplies expense	1500	
Depreciation expense	40	
Insurance expense	50	
Salaries and wages expense	5200	
Rent expense	900	
Interest expense	50	
Total expenses		7740
Net Profit/ Income		**2,860**

Pioneer Advertising Company Statement of Owner's equity For the Month, ended 31 October, 20XX			
	Beginning Capital (1/10)		10,000
Add:	Additional investment		0
	Net Income		2,860
	Subtotal		12,860
	Owner's drawing		500
	Ending owner's capital (31/10)		**12,360**

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Pioneer Advertising Company Balance Sheet On 31 October, 20XX				
Assets:			**Liabilities:**	
Cash		15,200	Notes Payable	5,000
Accounts Receivable		200	Accounts Payable	2,500
Supplies		1,000	Unearned Service Revenue	800
Prepaid Insurance		550	Salaries Payable	1,200
Equipment	5,000		Interest Payable	50
Less: Accumulated Depreciation	-40	4,690	**Total Liabilities:**	**9,550**
Total Assets		**21,910**		
			Owners' Equity:	
			Owners' Capital	12,360
		Total Liabilities and Owners' Equity		**21,910**

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الأسئلة الإضافية

Q1. Circle the correct answer

1. **Monthly and quarterly time periods are called**
   a. calendar periods.
   b. fiscal periods.
   c. interim periods.
   d. quarterly periods.

2. **An accounting time period that is one year in length, but does not begin on January 1, is referred to as**
   a. a fiscal year.
   b. an interim period.
   c. the time period assumption.
   d. a reporting periods.

3. **Adjustments would not be necessary if financial statements were prepared to reflect net income from**
   a. monthly operations.
   b. fiscal year operations.
   c. interim operations.
   d. lifetime operations.

4. **The time period assumption is also referred to as the**
   a. calendar assumption.
   b. cyclicity assumption.
   c. periodicity assumption.
   d. fiscal assumption.

5. **Which of the following is not a common time period chosen by businesses as their accounting period?**
   a. Daily
   b. Monthly
   c. Quarterly
   d. Annually

6. **The fiscal year of a business is usually determined by**
   a. the IRS. b. a lottery. **c. the business.** d. the SEC.

7. **The revenue recognition principle dictates that revenue should be recognized in the accounting records**
   a. when cash is received.
   b. when it is earned.
   c. at the end of the month.
   d. in the period that income taxes are paid.

8. **In a service-type business, revenue is considered earned**
   a. at the end of the month. b. at the end of the year.
   c. when the service is performed. d. when cash is received.

9. **A company spends $10 million dollars for an office building. Over what period should the cost be written off?**
   a. When the $10 million is expended in cash b. All in the first year
   c. Over the useful life of the building d. After $10 million in revenue is earned

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10. **Expenses sometimes make their contribution to revenue in a different period than when the expense is paid. When wages are incurred in one period and paid in the next period, this often leads to which account appearing on the balance sheet at the end of the time period?**
    a. Due from Employees b. Due to Employer
    c. Wages Payable d. Wages Expense

11. **Adjusting entries are required**
    a. **because some costs expire with the passage of time and have not yet been journalized.**
    b. when the company's profits are below the budget.
    c. when expenses are recorded in the period in which they are incurred.
    d. when revenues are recorded in the period in which they are earned.

12. **An adjusting entry**
    a. affects two balance sheet accounts.
    b. affects two income statement accounts.
    c. **affects a balance sheet account and an income statement account.**
    d. is always a compound entry.

13. **Expenses incurred but not yet paid or recorded are called**
    a. prepaid expenses. **b. accrued expenses.**
    c. interim expenses. d. unearned expenses.

14. **Adjusting entries can be classified as**
    a. postponements and advances. **b. accruals and prepayments.**
    c. prepayments and postponements. d. accruals and advances.

15. **Accrued revenues are**
    a. received and recorded as liabilities before they are earned.
    b. earned and recorded as liabilities before they are received.
    c. **earned but not yet received or recorded.**
    d. earned and already received and recorded.

16. **Prepaid expenses are**
    a. **paid and recorded in an asset account before they are used or consumed.**
    b. paid and recorded in an asset account after they are used or consumed.
    c. incurred but not yet paid or recorded.
    d. incurred and already paid or recorded.

17. **Accrued expenses are**
    a. paid and recorded in an asset account before they are used or consumed.
    b. paid and recorded in an asset account after they are used or consumed.
    c. **incurred but not yet paid or recorded.**
    d. incurred and already paid or recorded.

18. **Unearned revenues are**
    a. **received and recorded as liabilities before they are earned.**
    b. earned and recorded as liabilities before they are received.
    c. earned but not yet received or recorded.
    d. earned and already received and recorded

19. **At December 31, 2008, before any year-end adjustments, Karr Company's Insurance Expense account had a balance of $1,450 and its Prepaid Insurance account had a balance of $3,800. It was determined that $3,000 of the Prepaid Insurance had expired. The adjusted balance for Insurance Expense for the year would be**
    a. $3,000. b. $1,450. **c. $4,450.** d. $2,250.

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20. Quirk Company purchased office supplies costing $6,000 and debited Office Supplies for the full amount. At the end of the accounting period, a physical count of office supplies revealed $2,400 still on hand. The appropriate adjusting journal entry to be made at the end of the period would be

a. Debit Office Supplies Expense, $2,400; Credit Office Supplies, $2,400.
b. Debit Office Supplies, $3,600; Credit Office Supplies Expense, $3,600.
c. Debit Office Supplies Expense, $3,600; Credit Office Supplies, $3,600.
d. Debit Office Supplies, $2,400; Credit Office Supplies Expense, $2,400.

21. If business pays rent in advance and debits a Prepaid Rent account, the company receiving the rent payment will credit

a. cash. b. prepaid rent.
c. unearned rent revenue. d. accrued rent revenue.

22. Unearned revenue is classified as

a. an asset account. b. a revenue account. c. a contra-revenue account. **d. a liability.**

23. On July 1, Dexter Shoe Store paid $8,000 to Ace Realty for 4 months' rent beginning July 1. Prepaid Rent was debited for the full amount. If financial statements are prepared on July 31, the adjusting entry to be made by Dexter Shoe Store is

a. Debit Rent Expense, $8,000; Credit Prepaid Rent, $2,000.
b. Debit Prepaid Rent, $2,000; Credit Rent Expense, $2,000.
c. Debit Rent Expense, $2,000; Credit Prepaid Rent, $2,000.
d. Debit Rent Expense, $8,000; Credit Prepaid Rent, $8,000.

24. At March 1, 2008, Candy Inc. had supplies on hand of $500. During the month, Candy purchased supplies of $1,200 and used supplies of $1,500. The March 31 adjusting journal entry should include a

a. debit to the supplies account for $1,500.
b. credit to the supplies account for $500.
c. debit to the supplies account for $1,200.
d. credit to the supplies account for $1,500.

25. If an adjusting entry is not made for an accrued revenue,

a. assets will be overstated. b. expenses will be understated.
c. owner's equity will be understated. d. revenues will be overstated.

26. The accounts of a business before an adjusting entry is made to record an accrued revenue reflect an

a. understated liability and an overstated owner's capital.
b. overstated asset and an understated revenue.
c. understated expense and an overstated revenue.
d. understated asset and an understated revenue.

27. The adjusted trial balance is prepared

a. after financial statements are prepared.
b. before the trial balance.
c. to prove the equality of total assets and total liabilities.
d. after adjusting entries have been journalized and posted

28. If prepaid expenses are initially recorded in expense accounts and have not all been used at the end of the accounting period, then failure to make an adjusting entry will cause

a. assets to be understated. b. assets to be overstated.
c. expenses to be understated. d. contra-expenses to be overstated.

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29. Al is a barber who does his own accounting for his shop. When he buys supplies he routinely debits Supplies Expense. Al purchased $1,500 of supplies in January and his inventory at the end of January shows $400 of supplies remaining. What adjusting entry should Al make on January 31?

a. Supplies Expense..... 400
Supplies..... 400

b. Supplies Expense..... 1,500
Cash 1,500

c. Supplies..... 400
Supplies Expense..... 400

d. Supplies Expense..... 1,100
Supplies..... 1,100

30. If unearned revenues are initially recorded in revenue accounts and have not all been earned at the end of the accounting period, then failure to make an adjusting entry will cause

a. liabilities to be overstated. b. revenues to be understated.
c. revenues to be overstated. d. accounts receivable to be overstated.

31. Which of the following statements concerning accrual-basis accounting is incorrect?

a. Accrual-basis accounting follows the revenue recognition principle.
b. Accrual-basis accounting is the method required by generally accepted accounting principles.
c. Accrual-basis accounting recognizes expenses when they are paid.
d. Accrual-basis accounting follows the matching principle.

32. The revenue recognition principle dictates that revenue be recognized in the accounting period

a. before it is earned. b. after it is earned. **c. in which it is earned.** d. in which it is collected.

33. An expense is recorded under the cash basis only when

a. services are performed. b. it is earned. **c. cash is paid.** d. it is incurred.

34. For prepaid expense adjusting entries

a. an expense—liability account relationship exists.
b. prior to adjustment, expenses are overstated and assets are understated.
c. the adjusting entry results in a debit to an expense account and a credit to an asset account.
d. none of these.

35. Expenses paid and recorded as assets before they are used are called

a. accrued expenses. b. interim expenses.
c. prepaid expenses. d. unearned expenses.

36. Demaet Cruise Lines purchased a five-year insurance policy for its ships on April 1, 2008 for $100,000. Assuming that April 1 is the effective date of the policy, the adjusting entry on December 31, 2008 is

a. Prepaid Insurance 15,000
Insurance Expense 15,000

b. Insurance Expense..... 15,000
Prepaid Insurance..... 15,000

c. Insurance Expense..... 20,000
Prepaid Insurance..... 20,000

d. Insurance Expense..... 5,000
Prepaid Insurance..... 5,000

37. If the adjusting entry for depreciation is not made,

a. assets will be understated. b. owner's equity will be understated.
c. net income will be understated. **d. expenses will be understated.**

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38. Cathy Cline, an employee of Welker Company, will not receive her paycheck until April 2. Based on services performed from March 15 to March 30, her salary was $900. The adjusting entry for Welker Company on March 31 is

a. Salaries Expense 900
Salaries Payable 900

b. No entry is required.

c. Salaries Expense 900
Cash..... 900

d. Salaries Payable 900
Cash..... 900

39. Which of the following statements related to the adjusted trial balance is incorrect?

a. It shows the balances of all accounts at the end of the accounting period.

b. It is prepared before adjusting entries have been made.

c. It proves the equality of the total debit balances and the total credit balances in the ledger.

d. Financial statements can be prepared directly from the adjusted trial balance.

40. Financial statements are prepared directly from the

a. general journal. b. ledger.

c. trial balance. **d. adjusted trial balance.**

Q2: Indicate whether each of the following statements is true or false

True **1.** Many business transactions affect more than one time period.

False **2.** A company's calendar year and fiscal year are always the same.

False **3.** Accounting time periods that are one year in length are referred to as interim periods.

False **4.** Income will always be greater under the cash basis of accounting than under the accrual basis of accounting.

True **5.** The cash basis of accounting is not in accordance with generally accepted accounting principles.

True **6.** Expense recognition is tied to revenue recognition.

False **7.** The revenue recognition principle dictates that revenue be recognized in the accounting period in which cash is received.

False **8.** Adjusting entries are not necessary if the trial balance debit and credit columns balances are equal.

False **9.** An adjusting entry always involves two balance sheet account

False **10.** Revenue received before it is earned and expenses paid before being used or consumed are both initially recorded as liabilities.

False **11.** Accrued revenues are revenues which have been received but not yet earned.

False **12.** Accumulated Depreciation is a liability account and has a credit normal account balance.

True **13.** Asset prepayments become expenses when they expire.

False **14.** If prepaid costs are initially recorded as an asset, no adjusting entries will be required in the future.

False **15.** Accrued revenues are revenues that have been earned and received before financial statements have been prepared.

True **16.** The adjusting entry at the end of the period to record an expired cost may be different depending on whether the cost was initially recorded as an asset or an expense.

True **17.** The matching principle requires that expenses be matched with revenues.

True **18.** Every adjusting entry affects one balance sheet account and one income statement account.

False **19.** Accrued revenues are amounts recorded and received but not yet earned.

False **20.** An adjusted trial balance should be prepared before the adjusting entries are made.

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Q3: State whether each situation is a prepaid expense (PE), unearned revenue (UR), accrued revenue (AR) or an accrued expense (AE).

1. Unrecorded interest on savings bonds is $245.
2. Property taxes that have been incurred but that have not yet been paid or recorded amount to $300.
3. Legal fees of $1,000 were collected in advance. By year end 60 percent were still unearned.
4. Prepaid insurance had a $500 balance prior to adjustment. By year end, 40 percent was still unexpired.

Solution Q3: **1. AR** **2. AE** **3. UR** **4. PE**

Q4: Prepare adjusting entries for the following transactions. Omit explanations.

1. Depreciation on equipment is $800 for the accounting period.
2. There was no beginning balance of supplies and purchased $500 of office supplies during the period. At the end of the period $80 of supplies were on hand.
3. Prepaid rent had a $1,000 normal balance prior to adjustment. By year end $600 was unexpired.

Solution Q4:

1. Depreciation Expense..... 800
   Accumulated Depreciation—Equipment..... 800
2. Supplies Expense 420
   Supplies ..... 420 ($500 – $80)
3. Rent Expense..... 400
   Prepaid Rent 400

Q5: Identify the impact on the balance sheet if the following information is not used to adjust the accounts.

1. Supplies consumed totalled $3,000.
2. Interest accrues on notes payable at the rate of $200 per month.
3. Insurance of $450 expired during the month.
4. Plant and equipment are depreciated at the rate of $1,200 per month.

Solution Q5:

1. Assets overstated and Owner's Equity overstated by $3,000.
2. Liabilities understated and Owner's Equity overstated by $200.
3. Assets overstated and Owner's Equity overstated by $450.
4. Assets overstated and Owner's Equity overstated by $1,200.

Q6: For each of the following oversights, state whether total assets will be understated (U), overstated (O), or no affect (NA).

_____ 1. Failure to record revenue earned but not yet received.
_____ 2. Failure to record expired prepaid rent.
_____ 3. Failure to record accrued interest on the bank savings account.
_____ 4. Failure to record depreciation.
_____ 5. Failure to record accrued wages.
_____ 6. Failure to recognize the earned portion of unearned revenues.

Solution Q6: **1. U** **2. O** **3. U** **4. O** **5. NA** **6. NA**

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Q7: Indicate (a) the type of adjustment (prepaid expense, unearned revenue, accrued revenue, or accrued expense), and (b) the accounts before adjustment (overstated or understated) for each of the following:

1. Supplies of $200 have been used.
2. Salaries of $600 are unpaid.
3. Rent received in advance totaling $300 has been earned.
4. Services provided but not recorded total $500.

Solution Q7:

	(a) Type of Adjustment	(b) Accounts before Adjustment	
1.	Prepaid Expense	Assets Overstated	Expenses Understated
2.	Accrued Expense	Expenses Understated	Liabilities Understated
3.	Unearned Revenue	Liabilities Overstated	Revenues Understated
4.	Accrued Revenue	Assets Understated	Revenues Understated

Q8: Match the statements below with the appropriate terms by entering the appropriate letter code in the spaces provided.

TERMS:

A. Prepaid Expenses
B. Unearned Revenues
C. Accrued Revenues
D. Accrued Expenses

STATEMENTS:

____ 1. A revenue not yet earned; collected in advance.
____ 2. Office supplies on hand that will be used in the next period.
____ 3. Interest revenue collected; not yet earned.
____ 4. Rent not yet collected; already earned.
____ 5. An expense incurred; not yet paid or recorded.
____ 6. A revenue earned; not yet collected or recorded.
____ 7. An expense not yet incurred; paid in advance.
____ 8. Interest expense incurred; not yet paid.

Solution Q8: 1. B 2. A 3. B 4. C 5. D 6. C 7. A 8. D

Q9: On July 1, 2008, Unipal Company pays $8,000 to its insurance company for a 2-year insurance policy.

Instructions Prepare the necessary journal entries for Unipal on July 1 and December 31.

Solution Q9:

July 1 Prepaid Insurance..... 8,000
Cash..... 8,000
Dec. 31 Insurance Expense..... 2,000
Prepaid Insurance ($8,000 × 6/24) 2,000

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Q10: One part of eight adjusting entries is given below.
Instructions
Indicate the account title for the other part of each entry.

1. Unearned Revenue is debited.
2. Prepaid Rent is credited.
3. Accounts Receivable is debited.
4. Depreciation Expense is debited.
5. Utilities Expense is debited.
6. Interest Payable is credited.
7. Service Revenue is credited (give two possible debit accounts).
8. Interest Receivable is debited.

Solution Q10:

1. Service Revenue
2. Rent Expense
3. Service Revenue
4. Accumulated Depreciation
5. Utilities Payable
6. Interest Expense
7. Accounts Receivable or Unearned Revenue
8. Interest Revenue

Q11: Match the items below by entering the appropriate code letter in the space provided.

A. Time period assumption
B. Fiscal year
C. Revenue recognition principle
D. Prepaid expenses
E. Matching principle
F. Accrued revenues
G. Depreciation
H. Accumulated depreciation
I. Accrued expenses
J. Book value

____ 1. A twelve-month accounting periods
____ 2. Expenses paid before they are incurred
____ 3. Cost less accumulated depreciation
____ 4. Divides the economic life of a business into artificial time periods
____ 5. Efforts are related to accomplishments
____ 6. A contra asset account
____ 7. Recognition of revenue when it is recorded when earned
____ 8. Revenues earned but not yet received
____ 9. Expenses incurred but not yet paid
____ 10. A cost allocation process

Solution Q11: **1. B 2. D 3. J 4. A 5. E 6. H 7. C 8. F 9. I 10. G**

End of chapter

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CHAPTER 4

Completing the Accounting Cycle
استكمال انشاء القيود التعديلية

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At the end of the accounting period, the company makes the accounts ready for the next period. **في نهاية الفترة المحاسبية ، تجعل الشركة الحسابات جاهزة للفترة التالية**

TEMPORARY مؤقت / وقتي		PERMANENT دائم / مستمر	
These accounts are closed	هذه الحسابات مغلقة	These accounts are not closed	هذه الحسابات غير مغلقة
Owner's drawings account	حساب المسحوبات للمالك	Owner's capital account	حساب رأس المال المالك
All expense accounts	جميع حسابات المصاريف	All liability accounts	جميع حسابات الالتزامات
All revenue accounts	جميع حسابات الايرادات	All asset accounts	جميع حسابات الأصول

Closing entries formally recognize in the ledger the transfer of:

تتعرف ادخالات الإغلاق رسميا في دفتر المحاسبة على نقل

- net income (or net loss) and صافي الدخل (أو صافي الخسارة)
- owner's drawings سلف أو مسحوبات المالك

To owner's capital. **الى رأس المالك**

Companies generally journalize and post-closing entries only at the end of the annual accounting period.

تقوم الشركات بشكل عام بتسجيل ونشر قيود الإغلاق فقط في نهاية الفترة المحاسبية السنوية.

Closing entries produce a zero balance in each temporary account.

إدخالات الإغلاق تنتج رصيدًا صفريًا في كل حساب مؤقت.

Note Owner's Drawings is closed directly to Owner's Capital and not to Income Summary. Owner's Drawings is not an expense.

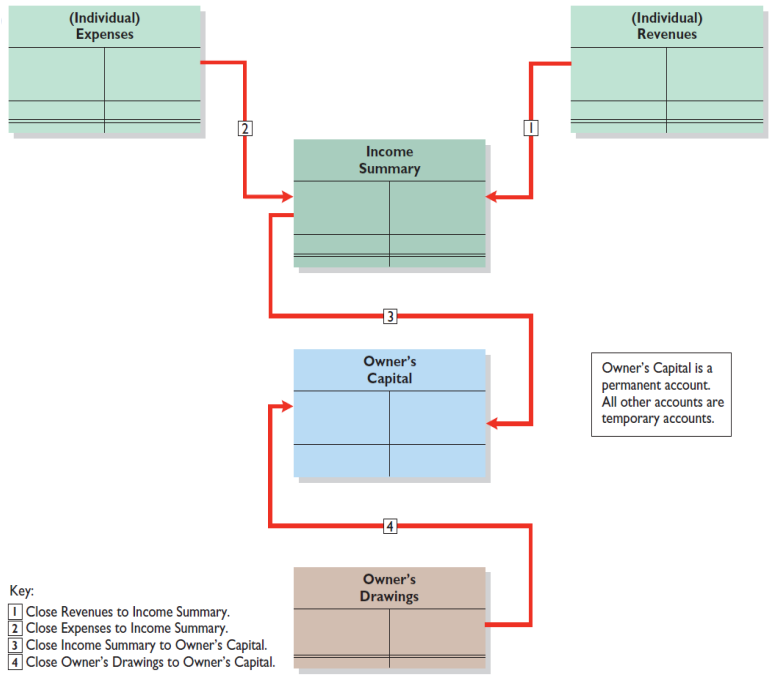
ملاحظة: سحوبات المالك مغلقة مباشرة إلى رأس مال المالك و وليس ملخص الدخل. رسومات المالك ليست كذلك نفقة.

Owner's Capital is a permanent account. All other accounts are temporary accounts.

رأس مال المالك هو حساب دائم. جميع الحسابات الأخرى هي حسابات مؤقتة.

Key:

1. **Close Revenues to Income Summary.**
   اغلاق الايرادات الى ملخص الدخل
2. **Close Expenses to Income Summary.**
   اغلاق المصروفات على مخلص المال
3. **Close Income Summary to Owner's Capital.**
   اغلاق ملخص الدخل لرأس مال المالك
4. **Close Owner's Drawings to Owner's Capital.**
   اغلاق سحوبات المالك الى رأس المال المالك



ضياء الدين صبح

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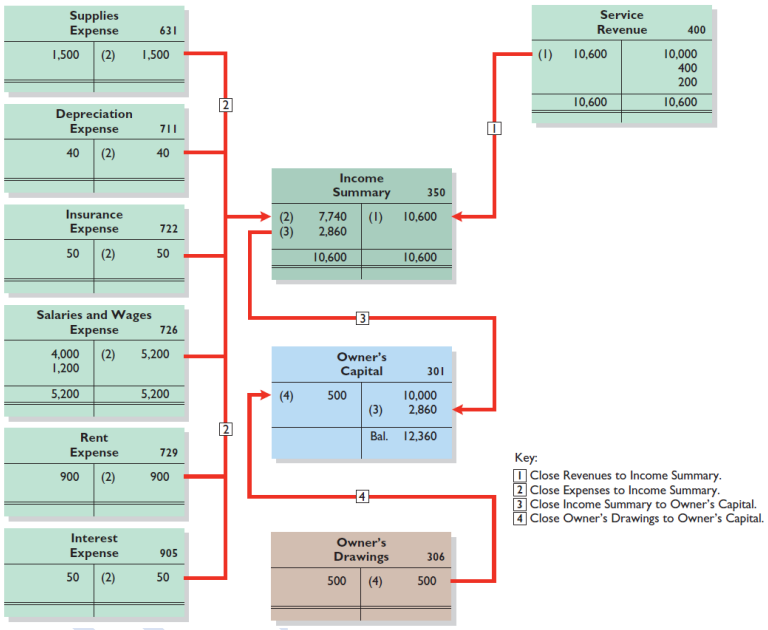
CLOSING ENTRIES ILLUSTRATED المداخل الختامية المصورة

GENERAL JOURNAL J3

Date	Account Titles and Explanation	Ref.	Debit	Credit
	Closing Entries			
2017	(1)			
Oct. 31	Service Revenue	400	10,600	
	Income Summary	350		10,600
	(To close revenue account)			
	(2)			
31	Income Summary	350	7,740	
	Supplies Expense	631		1,500
	Depreciation Expense	711		40
	Insurance Expense	722		50
	Salaries and Wages Expense	726		5,200
	Rent Expense	729		900
	Interest Expense	905		50
	(To close expense accounts)			
	(3)			
31	Income Summary	350	2,860	
	Owner's Capital	301		2,860
	(To close net income to capital)			
	(4)			
31	Owner's Capital	301	500	
	Owner's Drawings	306		500
	(To close drawings to capital)			



Preparing a Post-Closing Trial Balance إعداد ميزان المراجعة بعد الإغلاق

Purpose is to prove the equality of the permanent account balances carried forward into the next accounting period.

الغرض من ميزان المراجعة بعد الإغلاق هو إثبات المساواة في أرصدة الحسابات الدائمة المرحلة إلى الفترة المحاسبية التالية.

PIONEER ADVERTISING
Post-Closing Trial Balance
October 31, 2017

	Debit	Credit
Cash	$ 15,200	
Accounts Receivable	200	
Supplies	1,000	
Prepaid Insurance	550	
Equipment	5,000	
Accumulated Depreciation—Equipment		$ 40
Notes Payable		5,000
Accounts Payable		2,500
Unearned Service Revenue		800
Salaries and Wages Payable		1,200
Interest Payable		50
Owner's Capital		12,360
	$21,950	$21,950

Explain the steps in the accounting cycle and how to prepare correcting entries.

شرح خطوات الدورة المحاسبية وكيفية تحضير إدخالات التصحيح.

1. Analyze business transactions — تحليل المعاملات التجارية
2. Journalize the transactions — تدوين المعاملات
3. Post to ledger accounts — ارسال الى حسابات دفتر المحاسب "دفتر الأستاذ"
4. Prepare a trial balance — اعداد ميزان المراجعة
5. Journalize and post adjusting entries — تدوين ونشر الادخالات الختامية
6. Prepare an adjusted trial balance — اعداد ميزان المراجعة المعدل

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7. Prepare financial statements — اعداد البيانات المالية
8. Journalize and post closing entries — قم بتدوين ونشر الادخالات الختامية
9. Prepare a post-closing trial balance — اعداد ميزان المراجعة بعد الاغلاق

Correcting Entries—An Avoidable Step **تصحيح الإدخالات - خطوة يمكن تجنبها**

- Unnecessary if accounting records are free of errors.
  غير ضروري إذا كانت السجلات المحاسبية خالية من الأخطاء.
- Made whenever an error is discovered. يحدث كلما تم اكتشاف خطأ
- Must be posted before closing entries. يجب نشرها قبل إغلاق الإدخالات

Instead of preparing a correcting entry, it is possible to reverse the incorrect entry and then prepare the correct entry.

