

# INTERMEDIATE ACCOUNTING 1 Summary

## تلخيص المحاسبة المتوسطة 1

# ACCT\_335

## انتر 1



## ضياء الدين صبح

### مادة المديرم (جزء من 3 + 4 + 5)

- ✓ التلخيص شامل لشرح الكتاب + الدكتور (التلخيص كافي وبزيادة بإذن الله) 🌸
- ✓ التلخيص خاص "تم نشره للاستفادة" ، ليس لي أي علاقة في كيفية دراستك
- ✓ للتلخيص و علامتك ( يعني إذا ما درست ما تحط الحق ع ضياء 😂😂 ) (👍)

النسخة الإلكترونية متوفرة فقط في BZU\_HUB

# CHAPTER 3

## The Accounting Information System

## نظام المعلومات المحاسبية

ملاحظة : هذا الموضوع فقط المطلوب من تشابتر 3 في امتحان المديرم

## المطلوب من CH3

### CASH-BASIS ACCOUNTING VERSUS ACCRUAL-BASIS ACCOUNTING

المحاسبة على أساس النقد مقابل المحاسبة على أساس الاستحقاق

Most companies use **accrual-basis accounting**. They تستخدم معظم الشركات المحاسبة على أساس الاستحقاق. أنهم

◆ recognize revenue when the performance obligation is satisfied and

الاعتراف بالإيراد عند الوفاء بالتزام الأداء

◆ expenses in the period incurred,

المصروفات في الفترة المتكبدة

without regard to the time of receipt or payment of cash.

بغض النظر عن وقت الاستلام أو الدفع النقدي

Under the strict **cash-basis**, companies

تحت أساس نقدي صارم ، والشركات

◆ record revenue only when they receive cash, and

تسجيل الإيرادات فقط عندما يتلقون النقد ، و

◆ record expenses only when they disperse cash.

لا تسجل المصاريف إلا عندما تشتت النقود

◆ Cash basis financial statements are not in conformity with GAAP.

لا تتوافق البيانات المالية ذات الأساس النقدي مع مبادئ المحاسبة المقبولة عموماً.

Ex: Quality Contractor signs an agreement to construct a garage for \$22,000. In January, Quality begins construction, incurs costs of \$18,000 on credit, and by the end of January delivers a finished garage to the buyer. In February, Quality collects \$22,000 cash from the customer. In March, Quality pays the \$18,000 due the creditors.

مقاول الجودة يوقع اتفاقية (عقد) لإنشاء (لبناء) كراج لتصليح السيارات بمبلغ \$ 22000. في يناير ، بدأ المقاول في البناء ، وتكبّد تكاليف قدرها \$ 18000 على الحساب ، وبحلول نهاية يناير تسلم المشتري كراجاً جاهزاً. في فبراير ، جمع المقاول \$ 22000 نقدًا من العميل. في مارس ، دفع المقاول مبلغ \$ 18000 المستحق للمقرضين "الي دابنو المقاول".

#### 1. Income Statements— Cash Basis

على مبدأ محاسبة النقد

QUALITY CONTRACTOR INCOME STATEMENT—CASH BASIS FOR THE MONTH OF				
	January	February	March	Total
Cash receipts	\$-0-	\$22,000	\$ -0-	\$22,000
Cash payments	-0-	-0-	18,000	18,000
Net income (loss)	<u>\$-0-</u>	<u>\$22,000</u>	<u>\$(18,000)</u>	<u>\$ 4,000</u>

#### 2. Income Statements— Accrual Basis

على مبدأ محاسبة الاستحقاق

QUALITY CONTRACTOR INCOME STATEMENT—ACCRUAL BASIS FOR THE MONTH OF				
	January	February	March	Total
Revenues	\$22,000	\$-0-	\$-0-	\$22,000
Expenses	18,000	-0-	-0-	18,000
Net income (loss)	<u>\$ 4,000</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$ 4,000</u>

### التحويل من الأساس النقدي إلى أساس الاستحقاق Conversion From Cash Basis to Accrual Basis

Ex: Dr. Diane Windsor, like many small business owners, keeps her accounting records on a cash basis. In the year 2017, Dr. Windsor received \$300,000 from her patients and paid \$170,000 for operating expenses, resulting in an excess of cash receipts over disbursements of \$130,000 (\$300,000 - \$170,000). At January 1 and December 31, 2017, she has accounts receivable, unearned service revenue, accrued liabilities, and prepaid expenses as shown here.

على سبيل المثال: الدكتورة ديان وندسور ، مثل العديد من أصحاب الأعمال الصغيرة ، تحتفظ بسجلاتها المحاسبية على أساس نقدي. في عام 2017 ، تلقت الدكتورة وندسور 300 ألف دولار من مرضاها ودفعت 170 ألف دولار لمصاريف التشغيل ، مما أدى إلى زيادة الإيصالات النقدية على المدفوعات البالغة 130 ألف دولار (300 ألف دولار - 170 ألف دولار). في 1 يناير و 31 ديسمبر 2017 ، لديها حسابات القبض وإيرادات الخدمة غير المكتسبة والمطلوبات المستحقة والمصروفات المدفوعة مسبقاً كما هو موضح هنا.

## المطلوب من CH3

	January 1, 2017	December 31, 2017
Accounts receivable	\$12,000	\$9,000
Unearned service revenue	—0—	4,000
Accrued liabilities	2,000	5,500
Prepaid expenses	1,800	2,700

1. Calculate **service revenue** on an accrual basis. احسب إيرادات الخدمة على أساس الاستحقاق
2. Calculate **operating expenses** on an accrual basis. حساب نفقات التشغيل على أساس الاستحقاق

**Answers:**

1.	Cash receipts from customers	\$300,000	
	– Beginning accounts receivable	\$(12,000)	
	+ Ending accounts receivable	9,000	
	+ Beginning unearned service revenue	—0—	
	– Ending unearned service revenue	(4,000)	(7,000)
	<b>Service revenue (accrual)</b>		<b>\$293,000</b>

2.	Cash paid for operating expenses	\$170,000	
	+ Beginning prepaid expense	\$ 1,800	
	– Ending prepaid expense	(2,700)	
	– Beginning accrued liabilities	(2,000)	
	+ Ending accrued liabilities	5,500	2,600
	<b>Operating expenses (accrual)</b>		<b>\$172,600</b>

DIANE WINDSOR, D.D.S. Conversion of Income Statement Data from Cash Basis to Accrual Basis For the Year 2017				
Account Titles	Cash Basis	Adjustments		Accrual Basis
		Add	Deduct	
Collections from customers	\$300,000			
– Accounts receivable, Jan. 1			\$12,000	
+ Accounts receivable, Dec. 31		\$9,000		
+ Unearned service revenue, Jan. 1		—		
– Unearned service revenue, Dec. 31			4,000	
Service revenue				\$293,000
Disbursement for expenses	170,000			
+ Prepaid expenses, Jan. 1		1,800		
– Prepaid expenses, Dec. 31			2,700	
– Accrued liabilities, Jan. 1			2,000	
+ Accrued liabilities, Dec. 31		5,500		
Operating expenses				172,600
Excess of cash collections over disbursements—cash basis	\$130,000			
Net income—accrual basis				\$120,400

**Theoretical Weaknesses of the Cash Basis** نقاط الضعف النظرية في الأساس النقدي

- ☒ Today's economy is considerably more lubricated by credit than by cash. الاقتصاد اليوم مُزلق إلى حد كبير بالدين أكثر من النقد.
- ☒ The accrual basis, not the cash basis, recognizes all aspects of the credit phenomenon. يعتمد أساس الاستحقاق ، وليس الأساس النقدي ، على جميع جوانب ظاهرة الدين.
- ☒ Investors, creditors, and other decision makers seek timely information about a company's *future* cash flows. يسعى المستثمرون والدائنون وصناع القرار الآخرون للحصول على معلومات في الوقت المناسب حول التدفقات النقدية المستقبلية للشركة.