بدلاً من إعداد تصحيح الادخال ، من الممكن عكس الإدخال غير الصحيح ثم تحضير الإدخال الصحيح.

CASE 1: On May 10, Mercato Co. journalized and posted a $50 cash collection on account from a customer as a debit to Cash $50 and a credit to Service Revenue $50. The company discovered the error on May 20, when the customer paid the remaining balance in full.

الحالة 1: في 10 مايو ، سجلت شركة ميركاتو دفتر يوميات ونشرت مجموعة نقدية بقيمة 50 دولارًا على الحساب من أحد الزبائن كمدين إلى مبلغ نقدي قدره 50 دولارًا و"دائن" لإيرادات الخدمة 50 دولارًا. اكتشفت الشركة الخطأ في 20 مايو ، عندما دفع الزبون الرصيد المتبقي بالكامل.

Solution:

Case	Account	Debit	Credit
Incorrect entry	Cash Service Revenue	50	 50
Reverse the entry	Service Revenue Cash	50	 50
Correcting entry	Cash Accounts receivable	50	 50

Identify the sections of a classified balance sheet **تحديد أقسام الميزانية العمومية المصنفة**

- **Presents a snapshot at a point in time.** **يقدم لقطة في وقت معين**
- To improve understanding, companies' group similar assets and similar liabilities together.
  لتحسين الفهم ، تقوم الشركات بتجميع الأصول المتشابهة والمطلوبات المتشابهة معًا.

Standard Classifications **التصنيفات القياسية**

Assets الاصول	Liabilities and Owner's Equity الالتزامات و حقوق الملكية
Current assets الموجودات / الأصول المتداولة	Current liabilities الالتزامات المتداولة
Long-term investments استثمارات طويلة الأجل	Long-term liabilities التزامات طويلة الأجل
Property, plant, and equipment ممتلكات وآلات ومعدات **Intangible assets أصول غير ملموسة**	**Owner's (Stockholders') equity حقوق المالك (المساهمون)**

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FRANKLIN COMPANY Balance Sheet October 31, 2017			
Assets			
Current Assets			
Cash		$ 6,600	
Debt investment		2,000	
Accounts receivable		7,000	
Notes receivable		1,000	
Inventory		3,000	
Supplies		2,100	
Prepaid Insurance		400	
Total Current Assets			$22,100
Long-term investment			
Stock investment		5,200	
Investment in real estate		2,000	7,200
Property, Plant, and equipment (PP&E)			
Land		10,000	
Equipment	$24,000		
Less: Accumulated Depreciation-Equipment	5,000	19,000	29,000
Intangible assets			
Patents			3,100
Total assets			**$61,400**
Liabilities and Owners Equity			
Current Liabilities			
Notes Payable		$11,000	
Accounts Payable		2,100	
Unearned Service revenue		900	
Salaries and wages Payable		1,600	
Interest Payable		450	
Total Current Liabilities			$16,050
Long-term Liabilities			
Mortgage Payable		10,000	
Notes Payable		1,300	
Total Long-term Liabilities			11,300
Total Liabilities			27,350
Owners' equity			
Owners' capital			34,050
Total Liabilities and Owners Equity			$61,400

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1. Current Assets الأصول المتداولة

- Assets that a company expects to convert to cash or use up within one year or the operating cycle, whichever is longer.
  الأصول التي تتوقع الشركة تحويلها إلى نقد أو استخدامها خلال عام واحد أو دورة التشغيل ، أيهما أطول.
- **Operating cycle** is the average time that it takes to purchase inventory, sell it on account, and then collect cash from customers.
  دورة التشغيل هي متوسط الوقت الذي يستغرقه شراء المخزون وبيعه على الحساب ثم تحصيل النقد من الزبائن.

Current Assets		
Cash	$ 6,600	
Debt investment	2,000	
Accounts receivable	7,000	
Notes receivable	1,000	
Inventory	3,000	
Supplies	2,100	
Prepaid Insurance	400	
Total Current Assets		$22,100

Usually listed in the order they expect to convert them into cash.
عادة ما يتم سردها بالترتيب الذي يتوقعون تحويلها إلى نقد.

2. Long-Term Investments استثمارات طويلة الأجل

- **Investments in stocks and bonds of other companies.**
  - **استثمارات في أسهم وسندات شركات أخرى.**
- **Investments in long-term assets such as land or buildings that is not currently being used in operating activities.**
  - **الاستثمارات في الأصول طويلة الأجل مثل الأراضي أو المباني التي لا يتم استخدامها حاليًا في الأنشطة التشغيلية.**
- **Long-term notes receivable.**
  - **سندات القبض طويلة الأجل. مثل :**

Long-term investment			
Stock investment		5,200	
Investment in real estate		2,000	7,200

3. Property, Plant, and Equipment (PP&E) الممتلكات و الآلات والمعدات

- Long useful lives. حياة طويلة مفيدة
- Currently used in operations. تستخدم حاليا في العمليات
- Depreciation - allocating the cost of assets to a number of years.
  الاستهلاك - تخصيص تكلفة الأصول لعدد من السنوات.
- Accumulated depreciation - total amount of depreciation expensed thus far in the asset's life.
  الاستهلاك المتراكم - إجمالي مبلغ الاستهلاك المصروف حتى الآن في عمر الأصل. **(يتم تفصيله في أكاونت 2)**

Note: Property, plant, and equipment is sometimes called fixed assets or plant assets.
ملاحظة: تسمى الممتلكات والمنشآت والمعدات أحيانًا الأصول الثابتة أو أصول المصنع.

Property, Plant, and equipment (PP&E)		
Land and land improvements	41,533	
Buildings	298,706	
Machinery and equipment	1,636,091	
Molds, cores, and rings	268,158	$2,244,508
Less: Accumulated Depreciation		1,252,692
		$ 991,816

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4. Intangible Assets الأصول غير الملموسة

Long-lived assets that do not have physical substance. الأصول طويلة العمر التي لا تحتوي على مادة مادية

Intangible assets	
Goodwill	$40,953
Film library	2,690
Customer lists	2,540
Cable television franchises	38,048
Sports franchises	262
Brands, trademarks, and other intangible assets	8,313
	$92,806

Liabilities and owners' equity

1. Current Liabilities الالتزامات المتداولة

- **Obligations the company is to pay within the coming year or its operating cycle, whichever is longer.**
  الالتزامات التي يتعين على الشركة سدادها خلال السنة القادمة أو دورة تشغيلها ، أيهما أطول.
- Usually list notes payable first, followed by accounts payable. Other items follow in order of magnitude.
  عادة ما تدرج الأوراق المستحقة الدفع أولاً ، متبوعة بحسابات الدفع. تتبع العناصر الأخرى بالترتيب من حيث الحجم.
- Common examples are accounts payable, salaries and wages payable, notes payable, interest payable, income taxes payable current maturities of long-term obligations.
  الأمثلة الشائعة هي الحسابات الدائنة ، والمرتبات والأجور المستحقة الدفع ، وأوراق الدفع ، والفوائد المستحقة الدفع ، وضرائب الدخل ، وتواريخ الاستحقاق الحالية للالتزامات طويلة الأجل.

- **Liquidity** - ability to pay obligations expected to be due within the next year.
  السيولة - القدرة على سداد الالتزامات المتوقع استحقاقها خلال العام المقبل.

Current Liabilities	
Notes Payable	$ 239
Accounts Payable	24,242
Current maturities of long-term debt	57,250
Other Current Liabilities	27,477
Income taxes payable	11,215
Salaries and wages Payable	6,720
Total Current Liabilities	$127,143

2. Long-Term Liabilities التزامات طويلة الأجل

- Obligations a company expects to pay after one year.
  - الالتزامات التي تتوقع الشركة سدادها بعد عام واحد.

Long-term Liabilities	
Long-term debt	$23,375
Deferred income taxes	12,015
Other noncurrent Liabilities	5,147
Total Long-term Liabilities	$40,537

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3. Owner's Equity "مالك الأسهم" الملكية

- **Proprietorship** - one capital account. **ملكية** - حساب رأس مال واحد
- **Partnership** - capital account for each partner. **الشراكة** - حساب رأس المال لكل شريك
- **Corporation** - Common Stock and Retained Earnings. **الشركة** - الأسهم العادية والأرباح المحتجزة

Stockholders' equity	
Common stock, 271,311 shares	$ 685,934
Retained earnings	1,406,747
Total Stockholders' equity	$2,092,681

الأسئلة الإضافية

Q1. Circle the correct answer

1. The account, Supplies, will appear in the following debit columns of the worksheet.
a. Trial balance
b. Adjusted trial balance
c. Balance sheet
d. All of these answer choices are correct

2. If the total debits exceed total credits in the balance sheet columns of the worksheet, owner's equity
a. will increase because net income has occurred.
b. will decrease because a net loss has occurred.
c. is in error because a mistake has occurred.
d. will not be affected.

3. Closing entries are necessary for
a. permanent accounts only.
b. temporary accounts only.
c. both permanent and temporary accounts.
d. permanent or real accounts only.

4. Each of the following accounts is closed to Income Summary except
a. Expenses.
b. Owner's Drawings.
c. Revenues.
d. All of these are closed to Income Summary.

5. Closing entries are
a. an optional step in the accounting cycle.
b. posted to the ledger accounts from the worksheet.
c. made to close permanent or real accounts.
d. journalized in the general journal.

6. If Income Summary has a credit balance after revenues and expenses have been closed into it, the closing entry for Income Summary will include a
a. debit to the owner's capital account.
b. debit to the owner's drawings account.
c. credit to the owner's capital account.
d. credit to the owner's drawings account.

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7. Closing entries
a. are prepared before the financial statements.
b. reduce the number of permanent accounts.
c. cause the revenue and expense accounts to have zero balances.
d. summarize the activity in every account.

8. In order to close the owner's drawings account, the
a. income summary account should be debited.
b. income summary account should be credited.
c. owner's capital account should be credited.
d. owner's capital account should be debited.

9. In preparing closing entries
a. each revenue account will be credited.
b. each expense account will be credited.
c. the owner's capital account will be debited if there is net income for the period.
d. the owner's drawings account will be debited.

10. The final closing entry to be journalized is typically the entry that closes the
a. revenue accounts. **b. owner's drawings account.**
c. owner's capital account. d. expense accounts.

11. The Income Summary account is an important account that is used
a. during interim periods. b. in preparing adjusting entries.
c. annually in preparing closing entries. d. annually in preparing correcting entries.

12. The income statement for the month of June, 2014 of Camera Obscura Enterprises contains the following information:

Revenues		$7,000
Expenses:		
Salaries and Wages Expense	$3,000	
Rent Expense	1,500	
Advertising Expense	800	
Supplies Expense	300	
Insurance Expense	100	
Total expenses		5,700
Net income		**1,300**

The entry to close Income Summary to Owner's, Capital includes
a. a debit to Revenues for $7,000.
b. credits to Expenses totalling $5,700.
c. a credit to Income Summary for $1,300
d. a credit to Owner's Capital for $1,300.

13. A post-closing trial balance is prepared
a. after closing entries have been journalized and posted.
b. before closing entries have been journalized and posted.
c. after closing entries have been journalized but before the entries are posted.
d. before closing entries have been journalized but after the entries are posted.

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14. A post-closing trial balance will show
- **a. only permanent account balances.**
- b. only temporary account balances.
- c. zero balances for all accounts.
- d. the amount of net income (or loss) for the period.

15. A post-closing trial balance should be prepared
- a. before closing entries are posted to the ledger accounts.
- **b. after closing entries are posted to the ledger accounts.**
- c. before adjusting entries are posted to the ledger accounts.
- d. only if an error in the accounts is detected.

16. A post-closing trial balance will show

a. zero balances for all accounts. b. zero balances for balance sheet accounts.
c. only balance sheet accounts. d. only income statement accounts.

17. Which account listed below would be double ruled in the ledger as part of the closing process?

a. Cash b. Owner's Capital
c. Owner's Drawings d. Accumulated Depreciation—Equipment

18. The heading for a post-closing trial balance has a date line that is similar to the one found on

a. a balance sheet. b. an income statement.
c. an owner's equity statement. d. the worksheet.

19. The step in the accounting cycle that is performed on a periodic basis (i.e., monthly, quarterly) is
- a. analyzing transactions.
- **b. journalizing and posting adjusting entries.**
- c. preparing a post-closing trial balance.
- d. posting to ledger accounts.

20. Which one of the following is an optional step in the accounting cycle of a business enterprise?
- a. Analyze business transactions
- **b. Prepare a worksheet**
- c. Prepare a trial balance
- d. Post to the ledger accounts

21. After closing entries are posted, the balance in the owner's capital account in the ledger will be equal to
- a. the beginning owner's capital reported on the owner's equity statement.
- **b. the amount of the owner's capital reported on the balance sheet.**
- c. zero.
- d. the net income for the period.

22. The final step in the accounting cycle is to prepare

a. closing entries. b. financial statements.
c. a post-closing trial balance. d. adjusting entries.

23. Which of the following steps in the accounting cycle would not generally be performed daily?
- a. Journalize transactions
- b. Post to ledger accounts
- **c. Prepare adjusting entries**
- d. Analyze business transactions

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24. Which of the following steps in the accounting cycle may be performed most frequently?
a. Prepare a post-closing trial balance
b. Journalize closing entries
c. Post closing entries
d. Prepare a trial balance

25. The two optional steps in the accounting cycle are preparing
a. a post-closing trial balance and reversing entries.
b. a worksheet and post-closing trial balances.
c. reversing entries and a worksheet.
d. an adjusted trial balance and a post-closing trial balance.

26. The first required step in the accounting cycle is
a. reversing entries.
b. journalizing transactions in the book of original entry.
c. analyzing transactions.
d. posting transactions.

27. Correcting entries
a. always affect at least one balance sheet account and one income statement account.
b. affect income statement accounts only.
c. affect balance sheet accounts only.
d. may involve any combination of accounts in need of correction.

28. If errors occur in the recording process, they
a. should be corrected as adjustments at the end of the period.
b. should be corrected as soon as they are discovered.
c. should be corrected when preparing closing entries.
d. cannot be corrected until the next accounting period.

29. Zen Arcade paid the weekly payroll on January 2 by debiting Salaries and Wages Expense for $47,000. The accountant preparing the payroll entry overlooked the fact that Salaries and Wages Expense of $27,000 had been accrued at year end on December 31. The correcting entry is
a. Salaries and Wages Payable 27,000
Cash..... 27,000
b. Cash 20,000
Salaries and Wages Expense..... 20,000
c. Salaries and Wages Payable 27,000
Salaries and Wages Expense..... 27,000
d. Cash 27,000
Salaries and Wages Expense..... 27,000

30. All of the following are property, plant, and equipment except
a. supplies. b. machinery.
c. land. d. buildings.

31. The first item listed under current liabilities is usually
a. accounts payable. **b. notes payable.** c. salaries and wages payable. d. taxes payable.

32. Equipment is classified in the balance sheet as
a. a current asset. **b. property, plant, and equipment.**
c. an intangible asset. d. a long-term investment.

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33. A lawyer collected $710 of legal fees in advance. He erroneously debited Cash for $170 and credited Accounts Receivable for $170. The correcting entry is

a. Cash..... 170
Accounts Receivable 540
Unearned Service Revenue 710

b. Cash..... 710
Service Revenue..... 710

c. Cash..... 540
Accounts Receivable 170
Unearned Service Revenue 710

d. Cash..... 540
Accounts Receivable..... 540

34. A current asset is

a. the last asset purchased by a business.
b. an asset which is currently being used to produce a product or service.
c. usually found as a separate classification in the income statement.
d. **an asset that a company expects to convert to cash or use up within one year.**

35. An intangible asset

a. **does not have physical substance, yet often is very valuable.**
b. is worthless because it has no physical substance.
c. is converted into a tangible asset during the operating cycle.
d. cannot be classified on the balance sheet because it lacks physical substance.

36. Liabilities are generally classified on a balance sheet as

a. small liabilities and large liabilities.
b. present liabilities and future liabilities.
c. tangible liabilities and intangible liabilities.
d. **current liabilities and long-term liabilities.**

37. Which of the following would not be classified a long-term liability?

a. Current maturities of long-term debt
b. Bonds payable
c. Mortgage payable
d. Lease liabilities

38. Which of the following liabilities are not related to the operating cycle?

a. Salaries and wages payable
b. Accounts payable
c. Utilities payable
d. Bonds payable

39. intangible assets include each of the following except

a. copyrights. b. goodwill. **c. land improvements.** d. patents

40. The operating cycle of a company is the average time that is required to go from cash to

a. sales in producing revenues.
b. cash in producing revenues.
c. inventory in producing revenues.
d. accounts receivable in producing revenues.

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41. intangible assets are
a. listed under current assets on the balance sheet.
b. not listed on the balance sheet because they do not have physical substance.
c. long-lived assets that are often very valuable.
d. listed as a long-term investment on the balance sheet.

42. The relationship between current assets and current liabilities is important in evaluating a company's
a. profitability. **b. liquidity.** c. market value. d. accounting cycle.

43. The most important information needed to determine if companies can pay their current obligations is the
a. net income for this year.
b. projected net income for next year.
c. relationship between current assets and current liabilities.
d. relationship between short-term and long-term liabilities.

44. Balance sheet accounts are considered to be
a. temporary owner's equity accounts. **b. permanent accounts.**
c. capital accounts. d. nominal accounts.

45. A reversing entry
a. reverses entries that were made in error.
b. is the exact opposite of an adjusting entry made in a previous period.
c. is made when a business dispose of an asset it previously purchased.
d. is made when a company sustains a loss in one period and reverses the effect with a profit in the next period.

46. Income Summary has a credit balance of $17,000 in S. Sufjan Co. after closing revenues and expenses. The entry to close Income Summary is
a. credit Income Summary $17,000, debit Owner's Capital $17,000.
b. credit Income Summary $17,000, debit Owner's Drawings $17,000.
c. debit Income Summary $17,000, credit Owner's Drawings $17,000.
d. debit Income Summary $17,000, credit Owner's Capital $17,000.

47. The post-closing trial balance contains only
a. income statement accounts.
b. balance sheet accounts.
c. balance sheet and income statement accounts.
d. income statement, balance sheet, and owner's equity statement accounts.

48. Which of the following is an optional step in the accounting cycle?
a. Adjusting entries
b. Closing entries
c. Correcting entries
d. Reversing entries

49. Correcting entries are made
a. at the beginning of an accounting period.
b. at the end of an accounting period.
c. whenever an error is discovered.
d. after closing entries.

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50. The use of reversing entries

a. is a required step in the accounting cycle.
b. changes the amounts reported in the financial statements.
c. **simplifies the recording of subsequent transactions.**
d. is required for all adjusting entries.

Q2: Indicate whether each of the following statements is true or false

False___ **1.** Closing entries are unnecessary if the business plans to continue operating in the future and issue financial statements each year
False___ **2.** The owner's drawings account is closed to the Income Summary account in order to properly determine net income (or loss) for the period.
True___ **3.** After closing entries have been journalized and posted, all temporary accounts in the ledger should have zero balances.
False___ **4.** Closing revenue and expense accounts to the Income Summary account is an optional bookkeeping procedure.
False___ **5.** Closing the drawings account to Owner's Capital is not necessary if net income is greater than owner's drawings during the period.
True___ **6.** Closing entries are journalized after adjusting entries have been journalized.
False___ **7.** The post-closing trial balance is entered in the first two columns of a worksheet
False___ **8.** A business entity has only one accounting cycle over its economic existence.
True___ **9.** The accounting cycle begins at the start of a new accounting period.
True___ **10.** Correcting entries are made any time an error is discovered even though it may not be at the end of an accounting period.
True___ **11.** In a corporation, Retained Earnings is a part of owners' equity.
False___ **12.** A company's operating cycle and fiscal year are usually the same length of time.
True___ **13.** Cash and supplies are both classified as current assets.
False___ **14.** Long-term investments would appear in the property, plant, and equipment section of the balance sheet.
True___ **15.** A liability is classified as a current liability if the company is to pay it within the forthcoming year.
True___ **16.** Reversing entries are an optional bookkeeping procedure.
True___ **17.** To close net income to owner's capital, Income Summary is debited and Owner's Capital is credited.
False___ **18.** The post-closing trial balance will contain only owner's equity statement accounts and balance sheet accounts.
True___ **19.** Current assets are listed in the order of liquidity.
True___ **20.** Current liabilities are obligations that the company is to pay within the coming year.

Q3: Sbitany Company earned net income of $44,000 during 2014. The company had owner drawings totaling $20,000 during the period. Prepare the entries to close Income Summary and the Owner's Drawings account.

Solution Q3:

Income Summary 44,000
Owner's Capital 44,000
Owner's Capital..... 20,000
Owner's Drawings..... 20,000

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Q4: Identify which of the following are temporary accounts of Pedico Company.

(1) Owner's Capital
(2) Owner's Drawings
(3) Equipment
(4) Accumulated Depreciation
(5) Depreciation Expense

Solution Q4: (2) Owner's, Drawings, (5) Depreciation Expense

Q5: Identify which of the following accounts would have balances on a post-closing trial balance.

(1) Service Revenue
(2) Income Summary
(3) Notes Payable
(4) Interest Expense
(5) Cash

Solution Q5: (3) Notes Payable, (5) Cash

Q6: Prepare the necessary correcting entry for each of the following.

a. A payment of $5,000 for salaries was recorded as a debit to Supplies Expense and a credit to Cash.
b. A purchase of supplies on account for $1,000 was recorded as a debit to Equipment and a credit to Accounts Payable.

Solution Q6:

a. Salaries and Wages Expense..... 5,000
Supplies Expense 5,000
b. Supplies 1,000
Equipment 1,000

Q7: The following lettered items represent a classification scheme for a balance sheet, and the numbered items represent accounts found on balance sheets. In the blank next to each account, write the letter indicating to which category it belongs.

A. Current assets
B. Long-term investments
C. Property, plant, and equipment
D. Intangible assets
E. Current liabilities
F. Long-term liabilities
G. Owner's equity
H. Not on the balance sheet

_____ 1. Accumulated Depreciation
_____ 2. Owner's Capital
_____ 3. Interest Expense
_____ 4. Salaries and Wages Payable
_____ 5. Owner's, Drawings
_____ 6. Inventory
_____ 7. Patents
_____ 8. Prepaid Rent
_____ 9. Mortgage Payable
_____ 10. Land Held for Investment

Solution Q7: **1. C 2. G 3. H 4. E 5. H 6. A 7. D 8. A 9. F 10. B**

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Q8: Indicate the worksheet column (income statement Dr., balance sheet Cr., etc.) to which each of the following accounts would be extended.

- **a.** Accounts Receivable
- **b.** Accumulated Depreciation—Equip.
- **c.** Service Revenue
- **d.** Interest Expense
- **e.** Owner's Drawings
- **f.** Unearned Service Revenue

Solution Q8:

a.	Balance sheet	Dr.
b.	Balance sheet	Cr.
c.	Income statement	Cr.
d.	Income statement	Dr.
e.	Balance sheet	Dr.
f.	Balance sheet	Cr.

Q9: Indicate the proper sequence of the steps in the accounting cycle by placing numbers 1-8 in the blank spaces.

____ a. Analyze business transactions.
____ b. Journalize and post adjusting entries.
____ c. Journalize and post-closing entries.
____ d. Journalize the transactions.
____ e. Prepare a post-closing trial balance.
____ f. Prepare a trial balance.
____ g. Prepare financial statements.
____ h. Post to ledger accounts

Solution Q9:

a. 1 **e. 8**
b. 6 **f. 4**
c. 7 **g. 5**
d. 2 **h. 3**

Q10: The worksheet for Unipal Company shows the following in the financial statement columns:

Owner's Drawings $15,000
Owner's Capital $42,000
Net income $18,000

Prepare the closing entries at December 31 that affect owner's capital.

Answer:

Income Summary 18,000
Owner's Capital 18,000
Owner's Capital 15,000
Owner's Drawings 15,000

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Q11: The following accounts were taken from the financial statements of Callahan Company.
تم أخذ الحسابات التالية من البيانات المالية لشركة Callahan.

Match each of the following accounts to its proper balance sheet classification, shown below. If the item would not appear on a balance sheet, use "NA."
قم بمطابقة كل حساب من الحسابات التالية مع التصنيف المناسب لميزانيته العمومية ، كما هو موضح أدناه. إذا لم يظهر العنصر في الميزانية العمومية ، فاستخدم."NA"

Current assets (CA)
Long-term investments (LTI)
Property, plant, and equipment (PPE)
Intangible assets (IA)
Current liabilities (CL)
Long-term liabilities (LTL)
Owner's equity (OE)

CL	Salaries and wages payable	**LTI**	Stock investment (Long-term)
NA	Service revenue	**PPE**	Equipment
CL	Interest payable	**PPE**	Accumulated depreciation - equipment
IA	Goodwill	**NA**	Depreciation expense
CA	Debt investment (Short-term)	**OE**	Owners' capital
LTL	Mortgage payable (due in 3 years)	**CL**	Unearned Service revenue

Q12: Paltel Company discovered the following errors made in January 2018.

1. A payment of salaries expense of $900 was debited to Equipment and credited to Cash, both for $900.
2. A collection of $2,000 from a client on account was debited to Cash $200 and credited to Service Revenue $200.
3. The purchase of equipment on account for $680 was debited to Equipment $860 and credited to Accounts Payable $860.

Instructions
Correct the errors by reversing the incorrect entry and preparing the correct entry.

Solution Q12:

1. Cash..... 900
   Equipment..... 900
   Salaries and Wages Expense 900
   Cash..... 900
2. Service Revenue 200
   Cash..... 200
   Cash 2,000
   Accounts Receivable 2,000
3. Accounts Payable..... 860
   Equipment 860
   Equipment 680
   Accounts Payable..... 680

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Q13: Sanabel Company discovered the following errors made in January 2017.

1. A payment of Salaries and Wages Expense of $600 was debited to Supplies and credited to Cash, both for $600.
2. A collection of $3,000 from a client on account was debited to Cash $200 and credited to Service Revenue $200.
3. The purchase of supplies on account for $860 was debited to Supplies $680 and credited to Accounts Payable $680.

Correct the errors without reversing the incorrect entry.

Solution Q13:

1. **A payment of Salaries and Wages Expense of $600 was debited to Supplies and credited to Cash, both for $600.**

Correct the error without reversing the incorrect entry.

Salaries and Wages Expense 600
Supplies 600

2. **A collection of $3,000 from a client on account was debited to Cash $200 and credited to Service Revenue $200.**

Correct the error without reversing the incorrect entry.

Service Revenue 200
Cash 2,800
Accounts Receivable 3,000

3. **The purchase of supplies on account for $860 was debited to Supplies $680 and credited to Accounts Payable $680.**

Correct the error without reversing the incorrect entry.

Supplies ($860 - $680) 180
Accounts Payable 180

Q14: Peter Cook, CPA, was asked by Carol Kane to review the accounting records and prepare the financial statements for her upholstering shop. Peter reviewed the records and found three errors.

1. **Cash paid on accounts payable for $930 was recorded as a debit to Accounts Payable $390 and a credit to Cash $390.**
2. The purchase of supplies on account for $600 was debited to Equipment $600 and credited to Accounts Payable $600.
3. Carol withdrew $1,300 of cash and the bookkeeper debited Accounts Receivable for $130 and credited Cash $130.

Required: المطلوب

Prepare an analysis of each error showing the
(a) incorrect entry.
(b) correct entry.
(c) correcting entry

Solution Q14:

1. (a) Incorrect Entry Accounts Payable 390
Cash..... 390

(b) Correct Entry Accounts Payable 930
Cash..... 930

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(c) Correcting Entry	Accounts Payable	540
	Cash	540
2. (a) Incorrect Entry	Equipment	600
	Accounts Payable	600
(b) Correct Entry	Supplies	600
	Accounts Payable	600
(c) Correcting Entry	Supplies	600
	Equipment	600
3. (a) Incorrect Entry	Accounts Receivable	130
	Cash	130
(b) Correct Entry	Owner's Drawings	1,300
	Cash	1,300
(c) Correcting Entry	Owner's Drawings	1,300
	Accounts Receivable	130
	Cash	1,170

Q15: Match the items below by entering the appropriate code letter in the space provided.

A. Worksheet
B. Permanent accounts
C. Closing entries
D. Income Summary
E. Reversing entry
F. Common Stock
G. Current assets
H. Operating cycle
I. Long-term liabilities
J. Correcting entries

____ 1. Obligations that a company expects to pay after one year.
____ 2. A part of owners' equity in a corporation.
____ 3. An optional tool which facilitates the preparation of financial statements.
____ 4. A temporary account used in the closing process.
____ 5. Balance sheet accounts whose balances are carried forward to the next period.
____ 6. The average time that it takes to go from cash to cash in producing revenues.
____ 7. Entries to correct errors made in recording transactions.
____ 8. The exact opposite of an adjusting entry made in a previous period.
____ 9. Entries at the end of an accounting period to transfer the balances of temporary accounts to a permanent owner's equity account.
____ 10. Assets that a company expects to pay or convert to cash or use up within one year.

Solution Q15:

1. I	**6. H**
2. F	**7. J**
3. A	**8. E**
4. D	**9. C**
5. B	**10. G**

End of chapter

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BIRZEIT UNIVERSITY
FACUALTY OF BUSINESS AND ECONOMICS
ACCOUNTING DEPARTMENT

INCTRUCTOR:

FIRST SEM.2022-2023
SECOND EXAM

ACCT 130

Q#3 Matching	Answer
1	C
2	G
3	H
4	E
5	H
6	A
7	D
8	A
9	F
10	B

Q#4 Matching	Answer
1	G
2	E
3	I
4	J
5	B
6	H
7	C
8	F
9	A
10	D

Q#5 Mutable Choice	Answer
1	B
2	C
3	C
4	C
5	C
6	A
7	C
8	C
9	D
10	B
11	D
12	C

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Question #1: The ledger accounts given below, with an identification number for each, are used by Dettol Cleaning.

Instructions: Prepare appropriate adjusting entries for the year ended December 31, 2022, by replacing the appropriate identification number(s) in the debit and credit columns provided and the dollar amount in the adjoining column. Item 0 is given as an example.

1. Service Revenue
2. Accounts Receivable
3. Interest Receivable
4. Supplies Expense
5. Insurance Expense
6. Equipment
7. Accumulated Depreciation-Equipment
8. Salaries and Wages Payable
9. Interest Expense
10. Cash
11. Notes Payable
12. Interest Revenue
13. Unearned Service Revenue
14. Salaries and Wages Expense
15. Depreciation Expense-Equipment
16. Interest Payable
17. Prepaid Insurance
18. Supplies

ENTRY NO.	Account(s) Entry Information	Account(s) Debited	Account(s) Credited	Amount $
0	**Interest of $300 is accrued on a note receivable at December 31, 2022.**	**3**	**12**	**300**
1	A customer paid Dettol Cleaning $16,000 on December 1, 2022, for services to be performed in the coming 2 months. The receipt was credited to a liability account. On Dec.31, 2022, half these services were performed	**13**	**1**	**8,000**
2	Dettol has two employees who each earn $110 per day. At December 31, 2022, four days' salaries have been earned but not paid.	**14**	**8**	**880**
3	Dettol purchased equipment costing $28,000 on January 1, 2022. Monthly depreciation is $400.	**15**	**7**	**4,800**
4	Dettol borrowed $8,000 by signing a three- month, 6% interest, note payable on November 1, 2022.	**9**	**16**	**80**
5	Dettol started the year with no supplies on hand. Dettol purchased $4,000 in supplies during the year and has $1,800 on hand at December 31. Supplies were debited to an asset account when purchased	**4**	**18**	**2,200**

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Question 2: The adjusted trial balance of Hamouda's laundry

Hamouda's laundry Adjusted Trial Balance December 31,2022		
Cash	$ 1,170	
Laundry supplies	1,930	
Prepaid Insurance	600	
Laundry equipment	20,600	
Accumulated Depreciation, Laundry equipment		$5,400
Accounts Payable		325
Hamouda's, Capital		11,125
Hamouda's, Withdrawals	4,800	
Laundry Service revenue		21,720
Salaries expenses	6,920	
Depreciation expense, laundry equipment	1,200	
Utilities expense	950	
Insurance expense	400	
Totals	**$38,570**	**$38,570**

1. Prepare the necessary closing entries at December 31.
2. What is the balance of Hamouda's capital account (ending balance), after the bookkeeper posts the closing entries?

Solution:

1.

Dr. Income Summary 9,470
Cr. Salaries expenses 6,920
Cr. Depreciation expense 1,200
Cr. Utilities expense 950
Cr. Insurance expense 400
Dr. Laundry Service revenue 21,720
Cr. Income Summary 21,720
Dr. Income Summary 12,250
Cr. Owners Capital 12,250
Dr. Owners Capital 4,800
Cr. Owners Withdrawals 4,800

**** Credited Owners Capital = Income Summary with Credit– Income Summary with Debit**
= 21,720 – 9,470 = $ 12,250 (Credit)

2.

Ending Balance = Owners Capital + Income Summary - Owners Withdrawals
= 11,125 + 12,250 – 4,800 = $ 18,575

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Q3: The following lettered items represent a classification scheme for a balance sheet, and the numbered items represent accounts found on balance sheets. In the blank next to each account, write the letter indicating to which category it belongs.

A. Current assets
B. Long-term investments
C. Property, plant, and equipment
D. Intangible assets
E. Current liabilities
F. Long-term liabilities
G. Owner's equity
H. Not on the balance sheet

_____ 1. Accumulated Depreciation
_____ 2. Owner's Capital
_____ 3. Interest Expense
_____ 4. Salaries and Wages Payable
_____ 5. Owner's, Drawings
_____ 6. Inventory
_____ 7. Patents
_____ 8. Prepaid Rent
_____ 9. Mortgage Payable
_____ 10. Land Held for Investment

Solution:

1. C
2. G
3. H
4. E
5. H
6. A
7. D
8. A
9. F
10. B

Q4: Match the items below by entering the appropriate code letter in the space provided.

A. Accrued expenses
B. Current assets
C. Matching principle
D. Book value
E. Income Summary
F. Accrued revenues
G. Long-term liabilities
H. Time period assumption
I. Closing entries
J. Prepaid expenses

____ 1. Obligations that a company expects to pay after one year.
____ 2. A temporary account used in the closing process.
____ 3. Entries at the end of an accounting period to transfer the balances of temporary accounts to a permanent owner's equity account.
____ 4. Expenses paid before they are incurred
____ 5. Assets that a company expects to pay or convert to cash or use up within one year.
____ 6. Divides the economic life of a business into artificial time periods
____ 7. Efforts are related to accomplishments
____ 8. Revenues earned but not yet received
____ 9. Expenses incurred but not yet paid
____ 10. Cost less accumulated depreciation

Solution:

1. G
2. E
3. I
4. J
5. B
6. H
7. C
8. F
9. A
10. D

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Q5. Circle the correct answer

1. **A reversing entry**
   a. reverses entries that were made in error.
   b. is the exact opposite of an adjusting entry made in a previous period.
   c. is made when a business dispose of an asset it previously purchased.
   d. is made when a company sustains a loss in one period and reverses the effect with a profit in the next period.

2. **Mada Company purchased office supplies costing $6,000 and debited Office Supplies for the full amount. At the end of the accounting period, a physical count of office supplies revealed $2,400 still on hand. The appropriate adjusting journal entry to be made at the end of the period would be**
   a. Debit Office Supplies Expense, $2,400; Credit Office Supplies, $2,400.
   b. Debit Office Supplies, $3,600; Credit Office Supplies Expense, $3,600.
   c. Debit Office Supplies Expense, $3,600; Credit Office Supplies, $3,600.
   d. Debit Office Supplies, $2,400; Credit Office Supplies Expense, $2,400.

3. **The final step in the accounting cycle is to prepare**
   a. closing entries.
   b. financial statements.
   c. a post-closing trial balance.
   d. adjusting entries.

4. **Which of the following steps in the accounting cycle may be performed most frequently?**
   a. Prepare a post-closing trial balance
   b. Journalize closing entries
   c. Post closing entries
   d. Prepare a trial balance

5. **The time period assumption is also referred to as the**
   a. calendar assumption.
   b. cyclicity assumption.
   c. periodicity assumption.
   d. fiscal assumption.

6. **Unearned revenues are**
   a. received and recorded as liabilities before they are earned.
   b. earned and recorded as liabilities before they are received.
   c. earned but not yet received or recorded.
   d. earned and already received and recorded

7. **On July 1, Jawwal Store paid $8,000 to Ace Realty for 4 months rent beginning July 1. Prepaid Rent was debited for the full amount. If financial statements are prepared on July 31, the adjusting entry to be made by Jawwal Store is**
   a. Debit Rent Expense, $8,000; Credit Prepaid Rent, $2,000.
   b. Debit Prepaid Rent, $2,000; Credit Rent Expense, $2,000.
   c. Debit Rent Expense, $2,000; Credit Prepaid Rent, $2,000.
   d. Debit Rent Expense, $8,000; Credit Prepaid Rent, $8,000.

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8. The Balance sheet referred to:

a. An operating system
b. The Statement of Cash flow
c. The Statement of Financial position
d. The Statement of Owners equity

9. THE accounting equation for Paltel Company is as follow:

Assets	=	Liabilities	+	Owner's equity
$120,000	=	$60,000	+	60,000

If Paltel purchases office equipment on account for $15,000, the accounting equation Will change to:

	Assets	=	Liabilities	+	Owner's equity
a.	$120,000	=	$60,000	+	60,000
b.	$135,000	=	$60,000	+	75,000
c.	$135,000	=	$67,500	+	67,500
d.	**$120,000**	**=**	**$75,000**	**+**	**60,000**

10. Which is not appear On the Balance Sheet:

a. Cash
b. Withdrawals
c. Account Receivable
d. Account Payable

11. At March 1, 2008, Cady Inc. had supplies on hand of $500. During the month, Cady purchased supplies of $1,200 and used supplies of $1,500. The March 31 adjusting journal entry should include a

a. debit to the supplies account for $1,500.
b. credit to the supplies account for $500.
c. debit to the supplies account for $1,200.
d. credit to the supplies account for $1,500.

12. intangible assets include each of the following except

a. copyrights.
b. goodwill.
c. land improvements.
d. patents

Good Luck

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CHAPTER 5

Accounting for Merchandising Operations

محاسبة عمليات التجارة

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ضياء الدين صبح

Describe merchandising operations and inventory systems. وصف عمليات التجارة وأنظمة المخزون

- Merchandising Companies شركات التجارة
- Buy and Sell Goods شراء وبيع البضائع
- Retailer بائع التجزئة

Ex: Wal-Mart, REL, amazon.com

Wholesaler تاجر الجملة → Consumer مستهلك

The primary source of revenues is referred to as **sales revenue** or **sales**.

يشار إلى المصدر الأساسي للإيرادات **بإيرادات المبيعات أو المبيعات.**

Merchandising Operations عمليات التجارة

Sales Revenue - Cost of Goods Sold = Gross Profit إيراد المبيعات ناقصًا تكلفة البضائع المباعة يساوي إجمالي الربح

Gross Profit - Operating Expenses = Net Income (Loss)

إجمالي الربح ناقصًا مصاريف التشغيل يساوي صافي الدخل (خسارة)

Cost of Goods Sold & Gross Profit " Not used in a Service business."

تكلفة البضائع المباعة وإجمالي الربح "غير مستخدم في أعمال الخدمات."

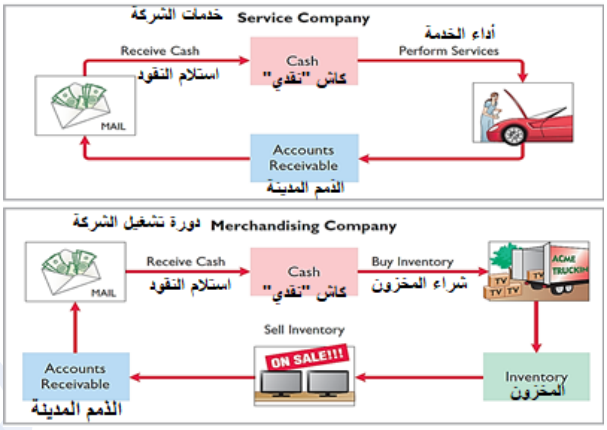
Cost of goods sold is the total cost of merchandise sold during the period.

تكلفة البضائع المباعة هي التكلفة الإجمالية للبضائع المباعة خلال الفترة.

Operating Cycles دورات التشغيل

The operating cycle of a merchandising company ordinarily is longer than that of a service company.

عادة ما تكون دورة تشغيل شركة تجارية أطول من دورة خدمات الشركة.



Flow of Costs تدفق التكاليف

Cost of goods Available for sale تكلفة البضاعة المتاحة للبيع

1- **Cost of goods Purchased** تكلفة البضاعة المشتراة
2- **Beginning inventory** بداية الجرد
3- **Cost of goods Sold** تكلفة البضاعة المباعة
4- **Ending inventory** الجرد الختامي

Companies use either a **perpetual inventory system** or a **periodic inventory system** to account for inventory.

تستخدم الشركات إما **نظام جرد دائم** أو **نظام جرد دوري** لحساب المخزون.

PERPETUAL SYSTEM النظام الدائم

- Maintain detailed records of the cost of each inventory purchase and sale.

الاحتفاظ بسجلات مفصلة لتكلفة كل شراء وبيع المخزون.

ضياء الدين صبح

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- Records continuously show inventory that should be on hand for every item.
  تظهر السجلات باستمرار المخزون الذي يجب أن يكون في متناول اليد لكل عنصر.
- Company determines cost of goods sold each time a sale occurs.
  تحدد الشركة تكلفة البضائع المباعة في كل مرة يحدث فيها البيع.

PERIODIC SYSTEM النظام الدوري

- Do not keep detailed records of the goods on hand.
  لا تحتفظ بسجلات مفصلة للبضائع الموجودة في متناول اليد.
- Cost of goods sold determined by count at the end of the accounting period.
  يتم تحديد تكلفة البضائع المباعة عن طريق الجرد في نهاية الفترة المحاسبية.
- **Calculation of Cost of Goods Sold:** **حساب تكلفة البضائع المباعة**

Goods available for sale = Beginning inventory + net Purchases
Cost of goods sold = Goods available for sale - Ending inventory

Ex: The Beginning inventory $100,000 at Unipal company, net Purchases $800,000, and the Ending inventory of the month $125,000, what the C.G.S ?
Goods available for sale = Beginning inventory + net Purchases = $100,000 + $800,000 = **$900,000**
Cost of goods sold = Goods available for sale - Ending inventory = $900,000 – $125,000 = **$775,000**

ADVANTAGES OF THE PERPETUAL SYSTEM مزايا النظام الدائم

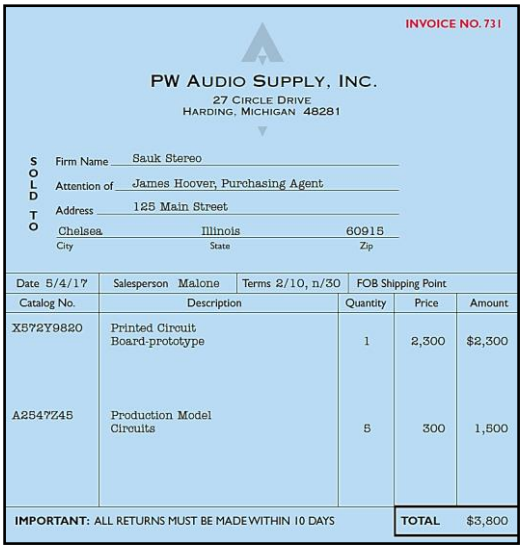
- Traditionally used for merchandise with high unit values.
  تستخدم تقليديا للبضائع ذات القيم العالية للوحدات.
- Shows the quantity and cost of the inventory that should be on hand at any time.
  يعرض كمية وتكلفة المخزون التي يجب أن تكون في متناول اليد في أي وقت.
- Provides better control over inventories than a periodic system.
  يوفر تحكمًا أفضل في المخزونات من النظام الدوري.

Record purchases under a perpetual inventory system سجل المشتريات في ظل نظام جرد دائم

- Made using **cash or credit** (on account). تتم باستخدام **النقد أو ك دائن** (على الحساب)
- Normally **record when** goods are received from the seller. **سجل** عادة وقت استلام البضائع من البائع
- **Purchase invoice** should support each credit purchase يجب أن تدعم **فاتورة الشراء** كل عملية شراء ك دائن

Recording Purchases of Merchandise تسجيل مشتريات البضائع

Ex: Sauk Stereo (the buyer) uses as a purchase invoice the sales invoice prepared by PW Audio Supply, Inc. (the seller). **Prepare the journal entry** for Sauk Stereo for the invoice from PW Audio Supply.
على سبيل المثال: يستخدم Sauk Stereo (المشتري) كفاتورة شراء فاتورة المبيعات التي أعدتها PW Audio Supply ، Inc.(البائع). **قم بإعداد إدخال دفتر اليومية لـ Sauk Stereo للفاتورة من PW Audio Supply**


INVOICE NO. 731

PW AUDIO SUPPLY, INC.
27 CIRCLE DRIVE
HARDING, MICHIGAN 48281

SOLD TO
Firm Name: Sauk Stereo
Attention of: James Hoover, Purchasing Agent
Address: 125 Main Street
Chelsea (City) Illinois (State) 60915 (Zip)

Date 5/4/17 | Salesperson Malone | Terms 2/10, n/30 | FOB Shipping Point

Catalog No.	Description	Quantity	Price	Amount
X572Y9820	Printed Circuit Board-prototype	1	2,300	$2,300
A2547Z45	Production Model Circuits	5	300	1,500

IMPORTANT: ALL RETURNS MUST BE MADE WITHIN 10 DAYS — TOTAL $3,800

May 4 Inventory 3,800
Accounts Payable 3,800

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Freight Costs تكاليف الشحن

FOB Shipping Point (Buyer pays freight costs): Ownership of the goods passes to the buyer when the public carrier accepts the goods from the seller

تسليم على ظهر الباخرة (يدفع المشتري تكاليف الشحن): تنتقل ملكية البضائع إلى المشتري عندما يقبل الناقل العام البضائع من البائع

FOB Destination (Seller pays freight costs): Ownership of the goods remains with the seller until the goods reach the buyer

مجانًا على متن الوجهة (يدفع البائع تكاليف الشحن): تظل ملكية البضائع مع البائع حتى تصل البضائع إلى المشتري

Freight costs incurred by the seller are an **operating expense** تكاليف الشحن التي يتكبدها البائع هي **مصاريف تشغيل**

Ex: Assume upon delivery of the goods on May 6, **Sauk Stereo pays** Public Freight Company $150 for **freight charges**, the entry on Sauk Stereo's books is:

على سبيل المثال : لنفترض عند تسليم البضائع في 6 مايو ، أن Sauk Stereo يدفع لشركة **Public Freight** 150 دولارًا **لرسوم الشحن** ، ويكون الإدخال في كتب Sauk Stereo هو:

May 6	Inventory	150	
	Cash		150

Assume the freight terms on the invoice had required **PW Audio Supply to pay the freight charges**, the entry by PW Audio Supply would have been:

لنفترض أن شروط الشحن على الفاتورة قد تطلبت PW Audio Supply لدفع رسوم الشحن ، فإن إدخال PW Audio Supply سيكون:

May 4	Freight-Out	150	
	Cash		150

Purchase Returns and Allowances عوائد الشراء والبدائل

Purchaser may be dissatisfied because goods are damaged or defective, of inferior quality, or do not meet specifications.

قد يكون المشتري غير راضٍ لأن البضائع تالفة أو معيبة ، أو ذات جودة رديئة ، أو لا تفي بالمواصفات.

Purchase Return إعادة المشتريات

Return goods for credit if the sale was made on credit, or for a cash refund if the purchase was for cash.

إرجاع البضائع للحصول على الحساب إذا تم البيع عن طريق الحساب ، أو لاسترداد نقدي إذا كان الشراء نقدًا.

Purchase Allowance تبديل المشتريات

May choose to keep the merchandise if the seller will grant a reduction of the purchase price.

قد يختار الاحتفاظ بالبضائع إذا منح البائع تخفيضًا في سعر الشراء.

Ex: Assume Sauk Stereo returned goods costing $300 to PW Audio Supply on May 8.

على سبيل المثال: لنفترض أن السلع المرتجعة من Sauk Stereo بتكلفة 300 دولار إلى PW Audio Supply في 8 مايو.

May 8	Accounts Payable	300	
	Inventory		300

Purchase Discounts خصومات/تنزيلات الشراء

Credit terms may permit buyer to claim a cash discount for prompt payment.

شروط الائتمان قد تسمح للمشتري بالمطالبة بخصم نقدي للدفع الفوري.

Advantages: مزايا

- Purchaser saves money. المشتري يوفر المال
- Seller shortens the operating cycle by converting the accounts receivable into cash earlier.

يقوم البائع بتقصير دورة التشغيل عن طريق تحويل الحسابات المستحقة القبض إلى نقد في وقت سابق.

Example: Credit terms may read **2/10, n/30**. **مثال**: قد تقرأ شروط الائتمان 10/2 ، ن/30

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2/10, n/30 :2% discount if paid within 10 days, otherwise net amount due within 30 days.
2/10 ، n/ 30: خصم 2٪ إذا تم الدفع في غضون 10 أيام ، وإلا فإن صافي المبلغ المستحق خلال 30 يومًا.
1/10 EOM: 1% discount if paid within first 10 days of next month.
1/10 EOM: خصم 1٪ إذا تم الدفع خلال أول 10 أيام من الشهر التالي.
n/10 EOM: Net amount due within the first 10 days of the next month.
n / 10 EOM : صافي المبلغ المستحق خلال أول 10 أيام من الشهر التالي.

Ex: Assume Sauk Stereo pays the balance due of $3,500 (gross invoice price of $3,800 less purchase returns and allowances of $300) on May 14, the last day of the discount period. Prepare the journal entry Sauk Stereo makes on May 14 to record the payment.
على سبيل المثال: افترض أن Sauk Stereo يدفع الرصيد المستحق البالغ 3500 دولار (إجمالي سعر الفاتورة 3800 دولار مطروحًا منه عوائد الشراء والبدلات 300 دولار) في 14 مايو ، اليوم الأخير من فترة الخصم. قم بإعداد إدخال المجلة الذي يقوم به Sauk Stereo في 14 مايو لتسجيل الدفعة.