## Additional Question

On January 1, 2017, Norma Smith and Grant Wood formed a computer sales and service company in Soapsville, Arkansas, by investing \$90,000 cash. The new company, Arkansas Sales and Service, has the following transactions during January

في 1 كانون الثاني (يناير) 2017 ، شكلت نورما سميث و غرانت وود شركة مبيعات وخدمات لأجهزة الكمبيوتر في سوابسفيل ، أركنساس ، من خلال استثمار 90 ألف دولار نقدًا. الشركة الجديدة ، Arkansas Sales and Service ، لديها المعاملات التالية خلال شهر يناير

1. Pays \$6,000 in advance for 3 months' rent of office, showroom, and repair space.  
يدفع \$ 6000 مقدمًا مقابل إيجار 3 أشهر للمكتب وصالة العرض ومساحة الإصلاح.
2. Purchases 40 personal computers at a cost of \$1,500 each, 6 graphics computers at a cost of \$2,500 each, and 25 printers at a cost of \$300 each, paying cash upon delivery.  
شراء 40 جهاز كمبيوتر شخصي بتكلفة \$ 1500 لكل منها ، و 6 حواسيب رسومية بتكلفة \$ 2500 لكل منها ، و 25 طابعة بتكلفة \$ 300 لكل منها ، يتم الدفع نقدًا عند التسليم.
3. Sales, repair, and office employees earn \$12,600 in salaries and wages during January, of which \$3,000 was still payable at the end of January.  
يتقاضى موظفو المبيعات والإصلاح والمكتب \$ 12.600 في شكل رواتب وأجور خلال شهر يناير ، منها \$ 3000 كانت لا تزال مستحقة الدفع في نهاية شهر يناير.
4. Sells 30 personal computers at \$2,550 each, 4 graphics computers for \$3,600 each, and 15 printers for \$500 each; \$75,000 is received in cash in January, and \$23,400 is sold on a deferred payment basis.  
تبيع 30 حاسوباً شخصياً بسعر \$ 2550 للوحدة ، و 4 حواسيب رسومية بسعر \$ 3600 للوحدة ، و 15 طابعة بسعر \$ 500 للوحدة ؛ تم استلام \$ 75000 نقدًا في يناير ، وتم بيع \$ 23400 على أساس الدفع المؤجل.
5. Other operating expenses of \$8,400 are incurred and paid for during January; \$2,000 of incurred expenses are payable at January 31.  
مصاريف تشغيلية أخرى بقيمة \$ 8400 تم تكبدها ودفعها خلال شهر يناير. \$ 2000 من المصاريف المتكبدة مستحقة الدفع في 31 يناير.

### Required: المطلوب

- (a) Using the transaction data above, prepare (1) a cash-basis income statement and (2) an accrual-basis income statement for the month of January.  
باستخدام بيانات المعاملة أعلاه ، قم بإعداد (1) بيان الدخل على أساس نقدي و (2) بيان الدخل على أساس الاستحقاق لشهر يناير.
- (b) Using the transaction data above, prepare (1) a cash-basis balance sheet and (2) an accrual-basis balance sheet as of January 31, 2017.  
باستخدام بيانات المعاملة أعلاه ، قم بإعداد (1) ميزانية عمومية على أساس نقدي و (2) ميزانية عمومية على أساس الاستحقاق اعتبارًا من 31 يناير 2017.

(a) ARKANSAS SALES AND SERVICE		
Income Statement		
For the Month Ended January 31, 2017		
	(1) Cash Basis	(2) Accrual Basis
Revenues	\$ 75,000	\$98,400*
Expenses		
Cost of computers & printers:		
Purchased and paid	82,500**	
Cost of goods sold		59,500***
Salaries and wages	9,600	12,600
Rent	6,000	2,000
Other operating expenses	8,400	10,400

### المطلوب من CH3

Total expenses	<u>106,500</u>	<u>84,500</u>
Net income (loss)	<u>\$(31,500)</u>	<u>\$13,900</u>

\*(\$2,550 X 30) + (\$3,600 X 4) + (\$500 X 15)

\*\*(\$1,500 X 40) + (\$2,500 X 6) + (\$300 X 25)

\*\*\*(\$1,500 X 30) + (\$2,500 X 4) + (\$300 X 15)

(b) ARKANSAS SALES AND SERVICE		
Balance Sheet		
As of January 31, 2017		
	(1) Cash Basis	(2) Accrual Basis
<b>Assets</b>		
Cash	\$58,500 *	\$ 58,500 *
Accounts receivable		23,400
Inventory		23,000 **
Prepaid rent		<u>4,000</u>
Total assets	<u>\$58,500</u>	<u>\$108,900</u>
<b>Liabilities and owners' Equity</b>		
Salaries and wages payable		\$ 3,000
Accounts payable		2,000
Owner's capital	<u>\$58,500 ***</u>	<u>103,900 ****</u>
Total liabilities and owner's equity	<u>\$58,500</u>	<u>\$108,900</u>

\*Original investment      \$ 90,000  
 Cash sales                75,000  
 Cash purchases            (82,500)  
 Rent paid                  (6,000)  
 Salaries paid              (9,600)  
 Other operating expenses      (8,400)  
 Cash balance Jan. 31      \$ 58,500

\*\* (10 @ \$1,500) + (2 @ \$2,500) + (10 @ \$300).

\*\*\* Initial investment minus net loss: \$90,000 – \$31,500.

\*\*\*\* Initial investment plus net income: \$90,000 + \$13,900

# CHAPTER 4

## Income Statement and Related Information

## بيان الدخل والمعلومات ذات الصلة

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## قوائم الدخل INCOME STATEMENT

### فوائد قوائم الدخل Usefulness

- ◆ Evaluate past performance. تقييم الأداء السابق
- ◆ Predicting future performance. توقع الأداء المستقبلي
- ◆ Help assess the risk or uncertainty of achieving future cash flows.

المساعدة في تقييم المخاطر أو عدم اليقين فيما يتعلق بتحقيق التدفقات النقدية المستقبلية

### محددات قوائم الدخل Limitations

- ◆ Companies omit items that cannot be measured reliably. تحذف الشركات البنود التي لا يمكن قياسها بشكل موثوق (لا يمكن قياسه بطريقة معقولة)
- ◆ Income is affected by the accounting methods employed. يتأثر الدخل بالطرق المحاسبية المتبعة  
مثلا حساب الاستهلاك Depreciation ، بكون اني طريقة Straight line or Double Declining
- ◆ Income measurement involves judgment. أو الطرق المحاسبية للحساب مثل LIFO , FIFO , AVG.COST  
يشمل قياس الدخل الحكم  
مثلا: Bad Debts

### جودة الأرباح Quality of Earnings

Companies have incentives to manage income to meet or beat Wall Street expectations, so that

الشركات لديها حوافز لإدارة الدخل لتلبية أو التغلب على توقعات سوق الأوراق المالية ، لذلك

- ◆ market price of stock increases and ارتفاع أسعار الأسهم في السوق و
- ◆ value of stock options increase. زيادة قيمة خيارات الأسهم
- ◆ **Quality of earnings is reduced if earnings management results in information that is less useful for predicting future earnings and cash flows.**

**جودة الأرباح تنخفض إذا نتج عن إدارة الأرباح معلومات أقل فائدة للتنبؤ بالأرباح والتدفقات النقدية المستقبلية.**

### عناصر قوائم الدخل Elements of the Income Statement

1. **Revenues** – Inflows or other enhancements of assets or settlements of its liabilities that constitute the entity's ongoing major or central operations.

الإيرادات - التدفقات الداخلة أو التحسينات الأخرى للأصول أو تسويات التزاماتها التي تشكل العمليات الرئيسية أو المركزية المستمرة للكيان.