May 14	Accounts Payable	3,500	
	Inventory		70
	Cash		3,430

**** Discount = $3,500 * 2% = $70**

Ex: If Sauk Stereo failed to take the discount, and instead made full payment of $3,500 on June 3, the journal entry would be:
على سبيل المثال: إذا فشل Sauk Stereo في الحصول على الخصم ، وبدلاً من ذلك سدد مبلغ 3500 دولار بالكامل في 3 يونيو ، فسيكون إدخال دفتر اليومية:

June 3	Accounts Payable	3,500	
	Cash		3,500

Should discounts be taken when offered? **هل يجب أخذ الخصومات** عند عرضها

Discount of 2% on $3,500	$70.00
$3,500 invested at 10% for 20 days	19.18
Saving by taking the discount	**$50.82**

Example: 2% for 20 days = Annual rate of 36.5%
$3,500 x 36.5% x 20 ÷ 365 = **$70**

Summary of Purchasing Transactions ملخص معاملات الشراء

Inventory

	Debit	Credit	
4th - Purchase	3,800	300	8th - Return
6th – Freight-in	150	70	14th - Discount
Balance	3,580		

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Record sales under a perpetual inventory system. سجل المبيعات في ظل نظام جرد دائم

- Made using cash or credit (on account). تتم باستخدام النقد أو الائتمان (على الحساب)
- Sales revenue, like service revenue, is recorded when the performance obligation is satisfied
  يتم تسجيل إيرادات المبيعات ، مثل إيرادات الخدمة ، عند الوفاء بالتزام الأداء.
- Performance obligation is satisfied when the goods are transferred from the seller to the buyer.
  يتم الوفاء بالتزام الأداء عندما يتم نقل البضائع من البائع إلى المشتري.
- Sales invoice should support each credit sale. يجب أن تدعم فاتورة المبيعات كل عملية بيع ائتماني

Recording Sales of Merchandise تسجيل مبيعات البضائع

Journal Entries to Record a Sale إدخالات دفتر اليومية لتسجيل البيع

#1	Cash or Accounts recevible Sales revenue	xxx xxx	**Selling Price**
#2	Cost of goods sold Inventory	xxx xxx	**Cost**

Ex: PW Audio Supply records the sale of $3,800 on May 4 to Sauk Stereo on account as follows (assume the merchandise cost PW Audio Supply $2,400).

على سبيل المثال: PW Audio Supply يسجل بيع 3800 دولار في 4 مايو إلى Sauk Stereo على الحساب على النحو التالي (افترض أن تكلفة البضائع PW Audio Supply 2400 دولار).

May 4	Accounts receivable	3,800	
	Sales revenue		3,800
May 4	Cost of Goods Sold	2,400	
	Inventory		2,400

Sales Returns and Allowances عوائد المبيعات والبدائل

- **"Flip side"** of purchase returns and allowances. "انعكاس الجانب" لعوائد الشراء والبدائل
- **Contra-revenue account** to Sales Revenue (debit). حساب الإيرادات المقابلة لإيرادات المبيعات (المدين)
- **Sales not reduced** (debited) because: **لم يتم تخفيض المبيعات** (المدين) للأسباب التالية:
  - Would obscure importance of sales returns and allowances as a percentage of sales.
    قد يحجب أهمية عوائد المبيعات والبدلات كنسبة مئوية من المبيعات.
  - Could distort comparisons. يمكن أن تشوه المقارنات

Ex: Prepare the entry PW Audio Supply would make to record the credit for returned goods that had a $300 selling price (assume a $140 cost). Assume the **goods were not defective**.

على سبيل المثال: قم بإعداد الإدخال الذي سيجعله PW Audio Supply لتسجيل الائتمان للبضائع المرتجعة التي كان سعر بيعها 300 دولارًا (بافتراض تكلفة 140 دولارًا). افترض أن البضائع لم تكن معيبة.

May 8	Sales Returns and Allowances	300	
	Accounts receivable		300
May 8	Inventory	140	
	Cost of Goods Sold		140

Ex: Assume the **returned goods were defective** and had a scrap value of $50, PW Audio would make the following entries:

على سبيل المثال : لنفترض أن البضائع المرتجعة كانت معيبة وكان لها قيمة خردة قدرها 50 دولارًا ، فإن PW Audio ستدخل الإدخالات التالية:

May 8	Sales Returns and Allowances	300	
	Accounts receivable		300
May 8	Inventory	50	
	Cost of Goods Sold		50

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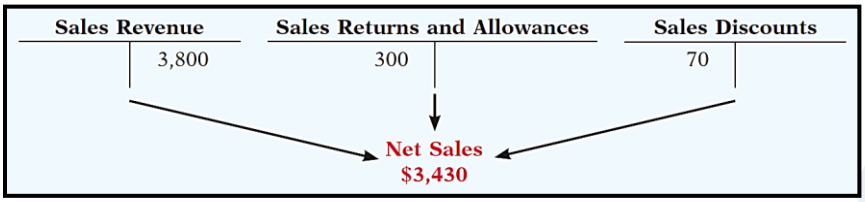
Sales Discount التنزيلات / خصم المبيعات

- Offered to customers to **promote prompt payment** of the balance due.
- عرضت على الزبائن **لتعزيز الدفع الفوري** للرصيد المستحق.
- **Contra-revenue account** (debit) to Sales Revenue.
- **حساب الإيرادات المقابلة** (المدين) لإيرادات المبيعات.



Ex: Assume Sauk Stereo pays the balance due of $3,500 (gross invoice price of $3,800 less purchase returns and allowances of $300) on May 14, the last day of the discount period. Prepare the journal entry PW Audio Supply makes to record the receipt on May 14.

على سبيل المثال: افترض أن Sauk Stereo يدفع الرصيد المستحق البالغ 3500 دولار (إجمالي سعر الفاتورة 3800 دولار مطروحًا منه عوائد الشراء والبدائل 300 دولار) في 14 مايو ، اليوم الأخير من فترة الخصم. قم بإعداد إدخال دفتر اليومية الذي تقوم به PW Audio Supplyلتسجيل الإيصال في 14 مايو.

May 14	Cash	3,430	
	Sales discount	70	
	Accounts Receivable		3,500

Apply the steps in the accounting cycle to a merchandising company
تطبيق خطوات الدورة المحاسبية على شركة تجارية

Adjusting Entries تعديل الادخالات

- Generally, the same as a service company. بشكل عام هو نفس خدمات الشركة
- One additional adjustment to make the records agree with the actual inventory on hand.
تعديل إضافي واحد لجعل السجلات تتفق مع المخزون الفعلي المتاح.
- Involves adjusting Inventory and Cost of Goods Sold. ينطوي على تعديل المخزون وتكلفة البضائع المباعة

Ex: Suppose that PW Audio Supply has an unadjusted balance of $40,500 in Merchandise Inventory. Through a physical count, PW Audio determines that its actual merchandise inventory at year-end is $40,000. The company would make an adjusting entry as follows.

على سبيل المثال: لنفترض أن PW Audio Supply لديه رصيد غير معدل قدره 40500 دولار في مخزون البضائع. من خلال الجرد المادي ، تحدد PW Audio أن مخزون البضائع الفعلي في نهاية العام هو 40000 دولار. ستقوم الشركة بإجراء تعديل على النحو التالي.

Cost of Goods sold	500	
Inventory		500

Closing Entries إغلاق المداخل

Dec. 31	Sales Revenue	480,000	
	Income summary		480,000

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Dec. 31	Income summary	450,000	
	Sales returns and Allowance		12,000
	Sales Discount		8,000
	Cost of Goods sold		316,000
	Salaries and Wages Expense		64,000
	Freight-Out		7,000
	Advertising Expense		16,000
	Utilities Expense		17,000
	Depreciation Expense		8,000
	Insurance Expense		2,000
Dec. 31	Income summary	30,000	
	Owners Capital		30,000
Dec. 31	Owners Capital	15,000	
	Owners Drawing		15,000

Multiple-Step Income Statement بيان الدخل متعدد الخطوات

- Shows several steps in determining net income. يظهر عدة خطوات في تحديد صافي الدخل
- Two steps relate to principal operating activities. خطوتان تتعلقان بأنشطة التشغيل الرئيسية
- Distinguishes between operating and non-operating activities. يميز بين الأنشطة التشغيلية وغير التشغيلية

Multiple-Step

Key Items:

- Net sales صافي المبيعات
- Gross profit اجمالي الربح
- Operating expenses نفقات التشغيل
- Nonoperating activities الأنشطة غير التشغيلية
- **Net income** صافي الدخل

Illustration 5-14

PW AUDIO SUPPLY
Income Statement
For the Year Ended December 31, 2017

Sales		
Sales revenue		$480,000
Less: Sales returns and allowances	$12,000	
Sales discounts	8,000	20,000
Net sales		460,000
Cost of goods sold		316,000
Gross profit		144,000
Operating expenses		
Salaries and wages expense	64,000	
Utilities expense	17,000	
Advertising expense	16,000	
Depreciation expense	8,000	
Freight-out	7,000	
Insurance expense	2,000	
Total operating expenses		114,000
Income from operations		30,000
Other revenues and gains		
Interest revenue	3,000	
Gain on disposal of plant assets	600	3,600
Other expenses and losses		
Interest expense	1,800	
Casualty loss from vandalism	200	2,000
Net income		$ 31,600

Nonoperating activities الأنشطة غير التشغيلية

Other Revenues and Gains الإيرادات والمكاسب الأخرى

- ☒ Interest revenue from notes receivable and marketable securities.
  إيرادات الفوائد من الأوراق المالية المستحقة القبض والأوراق المالية القابلة للتداول.
- ☒ Dividend revenue from investments in common stock.
  توزيعات الأرباح من الاستثمارات في الأسهم العادية
- ☒ Rent revenue from subleasing a portion of the store.
  عائد الإيجار من تأجير جزء من المخزن من الباطن
- ☒ Gain from the sale of property, plant, and equipment.
  الربح من بيع الممتلكات والمنشآت والمعدات

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Other Expenses and Losses مصاريف وخسائر أخرى

- Interest expense on notes and loans payable.
  مصروفات الفوائد على الأوراق النقدية والقروض المستحقة الدفع
- Casualty losses from recurring causes, such as vandalism and accidents.
  خسائر الضحايا من الأسباب المتكررة ، مثل التخريب والحوادث
- Loss from the sale or abandonment of property, plant, and equipment.
  خسارة من بيع أو التخلي عن الممتلكات والمنشآت والمعدات
- Loss from strikes by employees and suppliers.
  خسارة من إضرابات الموظفين والموردين

Single-Step Income Statement بيان الدخل من خطوة واحدة

- Subtract total expenses from total revenues طرح اجمالي المصروفات من اجمالي الايرادات
- Two reasons for using the single-step format: سببان لاستخدام تنسيق الخطوة الواحدة
  1. Company does not realize any profit until total revenues exceed total expenses.
     لا تحقق الشركة أي ربح حتى يتجاوز إجمالي الإيرادات المصروفات الإجمالية.
  2. Format is simpler and easier to read. التنسيق أبسط وأسهل في القراءة

PW AUDIO SUPPLY Income Statement For the Year Ended December 31,2017		
Revenue		
Net sales		$460,000
Interest revenue		3,000
Gain on disposal pf plant assets		600
Total revenue		463,600
Expense		
Cost of Goods sold	$316,000	
Operating expenses	114,000	
Interest expense	1,800	
Casualty loss from vandalism	200	
Total expense		432,000
Net Income		$ 31,600

ملاحظة : يظهر حساب المخزون في الميزانية العمومية منفردا في هذه الحالة

Determining Cost of Goods Sold Under a Periodic System تحديد تكلفة البضائع المباعة في ظل نظام دوري

- No running account of changes in inventory. لا يوجد حساب جار للتغييرات في المخزون
- Ending inventory determined by physical count. إنهاء المخزون الذي يحدده الجرد المادي
- Cost of goods sold not determined until the end of the period.
  لم يتم تحديد تكلفة البضائع المباعة حتى نهاية الفترة

PW AUDIO SUPPLY Cost of Goods Sold For the Year Ended December 31, 2017			
Cost of goods sold			
Inventory, January 1			**$ 36,000**
Purchases		$325,000	
Less: Purchase returns and allowances	$10,400		
Purchase discounts	6,800	17,200	
Net purchases		307,800	
Add: Freight-in		12,200	
Cost of goods purchased			**320,000**
Cost of goods available for sale			356,000
Less: Inventory, December 31			**40,000**
Cost of goods sold			**$316,000**

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Recording Merchandise Transactions **تسجيل معاملات البضائع**

- Record revenues when sales are made. تسجيل الإيرادات عند إجراء المبيعات
- Do not record cost of merchandise sold on the date of sale. لا تسجل تكلفة البضائع المباعة في تاريخ البيع
- **Physical inventory count determines: يحدد الجرد المالي**
  - **Cost of merchandise on hand and** **تكلفة البضائع في متناول اليد**
  - **Cost of merchandise sold during the period.** **تكلفة البضائع المباعة خلال الفترة**
- Record purchases in Purchases account. سجل المشتريات في حساب المشتريات
- Purchase returns and allowances, Purchase discounts, and Freight costs are recorded in separate accounts.

يتم تسجيل مرتجعات وبدائل الشراء وخصومات الشراء وتكاليف الشحن في حسابات منفصلة

Ex: On the basis of the sales invoice and receipt of the merchandise ordered from PW Audio Supply, Sauk Stereo records the $3,800 purchase as follows.

على سبيل المثال: على أساس فاتورة المبيعات واستلام البضائع المطلوبة من PW Audio Supply ، يسجل Sauk Stereo عملية الشراء البالغة 3800 دولار على النحو التالي.

May 4 Purchases 3,800
Accounts Payable 3,800

FREIGHT COSTS تكاليف الشحن

Ex: If Sauk pays Public Freight Company $150 for freight charges on its purchase from PW Audio Supply on May 6, the entry on Sauk's books is:

على سبيل المثال: إذا دفع Sauk لشركة الشحن العامة 150 دولارًا بالنسبة لرسوم الشحن عند شرائها من PW Audio Supply في 6 مايو ، فإن الإدخال في كتب Sauk هو:

May 6 Freight-In (Transportation-In) 150
Cash 150

PURCHASE RETURNS AND ALLOWANCES عمليات الشراء المرتجعة والبدائل

Ex: Sauk Stereo returns $300 of goods to PW Audio Supply and prepares the following entry to recognize the return.

على سبيل المثال: تقوم Sauk Stereo بإرجاع 300 دولار من البضائع إلى PW Audio Supply وإعداد الإدخال التالي للتعرف على العائد.

May 8 Accounts Payable 300
Purchases Returns and Allowance 300

PURCHASE DISCOUNTS خصومات الشراء

Ex: On May 14 Sauk Stereo pays the balance due on account to PW Audio Supply, taking the 2% cash discount allowed by PW Audio for payment within 10 days. Sauk Stereo records the payment and discount as follows.

على سبيل المثال: في 14 مايو ، يدفع Sauk Stereo الرصيد المستحق على حساب PW Audio Supply ، مع أخذ الخصم النقدي بنسبة 2 ٪ الذي تسمح به PW Audio للدفع في غضون 10 أيام. سوك يسجل ستيريو الدفع والخصم على النحو التالي.

May 14 Accounts Payable 3,500
Purchases Discount 70
Cash 3,430

Recording Sales of Merchandise تسجيل مبيعات الضرائب

Ex: PW Audio Supply, records the sale of $3,800 of merchandise to Sauk Stereo on May 4 (sales invoice No. 731, Illustration 5-6) as follows.

على سبيل المثال: PW Audio Supply ، يسجل بيع 3800 دولار من البضائع إلى Sauk Stereo في 4 مايو (فاتورة المبيعات رقم 731 ، الشكل التوضيحي **صفحة 3**) على النحو التالي.

May 14 Accounts Receivable 3,800
Sales Revenue 3,800

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No entry is recorded for cost of goods sold at the time of the sale under a periodic system.
لا يتم تسجيل أي إدخال لتكلفة البضائع المباعة في وقت البيع بموجب نظام دوري.

SALES RETURNS AND ALLOWANCES عوائد المبيعات والبدائل

Ex: To record the returned goods received from Sauk Stereo on May 8, PW Audio Supply records the $300 sales return as follows.

على سبيل المثال: لتسجيل البضائع المرتجعة المستلمة من Sauk Stereo في 8 مايو ، يسجل PW Audio Supply عائد مبيعات 300 دولار على النحو التالي.

May 8	Sales Returns and Allowance	300	
	Accounts Receivable		300

SALES DISCOUNTS تخفيض المبيعات

Ex: On May 14, PW Audio Supply receives payment of $3,430 on account from Sauk Stereo. PW Audio honors the 2% cash discount and records the payment of Sauk's account receivable in full as follows.

على سبيل المثال: في 14 مايو ، تلقى PW Audio Supply دفعة قدرها 3430 دولارًا على حساب من Sauk Stereo. تكرم PW Audioالخصم النقدي بنسبة 2٪ وتسجل مدفوعات حساب Sauk المستحق بالكامل على النحو التالي.

May 8	Cash	3,430	
	Sales discount	70	
	Accounts Receivable		3,500

COMPARISON OF ENTRIES مقارنة بين الإدخالات

ENTRIES ON PW AUDIO SUPPLY'S BOOKS

Transaction		Perpetual Inventory System			Periodic Inventory System		
May 4	Sale of merchandise on credit.	Accounts Receivable	3,800		Accounts Receivable	3,800	
		Sales Revenue		3,800	Sales Revenue		3,800
		Cost of Goods Sold	**2,400**		**No entry for cost of goods sold**		
		Inventory		**2,400**			
8	Return of merchandise sold.	Sales Returns and Allowances	300		Sales Returns and Allowances	300	
		Accounts Receivable		300	Accounts Receivable		300
		Inventory	**140**		**No entry**		
		Cost of Goods Sold		**140**			
14	Cash received on account with a discount.	Cash	3,430		Cash	3,430	
		Sales Discounts	70		Sales Discounts	70	
		Accounts Receivable		3,500	Accounts Receivable		3,500

ENTRIES ON SAUK STEREO'S BOOKS

Transaction		Perpetual Inventory System			Periodic Inventory System		
May 4	Purchase of merchandise on credit.	**Inventory**	**3,800**		**Purchases**	**3,800**	
		Accounts Payable		3,800	Accounts Payable		3,800
6	Freight costs on purchases.	**Inventory**	**150**		**Freight-In**	**150**	
		Cash		150	Cash		150
8	Purchase returns and allowances.	Accounts Payable	300		Accounts Payable	300	
		Inventory		**300**	**Purchase Returns and Allowances**		**300**
14	Payment on account with a discount.	Accounts Payable	3,500		Accounts Payable	3,500	
		Cash		3,430	Cash		3,430
		Inventory		**70**	**Purchase Discounts**		**70**

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هاي منسميها ورقة عمل " Work Sheet " غالبا ما بتيجي بالامتحانات .. بس خذوا نظرة عليها

PW AUDIO SUPPLY
Worksheet
For the Year Ended December 31, 2017

Accounts	Trial Balance Dr.	Trial Balance Cr.	Adjustments Dr.	Adjustments Cr.	Adjusted Trial Balance Dr.	Adjusted Trial Balance Cr.	Income Statement Dr.	Income Statement Cr.	Balance Sheet Dr.	Balance Sheet Cr.
Cash	9,500				9,500				9,500	
Accounts Receivable	16,100				16,100				16,100	
INVENTORY	36,000				36,000		36,000	40,000	40,000	
Prepaid Insurance	3,800			(a) 2,000	1,800				1,800	
Equipment	80,000				80,000				80,000	
Accumulated Depreciation—Equipment		16,000		(b) 8,000		24,000				24,000
Accounts Payable		20,400				20,400				20,400
Owner's Capital		83,000				83,000				83,000
Owner's Drawings	15,000				15,000				15,000	
SALES REVENUE		480,000				480,000		480,000		
SALES RETURNS AND ALLOWANCES	12,000				12,000		12,000			
SALES DISCOUNTS	8,000				8,000		8,000			
PURCHASES	325,000				325,000		325,000			
PURCHASE RETURNS AND ALLOWANCES		10,400				10,400		10,400		
PURCHASE DISCOUNTS		6,800				6,800		6,800		
FREIGHT-IN	12,200				12,200		12,200			
Freight-Out	7,000				7,000		7,000			
Advertising Expense	16,000				16,000		16,000			
Salaries and Wages Expense	59,000		(c) 5,000		64,000		64,000			
Utilities Expense	17,000				17,000		17,000			
Totals	616,600	616,600								
Insurance Expense			(a) 2,000		2,000		2,000			
Depreciation Expense			(b) 8,000		8,000		8,000			
Salaries and Wages Payable				(c) 5,000		5,000				5,000
Totals			15,000	15,000	629,600	629,600	507,200	537,200	162,400	132,400
Net Income							30,000			30,000
Totals							537,200	537,200	162,400	162,400

الأسئلة الإضافية:

Q1: Circle the correct answer

1. **Two categories of expenses for merchandising companies are**
   a. cost of goods sold and financing expenses.
   b. operating expenses and financing expenses.
   c. cost of goods sold and operating expenses.
   d. sales and cost of goods sold.

2. **Which of the following would not be considered a merchandising company?**
   a. Retailer b. Wholesaler **c. Service firm** d. Dot Com firm

3. **Net income is gross profit less**
   a. financing expenses. **b. operating expenses.**
   c. other expenses and losses. d. other expenses.

4. **Sales revenue less cost of goods sold is called**
   a. gross profit. b. net profit.
   c. net income. d. marginal income

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5. **Which of the following expressions is incorrect?**
   a. Gross profit – operating expenses = net income
   b. Sales revenue – cost of goods sold – operating expenses = net income
   c. Net income + operating expenses = gross profit
   d. Operating expenses – cost of goods sold = gross profit

6. **In a perpetual inventory system, cost of goods sold is recorded**
   a. on a daily basis. b. on a monthly basis.
   c. on an annual basis. **d. with each sale**

7. **Under a perpetual inventory system, acquisition of merchandise for resale is debited to the**
   a. Inventory account. b. Purchases account.
   c. Supplies account. d. Cost of Goods Sold account.

8. **If a purchaser using a perpetual system agrees to freight terms of FOB shipping point, then the**
   a. Inventory account will be increased. b. Inventory account will not be affected.
   c. seller will bear the freight cost. d. carrier will bear the freight cost.

9. **Glenn Company purchased merchandise inventory with an invoice price of $9,000 and credit terms of 2/10, n/30. What is the net cost of the goods if Glenn Company pays within the discount period?**
   a. $8,100 b. $8,280 **c. $8,820** d. $9,000

10. **In a perpetual inventory system, the amount of the discount allowed for paying for merchandise purchased within the discount period is credited to**
    a. Inventory. b. Purchase Discounts. c. Purchase Allowance. d. Sales Discounts.

11. **Glover Co. returned defective goods costing $5,000 to Mal Company on April 19, for credit. The goods were purchased April 10, on credit, terms 3/10, n/30. The entry by Glover Co. on April 19, in receiving full credit is:**
    a. Accounts Payable..... 5,000
    Inventory..... 5,000
    b. Accounts Payable..... 5,000
    Inventory..... 150
    Cash 5,150
    c. Accounts Payable..... 5,000
    Purchase Discounts 120
    Inventory..... 4,850
    d. Accounts Payable..... 5,000
    Inventory..... 120
    Cash 4,850

12. **A credit sale of $4,000 is made on April 25, terms 2/10, n/30, on which a return of $250 is granted on April 28. What amount is received as payment in full on May 4?**
    a. $3,675 b. $3,750 c. $3,920 d $4,00

13. **The entry to record the receipt of payment within the discount period on a sale of $2,000 with terms of 2/10, n/30 will include a credit to**
    a. Sales Discounts for $40. b. Cash for $1,960.
    c. Accounts Receivable for $2,000. d. Sales Revenue for $2,000.

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14. Company X sells $900 of merchandise on account to Company Y with credit terms of 2/10, n/30. If Company Y remits a check taking advantage of the discount offered, what is the amount of Company Y's check?
a. $630 b. $720 c. $810 **d. $882**

15. The collection of a $1,500 account after the 2 percent discount period will result in a
a. debit to Cash for $1,470. b. debit to Accounts Receivable for $1,500.
c. debit to Cash for $1,500. d. debit to Sales Discounts for $30.

16. Sales revenue
a. may be recorded before cash is collected. b. will always equal cash collections in a month.
c. only results from credit sales. d. is only recorded after cash is collected.

17. The Sales Returns and Allowances account is classified as a(n)
a. asset account. b. contra asset account. c. expense account. **d. contra revenue account.**

18. A credit sale of $3,600 is made on July 15, terms 2/10, n/30, on which a return of $200 is granted on July 18. What amount is received as payment in full on July 24?
a. $3,332 b. $3,440 c. $3,528 d. $3,600

19. A Sales Returns and Allowances account is not debited if a customer
a. returns defective merchandise.
b. receives a credit for merchandise of inferior quality.
c. **utilizes a prompt payment incentive.**
d. returns goods that are not in accordance with specifications.

20. A sales discount does not
a. provide the purchaser with a cash saving.
b. reduce the amount of cash received from a credit sale.
c. increase a contra-revenue account.
d. increase an operating expense account.

21. Paltel Company sells merchandise on account for $8,000 to Block Company with credit terms of 2/10, n/30. Block Company returns $1,600 of merchandise that was damaged, along with a check to settle the account within the discount period. What is the amount of the check?
a. $6,272 b. $6,400 c. $7,840 d. $7,872

22. Which of the following accounts has a normal credit balance?
a. Sales Returns and Allowances b. Sales Discounts **c. Sales Revenue** d. Selling Expense

23. All of the following are contra revenue accounts except
a. sales revenue. b. sales allowances. c. sales discounts. d. sales returns

24. The operating cycle of a merchandiser is
a. always one year in length. **b. generally longer than it is for a service company.**
c. about the same as for a service company. d. generally shorter than it is for a service company.

25. Income from operations appears on
a. both a multiple-step and a single-step income statement.
b. neither a multiple-step nor a single-step income statement.
c. a single-step income statement.
d. a multiple-step income statement.

26. Which one of the following is shown on a multiple-step but not on a single-step income statement?
a. Net sales b. Net income **c. Gross profit** d. Cost of goods sold

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27. If a company has net sales of $700,000 and cost of goods sold of $455,000, the gross profit percentage is
a. 25%. **b. 35%**. c. 65%. d. 100%.

28. In terms of liquidity, inventory is
a. more liquid than cash. b. more liquid than accounts receivable.
c. more liquid than prepaid expenses. d. less liquid than store equipment.

29. Gross profit for a merchandiser is net sales minus
a. operating expenses. **b. cost of goods sold.**
c. sales discounts. d. cost of goods available for sale

30. During 2014, Parker Enterprises generated revenues of $90,000. The company's expenses were as follows: cost of goods sold of $45,000, operating expenses of $18,000 and a loss on the sale of equipment of $3,000.
Parker's gross profit is
a. $24,000. b. $27,000. **c. $45,000.** d. $90,000.

31. Financial information is presented below: Operating Expenses $ 60,000 Sales Revenue 225,000 Cost of Goods Sold 135,000 The gross profit rate would be
a. .133. **b. .400**. c. .600. d. .73

32. Financial information is presented below: Operating Expenses $ 90,000 Sales Returns and Allowances 18,000 Sales Discounts 12,000 Sales Revenue 320,000 Cost of Goods Sold 174,000 The amount of net sales on the income statement would be
a. $290,000. **b. $302,000**. c. $308,000. d. $320,000.

33. Dawson's Fashions sold merchandise for $40,000 cash during the month of July. Returns that month totaled $1,000. If the company's gross profit rate is 40%, Murray's will report monthly net sales revenue and cost of goods sold of
a. $39,000 and $23,400. b. $39,000 and $24,000.
c. $40,000 and $23,400. d. $40,000 and $24,000.

34. During August, 2014, Baxter's Supply Store generated revenues of $60,000. The company's expenses were as follows: cost of goods sold of $36,000 and operating expenses of $4,000. The company also had rent revenue of $1,000 and a gain on the sale of a delivery truck of $2,000. Baxter's net income for August, 2014 is
a. $20,000. b. $21,000. **c. $23,000**. d. $24,000

35. The Inventory account balance appearing in a perpetual inventory worksheet represents the
a. ending inventory. b. beginning inventory.
c. cost of merchandise purchased. d. cost of merchandise sold.

36. Net purchases plus freight-in determines
a. cost of goods sold. b. cost of goods available for sale.
c. cost of goods purchased. d. total goods available for sale.

37. Which of the following accounts has a normal credit balance?
a. Purchases b. Sales Returns and Allowances c. Freight-In **d. Purchase Discounts**

38. Unipal Company has sales revenue of $60,000, cost of goods sold of $36,000 and operating expenses of $14,000 for the year ended December 31. Unipal 's gross profit is
a. $0. b. $10,000. **c. $24,000**. d. $46,000.

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39. Which of the following accounts is not closed to Income Summary?
a. Cost of Goods Sold **b. Inventory** c. Sales Revenue d. Sales Discounts

40. In the Pedico Company, sales were $750,000, sales returns and allowances were $30,000, and cost of goods sold was $450,000.
The gross profit rate was
a. 36%. **b. 37.5%**. c. 40%. d. 41.7%.

Q2: Indicate whether each of the following statements is true or false.

True___ 1. Retailers and wholesalers are both considered merchandisers.
False___ 2. The Sales Returns and Allowances account and the Sales Discount account are both classified as expense accounts.
True___ 3. For a merchandising company, all accounts that affect the determination of income are closed to the Income Summary account.
True___ 4. Net sales appear on both the multiple-step and single-step forms of an income statement.
True___ 5. Inventory is classified as a current asset in a classified balance sheet.
False___ 6. Gross profit rate is computed by dividing cost of goods sold by net sales.
False___ 7. Freight-in is an account that is subtracted from the Purchases account to arrive at cost of goods purchased.
True___ 8. Purchase Returns and Allowances and Purchase Discounts are subtracted from Purchases to produce net purchases.
True___ 9. Sales returns and allowances and sales discounts are subtracted from sales in reporting net sales in the income statement.
True___ 10. The major difference between the balance sheets of a service company and a merchandising company is inventory.
False___ 11. The primary source of revenue for a merchandising company results from performing services for customers.
False___ 12. Ending inventory plus the cost of goods purchased equals cost of goods available for sale.
True___ 13. The operating cycle of a service company is usually shorter than that of a merchandising company.
True___ 14. Sales revenue less cost of goods sold equal's gross profit.
False___ 15. To grant a customer a sales return, the seller credits Sales Returns and Allowances.
True___ 16. Inventory is classified as a current asset in a classified balance sheet.
True___ 17. If net sales are $800,000 and cost of goods sold is $600,000, the gross profit rate is 25%.
False___ 18. Gross profit rate is computed by dividing cost of goods sold by net sales.
False___ 19. Inventory is reported as a long-term asset on the balance sheet.
False___ 20. Sales revenue should be recorded in accordance with the matching principle.

Q3: Prepare the necessary journal entries on the books of Kelly Carpet Company to record the following transactions, assuming a perpetual inventory system (you may omit explanations):
(a) Kelly purchased $45,000 of merchandise on account, terms 2/10, n/30.
(b) Returned $3,000 of damaged merchandise for **credit**.
(c)Paid for the merchandise purchased within 10 days.

Solution

(a) Inventory..... 45,000
Accounts Payable 45,000
(b) Accounts Payable..... 3,000
Inventory 3,000

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(c) Accounts Payable ($45,000 – $3,000) 42,000
Inventory ($42,000 × .02) 840
Cash ($42,000 – $840) 41,160

Q4: On October 1, Benji's Bicycle Store had an inventory of 20 ten speed bicycles at a cost of $200 each. During the month of October, the following transactions occurred.
Oct. 4 Purchased 40 bicycles at a cost of $200 each from Monroe Bicycle Company, terms 1/10, n/30.
Oct. 6 Sold 25 bicycles to Team Wisconsin for $330 each, terms 2/10, n/30.
Oct. 7 Received credit from Monroe Bicycle Company for the return of 2 defective bicycles.
Oct. 13 Issued a credit memo to Team Wisconsin for the return of a defective bicycle.
Oct. 14 Paid Monroe Bicycle Company in full, less discount.

Required: Prepare the journal entries to record the transactions assuming the company uses a perpetual inventory system.

Solution

Oct. 4 Inventory..... 8,000
Accounts Payable 8,000
Oct. 6 Accounts Receivable 8,250
Sales Revenue..... 8,250
Cost of Goods Sold..... 5,000
Inventory..... 5,000
Oct.7 Accounts Payable..... 400
Inventory..... 400
Oct.13 Sales Returns and Allowances..... 330
Accounts Receivable..... 330
Inventory..... 200
Cost of Goods Sold 200

Oct.14 Accounts Payable ($8,000 – $400) 7,600
Cash ($7,600 × .99) 7,524
Inventory ($7,600 × .01) 76

Q5: On September 5, De La Hoya Company buys merchandise on account from Junot Diaz Company. The selling price of the goods is $1,500, and the cost to Diaz Company was $800. On September 8, De La Hoya returns defective goods with a selling price of $200. Record the transactions on the books of De La Hoya Company.

Solution

Sept. 5 Inventory 1,500
Accounts Payable 1,500
Sept. 8 Accounts payable 200
Inventory 200

Q6: On September 5, De La Hoya Company buys merchandise on account from Junot Diaz Company. The selling price of the goods is $1,500, and the cost to Diaz Company was $800. On September 8, De La Hoya returns defective goods with a selling price of $200 and a fair value of $30. Record the transactions on the books of Junot Diaz Company.

Solution

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Sept. 5	Accounts Receivable	1,500	
	Sales Revenue		1,500
Sept. 5	Cost of Goods Sold	800	
	Inventory		800
Sept. 8	Sales Returns and Allowance	200	
	Accounts Receivable		200
Sept. 8	Inventory	30	
	Cost of Goods Sold		30

Q7: The trial balance of Celine's Sports Wear Shop at December 31 shows Inventory $25,000, Sales Revenue $162,400, Sales Returns and Allowances $4,800, Sales Discounts $3,600, Cost of Goods Sold $110,000, Rent Revenue $6,000, Freight-Out $1,800, Rent Expense $8,800, and Salaries and Wages Expense $22,000. Prepare the closing entries for the above accounts.

Dec. 31	Sales Revenue	162,400	
	Rent Revenue	6,000	
	Income Summary		168,400
Dec. 31	Income Summary	151,000	
	Cost of Goods Sold		110,000
	Sales Returns and Allowance		4,800
	Sales Discount		3,600
	Freight-Out		1,800
	Rent Expense		8,800
	Salaries and Wages Expense		22,000

Q8: Indicate in which financial statement and under what classification each of the following accounts would be reported.

Account	Statement	Classification
Accounts Payable	Balance Sheet	Current liabilities
Account Receivable	Balance Sheet	Current Assets
Accumulated Depreciation	Balance Sheet	PP&E
Advertising Expense	Income Statement	Operating Expense
Budlings	Balance Sheet	PP&E
Cash	Balance Sheet	Current Assets
Depreciation Expense	Income Statement	Operating Expense
Equipment	Balance Sheet	PP&E
Freight-Out	Income Statement	Operating Expense
Gain on Disposal of Plant Assets	Income Statement	Other expense and Loss
Insurance Expense	Income Statement	Operating Expense
Interest Expense	Income Statement	Other expense and Loss
Interest Payable	Balance Sheet	Current liabilities
Inventory	Balance Sheet	Current Assets
Land	Balance Sheet	PP&E
Notes Payable (due to 3 years)	Balance Sheet	Long-Term liabilities
Owners' Capital	Owners' Equity Statement	Beginning balance
Owners' Drawing	Owners' Equity Statement	Deduction section
Property Taxes Payable	Balance Sheet	Current liabilities
Salaries and Wages Expense	Income Statement	Operating Expense

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Salaries and Wages Payable	Balance Sheet	Current liabilities
Sales Returns and Allowance	Income Statement	Sales
Sales Revenue	Income Statement	Sales
Utilities Expense	Income Statement	Operating Expense

***** PP&E:** Property, Plant, and equipment

Q9: Prepare the necessary journal entries to record the following transactions, assuming a periodic inventory system:

(a) Purchased $450,000 of merchandise on account, terms 2/10, n/30.
(b) Returned $30,000 of damaged merchandise for credit.
(c) Paid for the merchandise purchased within 10 days.

solution

(a) Purchases 450,000
Accounts Payable 450,000
(b) Accounts Payable..... 30,000
Purchase Returns and Allowances 30,000
(c) Accounts Payable ($450,000 – $30,000) 420,000
Purchase Discounts ($420,000 × .02) 8,400
Cash ($420,000 – $8,400) 411,600

Q10: Match the items below by entering the appropriate code letter in the space provided.

A. Net sales
B. Sales discounts
C. Purchase invoice
D. Periodic inventory system
E. FOB destination
F. FOB shipping point
G. Freight-
H. Gross profit
I. Operating
J. Income from operations

____ 1. An incentive to encourage customers to pay their accounts early.
____ 2. Expenses incurred in the process of earning sales revenue.
____ 3. Freight terms that require the seller to pay the freight cost.
____ 4. Sales revenue less sales returns and allowances and sales discounts.
____ 5. A document that supports each credit purchase.
____ 6. Net sales less cost of goods sold.
____ 7. Freight cost to deliver goods to customers reported as a selling expense.
____ 8. Requires a physical count of goods on hand to compute cost of goods sold.
____ 9. Gross profit less total operating expenses.
____ 10. Freight terms that require the buyer to pay the freight cost.

Answers to Matching

1. B 2. I 3. E 4. A 5. C
6. H 7. G 8. D 9. J 10. F

End of Chapter

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CHAPTER 6

Inventories

المخزون

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ضياء الدين صبح

Classifying Inventory تصنيف الجرد

1. **Merchandising Company** شركة تجارية
   One Classification: تصنيف واحد
   - **Inventory** المخزون "الجرد"
2. **Manufacturing** Company شركة **التصنيع**
   Three Classifications: ثلاثة تصنيفات
   - **Raw Materials** مواد أولية
   - **Work in Process** العمل في العمليات
   - **Finished Goods** البضائع الجاهزة

Note: Regardless of the classification, companies report all inventories under Current Assets on the balance sheet.

ملاحظة: بغض النظر عن التصنيف ، تقوم الشركات بالإبلاغ عن جميع قوائم الجرد تحت الأصول الجارية في الميزانية العمومية.

Determining Inventory Quantities تحديد كميات المخزون

Physical Inventory taken for two reasons: تم أخذ الجرد المادي لسببين

A. Perpetual System نظام دائم

1. Check accuracy of inventory records. تحقق من دقة سجلات الجرد
2. Determine amount of inventory lost due to wasted raw materials, shoplifting, or employee theft. تحديد مقدار المخزون المفقود بسبب إهدار المواد الخام أو السرقة أو سرقة الموظفين

B. Periodic System النظام الدروي

1. Determine the inventory on hand. تحديد المخزون في متناول اليد
2. Determine the cost of goods sold for the period. تحديد تكلفة البضائع المباعة للفترة

TAKING A PHYSICAL INVENTORY أخذ الجرد المالي

Involves counting, weighing, or measuring each kind of inventory on hand.

يتضمن عد أو وزن أو قياس كل نوع من أنواع المخزون في متناول اليد.

Companies often "take inventory" غالبًا ما تقوم الشركات "بأخذ مخزون"

- when the business is closed or business is slow. عندما يتم اغلاق العمل أو العمل بطيء
- at the end of the accounting period. في نهاية الفترة المالية

Ethics Note: In a famous fraud, a salad oil company fi lled its storage tanksmostly with water. The oil rose to the top, so auditors thought the tanks were full of oil. The company also said it had more tanks than it really did: It repainted numbers on the tanks to confuse auditors.

ملاحظة أخلاقية(مش مطلوبة): في عملية احتيال شهيرة ، قامت شركة زيت سلطة بغمر خزاناتها بالمياه في الغالب. ارتفع النفط إلى القمة ، لذلك اعتقد المراجعون أن الخزانات كانت مليئة بالنفط. وقالت الشركة أيضًا إن لديها خزانات أكثر مما لديها بالفعل: أعادت طلاء الأرقام على الدبابات لإرباك المراجعين.

DETERMINING OWNERSHIP OF GOODS تقرير ملكية البضائع

GOODS IN TRANSIT البضائع في العبور

- purchased goods not yet received. لم يتم استلام البضائع المشتراة بعد
- Sold goods not yet delivered. البضائع المباعة لم يتم تسليمها بعد

Goods in transit should be included in the inventory of the company that has **legal title** to the goods. Legal title is determined by the **terms of sale**.

يجب تضمين البضائع العابرة في مخزون الشركة التي لها **سند قانوني** للبضائع. يتم تحديد الملكية القانونية من **خلال شروط البيع**.

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GOODS IN TRANSIT البضائع في العبور

FOB Shipping Point (Buyer pays freight costs): Ownership of the goods passes to the buyer when the public carrier accepts the goods from the seller

تسليم على ظهر الباخرة (يدفع المشتري تكاليف الشحن): تنتقل ملكية البضائع إلى المشتري عندما يقبل الناقل العام البضائع من البائع

FOB Destination (Seller pays freight costs): Ownership of the goods remains with the seller until the goods reach the buyer

مجانًا على متن الوجهة (يدفع البائع تكاليف الشحن): تظل ملكية البضائع مع البائع حتى تصل البضائع إلى المشتري

CONSIGNED GOODS البضائع المرسلة

To hold the goods of other parties and try to sell the goods for them for a fee, but without taking ownership of the goods.

الاحتفاظ ببضائع الأطراف الأخرى ومحاولة بيع البضائع لهم مقابل رسوم ، ولكن دون الحصول على ملكية البضائع.

Inventory is accounted for at cost. يتم احتساب المخزون بالتكلفة

- Cost includes all expenditures necessary to acquire goods and place them in a condition ready for sale. تشمل التكلفة جميع النفقات اللازمة لشراء السلع ووضعها في حالة جاهزة للبيع
- Unit costs are applied to quantities to compute the total cost of the inventory and the cost of goods sold using the following costing methods:

يتم تطبيق تكاليف الوحدة على الكميات لحساب التكلفة الإجمالية للمخزون وتكلفة البضائع المباعة باستخدام طرق حساب التكاليف التالية:

- Specific identification تحديد المحدد
- First-in, first-out (FIFO) الوارد أولا يصرف أولا
- Last-in, first-out (LIFO) الوارد أخيرا يصرف أولا
- Average-cost متوسط التكلفة

} **Cost Flow Assumptions**
افتراضات تدفق التكلفة

Inventory Costing تكلفة المخزون

Ex : Crivitz TV Company purchases three identical 50-inch TVs on different dates at costs of $700, $750, and $800. During the year Crivitz sold two sets at $1,200 each. These facts are summarized below.

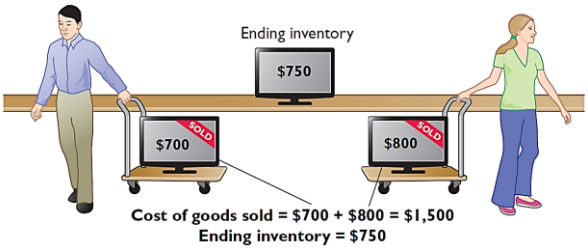
على سبيل المثال : تشتري شركة Crivitz TV Company ثلاثة أجهزة تلفزيون متطابقة مقاس 50 بوصة في تواريخ مختلفة بتكلفة 700 دولار و 750 دولارًا و 800 دولار. خلال العام ، باعت Crivitz مجموعتين بسعر 1200 دولار لكل منهما. يتم تلخيص هذه الحقائق أدناه.

Purchases	
February 3	1 TV at $700
March 5	1 TV at $750
May 22	1 TV at $800
Sales	
June 1	2 TVs for $2,400 ($1,200 * 2)

Specific Identification تحديد المحدد

If Crivitz sold the TVs it purchased on February 3 and May 22, then its cost of goods sold is $1,500 ($700 + $800), and its ending inventory is $750.

إذا باعت Crivitz أجهزة التلفزيون التي اشترتها في 3 فبراير و 22 مايو ، فإن تكلفة البضائع المباعة هي 1500 دولار (700 دولار + 800 دولار) ، ومخزونها النهائي هو 750 دولارًا.



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Actual physical flow costing method in which items still in inventory are specifically costed to arrive at the total cost of the ending inventory.

طريقة تقدير تكلفة التدفق المادي الفعلي حيث يتم تحديد تكلفة العناصر التي لا تزال في المخزون على وجه التحديد للوصول إلى التكلفة الإجمالية للمخزون النهائي .

- Practice is relatively rare. الممارسة نادرة نسبيا
- Most companies make assumptions (**cost flow assumptions**) about which units were sold. تضع معظم الشركات افتراضات (افتراضات تدفق التكلفة) حول الوحدات التي تم بيعها

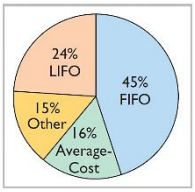
Ethics Note: A major disadvantage of the specific identify cation method is that management may be able to manipulate net income. For example, it can boost net income by selling units purchased at a low cost, or reduce net income by selling units purchased at a high cost.

ملاحظة أخلاقية (للقراءة): من العيوب الرئيسية لطريقة تحديد الهوية أن الإدارة قد تكون قادرة على التلاعب بصافي الدخل. على سبيل المثال ، يمكن أن يعزز صافي الدخل عن طريق بيع الوحدات المشتراة بتكلفة منخفضة ، أو تقليل صافي الدخل عن طريق بيع الوحدات المشتراة بتكلفة عالية.

Cost Flow Assumptions افتراضات تدفق التكلفة

Cost flow assumptions DO NOT need to be consistent with the physical movement of the goods

لا يلزم أن تكون **افتراضات تدفق التكلفة** متسقة مع الحركة المادية للبضائع.



Ex: Data for Houston Electronics' Astro condensers.

على سبيل المثال: بيانات عن مكثفات Astro التابعة لشركة Houston Electronics **"في الصفحة التالية"**

(Beginning Inventory + Purchases) - Ending Inventory = Cost of Goods Sold

(بداية المخزون + المشتريات) - المخزون الختامي = تكلفة البضائع المباعة

HOUSTON ELECTYONICS Astro Condensers				
Date	**Explanation**	**Units**	**Unit Cost**	**Total Cost**
Jan. 1	Beginning Inventory	100	$10	$ 1,000
Apr. 15	Purchases	200	11	2,200
Aug. 24	Purchases	300	12	3,600
Nov. 27	Purchases	400	13	5,200
	Total Units available for sale	1,000		**$12,000**
	Units in ending inventory	450		
	Units sold	**550**		

FIRST-IN, FIRST-OUT (FIFO) الوارد أولًا ، الخارج أولًا (FIFO)

- **Costs of the earliest goods purchased** are the first to be recognized in determining cost of goods sold. **تعتبر تكاليف البضائع المبكرة المشتراة** هي الأولى التي يتم الاعتراف بها في تحديد تكلفة البضائع المباعة
- Often parallels actual physical flow of merchandise. غالبًا ما يوازي التدفق المادي الفعلي للبضائع
- Companies determine the cost of the ending inventory by taking the unit cost of the most recent purchase and working backward until all units of inventory have been costed.

  تحدد الشركات تكلفة المخزون النهائي من خلال أخذ تكلفة الوحدة لآخر عملية شراء والعمل للخلف حتى يتم احتساب تكلفة جميع وحدات المخزون.

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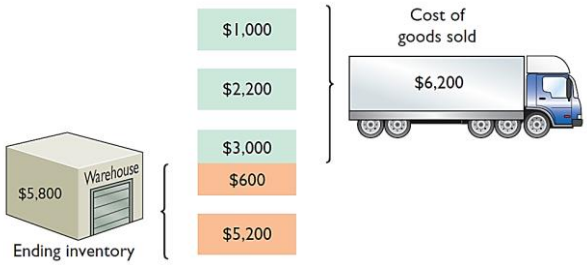
COST OF GOODS AVAILABLE FOR SALE				
Date	**Explanation**	**Units**	**Unit Cost**	**Total Cost**
Jan. 1	Beginning Inventory	100	$10	$ 1,000
Apr. 15	Purchases	200	11	2,200
Aug. 24	Purchases	300	12	3,600
Nov. 27	Purchases	400	13	5,200
	Total	1,000		**$12,000**

STEP 1: ENDING INVENTORY				STEP 2: COST OF GOODS SOLD	
Date	**Units**	**Units cost**	**Total cost**		
Nov. 27	400	$13	$5,200	Total Units available for sale	$ 12,000
Aug. 24	50	$12	600	Units in ending inventory	5,800
Totals	450		**$5,800**	Units sold	**$ 6,200**



Note: Another way of thinking about the calculation of FIFO ending inventory is the ***LISH assumption***—last in still here

ملاحظة: طريقة أخرى للتفكير في حساب المخزون النهائي الوارد أولاً يصرف أولاً (FIFO) وهي افتراض - LISH آخر ما يزال هنا

- **Costs of the latest goods purchased** are the first to be recognized in determining cost of goods sold.

  تكاليف أحدث البضائع المشتراة هي أول ما يتم الاعتراف به في تحديد تكلفة البضائع المباعة.

- **Seldom coincides** with actual physical flow of merchandise.
  - **نادرا ما يتزامن** مع التدفق المادي الفعلي للبضائع.
- **Exceptions** include goods stored in piles, such as coal or hay.
  - تشمل **الاستثناءات** البضائع المخزنة في أكوام ، مثل الفحم أو التبن.

◆ COST OF GOODS AVAILABLE FOR SALE				
Date	**Explanation**	**Units**	**Unit Cost**	**Total Cost**
Jan. 1	Beginning Inventory	100	$10	$ 1,000
Apr. 15	Purchases	200	11	2,200
Aug. 24	Purchases	300	12	3,600
Nov. 27	Purchases	400	13	5,200
	Total	1,000		**$12,000**

STEP 1: ENDING INVENTORY				STEP 2: COST OF GOODS SOLD	
Date	**Units**	**Units cost**	**Total cost**		
Jan. 1	100	$10	$1,000	Total Units available for sale	$ 12,000
Apr. 15	200	11	2,200	Units in ending inventory	5,000
Aug. 24	150	12	1,800		
Totals	450		**$5,000**	Units sold	**$ 7,000**

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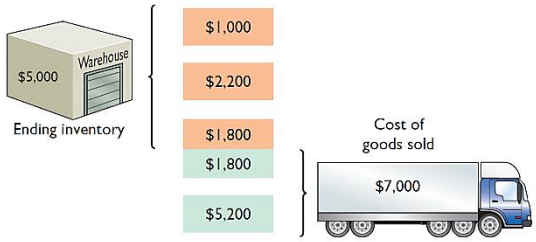


Note: Another way of thinking about the calculation of LIFO **ending inventory** is the FISH assumption—first in still here

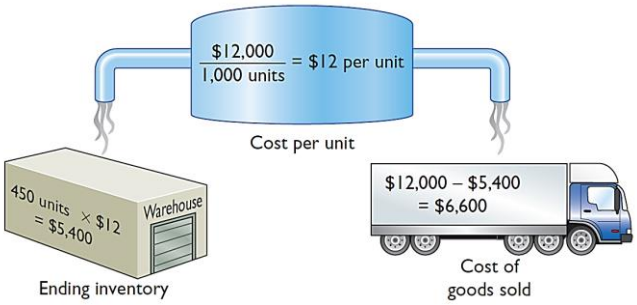
ملاحظة: هناك طريقة أخرى للتفكير في حساب **مخزون نهائي** LIFO وهي افتراض - FISH أولاً هنا

AVERAGE-COST متوسط الأسعار

- Allocates cost of goods available for sale on the basis of **weighted-average unit cost** incurred.
  تخصص تكلفة البضائع المتاحة للبيع على أساس **المتوسط المرجح لتكلفة الوحدة** المتكبدة.
- Applies weighted-average unit cost to the **units on hand** to determine cost of the ending inventory.
  يطبق متوسط تكلفة الوحدة المرجح على **الوحدات الموجودة** لتحديد تكلفة المخزون النهائي.