#### أمثلة على حسابات الإيرادات Examples of Revenue Accounts

Sales (المبيعات), Fee (الرسوم), Interest (الفوائد), Dividend (الأرباح), Rent (الإيجار)

2. **Expenses** – Outflows or other using-up of assets or incurrences of liabilities that constitute the entity's ongoing major or central operations.

المصروفات - التدفقات الخارجة أو غير ذلك من استخدام الأصول أو تكبد الالتزامات التي تشكل العمليات الرئيسية أو المركزية المستمرة للكيان.

#### أمثلة على حسابات المصاريف Examples of Expense Accounts

Cost of goods sold, Depreciation, Interest, Rent, Salaries and wages, Taxes

الضرائب ، الرواتب والأجور ، الإيجار ، الفوائد ، الإستهلاك ، تكلفة البضاعة المباعة

3. **Gains** – Increases in equity (net assets) from peripheral or incidental transactions. الأرباح - الزيادات في حقوق الملكية (صافي الأصول) من المعاملات الطرفية أو العرضية.
4. **Losses** - Decreases in equity (net assets) from peripheral or incidental transactions. الخسائر - انخفاض في حقوق الملكية (صافي الأصول) من المعاملات الطرفية أو العرضية.

### الأرباح والخسائر يمكن أن تنتج عن Gains and losses can result from

- ◆ sale of investments or plant assets, بيع أصول أو استثمارات المصنع
- ◆ settlement of liabilities, تسوية الإلتزامات (مثلا انا عندي دين 1000 وبعد المفاوضات صارو 900 فعندي 100 ربح)
- ◆ write-offs of assets. شطب الأصول (مثلا: عندي ماكينة خربت وما بتتصلح وكيناها بالزباله تعتبر خسائر)

### المكونات الوسيطة Intermediate Components

- ◆ Format referred to as **multiple-step income statement**. يشار إلى الشكل بقوائم الدخل متعدد الخطوات



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- ◆ Separates operating transactions from nonoperating transactions.

يفصل المعاملات التشغيلية عن المعاملات غير التشغيلية

- ◆ Matches costs and expenses with related revenues.

مطابقة التكاليف والنفقات مع الإيرادات ذات الصلة

- ◆ Highlights certain components of income that analysts use assessing financial performance.

يسلط الضوء على بعض مكونات الدخل التي يستخدمها المحللون لتقييم الأداء المالي

Common for companies to present some or all of the following sections and totals within the income statement.

1. Operating section قسم العمليات التشغيلية
2. Nonoperating section قسم العمليات الغير تشغيلية
3. Income tax ضريبة الدخل
4. Discontinued operations العمليات المتوقفة
5. Noncontrolling interest المصلحة غير المسيطرة
6. Earnings per share ربحية السهم

### Multiple-Step متعدد الخطوات

#### CABRERA COMPANY Income Statement

For The Year Ended December 31, 2017

عنا قائمة دخل لنهاية سنة 2017 لشركة ما ويتحتوي حسب الصورة :

1. Operating Section العمليات التشغيلية
2. Nonoperating Section العمليات الغير تشغيلية
3. Income tax ضريبة الدخل

ملاحظة : في كم قانون من المحاسبة 1 مطلوبين منا " للتذكير " :

Cost of goods available =

Beginning income – Cost of goods purchased

Cost of goods sold =

Cost of goods available – Ending income

Net Purchases =

Purchases - (Purchases Discount + Allowance of doubtful Account)

Cost of goods purchased = Net Purchases – transpiration

قائمة الدخل المكثفة / المضغوطة (هي متعددة الخطوات ولكن مش مفصلة) Condensed Income Statements

CABRERA COMPANY INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2017			
Net sales		\$2,972,413	
Cost of goods sold		1,982,541	
Gross profit			989,872
Selling expenses (see Note D)	\$453,028		
Administrative expenses	350,771		803,799
Income from operations			186,073
Other revenues and gains			171,410
			357,483
Other expenses and losses			126,060
Income before income tax			231,423
Income tax			66,934
Net income for the year			\$ 164,489
Earnings per common share			\$1.74

<b>Sales</b>			
Sales revenue			\$3,053,081
Less: Sales discounts	\$ 24,241		
Sales returns and allowances	56,427		80,668
Net sales revenue			2,972,413
<b>Cost of goods sold</b>			1,982,541
Gross profit			989,872
<b>Operating Expenses</b>			
<b>Selling expenses</b>			
Sales salaries and commissions	\$202,644		
Sales office salaries	59,200		
Travel and entertainment	48,940		
Advertising expense	38,315		
Freight and transportation-out	41,209		
Shipping supplies and expense	24,712		
Postage and stationery	16,788		
Telephone and Internet expense	12,215		
Depreciation of sales equipment	9,005	453,028	
<b>Administrative expenses</b>			
Officers' salaries	186,000		
Office salaries	61,200		
Legal and professional services	23,721		
Utilities expense	23,275		
Insurance expense	17,029		
Depreciation of building	18,059		
Depreciation of office equipment	16,000		
Stationery, supplies, and postage	2,875		
Miscellaneous office expenses	2,612	350,771	803,799
Income from operations			186,073
<b>Other Revenues and Gains</b>			
Dividend revenue	98,500		
Rent revenue	72,910		171,410
			357,483
<b>Other Expenses and Losses</b>			
Interest on bonds and notes			126,060
Income before income tax			231,423
Income tax			66,934
Net income for the year			\$ 164,489
Earnings per common share			\$1.74

Single-Step Income Statements بيانات الدخل من خطوة واحدة

Revenues- Expenses = Net Income الإيرادات - المصاريف = صافي الدخل

No implication that one type of revenue or expense item has priority over another.

لا يوجد ما يدل على أن أحد أنواع الإيرادات أو المصاريف له أولوية على نوع آخر.

CABRERA COMPANY INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2017			
<b>Revenues</b>			
Net sales		\$2,972,413	
Dividend revenue		98,500	
Rent revenue		72,910	
Total revenues			3,143,823
<b>Expenses</b>			
Cost of goods sold		1,982,541	
Selling expenses		453,028	
Administrative expenses		350,771	
Interest expense		126,060	
Income tax expense		66,934	
Total expenses			2,979,334
Net income			\$ 164,489
Earnings per common share			\$1.74

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## REPORTING VARIOUS INCOME ITEMS الإبلاغ عن بنود الدخل المختلفة

Companies are required to report unusual and infrequent items as part of net income so users can better determine the long-run earning power of the company.

يتعين على الشركات الإبلاغ عن عناصر غير عادية وغير متكررة كجزء من صافي الدخل حتى يتمكن المستخدمون من تحديد قوة أرباح الشركة على المدى الطويل بشكل أفضل.

These income items fall into four general categories:

تتقسم بنود الدخل هذه إلى أربع فئات عامة

1. Unusual gains and losses مكاسب وخسائر غير عادية
2. Discontinued operations العمليات المتوقفة
3. Noncontrolling interest المصلحة غير المسيطرة
4. Earnings per share ربحية السهم

### 1. Unusual and Infrequent Gains and Losses مكاسب وخسائر غير عادية ونادرة

(a) Unusual. High degree of abnormality and of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the company, taking into account the environment in which it operates.

غير عادي. درجة عالية من الإضطراب ومن نوع لا علاقة له بشكل واضح أو يرتبط بشكل عرضي بالأنشطة العادية والنموذجية للشركة، مع مراعاة البيئة التي تعمل فيها.

(b) Infrequency of occurrence. Type of transaction that is not reasonably expected to recur in the foreseeable future, taking into account the environment in which the company operates.

ندرة الحدوث. نوع المعاملة التي لا يُتوقع بشكل معقول أن تتكرر في المستقبل المنظور، مع مراعاة البيئة التي تعمل فيها الشركة.