COST OF GOODS AVAILABLE FOR SALE				
Date	**Explanation**	**Units**	**Unit Cost**	**Total Cost**
Jan. 1	Beginning Inventory	100	$10	$ 1,000
Apr. 15	Purchases	200	11	2,200
Aug. 24	Purchases	300	12	3,600
Nov. 27	Purchases	400	13	5,200
	Total	1,000		**$12,000**

STEP 1: ENDING INVENTORY			STEP 2: COST OF GOODS SOLD	
$12,000 ÷ 1,000 = $12			COST OF GOODS AVAILABLE FOR SALE	$ 12,000
Units	**Units cost**	5,000	Less: Ending inventory	5,400
450	$12	$5,400	**COST OF GOODS SOLD**	$ 6,600



Inventory Costing تكلفة المخزون

Financial Statement and Tax Effects of Cost Flow Methods

القوائم المالية والآثار الضريبية لطرق تدفق التكلفة

Each of the three cost flow methods is acceptable for use. **كل طريقة من طرق تدفق التكلفة الثلاثة مقبولة للاستخدام**

أمثلة للقراءة

- **Reebok International Ltd.** and **Wendy's International** currently use the FIFO method.
  تستخدم **Reebok International Ltd** و **Wendy's International** حاليًا طريقة FIFO.
- **Campbell Soup Company**, **Krogers**, and **Walgreen Drugs** use LIFO for part or all of their inventory.
  شركة **Campbell Soup** و **Kroger's** و **Walgreen Drugs** تستخدم LIFO لجزء من مخزونهم أو كله.

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- **Bristol-Myers Squibb**, **Starbucks**, and **Motorola** use the average-cost method.
  تستخدم **Bristol-Myers Squibb** و **Starbucks** و **Motorola** طريقة متوسط التكلفة.
- **Stanley Black & Decker Manufacturing Company** uses LIFO for domestic inventories and FIFO for foreign inventories.
  تستخدم **شركة ستانلي بلاك أند ديكر للتصنيع** LIFO للمخزونات المحلية و FIFO للمخزونات الأجنبية.

INCOME STATEMENT EFFECTS آثار بيان الدخل

HOUSTON ELECTYONICS Condensed Income Statment			
	FIFO	**LIFO**	**Average-Cost**
Sales Revenue	$18,500	$18,500	$18,500
Beginning inventory	1,000	1,000	1,000
Purchases	11,000	11,000	11,000
Cost of goods available for sale	12,000	12,000	12,000
Ending inventory	**5,800**	**5,000**	**5,400**
Cost of goods sold	6,200	7,000	6,600
Gross profit	12,300	11,500	11,900
Operating expenses	9,000	9,000	9,000
Income before income tax*	3,300	2,500	2,900
income tax expense (30%)	990	750	870
Net income	**$ 2,310**	**$ 1,750**	**$ 2,030**

BALANCE SHEET EFFECTS آثار ورقة الرصيد

- A major **advantage** of the **FIFO method** is that in a period of inflation, the costs allocated to ending inventory will **approximate their current cost**.
  الميزة الرئيسية **لطريقة FIFO** هي أنه في فترة التضخم ، فإن التكاليف المخصصة لإنهاء المخزون **ستقارب تكلفتها الحالية**.
- A major **shortcoming** of the **LIFO method** is that in a period of inflation, the costs allocated to ending inventory may be **significantly understated** in terms of current cost
  يتمثل أحد أوجه **القصور** الرئيسية في **طريقة LIFO** في أنه في فترة التضخم ، **قد يتم تقليل** التكاليف المخصصة لإنهاء المخزون **إلى حد كبير** من حيث التكلفة الحالية

- **TAX EFFECTS الآثار الضريبية**
  - Both inventory and net income are higher when companies use **FIFO** in a period of inflation.
    يكون كل من المخزون وصافي الدخل أعلى عندما تستخدم الشركات **FIFO** في فترة تضخم.
  - **LIFO** results in the lowest income taxes (because of lower net income) during times of rising prices.
    ينتج عن **LIFO** أدنى ضرائب دخل (بسبب انخفاض صافي الدخل) خلال أوقات ارتفاع الأسعار.

Note: A tax rule, often referred to as the LIFO conformity rule, requires that if companies use LIFO for tax purposes, they must also use it for financial reporting purposes.
ملاحظة: تتطلب القاعدة الضريبية ، التي يشار إليها غالبًا باسم قاعدة المطابقة LIFO ، أنه إذا استخدمت الشركات LIFO للضريبة ، الأغراض التي يجب عليهم استخدامها أيضًا لأغراض إعداد التقارير المالية.

Using Cost Flow Methods Consistently استخدام أساليب تدفق التكلفة باستمرار

- Method should be used consistently, enhances comparability.
  يجب استخدام الطريقة باستمرار ، وتعزز القابلية للمقارنة.
- Although consistency is preferred, a company may change its inventory costing method.
  على الرغم من أن الاتساق مفضل ، إلا أن الشركة قد تغير طريقة تقدير تكلفة المخزون.

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Real World

QUAKER OATS
Notes to the Financial Statements

Note 1: Effective July 1, the Company adopted the LIFO cost flow assumption for valuing the majority of U.S. Grocery Products inventories. The Company believes that the use of the LIFO method better matches current costs with current revenues. The effect of this change on the current year was to decrease net income by $16.0 million.

Indicate the effects of inventory errors on the financial statements.

الإشارة إلى آثار أخطاء المخزون على البيانات المالية

Common Cause: السبب المشترك

- Failure to count or price inventory correctly. عدم احتساب أو تسعير المخزون بشكل صحيح
- Not properly recognizing the transfer of legal title to goods in transit.
  عدم الاعتراف بشكل صحيح بنقل الملكية القانونية للسلع العابرة.
- Errors affect both the income statement and balance sheet.
  تؤثر الأخطاء على كل من بيان الدخل والميزانية العمومية.

Income Statement Effects آثار بيان الدخل

Beginning Inventory + Cost of goods Purchased – Ending Inventory = **Cost of goods Sold (C.G.S)**

When Inventory Error:	C.G.S is:	Net Income is:
Understates beginning inventory	Understated	Overstated
Overstates beginning inventory	Overstated	Understated
Understates ending inventory	Overstated	Understated
Overstates ending inventory	Understated	Overstated

Inventory errors affect the computation of cost of goods sold and net income **in two periods**.

تؤثر **أخطاء المخزون** على حساب تكلفة البضائع المباعة وصافي الدخل **في فترتين**

- An error in ending inventory of the current period will have a **reverse effect on net income of the next accounting period**.
  - سيكون لخطأ في إنهاء مخزون الفترة الحالية **تأثير عكسي على صافي الدخل للفترة المحاسبية التالية**.
- Over the two years, the total net income is correct because the errors **offset each other**.
  - على مدى عامين ، كان إجمالي الدخل الصافي صحيحًا لأن الأخطاء **عوضت بعضها البعض**.
- Ending inventory depends entirely on the accuracy of taking and costing the inventory.
  - يعتمد إنهاء المخزون كليًا على دقة أخذ المخزون وتكلفته.

	2016		2017	
	Incorrect	Correct	Incorrect	Correct
Sales	$ 80,000	$ 80,000	$ 90,000	$ 90,000
Beginning inventory	20,000	20,000	12,000	15,000
Cost of goods purchased	40,000	40,000	68,000	68,000
Cost of goods available	60,000	60,000	80,000	83,000
Ending inventory	12,000	15,000	23,000	23,000
Cost of good sold	48,000	45,000	57,000	60,000
Gross profit	32,000	35,000	33,000	30,000
Operating expenses	10,000	10,000	20,000	20,000
Net income	$ 22,000	$ 25,000	$ 13,000	$ 10,000
	($3,000) Net Income understated		$3,000 Net Income overstated	

Combined income for 2-year period is correct.

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Balance Sheet Effects تاثيرات الميزانية العمومية

Effect of inventory errors on the balance sheet is determined by using the basic accounting equation:
يتم تحديد تأثير أخطاء المخزون على الميزانية العمومية باستخدام المعادلة المحاسبية الأساسية:

Assets = Liabilities + Stockholders' Equity. الأصول = الالتزامات + حقوق الملكية

Errors in the ending inventory have the following effects. الأخطاء في المخزون النهائي لها التأثيرات التالية

Explain the statement presentation and analysis of inventory. شرح عرض البيان وتحليل المخزون

Balance Sheet - Inventory classified as current asset. **الميزانية العمومية** – المخزون المصنف كأصل حالي

Income Statement - Cost of goods sold is subtracted from sales.

بيان الدخل - يتم طرح تكلفة البضائع المباعة من المبيعات.

There also should be disclosure of the **يجب أن يكون هناك أيضا الكشف عن**

1) major inventory classifications, تصنيفات المخزون الأساسية
2) basis of accounting (cost or LCM), and أساس المحاسبة (التكلفة أو LCM)

costing method (FIFO, LIFO, or average-cost).

طريقة تقدير التكاليف (FIFO أو LIFO أو متوسط التكلفة).

Lower-of-Cost-or-Net Realizable Value انخفاض التكلفة أو صافي القيمة الممكن تحقيقها

When the value of inventory is lower than its cost **عندما تكون قيمة المخزون أقل من تكلفته**

- Companies must "write down" the inventory to its **net realizable value**.
  - يجب على الشركات "تدوين" المخزون إلى **صافي القيمة الممكن تحقيقها**.
- Net realizable value: Amount that a company expects to realize (receive from the sale of inventory).
  - صافي القيمة الممكن تحقيقها: المبلغ الذي تتوقع الشركة تحقيقه (استلامه من بيع المخزون).
- Example of **conservatism**. مثال على **المحافظة**

Ex: Assume that Ken Tucky TV has the following lines of merchandise with costs and market values as indicated.

على سبيل المثال: افترض أن لدى Ken Tucky TV خطوط البضائع التالية مع التكاليف وقيم السوق كما هو محدد.

	Units	Cost per unit	Net Realizable value per unit	Lower-of-Cost-or-Market
Flat-screen TVs	100	$600	$550	$ 55,000 ($550 * 100)
Satellite radios	500	90	104	$ 45,000 ($90 * 500)
Blu-ray players	850	50	48	$ 40,800 ($5 * 3,000)
CDs	3,000	5	6	$ 15,000 ($5 * 3,000)
Total inventory				**$ 155,800**

Statement Presentation and Analysis عرض البيان والتحليل

Analysis التحليل

Inventory management is a double-edged sword ادارة المخزون سيف ذو حدين

1. **High Inventory Levels** - may incur high carrying costs (e.g., investment, storage, insurance, obsolescence, and damage).
   مستويات المخزون المرتفعة - قد تتكبد تكاليف تحمل عالية (مثل الاستثمار ، والتخزين ، والتأمين ، والتقادم ، والأضرار).
2. **Low Inventory Levels** – may lead to stock-outs and lost sales.
   مستويات المخزون المنخفضة - قد تؤدي إلى نفاد المخزون وخسارة المبيعات.

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Inventory turnover measures the number of times on average the inventory is sold during the period.
يقيس معدل **دوران المخزون** عدد المرات التي يتم فيها بيع المخزون في المتوسط خلال الفترة.

$$Inventory\ Turnover = \frac{Cost\ of\ Goods\ sold}{Average\ Inventory}$$

Days in inventory measures the average number of days inventory is held.
الأيام الموجودة في المخزون تقيس متوسط عدد أيام الاحتفاظ بالمخزون.

$$Days\ in\ Inventory = \frac{Days\ in\ Year\ (365)}{Inventory\ Turnover}$$

Ex: Wal-Mart reported in its 2014 annual report a beginning inventory of $43,803 million, an ending inventory of $44,858 million, and cost of goods sold for the year ended January 31, 2014, of $358,069 million. The inventory turnover formula and computation for Wal-Mart are shown below.
على سبيل المثال: ذكرت شركة وول مارت في تقريرها السنوي لعام 2014 عن مخزون أولي قدره 43،803 مليون دولار ، ومخزون نهائي قدره 44،858 مليون دولار ، وتكلفة البضائع المباعة للسنة المنتهية في 31 كانون الثاني (يناير) 2014 ، بمبلغ 358،069 مليون دولار. يتم عرض صيغة دوران المخزون والحساب لوول مارت أدناه.

$$Inventory\ Turnover = \frac{Cost\ of\ Goods\ sold}{Average\ Inventory} = \frac{\$358{,}069}{\frac{\$44{,}858 + \$43{,}803}{2}} = \mathbf{8.1\ Times}$$

Days in Inventory: Inventory turnover of 8.1 times divided into 365 is approximately **45.1 days**. This is the approximate time that it takes a company to sell the inventory.
عدد الأيام في المخزون: معدل دوران المخزون البالغ 8.1 مرة مقسمًا إلى 365 هو حوالي 45.1 يومًا. هذا هو الوقت التقريبي الذي تستغرقه الشركة لبيع المخزون.

Apply the inventory cost flow methods to perpetual inventory records.
تطبيق طرق تدفق تكلفة المخزون على سجلات المخزون الدائمة.

HOUSTON ELECTYONICS Astro Condensers					
Date	**Explanation**	**Units**	**Unit Cost**	**Total Cost**	**Balance in Units**
1/1	Beginning Inventory	100	$10	$ 1,000	100
15/4	Purchases	200	11	2,200	300
24/8	Purchases	300	12	3,600	600
9/10	Sale	550			50
27/11	Purchases	400	13	5,200	450
				$12,000	

Assuming the **Perpetual** Inventory System, compute Cost of Goods Sold and Ending Inventory under FIFO, LIFO, and average-cost.
بافتراض نظام **الجرد الدائم** ، حساب تكلفة البضائع المباعة وإنهاء المخزون بموجب FIFO و LIFO ومتوسط التكلفة.

First-In, First-Out (FIFO) أول ما يدخل ، يخرج أولا
Perpetual Inventory System نظام الجرد الدائم
Last-In, First-Out (LIFO)
Average-Cost متوسط السعر
Moving Average Method

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Date	Purchases		Cost of Goods Sold	Balance (in units and cost)	
January 1				(100 @ $10)	$ 1,000
April 15	(200 @ $11)	$2,200			
August 24	(300 @ $12)	$3,600			
September 10					
November 27	(400 @ $13)	$5,200			

Cost of Goods Sold تكلفة البضاعة المباعة

Ending Inventory إنهاء الجرد

Describe the two methods of estimating inventories. **وصف طريقتين لتقدير المخزون**

1. **Gross Profit Method** **طريقة الربح الاجمالي**

A method of estimating the cost of ending inventory by applying a gross profit rate to net sales.

طريقة لتقدير تكلفة إنهاء المخزون من خلال تطبيق معدل الربح الإجمالي على صافي المبيعات .

A company needs to know its **net sales**, **cost of goods available for sale**, and **gross profit rate**.

تحتاج الشركة إلى معرفة **صافي مبيعاتها وتكلفة السلع المتاحة للبيع ومعدل الربح الإجمالي.**

Step 1: Net Sales – Estimated Gross Profit = Estimated Cost of Goods Sold

Step 2: Cost of Goods Available for Sale – Estimated Cost of Goods Sold = Estimated Cost of Ending Inventory

Ex: ***Kishwaukee Company records show net sales of $200,000, beginning inventory $40,000, and cost of goods purchased $120,000. In the preceding year, the company realized a 30% gross profit rate. It expects to earn the same rate this year. Compute the estimated cost of the ending inventory at January 31 under the gross profit method.***

الرسم التوضيحي: تظهر سجلات شركة Kishwaukee صافي مبيعات قدره 200000 دولار ، بداية المخزون 40 ألف دولار ، وتكلفة البضائع المشتراة 120 ألف دولار. في العام السابق ، حققت الشركة معدل ربح إجمالي قدره 30٪. وتتوقع أن تكسب نفس المعدل هذا العام. احسب التكلفة المقدرة للمخزون النهائي في 31 يناير وفقًا لطريقة الربح الإجمالي.

Step 1: Net Sales – Estimated Gross Profit = Estimated Cost of Goods Sold

$200,000 – 60,000 ($200,000 * 30%) = **$140,000**

Step 2: Cost of Goods Available for Sale – Estimated Cost of Goods Sold = Estimated Cost of Ending Inventory

($40,000 + 120,000) – 140,000 = 160,000 – 140,000 = **$20,000**

2. **Retail Inventory Method** **طريقة جرد التجزئة**

► ***Retail companies establish a relationship between cost and sales price.***

► **تقيم شركات البيع بالتجزئة علاقة بين التكلفة وسعر البيع.**

► ***Company applies cost-to-retail percentage to ending inventory at retail prices to determine inventory at cost.***

► تطبق الشركة النسبة المئوية للتكلفة إلى البيع بالتجزئة لإنهاء المخزون بأسعار التجزئة لتحديد المخزون بسعر التكلفة.

Step 1: Goods Available for Sale at Retail – Net Sales = Ending Inventory at Retail

Step 2: $Cost - to - Retail\ Ratio = \frac{Goods\ Available\ for\ sale\ at\ Cost}{Goods\ Available\ for\ sale\ at\ Retail}$

Step 3: Ending Inventory at Retail × cost-to- Retail Ratio

Illustration: It is not necessary to take a physical inventory to determine the estimated cost of goods on hand at any given time.

في المثال بالصفحة التالية : ليس من الضروري إجراء جرد مادي لتحديد التكلفة المقدرة للسلع الموجودة في أي وقت.

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	At Cost	At Retail
Beginning inventory	$14,000	$21,500
Goods purchased	61,000	78,500
Goods available for sale	%75,000	100,000
Less: Net Sales		70,000
Step (1) Ending inventory at retail =		**$30,000**
Step (2) Cost-to-retail ratio = $75,000 ÷ $100,000 = 75%		
Step (3) Estimated cost of ending inventory = $30,000 * 75% = $22,500		

The major disadvantage of the retail method is that it is an averaging technique. It may produce an incorrect inventory valuation if the mix of the ending inventory is not representative of the mix in the goods available for sale.

العيب الرئيسي لطريقة البيع بالتجزئة هو أنها تقنية حساب متوسط. قد ينتج عنه تقييم غير صحيح للمخزون إذا كان مزيج المخزون الختامي لا يمثل المزيج في البضائع المتاحة للبيع.

الأسئلة الإضافية

Q1: Circle the correct answer

1. **Freight terms of FOB shipping point mean that the**
   a. seller must debit freight out.
   b. buyer must bear the freight costs.
   c. goods are placed free on board at the buyer's place of business.
   d. seller must bear the freight costs.

2. **The term "FOB" denotes**
   a. free on board. b. freight on board. c. free only (to) buyer. d. freight charge on buyer

3. **An auto manufacturer would classify vehicles in various stages of production as**
   a. finished goods. b. merchandise inventory. c. raw materials. **d. work in process.**

4. **Items waiting to be used in production are considered to be**
   a. raw materials. b. work in progress. c. finished goods. d. merchandise inventory

5. **Inventories affect**
   a. only the balance sheet.
   b. only the income statement.
   c. both the balance sheet and the income statement.
   d. neither the balance sheet nor the income statement.

6. **As a result of a thorough physical inventory, Horace Company determined that it had inventory worth $320,000 at December 31, 2014. This count did not take into consideration the following facts: Herschel Consignment currently has goods worth $47,000 on its sales floor that belong to Horace but are being sold on consignment by Herschel. The selling price of these goods is $75,000. Horace purchased $22,000 of goods that were shipped on December 27. FOB destination, that will be received by Horace on January 3. Determine the correct amount of inventory that Horace should report.**
   a. $320,000. b. $340,000. **c. $367,000.** d. $387,000.

7. **Beginning inventory plus the cost of goods purchased equals**
   a. cost of goods sold. **b. cost of goods available for sale.**
   c. net purchases. d. total goods purchased.

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8. Cost of goods sold is computed from the following equation:
a. beginning inventory – cost of goods purchased + ending inventory.
b. sales – cost of goods purchased + beginning inventory – ending inventory.
c. sales + gross profit – ending inventory + beginning inventory.
d. beginning inventory + cost of goods purchased – ending inventory

9. A company just starting in business purchased three merchandise inventory items at the following prices. First purchase $64; Second purchase $76; Third purchase $68. If the company sold two units for a total of $200 and used FIFO costing, the gross profit for the period would be
a. $56. **b. $60.** c. $62. d. $68.

10. The LIFO inventory method assumes that the cost of the latest units purchased are
a. the last to be allocated to cost of goods sold.
b. the first to be allocated to ending inventory.
c. the first to be allocated to cost of goods sold.
d. not allocated to cost of goods sold or ending inventory.

11. A company just starting business made the following four inventory purchases in June:

June 1	150 units	$ 390
June 10	200 units	585
June 15	200 units	630
June 28	150 units	510
		$2,115

A physical count of merchandise inventory on June 30 reveals that there are 250 units on hand. Using the FIFO inventory method, the amount allocated to cost of goods sold for June is
a. $683. b. $825. **c. $1,290**. d. $1,432.

Solution: $510 + [($630 ÷ 200) × 100] = $825; $2,115 – $825 = $1,290

12. Which of the following items will increase inventoriable costs for the buyer of goods?
a. Purchase returns and allowances granted by the seller
b. Purchase discounts taken by the purchaser
c. Freight charges paid by the seller
d. Freight charges paid by the purchaser

13. the cost of goods available for sale is allocated between
a. beginning inventory and ending inventory.
b. beginning inventory and cost of goods on hand.
c. ending inventory and cost of goods sold.
d. beginning inventory and cost of goods purchased

14. Which of the following is not a common cost flow assumption used in costing inventory?
a. First-in, first-out **b. Middle-in, first-out** c. Last-in, first-out d. Average cost

15. Which of the following statements is correct with respect to inventories?
a. The FIFO method assumes that the costs of the earliest goods acquired are the last to be sold.
b. It is generally good business management to sell the most recently acquired goods first.
c. Under FIFO, the ending inventory is based on the latest units purchased.
d. FIFO seldom coincides with the actual physical flow of inventory.

16. The cost of goods available for sale is allocated to the cost of goods sold and the
a. beginning inventory. **b. ending inventory**. c. cost of goods purchased d. gross profit.

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17. At May 1, 2014, Kibbee Company had beginning inventory consisting of 200 units with a unit cost of $7. During May, the company purchased inventory as follows:

800 units at $7
600 units at $8

The company sold 1,000 units during the month for $12 per unit. Kibbee uses the average cost method. The value of Kibbee's inventory at May 31, 2014 is

a. $3,000. **b. $4,425**. c. $4,500. d. $7,500

Solution: (200 + 800 + 600) – 1,000 = 600; 600 × $7,375 = $4,425

Eneri Company's inventory records show the following data: (18 – 21)

	Units	Unit Cost
Inventory, January 1	10,000	$9.20
Purchases: June 18	9,000	8.00
November 8	6,000	7.00

A physical inventory on December 31 shows 4,000 units on hand. Eneri sells the units for $13 each. The company has an effective tax rate of 20%. Eneri uses the periodic inventory method.

18. Under the FIFO method, the December 31 inventory is valued at

a. $28,000. b. $32,267. c. $32,960. d. $36,800.

Solution: 4000 × $7.00 = $28,000

19. What is the cost of goods available for sale?

a. $169,200 b. $178,000 **c. $206,000** d. $325,000

Solution: (10,000 × $9.20) + (9,000 × $8.00) + (6,000 × $7.00) = $206,000

20. Under the LIFO method, cost of goods sold is

a. $28,000. **b. $169,200**. c. $173,040. d. $178,000

Solution: 4,000 × $9.20 = $36,800; $206,000 – $36,800 = $169,200

21. what is the gross profit for the period?

a. $95,000 b. $99,266 c. $99,960 d. $103,800

Solution: $206,000 – (4,000 × $7.00) = $178,000; [(25,000 – 4,000) × 13] – $178,000 = $95,000

22. Companies adopt different cost flow methods for each of the following reasons except

a. balance sheet effects. **b. cost effects**. c. income statements effects. d. tax effects.

23. Two companies report the same cost of goods available for sale but each employs a different inventory costing method. If the price of goods has increased during the period, then the company using

a. LIFO will have the highest ending inventory.
b. FIFO will have the highest cost of good sold.
c. FIFO will have the highest ending inventory.
d. LIFO will have the lowest cost of goods sold.

24. In a period of increasing prices, which inventory flow assumption will result in the lowest amount of income tax expense?

a. FIFO **b. LIFO**
c. Average Cost d. Income tax expense for the period will be the same under all assumptions.

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25. Selection of an inventory costing method by management does not usually depend on
a. the fiscal year end. b. income statement effects. c. balance sheet effects. d. tax effects.

26. The accountant at Cedric Company has determined that income before income taxes amounted to $7,000 using the FIFO costing assumption. If the income tax rate is 30% and the amount of income taxes paid would be $315 greater if the LIFO assumption were used, what would be the amount of income before taxes under the LIFO assumption?
a. $5,950 b. $7,000 c. $7,315 **d. $8,050**

Solution: $7,000 + ($315 ÷ .30) = $8,050

27. Inventory is reported in the financial statements at
a. cost.
b. market.
c. the higher-of-cost-or-market.
d. the lower-of-cost-or-market.

28. Alfalfa Company developed the following information about its inventories in applying the lower-of-cost-or-market (LCM) basis in valuing inventories:

Product	Cost	Market
A	$112,000	$120,000
B	80,000	76,000
C	155,000	162,000

If Alfalfa applies the LCM basis, the value of the inventory reported on the balance sheet would be
a. $343,000. b. $347,000. c. $358,000. d. $362,000.

Solution: $112,000 + $76,000 + $155,000 = $343,000

29. Othello Company understated its inventory by $20,000 at December 31, 2014. It did not correct the error in 2014 or 2015. As a result, Othello's owner's equity was:
a. understated at December 31, 2014, and overstated at December 31, 2015.
b. understated at December 31, 2014, and properly stated at December 31, 2015.
c. overstated at December 31, 2014, and overstated at December 31, 2015.
d. understated at December 31, 2014, and understated at December 31, 2015.

30. Understating beginning inventory will understate
a. assets. **b. cost of goods sold**. c. net income. d. owner's equity

31. Overstating ending inventory will overstate all of the following except
a. assets. **b. cost of goods sold**. c. net income. d. owner's equity

32. Days in inventory is calculated by dividing
a. the inventory turnover by 365 days. b. average inventory by 365 days.
c. 365 days by the inventory turnover. d. 365 days by average inventory.

33. The following information is available for Everett Company at December 31, 2014: beginning inventory $80,000; ending inventory $120,000; cost of goods sold $1,050,000; and sales $1,800,000. Everett's inventory turnover in 2014 is
a. 8.7 times. **b. 10.5 times**. c. 13.2 times. d. 18 times.