Common types of unusual or infrequent gains and losses: الأنواع الشائعة للمكاسب والخسائر غير العادية أو النادرة

- Losses on write-down (impairment) of receivables; inventories; property, plant, and equipment; goodwill or other intangible assets. الخسائر الناتجة عن التخفيض (انخفاض) الذمم المدينة. المخزون؛ الممتلكات والآلات والمعدات؛ الشهرة أو الأصول غير الملموسة الأخرى.
  - Restructuring charges. رسوم إعادة الهيكلة (مثلا : إلغاء أو دمج دوائر ، تغيير مستويات الإدارة)
  - Gains and losses from sale or abandonment of property, plant and equipment. المكاسب والخسائر من بيع أو التخلي عن الممتلكات والمنشآت والمعدات.
  - Effects of a strike. آثار الإضراب
  - Gains and losses on extinguishment (redemption) of debt obligations. المكاسب والخسائر من إطفاء (استرداد) التزامات الديون
  - Gains and losses related to casualties such as fires, floods, and earthquakes. المكاسب والخسائر المتعلقة بالإصابات مثل الحرائق والفيضانات والزلازل.
  - Gains or losses on sale of investment securities. أرباح أو خسائر بيع الأوراق المالية الاستثمارية
- ملاحظة : يبين المكاسب والخسائر الغير عادية ونادرة الحدوث في Other Expenses and losses في قائمة الدخل

### 2. Discontinued Operations العمليات المتوقفة

Occurs when two things happen: يحدث عند حدوث شيئين

(1) A company eliminates the results of operations of a component of the business.

تقوم الشركة بإلغاء نتائج عمليات أحد مكونات الأعمال.

(2) The elimination of a component that represents a strategic shift, having a major effect on the company's operations and financial results.

إلغاء عنصر يمثل تحولاً استراتيجياً له تأثير كبير على عمليات الشركة ونتائجها المالية.

Amounts are reported "net of tax."

يتم الإبلاغ عن المبالغ "صافية من الضرائب"

Ex: KC Products Inc., a highly diversified company, decides to discontinue its electronics division. During the current year, the electronics division lost \$300,000 (net of tax). KC Products sold the division at the end of the year at a loss of \$500,000 (net of tax). Show how the discontinued operations would be reported on the income statement for KC Products.

ضياء الدين صبح

على سبيل المثال: قررت شركة KC ، وهي شركة متنوعة للغاية ، إيقاف قسم الإلكترونيات التابع لها. خلال العام الحالي ، خسر قسم الإلكترونيات 300 ألف دولار (بعد خصم الضرائب). باعت KC القسم في نهاية العام بخسارة قدرها 500,000 دولار (بعد خصم الضرائب). أظهر كيف سيتم الإبلاغ عن العمليات المتوقفة في بيان الدخل لمنتجات KC.

Income from continuing operations	الدخل من العمليات المستمرة	\$20,000,000
<b>Discontinued operations:</b>	<b>العمليات المتوقفة</b>	
Loss from operations, net of tax	خسارة من العمليات ، صافية من الضريبة	300,000
Loss on disposal, net of tax	خسارة في التصرف ، صافية من الضريبة	500,000
<b>Total loss on discontinued operations</b>	<b>إجمالي الخسارة في العمليات المتوقفة</b>	<b>800,000</b>
Net income	صافي الدخل	\$19,200,000

Discontinued Operations are reported after "Income from continuing operations."

يتم الإبلاغ عن العمليات المتوقفة بعد "الدخل من العمليات المستمرة".  
Without a discontinued operations this line would be "net income."

بدون عمليات متوقفة ، سيكون هذا البند "صافي الدخل".

**Intraperiod Tax Allocation** تخصيص الضرائب خلال الفترة

- The allocation of tax within a period.  
تخصيص الضريبة خلال فترة.
- Helps users understand the impact of income taxes on the various components of net income.  
يساعد المستخدمين على فهم تأثير ضرائب الدخل على المكونات المختلفة لصافي الدخل

- **Intraperiod tax allocation is used for:** يتم استخدام تخصيص الضرائب خلال الفترة من أجل
  - (1) Income from continuing operations, الدخل من العمليات المستمرة
  - (2) discontinued operations. العمليات المتوقفة

**Discontinued Operations (Gain)**

Ex: Schindler Co. has income before income tax of \$250,000. It has a gain of \$100,000 from a discontinued operation. Assuming a 30 percent income tax rate, Schindler presents the following information on the income statement.

على سبيل المثال: شركة Schindler لديها دخل قبل ضريبة الدخل يبلغ 250,000 دولار. لديها ربحاً قدره 100,000 دولار من عملية متوقفة. بافتراض معدل ضريبة دخل بنسبة 30 في المائة ، يقدم شندلر المعلومات التالية في بيان الدخل.

Income before income tax	\$250,000	
Income tax	75,000	
Income from continuing operations		175,000
Gain on discontinued operations	\$100,000	
Less: Applicable income tax	30,000	70,000
Net income		\$245,000

**Discontinued Operations (Loss)**

Ex: Schindler Co. has income before income tax of \$250,000. It suffers a loss from discontinued operations of \$100,000. Assuming a 30 percent tax rate, Schindler presents the income tax on the income statement as shown

على سبيل المثال: شركة Schindler لديها دخل قبل ضريبة الدخل يبلغ 250,000 دولار. وهي تتكبد خسارة من العمليات المتوقفة قدرها 100,000 دولار.

بافتراض معدل ضريبة بنسبة 30 في المائة ،

يقدم شندلر ضريبة الدخل على بيان الدخل كما هو موضح

Income before income tax	\$250,000	
Income tax	75,000	
Income from continuing operations		175,000
Loss from discontinued operations	\$100,000	
Less: Applicable income tax reduction	30,000	70,000
Net income		\$105,000

ضياء الدين صبح

### 3. Noncontrolling Interest "مصلحة الأقلية" الفائدة غير المسيطرة

When a company owns substantial interests (generally greater than 50%) in another company, GAAP generally require that the financial statements of both companies be consolidated together into one set of financials.

عندما تمتلك شركة ما حصصًا كبيرة (تزيد بشكل عام عن 50٪) في شركة أخرى ، تتطلب مبادئ المحاسبة المقبولة عمومًا أن يتم دمج البيانات المالية لكلا الشركتين معًا في مجموعة واحدة من البيانات المالية.

**Noncontrolling interest** is the portion of equity (net assets) interest in a subsidiary not attributable to the parent company.

الفائدة غير المسيطرة "مصلحة الأقلية" هي جزء من حقوق الملكية (صافي الأصول) في شركة تابعة لا ينسب إلى الشركة الأم.

**Ex:** Assume that Coca-Cola acquires 70 percent of the outstanding stock of Koch Company. Because Coca-Cola owns more than 50 percent of Koch, it consolidates Koch's financial results with its own. GAAP requires that net income be allocated to the controlling and noncontrolling interest.

على سبيل المثال: افترض أن شركة كوكاكولا تستحوذ على 70 بالمائة من الأسهم القائمة لشركة Koch. نظرًا لأن شركة كوكاكولا تمتلك أكثر من 50 في المائة من Koch ، فإنها تدمج النتائج المالية لشركة Koch مع نتائجها المالية. تتطلب مبادئ المحاسبة المقبولة عمومًا تخصيص صافي الدخل للحصة المسيطرة وغير المسيطرة.

The Coca-Cola Company (in millions)	
Consolidated net income	\$7,124
Less: Net income attributable to noncontrolling interests	26
Net income attributable to stockholders' of The Coca-Cola Company	<u>\$7,098</u>

The noncontrolling interest amounts are not an expense or dividend, but are allocations of net income (loss) to the noncontrolling interest.

إن مبالغ حقوق الأقلية ليست مصروفات أو توزيعات أرباح ، ولكنها مخصصات من صافي الدخل (الخسارة) حقوق الأقلية.

Earnings per Share ربحية السهم

$$\text{Earnings Per Share} = \frac{\text{Net Income} - \text{Preferred Dividend}}{\text{Weighted Average Of common Shares Outstanding}}$$

◆ A significant business indicator.

مؤشر أعمال مهم

◆ Measures the dollars earned by each share of common stock.

يقيس الدولارات المكتسبة من كل سهم من الأسهم العادية

◆ Must be disclosed on the income statement.

يجب الإفصاح عنها في بيان الدخل

**Ex:** Paltel, Inc. reports net income of \$350,000. It declares and pays preferred dividends of \$50,000 for the year. The weighted-average number of common shares outstanding during the year is 100,000 shares. Lancer computes earnings per share as follows:

تحقق شركة بالتل أرباحًا صافية قدرها 350.000 دولار. يعلن ويدفع أرباحًا مفضلة قدرها 50000 دولار للسنة. متوسط عدد الأسهم العادية المعلقة خلال السنة هو 100,000 مشاركة. تحسب لانسر ربحية السهم على النحو التالي:

$$\text{Answer: Earnings Per Share} = \frac{\text{Net Income} - \text{Preferred Dividend}}{\text{Weighted Average Of common Shares Outstanding}}$$

$$\text{Earnings Per Share} = \frac{\$350,000 - \$50,000}{100,000} = \frac{\$300,000}{100,000} = \$3.00 \text{ Per Share}$$

**Ex2:**

Per share of common stock	
Income from continuing operations	\$2.76
Income from operations of discontinued division, net of tax	0.54
Loss on disposal of discontinued operation, net of tax	<u>0.90</u>
Net income	<u>\$2.40</u>

## OTHER REPORTING ISSUES قضايا الإبلاغ الأخرى

## A. Accounting Changes and Errors

## 1. Changes in Accounting Principle التغييرات في مبدأ المحاسبة

- ◆ Retrospective adjustment. التعديل بأثر رجعي
- ◆ Cumulative effect adjustment to beginning retained earnings. تعديل الأثر التراكمي لبدء الأرباح المحتجزة
- ◆ Approach preserves comparability across years. النهج يحافظ على القابلية للمقارنة عبر السنوات
- ◆ Examples include: الأمثلة تشمل
  - ▶ change from FIFO to average cost. التغيير الحاصل من الوارد أولا يخرج أولا إلى متوسط التكلفة
  - ▶ change from the percentage-of-completion to the completed-contract method. التغيير من نسبة الإنجاز إلى طريقة العقد المنجز

**Ex:** Goubert Inc. decided in March 2017 to change from FIFO to weighted-average inventory pricing.

Goubert's income before taxes, using the new weighted-average method in 2017, is \$30,000. (Based on 30% tax rate).

قررت شركة Goubert. في مارس 2017 التغيير من FIFO إلى تسعير المخزون المتوسط المرجح. دخل جوبيرت قبل الضرائب ، باستخدام طريقة المتوسط المرجح الجديد في عام 2017 ، هو 30 ألف دولار. (على أساس معدل الضريبة 30%).  
(هنا بوضحنا الفرق بين FIFO ومتوسط التكلفة وكيفية حساب الضريبة على أساس 30%)

Year	FIFO	Weighted-Average Method	Excess of FIFO over Weighted-Average Method
2015	\$40,000	\$35,000	\$5,000
2016	30,000	27,000	3,000
Total			\$8,000

	2017	2016	2015
Income before income tax	\$30,000	\$27,000	\$35,000
Income tax	9,000	8,100	10,500
Net income	\$21,000	\$18,900	\$24,500

## 2. Change in Accounting Estimates التغيير في التقديرات المحاسبية

- a. Accounted for in the period of change or the period of and the future periods if the change affects both.

يتم احتسابها في فترة التغيير أو الفترة والفترات المستقبلية إذا كان التغيير يؤثر على كليهما

- b. Not handled retrospectively. لم يتم التعامل معها بأثر رجعي

- c. Not considered errors. لا تعتبر "لا يتم تصنيفها على أنها " أخطاء

- d. Examples include: الأمثلة تشمل

- i. Useful lives and salvage values of depreciable assets. الأعمار المفيدة وقيم الإنقاذ للأصول القابلة للاستهلاك.

- ii. Allowance for uncollectible receivables. مخصص الذمم المدينة غير القابلة للتحويل

- iii. Inventory obsolescence. تقادم المخزون

**Ex:** Arcadia HS, purchased equipment for \$510,000 which was estimated to have a useful life of 10 years with a salvage value of \$10,000 at the end of that time. Depreciation has been recorded for 7 years on a straight-line basis. In 2017 (year 8), it is determined that the total estimated life should be 15 years with a salvage value of \$5,000 at the end of that time.

على سبيل المثال: شركة اركاديا ، اشترت معدات بمبلغ 510,000 دولار والتي قُدرت أن يكون لها عمر إنتاجي يبلغ 10 سنوات بقيمة إنقاذ 10,000 دولار في نهاية ذلك الوقت. تم تسجيل الاستهلاك لمدة 7 سنوات على أساس القسط الثابت. في عام 2017 (السنة 8) ، تم تحديد أن إجمالي العمر التقديري يجب أن يكون 15 عامًا بقيمة إنقاذ 5000 دولار في نهاية ذلك الوقت.

**Questions:** الأسئلة

- a. What is the journal entry to correct the prior years' depreciation?

ما هو إدخال دفتر اليومية لتصحيح إهلاك السنوات السابقة؟

- b. Calculate the depreciation expense for 2017.

احسب مصروف الإهلاك لعام 2017



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**Answer:**

a. No Entry

b.	Net book value	\$160,000
	Salvage value (new)	5,000
	Depreciable base	155,000
	Useful life remaining	8 years
	<b>Annual depreciation</b>	<b>\$ 19,375</b>

**Journal Entry 2017:**

Depreciation Expense 19,375  
Accumulated Depreciation 19,375

**3. Corrections of Errors تصحيح الأخطاء**

a. Result from: نتيجة من

- ▶ mathematical mistakes.
- ▶ mistakes in application of accounting principles.
- ▶ oversight or misuse of facts.

أخطاء رياضية  
أخطاء في تطبيق مبادئ المحاسبة  
الإشراف على الحقائق أو إساءة استخدامها

b. Corrections treated as prior period adjustments. تعامل التصحيحات على أنها تعديلات الفترة السابقة

- ▶ Adjustment to the beginning balance of retained earnings

تعديل رصيد بداية الأرباح المحتجزة

**Ex:** In 2018, Hillsboro Co. determined that it incorrectly overstated its accounts receivable and sales revenue by \$100,000 in 2017. In 2018, Hillsboro makes the following entry to correct for this error (ignore income taxes).

في عام 2018 ، قررت شركة Hillsboro أنها بالغت في تقدير حساباتها المدينة وعائدات المبيعات بشكل غير صحيح بمقدار 100000 دولار في عام 2017. في عام 2018 ، أدخلت Hillsboro الإدخال التالي لتصحيح هذا الخطأ (تجاهل ضرائب الدخل).

Retained Earnings 100,000  
Accounts Receivable 100,000

**B. Retained Earnings Statement**

Increase زيادة	Decrease نقصان
◆ Net income صافي الدخل	◆ Net loss صافي الخسارة
◆ Change in accounting principle التغيير في مبدأ المحاسبة	◆ Dividends توزيعات الأرباح
◆ Prior period adjustments تعديلات الفترة السابقة	◆ Change in accounting principles تغيير في مبادئ المحاسبة
	◆ Prior period adjustments تعديلات الفترة السابقة

Woods, Inc.	
Statement of Retained Earnings	
For the Year Ended December 31, 2017	
Balance, January 1	\$ 1,050,000
Net income	360,000
Dividends	(300,000)
Balance, December 31	<u>\$ 1,110,000</u>

Before issuing the report for the year ended December 31, 2017, you discover a \$50,000 error (net of tax) that caused 2016 inventory to be overstated (overstated inventory caused COGS to be lower and thus net income to be higher in 2016). Would this discovery have any impact on the reporting of the Statement of Retained Earnings for 2017?