Solution: $1,050,000 ÷ [($80,000 + $120,000) ÷ 2] = 10.5

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34. The following information was available for Pete Company at December 31, 2014: beginning inventory $90,000; ending inventory $70,000; cost of goods sold $984,000; and sales $1,350,000. Pete's days in inventory in 2014 was

a. 21.6 days. b. 25.9 days. **c. 29.7 days**. d. 33.5 days.

Solution: $984,000 ÷ [($90,000 + $70,000) ÷ 2] = 12.3; 365 ÷ 12.3 = 29.7

35. Under the LCM approach, the market value is defined as

a. FIFO cost. b. LIFO cost. **c. current replacement cost**. d. selling price

Q2: Indicate whether each of the following statements is true or false.

True___ 1. Transactions that affect inventories on hand have an effect on both the balance sheet and the income statements.

False___ 2. Raw materials inventories are the goods that a manufacturer has completed and are ready to be sold to customers.

True___ 3. The specific identification method of costing inventories tracks the actual physical flow of the goods available for sale.

False___ 4. The specific identification method of inventory valuation is desirable when a company sells a large number of low-unit cost items.

False___ 5. Use of the LIFO inventory valuation method enables a company to report paper or phantom profits.

False___ 6. If inventories are valued using the LIFO cost assumption, they should not be classified as a current asset on the balance sheet.

False___ 7. The retail inventory method requires a company to value its inventory on the balance sheet at retail prices.

True___ 8. The cost of goods available for sale consists of the beginning inventory plus the cost of goods purchased.

True___ 9. The lower-of-cost-or-market basis is an example of the accounting concept of conservatism.

False___ 10. In a perpetual inventory system, the cost of goods sold under the FIFO method is based on the cost of the latest goods on hand during the period.

Q3: Flaherty Company had beginning inventory on May 1 of $12,000.

During the month, the company made purchases of $40,000 but returned $2,000 of goods because they were defective. At the end of the month, the inventory on hand was valued at $15,500.

Calculate cost of goods available for sale and cost of goods sold for the month.

Solution

Beginning inventory	$ 12,000
Net purchases ($40,000 – $2,000)	+ 38,000
Goods available for sale	**$ 50,000**
Ending inventory	– 15,000
Cost of goods sold	**$34,500**

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Q4: The following accounts are included in the ledger of Wainwright Company:
Advertising expense
Freight-in
Inventory
Purchases
Purchase returns and allowances
Sales revenue
Sales returns and allowances
Which of the accounts would be included in calculating cost of goods sold

Solution
Freight-in, Inventory, Purchases, Purchase returns and allowances

Q5: At December 31, 2014, the following information was available for Deen Company: ending inventory $22,600; beginning inventory $21,400; cost of goods sold $171,000; and sales revenue $430,000.
Calculate the inventory turnover and days in inventory for Deen

Solution
Inventory Turnover = $171,000 ÷ [($21,400 + $22,600) ÷ 2] = 7.8 times
Days in Inventory = 365 ÷ 7.8 = 46.8 days

Q6: I-Tec Company is in the electronics industry and the price it pays for inventory is decreasing.
Instructions
Indicate which inventory method will:

a. provide the highest ending inventory.
b. provide the highest cost of goods sold.
c. result in the highest net income.
d. result in the lowest income tax expense.
e. produce the most stable earnings over several years

Solution
a. LIFO b. FIFO c. LIFO d. FIFO e. Average cost

Q7: Wellington Company reported net income of $60,000 in 2014 and $80,000 in 2015. However, ending inventory was overstated by $7,000 in 2014
Instructions Compute the correct net income for Wellington Company for 2014 and 2015
Solution
2014 correct net income = $53,000 ($60,000 – $7,000)
2015 correct net income = $87,000 ($80,000 + $7,000)

Q8: For each of the independent events listed below, analyze the impact on the indicated items at the end of the current year by placing the appropriate code letter in the box under each item.

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Code: **O = item is overstated**
U = item is understated
NA = item is not affected

Events	Items			
	Assets	Owners' Equity	C.G. S	Net Income
1. A physical count of goods on hand at the end of the current year resulted in some goods being counted twice.				
2. The ending inventory in the previous period was overstated.				
3. Goods purchased on account in December of the current year and shipped FOB shipping point were recorded as purchases, but were not included in the count of goods on hand on December 31 because they had not arrived by December 31.				
4. Goods purchased on account in December of the current year and shipped FOB destination were recorded as purchases, but were not included in the count of goods on hand on December 31 because they had not arrived by December 31.				
5. The internal auditors discovered that the ending inventory in the previous period was understated $17,000 and that the ending inventory in the current period was overstated $27,000				

Solution

Events	Items			
	Assets	Owners' Equity	C.G. S	Net Income
1.	O	O	U	O
2.	NA	NA	O	U
3.	U	U	O	U
4.	NA	U	O	U
5.	O	O	U	O

Q9: Washington Bottom Company reports the following for the month of June.

		Units	Unit Cost	Total Cost
June 1	Inventory	300	5$	1500$
June 12	Purchase	150	6$	2700$
June 23	Purchase	750	8	6000$
June 30	Inventory	180		

Required: المطلوب

(a) Compute the cost of the ending inventory and the cost of goods sold under (1) FIFO and (2) LIFO.
(b) Compute the cost of the ending inventory and the cost of goods sold using the average-cost method.

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Answers:

A. FIFO

Beginning inventory (300 X $5) $1,500

Purchases

June 12 (450 X $6) $2,700

June 23 (750 X $8) 6,000 8,700

Cost of goods available for sale..... 10,200

Less: Ending inventory (180 X $8) 1,440

Cost of goods sold $8,760

LIFO:

Cost of goods available for sale $10,200

Less: Ending inventory (180 X $5) 900

Cost of goods sold $9,300

B. Cost of Goods Available for Sale / Total Units Available for Sale = Weighted Average Unit Cost

10,200$ / 1500 = 6.80$

Ending inventory (180 X $6.80) $1,224

Cost of goods sold (1,320 X $6.80) 8,976

Q10: Hasbeen Company completed its inventory count. It arrived at a total inventory value of $200,000. You have been given the information listed below. Discuss how this information affects the reported cost of inventory.

1. Hasbeen included in the inventory goods held on consignment for Falls Co., costing $15,000.
2. The company did not include in the count purchased goods of $10,000, which were in transit (terms: FOB shipping point).
3. The company did not include in the count inventory that had been sold with a cost of $12,000, which was in transit (terms: FOB shipping point).

Solution

1. **Goods of $15,000 held on consignment should be deducted from the inventory count.**
2. **The goods of $10,000 purchased FOB shipping point should be added to the inventory count.**
3. **Item 3 was treated correctly.**

Inventory should be $195,000 ($200,000 - $15,000 + $10,000).

Q11: the accounting records of Al-Binar Company shot the following data:

Beginning inventory	4,000 units at $ 3
Purchases	6,000 units at $ 4
Sales	7,000 units at $12

Determine the cost of goods sold during the period under a periodic inventory system using

f. The FIFO method

g. The LIFO method

h. The average-cost method

Solution:

Cost of goods available for sale = (4,000 * $3) + (6,000 * $4) = $36,000

Ending inventory = 10,000 – 7,000 = 3,000 units

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a. FIFO = $36,000 – (3,000 * $4) = $24,000
b. LIFO = $36,000 – (3,000 * $3) = $27,000
c. Average-Cost = (4,000 * $3) + (6,000 * $4) / 10,000 = $3.60
= $36,000 – (3,000 * $3.60) = $25,200

Q12: Match the items below by entering the appropriate code letter in the space provided.

A. Merchandise Inventory
B. Work in process
C. High Inventory Levels
D. Inventory errors
E. Specific identification method
F. First-in, first-out (FIFO) method
G. Last-in, first-out (LIFO) method
H. Average-cost method
I. Inventory turnover
J. Current replacement cost

____ 1. Measures the number of times the inventory sold during the period.
____ 2. Tracks the actual physical flow for each inventory item available for sale.
____ 3. Goods that are only partially completed in a manufacturing company.
____ 4. Cost of goods sold consists of the most recent inventory purchases.
____ 5. Goods ready for sale to customers by retailers and wholesalers.
____ 6. may incur high carrying costs (e.g., investment, storage, insurance, obsolescence, and damage).
____ 7. Ending inventory valuation consists of the most recent inventory purchases.
____ 8. The same unit cost is used to value ending inventory and cost of goods sold.
____ 9. affect the computation of cost of goods sold and net income in two periods.
____ 10. The amount that would be paid at the present time to acquire an identical item.

Answers to Matching

1. I
2. E
3. B
4. G
5. A
6. C
7. F
8. H
9. D
10. J

End Of Chapter

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CHAPTER 8

Fraud, Internal Control, and Cash
الاحتيال والرقابة الداخلية والنقد

ملاحظة : حسب الفصل الدراسي 2022/2021 تم البدء من Fund Pet Cash وما قبله محذوف

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ضياء الدين صبح

Petty Cash Fund صندوق المصروفات النثرية

Petty Cash Fund - Used to pay small amounts. صندوق المصروفات النثرية - يستخدم لدفع مبالغ صغيرة

Involves: يتضمن

1. **establishing the fund,** انشاء الصندوق
2. **making payments from the fund, and** تسديد مدفوعات من الصندوق
3. **replenishing the fund.** تجديد الصندوق

Ethics Note: ملاحظة أخلاقية

Internal control over a petty cash fund is strengthened by

يتم تعزيز الرقابة الداخلية على صندوق المصروفات النثرية من خلال

(1) having a supervisor make surprise counts of the fund to confirm whether the paid petty cash receipts and fund cash equal the impress amount, and

وجود مشرف يقوم بحسابات مفاجئة للصندوق لتأكيد ما إذا كانت إيصالات المصروفات النثرية المدفوعة والنقدية تساوي مبلغ السلف .

(2) canceling or mutilating the paid petty cash receipts so they cannot be resubmitted for reimbursement. إلغاء أو تشويه إيصالات المصروفات النثرية المدفوعة حتى لا يمكن إعادة تقديمها للتعويض

ESTABLISHING THE PETTY CASH FUND إنشاء الصندوق النقدي الصغير

Ex: If Laird Company decides to establish a $100 fund on March 1, the journal entry is:

على سبيل المثال: إذا قررت شركة Laird إنشاء صندوق بقيمة 100 دولار في 1 مارس ، فإن إدخال دفتر اليومية هو:

March 1	Petty Cash	100	
	Cash		100

REPLENISHING THE PETTY CASH FUND تجديد الصندوق النقدي الصغير

Ex: On March 15 Laird's petty cash custodian requests a check for $87. The fund contains $13 cash and petty cash receipts for postage $44, freight-out $38, and miscellaneous expenses $5. The journal entry is:

على سبيل المثال: في 15 آذار (مارس) ، طلب أمين صندوق المصروفات النثرية التابع لشركة Laird شيكًا بمبلغ 87 دولارًا. يحتوي الصندوق على 13 دولارًا نقدًا وإيصالات نثرية للبريد 44 دولارًا وشحن 38 دولارًا ومصروفات متنوعة 5 دولارات. إدخال اليومية هو:

March 15	Postage Expense	44	
	Freight-Out	38	
	Miscellaneous Expense	5	
	Cash		87

Ex: Assume in the preceding example that the custodian had **only $12 in cash** in the fund plus the receipts as listed. The request for reimbursement would therefore be for $88, and Laird would make the following entry.

على سبيل المثال: افترض في المثال السابق أن أمين الحفظ لديه **12 دولارًا فقط نقدًا** في الصندوق بالإضافة إلى المقبوضات كما هو مذكور. لذلك سيكون طلب السداد بمبلغ 88 دولارًا ، وسيقوم ليرد بإجراء الإدخال التالي.

March 15	Postage Expense	44	
	Freight-Out	38	
	Miscellaneous Expense	5	
	Cash Over and Short	1	
	Cash		87

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Identify the control features of a bank account. تحديد ميزات التحكم في حساب مصرفي

The use of a bank contributes significantly to good internal control over cash.

يساهم استخدام البنك بشكل كبير في الرقابة الداخلية الجيدة على النقد.

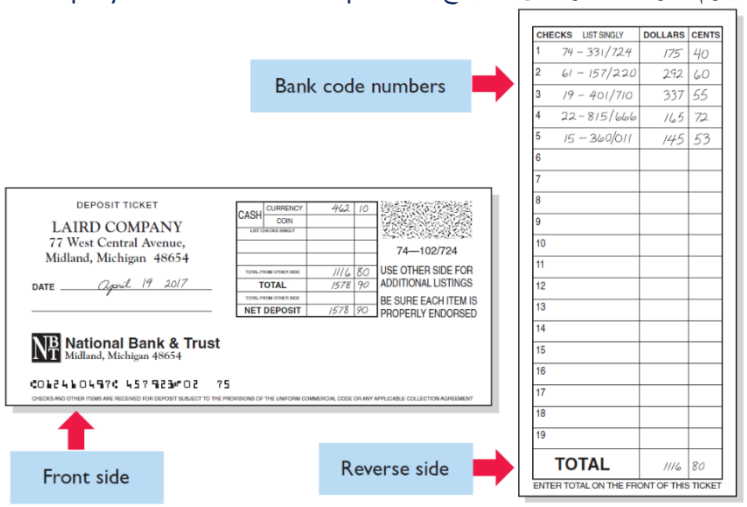
- Minimizes the amount of currency on hand. يقلل مقدار العملة في متناول اليد
- Creates a double record of bank transactions. يقوم بإنشاء سجل مزدوج للمعاملات المصرفية
- Bank reconciliation. تسوية البنك

Note: Essentially, the bank statement is a copy of the bank's records sent to the customer (or available online) for review.

ملاحظة: بشكل أساسي ، كشف الحساب المصرفي هو نسخة من سجلات البنك المرسلة إلى العميل (أو متوفرة عبر الإنترنت) للمراجعة.

Making Bank Deposits عمل ودائع بنكية

- Authorized employee should make deposit. يجب أن يقوم الموظف المرخص بالايداع



Writing Checks كتابة الشيكات

Written order signed by depositor directing bank to pay a specified sum of money to a designated recipient. أمر كتابي موقع من قبل المودع يوجه البنك لدفع مبلغ محدد من المال إلى مستلم معين

Bank Statements البيانات المصرفية

DEBIT MEMORANDUM مذكرة المدين

- Bank service charge. رسوم الخدمة المصرفية
- NSF (not sufficient funds). أموال غير كافية

CREDIT MEMORANDUM مذكرة ائتمان

- Collect notes receivable. جمع الملاحظات المستحقة للقبض
- Interest earned. الفوائد المكتسبة

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National Bank & Trust
Midland, Michigan 48654 Member FDIC

ACCOUNT STATEMENT

LAIRD COMPANY
77 WEST CENTRAL AVENUE
MIDLAND, MICHIGAN 48654

Statement Date/Credit Line Closing Date: April 30, 2017

457923
ACCOUNT NUMBER

Balance Last Statement	Deposits and Credits		Checks and Debits		Balance This Statement
	No.	Total Amount	No.	Total Amount	
13,256.90	20	34,805.10	26	32,154.55	15,907.45

CHECKS AND DEBITS			DEPOSITS AND CREDITS		DAILY BALANCE	
Date	No.	Amount	Date	Amount	Date	Amount
4–2	435	644.95	4–2	4,276.85	4–2	16,888.80
4–5	436	3,260.00	4–3	2,137.50	4–3	18,249.65
4–4	437	1,185.79	4–5	1,350.47	4–4	17,063.86
4–3	438	776.65	4–7	982.46	4–5	15,154.33
4–8	439	1,781.70	4–8	1,320.28	4–7	14,648.89
4–7	440	1,487.90	4–9 CM	1,035.00	4–8	11,767.47
4–8	441	2,420.00	4–11	2,720.00	4–9	12,802.47
4–11	442	1,585.60	4–12	757.41	4–11	13,936.87
4–12	443	1,226.00	4–13	1,218.56	4–12	13,468.28
4–29	NSF	425.60	4–27	1,545.57	4–27	13,005.45
4–29	459	1,080.30	4–29	2,929.45	4–29	14,429.00
4–30	DM	30.00	4–30	2,128.60	4–30	15,907.45
4–30	461	620.15				

Symbols: **CM** Credit Memo, **DM** Debit Memo, **EC** Error Correction, **INT** Interest Earned, **NSF** Not Sufficient Funds, **SC** Service Charge

Reconcile Your Account Promptly

Reconciling the Bank Account تسوية الحساب المصرفي

Reconcile balance per books and balance per bank to their "correct" or "true" balance.

التوفيق بين الرصيد لكل كتب والرصيد لكل بنك مع رصيدهم "الصحيح" أو "الحقيقي".

Reconciling Items: التوفيق بين العناصر

1. Deposits in transit. الودائع في العبور
2. Outstanding checks. الشيكات المعلقة
3. Bank memoranda. مذكرات البنك
4. Errors. أخطاء

} **Time Lags**

RECONCILIATION PROCEDURES اجراءات التسوية

Cash Balances
الرصيد النقدي

Per Bank Statement لكل كشف حساب بنكي

Adjustments to the bank balance تعديل رصيد البنك

+ **Deposit in Transit** + الإيداع في العبور
- **Outstanding Checks** - الشيكات المعلقة
+/- **Bank Errors** +/- أخطاء بنكية

التوازن الصحيح
CORRECT BALANCE

Per Books لكل كتاب

Adjustments to the book balance التعديل على رصيد الكتاب

+ **Notes collected by bank** + ملاحظات جمعت من قبل البنك
- **NSF (bounced) checks** - شيكات NSF (مرتجعة)
- **Check printing or other service charges** - طباعة الشيكات أو رسوم الخدمات الأخرى
+/- **Company Errors** +/- أخطاء الشركة

CORRECT BALANCE

BANK RECONCILIATION ILLUSTRATED توضيح التسوية المصرفية

The bank statement for Laird Company, in Illustration, shows a balance per bank of $15,907.45 on April 30, 2014. On this date the balance of cash per books is $11,589.45. Using the four reconciliation steps, Laird determines the following reconciling items.

يظهر كشف الحساب البنكي لشركة Laird ، في الرسم التوضيحي(في الصفحة السابقة) ، رصيدًا لكل البنك 15907.45 دولار في 30 أبريل 2014. في هذا التاريخ الرصيد النقدي لكل الكتب هو 11،589.45 دولار. باستخدام خطوات التسوية الأربع ، يحدد ليرد ما يلي تسوية البنود.

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Step 1. Deposits in transit: April 30 deposit (received by bank on May 1). $2,201.40
الخطوة 1. الودائع قيد النقل: إيداع 30 أبريل (تم استلامه بواسطة البنك في 1 مايو). 2201.40 دولار

Step 2. Outstanding checks: No. 453, $3,000.00; no. 457, $1,401.30; no. 460, $1,502.70. 5,904.00
الخطوة الثانية: الشيكات المعلقة: رقم 453 $ 3،000.00؛ رقم457 $ 1401.30 /رقم460 $ 1502.70. 5،904.00

Step 3. Errors: Laird wrote check no. 443 for $1,226.00 and the bank correctly paid that amount. However, Laird recorded the check as $1,262.00. 36.00
الخطوة 3. الأخطاء: كتب ليرد رقم الشيك. 443 مقابل 1،226.00 دولارًا و دفع البنك هذا المبلغ بشكل صحيح. ومع ذلك ، سجل ليرد الشيك كـ 1،262.00 دولار. 36.00

Step 4. Bank memoranda: مذكرات البنك

a. Debit—NSF check from J. R. Baron for $425.60. 425.60
المدين — شيك NSF من J.R Baron مقابل 425.60 دولارًا. 425.60

b. Debit—Charge for printing company checks $30.00. 30.00
المدين - المسؤول عن طباعة شيكات الشركة 30.00 دولارًا. 30.00

c. Credit—Collection of note receivable for $1,000
الدائن - تحصيل الأوراق النقدية المستحقة القبض بمبلغ 1000 دولار
plus, interest earned $50, less bank collection fee $15.00. 1,035.00
بالإضافة إلى الفائدة المكتسبة 50 دولارًا ، مخصومًا منها رسوم التحصيل البنكي 15.00 دولارًا. 1،035.00

Illustration shows Laird's bank reconciliation. **يوضح الرسم التوضيحي تسوية بنك ليرد**

LAIRD COMPANY
Bank Reconciliation
April 30, 2014

Cash balance per bank statement الرصيد النقدي لكل كشف حساب بنكي		$ 15,907.45
Add: Deposits in transit اضافة :الإيداع العابر		2,201.40
		18,108.85
Less: Outstanding checks خصم : الشيكات المعلقة		
No. 453	$3,000.00	
No. 457	1,401.30	
No. 460	1,502.70	5,904.00
Adjusted cash balance per bank الرصيد النقدي المعدل لكل بنك		**$12,204.85**
Cash balance per books الرصيد النقدي لكل كتاب		$ 11,589.45
Add: Collection of note receivable $1,000, plus تحصيل الكمبيالات المستحقة القبض		
interest earned $50, less collection fee $15	$1,035.00	
Error in recording check no. 443 خطأ في الشيك	36.00	1,071.00
		12,660.45
Less: NSF check الشيكات المعلقة "غير متوفر رصيد"	425.60	
Bank service charge رسوم الخدمة المصرفية	30.00	455.60
Adjusted cash balance per books الرصيد النقدي المعدل لكل كتاب		**$12,204.85**

ENTRIES FROM BANK RECONCILIATION **المداخلات من تسوية البنك**

COLLECTION OF NOTE RECEIVABLE: Assuming interest of $50 has not been accrued and collection fee is charged to Miscellaneous Expense, the entry is:
تحصيل الملاحظات المستحقة: بافتراض عدم استحقاق فائدة قدرها 50 دولارًا وتحميل رسوم التحصيل على المصروفات المتنوعة ، يكون الإدخال:

Apr. 30	Cash	1,035.00	
	Miscellaneous Expense	15.00	
	Notes Receivable		1,000.00
	Interest Revenue		50.00

BOOK ERROR: The cash disbursements journal shows that check no. 443 was a payment on account to Andrea Company, a supplier. The correcting entry is:
خطأ في الكتاب: تظهر مجلة المدفوعات النقدية أن الشيك رقم. 443 دفعة على حساب شركة Andrea ، مورد. إدخال التصحيح هو:

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Apr. 30 Cash 36.00
Accounts Payable 36.00

NSF CHECK: As indicated earlier, an NSF check becomes an account receivable to the depositor. The entry is:

فحص : الشيكات المعلقة كما هو موضح سابقًا ، يصبح شيك NSF حسابًا مستحقًا للمودع. الدخول هو:

Apr. 30 Accounts Receivable 425.60
Cash 425.60

BANK SERVICE CHARGES: Depositors debit check printing charges (DM) and other bank service charges (SC) to Miscellaneous Expense. The entry is:

رسوم الخدمات المصرفية: يقوم المودعون بخصم رسوم طباعة الشيكات (DM) ورسوم الخدمات المصرفية الأخرى (SC) إلى المصاريف المتنوعة. الدخول هو:

Apr. 30 Miscellaneous Expense 30.00
Cash 30.00

Cash			
Apr. 30 Bal.	11,589.45	Apr. 30	425.60
30	1,035.00	30	30.00
30	36.00		
Apr. 30 Bal.	**12,204.85**		

Electronic Funds Transfer (EFT) System نظام تحويل الأموال الإلكتروني

- Disbursement systems that use **wire, telephone, or computers** to transfer cash balances between locations.

أنظمة الصرف التي تستخدم **الأسلاك أو الهاتف أو أجهزة الكمبيوتر** لتحويل الأرصدة النقدية بين المواقع

- **EFT** transfers normally result in **better internal control** since no cash or checks are handled by company employees.

عادةً ما تؤدي تحويلات **التحويل الإلكتروني** إلى **رقابة داخلية أفضل** حيث لا يتم التعامل مع النقد أو الشيكات من قبل موظفي الشركة

1. Cash Equivalents النقد المعدل

Cash equivalents are short-term, highly liquid investments that are both:

النقدية المعادلة هي استثمارات قصيرة الأجل وعالية السيولة وكلاهما:

1. Readily convertible to known amounts of cash

سهولة التحويل إلى مبالغ نقدية معروفة

2. So near their maturity that their market value is relatively insensitive to changes in interest rates.

قرب موعد استحقاقها لدرجة أن قيمتها السوقية غير حساسة نسبيًا للتغيرات في أسعار الفائدة

2. Restricted Cash النقدية المقيدة "الكاش المقيد"

Cash that is not available for general use but rather is restricted for a special purpose.

النقد "الكاش" غير المتاح للاستخدام العام ولكنه مقيد لغرض خاص.

Real World

DELTA AIR LINES, INC.
Balance Sheet (partial)
December 31, 2013 (in millions)

Assets	
Current assets	
Cash and cash equivalents	**$2,844**
Short-term investments	959
Restricted cash	**122**

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الأسئلة الإضافية

Q1. Circle the correct answer

1. **Which one of the following items would not be considered cash?**
   a. Coins
   b. Money orders
   c. Currency
   d. Postdated checks

2. **Checks received through the mail should**
   a. immediately be endorsed "For Deposit Only."
   b. be sent to the accounts receivable subsidiary ledger clerk for immediate posting to the customer's account.
   c. be cashed at the bank as soon as possible.
   d. be "rung up" on a cash register immediately.

3. **Allowing only the treasurer to sign checks is an example of**
   a. documentation procedures.
   b. segregation of duties.
   c. other controls.
   d. establishment of responsibility.

4. **Blank checks**
   a. should be safeguarded.
   b. should be pre-signed.
   c. do not need to be safeguarded since they must be signed to be valid.
   d. should not be prenumbered.

5. **An employee authorized to sign checks should not record**
   a. owner cash contributions.
   b. mail receipts.
   c. cash disbursement transactions.
   d. sales transactions.

6. **A remittance advice attached to a company check provides**
   a. details about the running cash balance in the checking account.
   b. the magnetic bank routing numbers.
   c. the explanation of the purpose of the check.
   d. the signature space for the maker.

7. **Bank errors**
   a. occur because of time lags.
   b. must be corrected by debits.
   c. are infrequent in occurrence.
   d. are corrected by making an adjusting entry on the depositor's books.