ضياء الدين صبح

قبل إصدار التقرير للسنة المنتهية في 31 كانون الأول (ديسمبر) 2017 ، تكتشف خطأ بقيمة 50000 دولار (بعد خصم الضرائب) تسبب في زيادة قيمة مخزون 2016 (تسبب المخزون المبالغ فيه في انخفاض تكلفة السلع المباعة ، وبالتالي ارتفاع صافي الدخل في عام 2016). هل سيكون لهذا الاكتشاف أي تأثير على الإبلاغ عن بيان الأرباح المحتجزة لعام 2017؟  
Woods, Inc.

### Statement of Retained Earnings For the Year Ended December 31, 2017

Balance, January 1	\$ 1,050,000
Prior period adjustment - error correction	(50,000)
Balance, January 1 (restated)	1,000,000
Net income	360,000
Dividends	(300,000)
Balance, December 31	<u>\$ 1,060,000</u>

#### القيود على الأرباح المحتجزة Restrictions on Retained Earnings

يكشف Disclosed

- ◆ In notes to the financial statements. في الملاحظات على البيانات المالية
- ◆ As Appropriated Retained Earnings حسب الأرباح المحتجزة المخصصة

#### C. Comprehensive Income الدخل الشامل

All changes in equity during a period except those resulting from investments by owners and distributions to owners.

جميع التغيرات في حقوق الملكية خلال فترة ما عدا تلك الناتجة عن استثمارات الملاك والتوزيعات على المالكين.

Includes:

- ◆ all revenues and gains, expenses and losses reported in net income, and كافة الإيرادات والأرباح والمصاريف والخسائر المدرجة في صافي الدخل
- ◆ all gains and losses that bypass net income but affect stockholders' equity. جميع المكاسب والخسائر التي تتجاوز صافي الدخل ولكنها تؤثر على حقوق المساهمين.

#### Other Comprehensive Income الدخل الشامل الآخر

- ◆ Unrealized gains and losses on available-for-sale securities. المكاسب والخسائر غير المحققة من الأوراق المالية المتاحة للبيع.
- ◆ Translation gains and losses on foreign currency. أرباح وخسائر تحويل العملات الأجنبية
- ◆ Plus others بالإضافة إلى الدخل الآخر

#### تم الإبلاغ عنها في حقوق المساهمين Reported in Stockholders' Equity

Companies must display the components of other comprehensive income in one of two ways:

يجب على الشركات عرض مكونات الدخل الشامل الآخر بإحدى طريقتين:

1. A single continuous statement (one statement approach) or بيان واحد مستمر (نهج بيان واحد) أو
2. two separate, but consecutive statements of net income and other comprehensive income (two statement approach). بيانان منفصلان ولكن متتاليان لصافي الدخل والدخل الشامل الآخر (نهج البيانين).

#### One Statement Approach نهج البيان الواحد

Advantage – does not require the creation of a new financial statement.

ميزة - لا يتطلب إنشاء بيان مالي جديد.

Disadvantage - net income buried as a subtotal on the statement.

العيب - صافي الدخل المدفون كمجموع فرعي في البيان.

ضياء الدين صبح

V. GILL INC. INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2017	
Sales revenue	\$800,000
Cost of goods sold	600,000
Gross profit	200,000
Operating expenses	90,000
Net income	\$110,000

  

V. GILL INC. COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2017	
Net income	\$110,000
Other comprehensive income	
Unrealized holding gain, net of tax	30,000
Comprehensive income	\$140,000

V. GILL INC. STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2017	
Sales revenue	\$800,000
Cost of goods sold	600,000
Gross profit	200,000
Operating expenses	90,000
Net income	110,000
Other comprehensive income	
Unrealized holding gain, net of tax	30,000
Comprehensive income	\$140,000

One Statement Approach نهج البيان الواحد  
Two Statement Approach نهج البيانين

### Statement of Stockholders' Equity بيان حقوق المساهمين

- ◆ Reports the changes in each stockholders' equity account and total equity for the period.

تقارير التغييرات في كل حساب حقوق المساهمين وإجمالي حقوق المساهمين للفترة.

- ◆ **Following items are disclosed in the statement:** تم الإفصاح عن البنود التالية في البيان:

- Contributions (issuances of shares) and distributions (dividends) to owners. المساهمات (إصدارات الأسهم) والتوزيعات (أرباح الأسهم) على الملاك.
- Reconciliation of the carrying amount of each component of stockholders' equity from the beginning to the end of the period. تسوية القيمة الدفترية لكل عنصر من حقوق المساهمين من بداية الفترة إلى نهايتها.

Ex:

V. GILL INC. STATEMENT OF STOCKHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017				
	Total	Retained Earnings	Accumulated Other Comprehensive Income	Common Stock
Beginning balance	\$410,000	\$ 50,000	\$60,000	\$300,000
Net income	110,000	110,000		
Other comprehensive income				
Unrealized holding gain, net of tax	30,000		30,000	
Ending balance	\$550,000	\$160,000	\$90,000	\$300,000

### Balance Sheet Presentation عرض الميزانية العمومية

V. GILL INC. BALANCE SHEET AS OF DECEMBER 31, 2014 (STOCKHOLDERS' EQUITY SECTION)	
Stockholders' equity	
Common stock	\$300,000
Retained earnings	160,000
Accumulated other comprehensive income	90,000
Total stockholders' equity	\$550,000



## Additional Question الأسئلة الإضافية

Q1: Circle the correct answer

1. A separation of operating and non-operating activities of a company exists in
  - a. both a multiple-step and single-step income statement.
  - b. a multiple-step but not a single-step income statement.**
  - c. a single-step but not a multiple-step income statement.
  - d. neither a single-step nor a multiple-step income statement.
2. Gains and losses that bypass net income but affect stockholders' equity are referred to as
  - a. comprehensive income.
  - b. other comprehensive income.**
  - c. prior period income.
  - d. unusual gains and losses.
3. The major elements of the income statement are
  - a. revenue, cost of goods sold, selling expenses, and general expense.
  - b. operating section, nonoperating section, discontinued operations, and cumulative effect.
  - c. revenues, expenses, gains, and losses.**
  - d. revenues, irregular items, and general expenses.
4. Which of the following is false about an income statement?
  - a. Items that cannot be measured reliably are not reported in the income statement.
  - b. It is used to measure the solvency of a company.**
  - c. Income measurement involves judgment.
  - d. Income numbers are affected by the accounting methods employed.
5. The income statement provides investors and creditors with information to predict all of the following except the:
  - a. amount of future cash flows.
  - b. sources of future cash flows.**
  - c. timing of future cash flows.
  - d. uncertainty of future cash flows.
6. Which of the following is an advantage of the single-step income statement over the multiple-step income statement?
  - a. It reports gross profit for the year.
  - b. Expenses are classified by function.
  - c. It matches costs and expenses with related revenues.
  - d. It does not imply that one type of revenue or expense has priority over another.**
7. The single-step income statement emphasizes
  - a. the gross profit figure.
  - b. total revenues and total expenses.**
  - c. operating and non-operating expenses.
  - d. the various components of income from continuing operations.
8. Which of the following is an not acceptable method of presenting the income statement?
  - a. A single-step income statement
  - b. A multiple-step income statement
  - c. A consolidated statement of income
  - d. A partial statement of income.**

9. Which of the following is not a generally practiced method of presenting the income statement?
- Including prior period adjustments in determining net income**
  - The single-step income statement
  - The consolidated statement of income
  - Including gains and losses from discontinued operations of a component of a business in determining net income
10. Which of the following is not a selling expense?
- Advertising expense
  - Office salaries expense
  - Freight-out**
  - Store supplies consumed
11. Which of the following is true of accounting for changes in estimates?
- A company recognizes a change in estimate by making a retrospective adjustment to the financial statements.
  - A company accounts for changes in estimates only in the period of change, even though it affects the future periods.
  - Changes in estimates are not carried back to adjust prior years.**
  - Changes in estimates are considered as errors.
12. Income taxes are allocated to
- continuing operations.
  - discontinued operations.
  - prior period adjustments.
  - balance sheet adjustments.**
13. Companies use intraperiod tax allocation for all of the following items except
- discontinued operations.
  - other comprehensive income.
  - changes in accounting estimates.**
  - income from continuing operations.
14. Which of the following items would be reported net of tax on the face of the income statement?
- Prior period adjustment
  - Unusual gain
  - Change in realizability of receivables
  - Discontinued operations**
15. In calculating earnings per share, companies deduct preferred dividends from net income if:
- they are noncumulative though not declared.
  - the dividends are declared.**
  - they are convertible preferred shares.
  - they are callable preferred shares.
16. Earnings per share should always be shown separately for
- net income and gross margin.
  - net income and pretax income.
  - income from continuing operations.**
  - discontinued operations items and prior period adjustments.

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17. Which of the following items will not appear in the retained earnings statement?
- Net loss
  - Prior period adjustment
  - Discontinued operations**
  - Dividends
18. A company is not required to report a per share amount on the face of the income statement for which one of the following items?
- Net income
  - Prior period adjustment**
  - Continuing operations
  - Discontinued operations
19. Earnings per share data are required on the face of the
- statement of retained earnings.
  - statement of stockholders' equity.
  - income statement.**
  - balance sheet.
20. Which of the following is included in comprehensive income?
- Investments by owners.
  - Unrealized gains on available-for-sale securities.**
  - Distributions to owners.
  - Changes in accounting principles.
21. Comprehensive income includes all of the following except
- dividend revenue.
  - losses on disposal of assets.
  - investments by owners.**
  - unrealized holding gains.
22. A statement of stockholders' equity includes a column for each of the following except
- accumulated other comprehensive income.
  - common stock.
  - net income.**
  - retained earnings.

Ortiz Co. had the following account balances:

Sales revenue	\$ 440,000
Cost of goods sold	220,000
Salaries and wages expense	30,000
Depreciation expense	60,000
Dividend revenue	12,000
Utilities expense	24,000
Rent revenue	60,000
Interest expense	36,000
Sales returns and allow.	33,000
Advertising expense	39,000

23. What would Ortiz report as total revenues in a single-step income statement?

- \$479,000**
- \$ 70,000
- \$472,000
- \$440,000

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24. What would Ortiz report as total expenses in a single-step income statement?  
 a. \$421,000                      b. \$442,000  
**c. \$409,000**                      d. \$189,000
25. Gross billings for merchandise sold by Lang Company to its customers last year amounted to \$12,720,000; sales returns and allowances were \$370,000, sales discounts were \$175,000, and freight-out was \$140,000. Net sales last year for Lang Company were  
 a. \$12,720,000.  
 b. \$12,350,000.  
**c. \$12,175,000.**  
 d. \$12,035,000.
26. If plant assets of a manufacturing company are sold at a gain of \$1,800,000 with related taxes of \$540,000, and the gain is not considered unusual or infrequent, the income statement for the period would disclose these effects as  
**a. a gain of \$1,800,000 and an increase in income tax expense of \$540,000.**  
 b. operating income net of applicable taxes, \$1,260,000.  
 c. a prior period adjustment net of applicable taxes, \$1,260,000.  
 d. a discontinued operations gain net of applicable taxes, \$1,260,000.
27. In 2017, Esther Corporation reported net income of \$600,000. It declared and paid preferred stock dividends of \$150,000 and common stock dividends of \$60,000. During 2017, Esther had a weighted average of 300,000 common shares outstanding. Compute Esther's 2017 earnings per share.  
 a. \$1.30                              **b. \$1.50**  
 c. \$2.00                              d. \$2.50
28. In 2017, Benfer Corporation reported net income of \$210,000. It declared and paid common stock dividends of \$24,000 and had a weighted average of 100,000 common shares outstanding. Compute the earnings per share to the nearest cent.  
 a. \$2.34                      b. \$0.48  
 c. \$1.86                      **d. \$2.10**
29. For the year ended December 31, 2017, Transformers Inc. reported the following:

Net income	\$300,000
Preferred dividends declared	50,000
Common dividend declared	10,000
Unrealized holding loss, net of tax	5,000
Retained earnings, beginning balance	400,000
Common stock	200,000
Accumulated Other Comprehensive Income, Beginning Balance	25,000

What would Transformers report as total stockholders' equity?

- a. \$860,000**                      b. \$840,000  
 c. \$640,000                      d. \$600,000
30. James, Inc. incurred the following infrequent losses during 2017:  
 A \$280,000 write-down of equipment leased to others.  
 A \$160,000 adjustment of accruals on long-term contracts.  
 A \$240,000 write-off of obsolete inventory.
- In its 2017 income statement, what amount should James report as total unusual losses?  
**a. \$680,000.**                      b. \$520,000.                      c. \$440,000.                      d. \$400,000.

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

- True** 1. The income statement is useful in assessing the risk or uncertainty of achieving future cash flows.
- False** 2. A strength of the income statement as compared to the balance sheet is that items which cannot be measured reliably can be reported in the income statement.
- False** 3. Earnings management generally makes income statement information more useful for predicting future earnings and cash flows.
- True** 4. The transaction approach of income measurement focuses on the income-related activities that have occurred during the period.
- True** 5. Companies frequently report income tax expense separately as the last item before net income on a single-step income statement.
- True** 6. Revenues and gains increase both net income and owners' equity.
- True** 7. The phrase "income from continuing operations" is used only when gains or losses on discontinued operations occur.
- False** 8. The primary advantage of the multiple-step format lies in the simplicity of presentation and the absence of any implication that one type of revenue or expense item has priority over another.
- False** 9. The accounting profession has adopted a current operating performance approach to income reporting
- True** 10. Gross profit and income from operations are reported on a multiple-step but not on a single-step income statement.
- True** 11. Companies report the results of operations of a component of a business that will be disposed of separately from continuing operations.
- False** 12. Discontinued operations, and unusual gains and losses are both reported net of tax in the income statement.
- True** 13. Noncontrolling interest is the portion of equity (net assets) interest in a subsidiary not attributable to the parent company.
- True** 14. Intraperiod tax allocation relates the income tax expense of a fiscal period to the specific items that give rise to the amount of the tax provision.
- False** 15. Dividends declared on common and preferred stock are subtracted from net income in the computation of earnings per share.
- True** 16. A company that reports a discontinued operation item must report per share amounts for this item.
- True** 17. Prior period adjustments can either be added or subtracted in the Retained Earnings Statement.
- True** 18. Companies often restrict retained earnings to comply with contractual requirements or current necessity.
- True** 19. The components of other comprehensive income can be reported in the statement of comprehensive income
- False** 20. Comprehensive income includes all changes in equity during a period except those resulting from distributions to owners

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**Q3: Prepare a income statement from the data below using the multiple-step form.**

قم بإعداد بيان الدخل من البيانات أدناه باستخدام النموذج متعدد الخطوات.