8. **An adjusting entry is not required for**
   a. outstanding checks.
   b. collection of a note by the bank.
   c. NSF checks.
   d. bank service charges.

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9. Journal entries are required by the depositor for all of the following except

a. collection of a note receivable.
b. bank errors.
c. bank service charges.
d. an NSF checks.

10. are short-term, highly liquid investments

a. Funds Transfer
b. Cash equivalents
c. Restricted Cash
d. Bank revenue

Q2: Indicate whether each of the following statements is true or false.

False___ 1. If a company deposits all its receipts in the bank and pays all its bills by check, then the monthly bank statement balance will always agree with the company's record of its checking account balance.
False___ 2. Checks from customers who pay their accounts promptly are called outstanding checks.
True___ 3. All reconciling items in determining the adjusted cash balance per books require the depositor to make adjusting journal entries to the Cash account.
False___ 4. Post-dated checks are not considered cash
False___ 5. Restricted Cash is Cash that is available for general use and rather is restricted for a special purpose.

Q3: On May 31, 2017, Rebar Company had a cash balance per books of $6,781.50. The bank statement from New York State Bank on that date showed a balance of $6,404.60. A comparison of the statement with the Cash account revealed the following facts.

1. The statement included a debit memo of $40 for the printing of additional company checks
2. Cash sales of $836.15 on May 12 were deposited in the bank. The cash receipts journal entry and the deposit slip were incorrectly made for $886.15. The bank credited Rebar Company for the correct amount.
3. Outstanding checks at May 31 totaled $576.25. Deposits in transit were $2,416.15.
4. On May 18, the company issued check No. 1181 for $685 to Lynda Carsen on account. The check, which cleared the bank in May, was incorrectly journalized and posted by Rebar Company for $658
5. A $3,000 note receivable was collected by the bank for Rebar Company on May 31 plus$80 interest. The bank charged a collection fee of $20. No interest has been accrued on the note.
6. Included with the cancelled checks was a check issued by Stiner Company to Ted Cress for $800 that was incorrectly charged to Rebar Company by the bank.
7. On May 31, the bank statement showed an NSF charge of $680 for a check issued by Sue Allison, a customer, to Rebar Company on account.

Required: المطلوب

(a) Prepare the bank reconciliation at May 31, 2017.
(b) Prepare the necessary adjusting entries for Rebar Company at May 31, 2017.

Answer:

a.

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Reber Company Bank Reconciliation			
Cash Balance Per Bank Statment	6,404.60	**Cash Balance Per Company Books**	6,781.50
Add: Deposite in Transite	2,416.15	Deduct: Bank Srevice Charges	(40.00)
Deduct: Outstanding Checks	(576.25)	Deduct: Error in sales entry	(50.00)
Add: Bank Error	800.00	Deduct: Error in Check #1181	(27.00)
		Add: Collections of Notes Reveivable, Plus Interest, Less Charghes	3,060.00
		Deduct: NSF Check	(680.00)
Adjusted Cash Balance Per Bank Statment		**Adjusted Cash Balance Per Company Books**	

b.

Bank Service Charge 40
Cash 40

Sales Revenue 50
Cash 50

Accounts Payable 27
Cash 27

Cash 3,060
Bank Service Charge 20
Notes Receivable 3,000
Interest Revenue 80

Accounts Receivable 680
Cash 680

End of Chapter

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CHAPTER 9

Accounting for Receivables
الذمم المدينة

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how companies recognize accounts receivable. كيف تعترف الشركات بحسابات القبض

Amounts due from individuals and other companies that are expected to be collected in cash.
المبالغ المستحقة من الأفراد والشركات الأخرى المتوقع تحصيلها نقدًا.

Amounts owed by customers on account that result from the sale of goods and services. المبالغ المستحقة على العملاء على الحساب والناتجة عن بيع السلع والخدمات.	Written promise for amounts to be received. Normally requires the collection of interest. وعد خطي بالمبالغ التي سيتم استلامها. يتطلب عادة جمع الفائدة.	Nontrade receivables such as interest, loans to officers, advances to employees, and income taxes. الذمم المدينة غير التجارية مثل الفوائد والقروض للمسؤولين والسلف للموظفين وضرائب الدخل.
Accounts Receivable الذمم	**Notes Receivable** مذكرات قبض	**Other Receivables** المستحقات "الذمم" الأخرى

Types of Receivables أنواع الذمم المدينة

Amounts due from individuals and other companies that are expected to be collected in cash.
المبالغ المستحقة من الأفراد والشركات الأخرى المتوقع تحصيلها نقدًا.

Company	Receivables as a Percentage of Total Assets الذمم المدينة كنسبة مئوية من إجمالي الأصول
Ford Motor Company شركة فورد للسيارات	43.2%
General Electric	41.5
Minnesota Mining and Manufacturing Company (3M) شركة مينيسوتا للتعدين والتصنيع	12.7
DuPont Co. شركة دوبونت	11.7
Intel Corporation شركة إنتل	3.9

Three accounting issues: ثلاث قضايا محاسبية

1. **Recognizing** accounts receivable. **الاعتراف** بحسابات القبض
2. **Valuing** accounts receivable. **تثمين** الذمم المدينة
3. **Disposing** of accounts receivable. **التصريف** في الذمم المدينة

1. Recognizing Accounts Receivable الاعتراف بحسابات القبض

- **Service organization** records a receivable when it performs service on account.
  تسجل **منظمة الخدمة** مستحقًا عندما تؤدي خدمة على الحساب.
- **Merchandiser** records accounts receivable at the point of sale of merchandise on account.
  يسجل **التاجر** حسابات القبض عند نقطة بيع البضائع على الحساب.

Ex: Assume that Jordie Co. on July 1, 2017, sells merchandise on account to Polo Company for $1,000 terms 2/10, n/30. Prepare the journal entry to record this transaction on the books of Jordie Co.

على سبيل المثال: لنفترض أن شركة Jordie في 1 يوليو 2017 ، باعت البضائع على حساب لشركة Polo مقابل 1000 دولار بشروط 10/2 ، n / 30. تحضير قيد اليومية لتسجيل هذه المعاملة في كتب شركة جورداش.

Jul. 1	Accounts Receivable	1,000
	Sale Revenue	1,000

Ex: On July 5, Polo returns merchandise worth $100 to Jordie Co.

على سبيل المثال: في 5 يوليو ، أعاد بولو بضائع بقيمة 100 دولار إلى شركة Jordie Co.

Jul. 1	Sale Returns and Allowance	100
	Accounts Receivable	100

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Ex: On July 11, Jordie receives payment from Polo Company for the balance due.

على سبيل المثال: في 11 تموز (يوليو) ، استلمت شركة Jordie دفعة من شركة Polo عن الرصيد المستحق.

Jul. 11	Cash	882	
	Sales Discount ($900 * 0.02)	18	
	Accounts Receivable		900

2. Valuing Accounts Receivables تثمين "تقييم" الحسابات المدينة

- Current asset. الأصول الحالية
- Valuation (cash realizable value). التقييم (القيمة النقدية الممكن تحقيقها

Uncollectible Accounts Receivable حسابات القبض غير القابلة للتحصيل

- Sales on account raise the possibility of accounts not being collected.
- تزيد المبيعات على الحساب من احتمالية عدم تحصيل الحسابات.
- Companies record credit losses as debits to **Bad Debt Expense**.
- تسجل الشركات خسائر الدائن كمدين على **مصروفات الديون المعدومة**.

Alternative Terminology مصطلحات بديلة

You will sometimes see *Bad Debt Expense* Called *Uncollectible Accounts Expense*

سترى أحيانًا نفقات الديون المعدومة التي تسمى نفقات الحسابات غير القابلة للتحصيل

Methods of Accounting for Uncollectible Accounts طرق المحاسبة عن الحسابات غير القابلة للتحصيل

Direct Write-Off شطب مباشر

Theoretically undesirable: غير مرغوب فيه من الناحية النظرية

- No matching. لا يوجد تطابق
- Receivable not stated at **cash realizable value**.
  الذمم المدينة غير المدرجة بالقيمة النقدية الممكن تحقيقها.
- Not acceptable for financial reporting. غير مقبول لاعداد التقارير المالية

Allowance Method طريقة البدل

Losses are estimated: يتم تقدير الخسائر

- Better matching. أفضل مطابقة
- Receivable stated at **cash realizable value**. ذمم مدينة بقيمتها **النقدية الممكن تحقيقها**
- Required by GAAP. مطلوب من قبل GAAP

How are these accounts presented on the Balance Sheet? كيف يتم عرض هذه الحسابات في الميزانية العمومية؟

Accounts Receivable			
Beg.	500		
End.	500		

Allowance for Doubtful Accounts			
		25	Beg.
		25	End.

ABC Corporation Balance Sheet (Partial)		
Current Assets:		
Cash		$ 330
Accounts Receivable	**500**	
Less: Allowance for doubtful accounts	**(25)**	**475**
Inventory		812
Prepaid expense		40
Total Current Assets		$1,657

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ضياء الدين صبح

ABC Corporation Balance Sheet (Partial)	
Current Assets:	
Cash	$ 330
Accounts Receivable, net of 25% Allowance	**475**
Inventory	812
Prepaid expense	40
Total Current Assets	$1,657

Journal entry for credit sale of $100? **دخول دفتر المالية لبيع الدائن $ 100**

Accounts Receivable 100
Sales 100

Accounts Receivable			
Beg.	500		
Sale	100		
End.	600		

Allowance for Doubtful Accounts			
		25	Beg.
		25	End.

Collected $333 on account? **جمعت $ 333 على الحساب**

Cash 333
Accounts Receivable 333

Accounts Receivable			
Beg.	500		
Sale	100	333	Coll.
End.	267		

Allowance for Doubtful Accounts			
		25	Beg.
		25	End.

Adjustment of $15 for estimated bad debts? **تعديل $ 15 للديون المعدومة المقدرة**

Bad Debt Expense 15 مصاريف الديون المعدومة
Allowance for Doubtful Accounts 15 بدل الحسابات المشكوك فيها

Accounts Receivable			
Beg.	500		
Sale	100	333	Coll.
End.	267		

Allowance for Doubtful Accounts			
		25	Beg.
		15	Est.
		40	End.

ضياء الدين صبح

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Write-off of uncollectible accounts for $10? **شطب الحسابات غير القابلة للتحصيل بمبلغ 10 دولارات**

Allowance for Doubtful Accounts	10	بدل الحسابات المشكوك فيها	
Accounts Receivable	10	الذمم المدينة	

Accounts Receivable				Allowance for Doubtful Accounts			
Beg.	500					25	Beg.
Sale	100	333	Coll.			15	Est.
		10	W/O	W/O	10		
End.	257					30	End.

ABC Corporation Balance Sheet (Partial)	
Current Assets:	
Cash	$ 330
Accounts Receivable, net of 30% Allowance	**227**
Inventory	812
Prepaid expense	40
Total Current Assets	$1,409

DIRECT WRITE-OFF METHOD FOR UNCOLLECTIBLE ACCOUNTS

طريقة الكتابة المباشرة للحسابات غير القادر على تحصيلها

Ex: Assume that Warden Co. writes off M. E. Doran's $200 balance as uncollectible on December 12. Warden's entry is:

على سبيل المثال : افترض أن شركة Warden شطبت رصيد M.E. Doran البالغ 200 دولار باعتباره غير قابل للتحصيل في 12 ديسمبر. دخول Warden هو:

Bad Debt Expense	200	مصاريف الديون المعدومة	
Accounts Receivable—M. E. Doran	200	الذمم المدينة	

Theoretically undesirable: **غير مرغوب فيه من الناحية النظرية**

- No matching. لا يوجد تطابق
- Receivable not stated at cash realizable value. الذمم المدينة غير مدرجة بالقيمة النقدية الممكن تحقيقها
- Not acceptable for financial reporting. غير مقبول لإعداد التقارير المالية

ALLOWANCE METHOD FOR UNCOLLECTIBLE ACCOUNTS طريقة السماح للحسابات غير المحظورة

1. Companies **estimate** uncollectible accounts receivable. **تقدر** الشركات الذمم المدينة غير القابلة للتحصيل
2. Debit **Bad Debt Expense** and credit **Allowance for Doubtful Accounts** (a contra-asset account).
   مصاريف الديون المعدومة المدين ومخصص الدائن **للحسابات المشكوك فيها** (حساب الأصول المقابلة).
3. Companies debit **Allowance for Doubtful Accounts** and credit **Accounts Receivable** at the time the specific account is **written off** as uncollectible.
   مخصص مدين **الشركات للحسابات المشكوك** في تحصيلها و**حسابات القبض** الدائنة في وقت **شطب** الحساب المحدد باعتباره غير قابل للتحصيل.

RECORDING ESTIMATED UNCOLLECTIBLES تسجيل الحسابات غير القادر على تحصيلها المقدرة

Ex: Hampson Furniture has credit sales of $1,200,000 in 2017, of which $200,000 remains uncollected at December 31. The credit manager estimates that $12,000 of these sales will prove uncollectible.

مثال: حققت شركة هامبسون للمفروشات مبيعات ائتمانية بلغت 1،200،000 دولار في عام 2017 ، منها 200،000 دولار لم يتم تحصيلها في 31 ديسمبر. ويقدر مدير الائتمان أن 12،000 دولار من هذه المبيعات سيثبت أنها غير قابلة للتحصيل.

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Dec. 31 Bad Debt Expense 12,000
Allowance for Doubtful Accounts 12,000

HAMPSON FURNITURE Balance Sheet (Partial)		
Current Assets:		
Cash		$ 14,800
Accounts Receivable	**$200,000**	
Less: Allowance for doubtful accounts	**(12,000)**	**188,000**
Inventory		310,000
Supplies		25,000
Total Current Assets		$537,000

The amount of $188,000 represents the expected **cash realizable value** of the accounts receivable at the statement date. يمثل مبلغ 188،000 دولار **القيمة النقدية المتوقعة** القابلة للتحقيق للحسابات المدينة في تاريخ البيان

RECORDING WRITE-OFF OF AN UNCOLLECTIBLE ACCOUNT تسجيل الشطب في تسجيل غير المحظورين

Ex: The vice-president of finance of Hampson Furniture on March 1, 2018, authorizes a write-off of the $500 balance owed by R. A. Ware. The entry to record the write-off is:

على سبيل المثال : نائب الرئيس المالي لشركة Hampson Furniture في 1 مارس 2018 ، يأذن بشطب الرصيد البالغ 500 دولار المستحق على R.A Ware. القيد لتسجيل الشطب هو:

Mar. 1 Allowance for Doubtful Accounts 500
Accounts Receivable--- R. A. Ware 500

Accounts Receivable				Allowance for Doubtful Accounts			
Jan. 1	Bal.	200,000	Mar. 1 500	Mar. 1	500	Jan. 1 Bal.	12,000
Mar. 1	Bal.	199,500				Mar. 1 Bal.	11,500

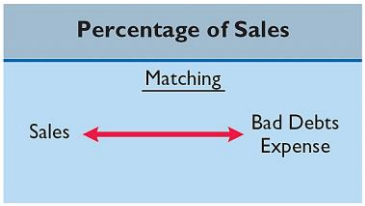
RECOVERY OF AN UNCOLLECTIBLE ACCOUNT استرداد حساب غير قادر على تحصيله

Ex: On July 1, R. A. Ware pays the $500 amount that Hampson had written off on March 1. Hampson makes these entries:

على سبيل المثال: في 1 تموز (يوليو) ، دفع R.A Ware مبلغ 500 دولار الذي شطبه هامبسون في 1 مارس.

July 1 Accounts Receivable--- R. A. Ware 500
Allowance for Doubtful Accounts 500
July 1 Cash 500
Accounts Receivable--- R. A. Ware 500

ESTIMATING THE ALLOWANCE تقدير المخصصات



Emphasis on Income Statement Relationships

Management estimates what percentage of credit sales will be uncollectible. This percentage is based on past experience and anticipated credit policy.

تقدر الإدارة النسبة المئوية لمبيعات الدائن التي ستكون غير قابلة للتحصيل. تعتمد هذه النسبة على الخبرة السابقة والسياسة الدائنية المتوقعة.

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Ex: Assume that Gonzalez Company elects to use the percentage-of-sales basis. It concludes that 1% of net credit sales will become uncollectible. If net credit sales for 2017 are $800,000, the adjusting entry is:

على سبيل المثال: افترض أن شركة غونزاليس تختار استخدام أساس النسبة المئوية للمبيعات. ويخلص إلى أن 1٪ من صافي مبيعات الدائن سيصبح غير قابل للتحصيل. إذا كان صافي مبيعات الدائن لعام 2017 هو 800000 دولار ، فإن إدخال التعديل هو:

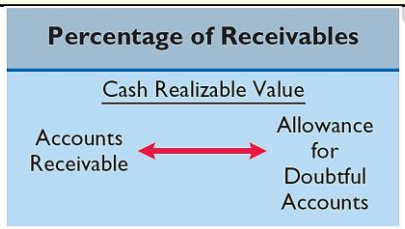
Dec. 31 Bad Debt Expense 8,000
Allowance For Doubtful Accounts 8,000

*** $800,000 x 1%**

- Emphasizes matching of expenses with revenues. يؤكد مطابقة النفقات مع الإيرادات
- Adjusting entry to record bad debts **disregards** the existing balance in Allowance for Doubtful Accounts.

تعديل القيد لتسجيل الديون المعدومة **يتجاهل** الرصيد الحالي في مخصصات الحسابات المشكوك في تحصيلها.

Bad Debt Expense		Allowance for Doubtful Accounts	
Dec. 31 Adj. **8,000**			Jan. 1 Bal. 1,723
			Dec. 31 Adj. **8,000**
			Dec. 31 Bal. 9,723



Emphasis on Balance Sheet Relationships

Management establishes a percentage relationship between the amount of receivables and expected losses from uncollectible accounts.

تقيم الإدارة علاقة النسبة المئوية بين مبلغ الذمم المدينة والخسائر المتوقعة من الحسابات غير القابلة للتحصيل.

Aging the accounts receivable - customer balances are classified by the length of time they have been unpaid.

تقادم الحسابات المستحقة القبض - يتم تصنيف أرصدة الزبائن حسب طول الفترة الزمنية التي لم يتم سدادها فيها.

Customer	Total	Not Yet Due	Number of Days Past Due			
			1–30	31–60	61–90	Over 90
T. E. Adert	$ 600		$ 300		$ 200	$ 100
R. C. Bortz	300	$ 300				
B. A. Carl	450		200	$ 250		
O. L. Diker	700	500			200	
T. O. Ebbet	600			300		300
Others	36,950	26,200	5,200	2,450	1,600	1,500
	$39,600	$27,000	$5,700	$3,000	$2,000	$1,900
Estimated Percentage Uncollectible		2%	4%	10%	20%	40%
Total Estimated Bad Debts	**$ 2,228**	$ 540	$ 228	$ 300	$ 400	$ 760

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Ex: Assume the unadjusted trial balance shows Allowance for Doubtful Accounts with a credit balance of $528. Prepare the adjusting entry assuming $2,228 is the estimate of uncollectible receivables from the aging schedule.

على سبيل المثال: افترض أن ميزان المراجعة غير المعدل يظهر مخصصًا للحسابات المشكوك فيها برصيد دائن قدره 528 دولارًا. قم بإعداد إدخال التعديل بافتراض أن 2228 دولارًا هي تقدير الذمم المدينة غير القابلة للتحصيل من جدول التقادم.

Dec. 31 Bad Debt Expense 1,700
Allowance For Doubtful Accounts 1,700

Bad Debt Expense		Allowance for Doubtful Accounts	
Dec. 31 Adj. **1,700**			Bal. 528
			Dec. 31 Adj. **1,700**
			Bal. 2,228

Disposing of Accounts Receivables التصرف في الذمم المدينة

Companies sell receivables for two major reasons. **تبيع الشركات الذمم المدينة لسببين رئيسيين.**

1. Receivables may be the only reasonable source of cash.
1. قد تكون الذمم المدينة هي المصدر الوحيد المعقول للنقد.
2. Billing and collection are often time-consuming and costly.
2. غالبًا ما تكون الفواتير والتحصيل مضيعة للوقت ومكلفة.

الأسئلة الإضافية:

Q1: Circle the correct answer

1. Claims for which formal instruments of credit are issued as proof of the debt are
   a. accounts receivable.
   b. interest receivable.
   c. notes receivable.
   d. other receivables.

2. Interest is usually associated with
   a. accounts receivable.
   b. notes receivable.
   c. doubtful accounts.
   d. bad debts.

3. The net amount expected to be received in cash from receivables is termed the
   a. cash realizable value.
   b. cash-good value.
   c. gross cash value.
   d. cash-equivalent value.

4. The existing balance in Allowance for Doubtful Accounts is considered in computing bad debt expense in the
   a. direct write-off method.
   b. percentage of receivables basis.
   c. percentage of sales basis.
   d. percentage of receivables and percentage of sales basis.

5. A debit balance in the Allowance for Doubtful Accounts
   a. is the normal balance for that account.
   b. indicates that actual bad debt write-offs have exceeded previous provisions for bad debts.
   c. indicates that actual bad debt write-offs have been less than what was estimated.
   d. cannot occur if the percentage of sales method of estimating bad debts is used.

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6. **Bad Debt Expense is considered**
   a. an avoidable cost in doing business on a credit basis.
   b. an internal control weakness.
   c. a necessary risk of doing business on a credit basis.
   d. avoidable unless there is a recession.
7. **Two methods of accounting for uncollectible accounts are the**
   a. allowance method and the accrual method.
   b. allowance method and the net realizable method.
   c. direct write-off method and the accrual method.
   d. direct write-off method and the allowance method.
8. **The allowance method of accounting for uncollectible accounts is required if**
   a. the company makes any credit sales.
   b. bad debts are significant in amount.
   c. the company is a retailer.
   d. the company charges interest on accounts receivable.

Q2: Indicate whether each of the following statements is true or false.

False___ 1. Trade receivables occur when two companies trade or exchange notes receivables.
True___ 2. Other receivables include nontrade receivables such as loans to company officers.
True___ 3. Both accounts receivable and notes receivable represent claims that are expected to be collected in cash.
False___ 4. The three primary accounting problems with accounts receivable are: (1) recognizing, (2) depreciating, and (3) disposing.
True___ 5. If a retailer assesses a finance charge on the amount owed by a customer, Accounts Receivable is debited for the amount of the interest.
False___ 6. The percentage of receivables basis of estimating expected uncollectible accounts emphasizes income statement relationships.
True___ 7. Allowance for Doubtful Accounts is a contra asset account.
False___ 8. Under the allowance method, Bad Debts Expense is debited when an account is deemed uncollectible and must be written off.
False___ 9. An aging schedule is prepared only for old accounts receivables that have been past due for more than one year.
True___ 10. A factor purchases receivables from businesses for a fee and collects the remittances directly from customers.

Q3: On May 1, Wilton sold merchandise on account to Bates for $50,000 terms 3/15, net 45. On May 4, Bates returns merchandise with a sales price of $2,000. On May 16, Wilton receives payment from Bates for the balance due. Prepare journal entries to record the May transactions on Wilton's books.

Solation:

May 1	Accounts Receivable – Bates	50,000	
	Sales revenue		50,000
May 4	Sales returns and Allowance	2,000	
	Accounts Receivable – Bates		2,000
May 16	Cash ($48,000 – $1,440)	46,560	
	Sales Discount ($48,000 * 0.03)	1,440	
	Accounts Receivable – Bates		48,000

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Q4: Blue company has been in business five years. The ledger at the end of the current year shows:

Accounts Receivable	$30,000	Dr.
Sales revenue	$180,000	Cr.
Allowance for Doubtful Accounts	$2,000	Dr.

Bad Debts are estimated to be 10% of Receivable. Prepare the entry to adjust Allowance for Doubtful Accounts.

Solation:

Bad Debt Expense 5,000
Allowance for Doubtful Accounts 5,000

** (0.10 * $30,000) + $2,000 = 3,000 + 2,000 = $5,000

Q5: At December 31, 2016, House Co. reported the following information on its balance sheet

Accounts receivable	**960,000**
Less: Allowance for doubtful accounts	**80,000**

During 2017, the company had the following transactions related to receivables.

1. Sales on account $3,700,000
2. Sales returns and allowances 50,000
3. Collections of accounts receivable 2,810,000
4. Write-offs of accounts receivable deemed uncollectible 90,000
5. Recovery of bad debts previously written off as uncollectible 29,000

Required:

a) **Prepare the journal entries to record each of these five transactions. Assume that no cash discounts were taken on the collections of accounts receivable.**
b) **Enter the January 1, 2017, balances in Accounts Receivable and Allowance for Doubtful Accounts, post the entries to the two accounts (use T-accounts), and determine the balances.**
c) **Prepare the journal entry to record bad debt expense for 2017, assuming that an aging of accounts receivable indicates that expected bad debts are $115,000.**

Solution

a.

Case	Account	Dr.	Cr.
1.	Accounts receivable Sales revenue	3,700,000	 3,700,000
2.	Sales Retunes and allowance Accounts receivable	50,000	 50,000
3.	Cash Accounts receivable	2,810,000	 2,810,000
4.	Allowance for doubtful account Accounts receivable	90,000	 90,000
5.	Accounts receivable Allowance for doubtful account	29,000	 29,000
	Cash Accounts receivable	29,000	 29,000

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b.

Accounts Receivable			
Dr.		**Cr.**	
Beginning Balance	960,000		
	3,700,000		
		50,000	
		2,810,000	
		90,000	
	29,000		
		29,000	
Balance	**1,710,000**		

Allowance for Doubtful Accounts			
Dr.		**Cr.**	
		80,000	Beginning Balance
	90,000		
		29,000	
		19,000	Balance
		96,000	********
		115,000	

C. Bad Debt Expense 96,000
Allowance for Doubtful Account 96,000

End Of Chapter

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END OF Financial Accounting 1 Summary

نهاية تلخيص المحاسبة المالية 1
ACCT 130 ❤️

مع التوفيق 🌸

زميلكم : ضياء الدين صبح😍

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