<b>Administrative expense:</b>		
	Officers' salaries	\$ 4,900
	Depreciation	3,960
Cost of goods sold		60,570
Rent revenue		17,230
<b>Selling expense:</b>		
	Freight-out	2,690
	Sales commissions	7,980
	Depreciation	6,480
Sales		96,500
Income tax		9,070
Interest expense		1,860

**Answer:**

<b>Income Statement</b>	
<b>For the year ended Dec. 31, 2017</b>	
Sales	\$ 96,500
Cost of goods sold	60,570
Gross profit	35,930
<b>Operating Expenses:</b>	
Selling expense	17,150
Administrative expense	8,860
Total operating expenses	26,010
Income from operations	9,920
<b>Other revenue (expense):</b>	
Rent revenue	17,230
Interest expense	(1,860)
Total other	15,370
Income before tax	25,290
Income tax	9,070
Net income	\$ 16,220

**Q4: In the space provided, write the word or phrase that is defined or indicated.**

1. Net income minus preferred dividends divided by the weighted average of shares outstanding.
2. All changes in equity during a period except those resulting from investments by owners and distributions to owners.
3. A correction of an error is reported as a
4. The portion of equity interest in a subsidiary not attributable to the parent company.
5. The income statement category for a disposal of a component of a business.
6. Relating tax expense to specific items on the income statement.

**Answer:**

1. Earnings per share.
2. Comprehensive income.
3. Prior period adjustment.
4. Noncontrolling interest.
5. Discontinued operations.
6. Intraperiod tax allocation.

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**Q5:** Listed below in scrambled order are 11 income statement categories. Use the numerals 1 through 11 to indicate the order in which these categories should appear on a multiple-step income statement.

- ( ) Discontinued operations.
- ( ) Cost of goods sold.
- ( ) Other revenues and gains.
- ( ) Net income.
- ( ) Income taxes.
- ( ) Sales revenue.
- ( ) Gross profit on sales.
- ( ) Income from operations.
- ( ) Income from continuing operations before income taxes.
- ( ) Operating expenses.
- ( ) Income from continuing operations.

**Solution** 10, 2, 6, 11, 8, 1, 3, 5, 7, 4, 9

**Q6:** Hendrick, Inc. has the following data for the year ended December 31, 2017:

Net sales	\$270,000
Discontinued operations loss	20,000
Cost of goods sold	165,000
Interest expense	3,000
Selling expenses	15,000
Administrative expenses	35,000
Shares of capital stock outstanding, 10,000 Tax rate of 30% on all items	

**Instructions** Prepare a multiple-step income statement for Hendrick, Inc. for the year ended December 31, 2017.

Hendrick Inc. Income Statement Year Ended December 31, 2017		
Net sales		\$270,000
Cost of goods sold		<u>165,000</u>
Gross margin		105,000
<b>Operating Expenses</b>		
Selling expenses	\$15,000	
Administrative expenses	<u>35,000</u>	
Total operating expenses		<u>50,000</u>
Income from operations		55,000
<b>Other Expenses and Losses</b>		
Interest expense		<u>3,000</u>
income from continuing operations before taxes		52,000
Income tax		<u>15,600</u>
Income from continuing operations		36,400
Discontinued operations loss	20,000	
Less: Income tax	<u>6,000</u>	(14,000)
Net income		<u>\$22,400</u>
<b>Earnings per share:</b>		
Income from continuing operations (\$36,400 ÷ 10,000)		\$3.64
Discontinued operations (\$14,000 ÷ 10,000)		<u>1.40</u>
Net income (\$22,400 ÷ 10,000)		<u>2.24</u>



**Q7: Presented below is financial information of the Martin Corporation for 2017.**

Gain on the sale of investments	160,000
Net sales	45,000,000
Cost of goods sold	31,000,000
Loss on disposal of wholesale division	670,000
Interest revenue	105,000
Loss on operations of wholesale division	690,000
Selling and administrative expenses	8,200,000
Dividends declared on common stock	340,000
Write off of goodwill	780,000
Dividends declared on preferred stock	120,000
<b>Effective tax rate on all items is 34%</b>	

Martin Corporation decided to discontinue its wholesale operations and to retain their manufacturing operations. On July 1, Martin sold the wholesale operations. During 2017, there were 800,000 shares of common stock outstanding all year

**Instructions Compute each of the following.**

1. Income from operations
2. Income before income tax
3. Income from continuing operations
4. Net income
5. Earnings per share

**Solution**

1. Income from operations  $\$45,000,000 - \$31,000,000 - \$8,200,000 = \underline{\$5,800,000}$
2. Income before income tax  $\$5,800,000 + \$160,000 + \$105,000 - \$780,000 = \underline{\$5,285,000}$
3. Income from continuing operations  $\$5,285,000 - (\$5,285,000 \times .34) = \underline{\$3,488,100}$
4. Net income  $\$3,488,100 - [(\$670,000 + \$690,000) \times (1 - .34)] = \underline{\$2,590,500}$
5. Earnings per share  $(\$2,590,500 - \$120,000) \div 800,000 = \underline{\$3.09}$

**Q8: For each of the items listed below, indicate how it should be treated in the financial statements.**

**Use the following letter code for your selections:**

- a. Continuing operations
- b. Discontinued operations
- c. Prior period adjustment

- \_\_\_\_\_ 1. The bad debt rate was increased from 1% to 2%, thus increasing bad debt expense.
- \_\_\_\_\_ 2. Obsolete inventory was written off. This was the first loss of this type in the company's history.
- \_\_\_\_\_ 3. Loss on sale of investments. The company last sold some of its investments two years ago.
- \_\_\_\_\_ 4. Recognition of income earned last year which was inadvertently omitted from last year's income statement.
- \_\_\_\_\_ 5. The company sold one of its warehouses at a loss.
- \_\_\_\_\_ 6. Settlement of litigation with federal government related to income taxes of three years ago.  
The company is continually involved in various adjustments with the federal government related to its taxes.
- \_\_\_\_\_ 7. Loss on the disposal of a component of a business.
- \_\_\_\_\_ 8. The company neglected to record its depreciation in the previous year.
- \_\_\_\_\_ 9. Discontinuance of all production in the United States. The manufacturing operations were relocated in Mexico.



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**Solution**

- |      |      |      |
|------|------|------|
| 1. a | 4. c | 7. b |
| 2. a | 5. a | 8. c |
| 3. a | 6. a | 9. a |

**Q9:** Presented below are changes in all the account balances of Fritz Mayhew Furniture Co. during the current year, except for retained earnings.

	Increase (Decrease)		Increase (Decrease)
Cash	\$ 79,000	Accounts Payable	\$ (51,000)
Accounts Receivable (net)	45,000	Bonds Payable	82,000
Inventory	127,000	Common Stock	125,000
Investments	(47,000)	Paid-In Capital in Excess of Par—Common Stock	13,000

**Instructions** Compute the net income for the current year, assuming that there were no entries in the Retained Earnings account except for net income and a dividend declaration of \$19,000 which was paid in the current year.

**Solution**

Computation of net income		
Change in assets	\$204,000 Increase (a)	
Change in liabilities	31,000 Increase (b)	
Change in stockholders' equity	\$173,000 Increase	

(a)  $\$79,000 + \$45,000 + \$127,000 - \$47,000$ (b)  $\$82,000 - \$51,000$ 

Change in stockholders' equity accounted for as follows:		
Net increase		\$ 173,000
Increase in common stock	\$125,000	
Increase in paid-in capital in excess of par	13,000	
Decrease in retained earnings due to dividend declaration	(19,000)	
Net increase accounted for		(119,000)
Increase in retained earnings due to net income		\$ 54,000

**Q10:** Presented below is information related to Viel Company at December 31, 2017, the end of its first year of operations.

Sales revenue	\$310,000
Cost of goods sold	140,000
Selling and administrative expenses	50,000
Gain on sale of plant assets	30,000
Unrealized gain on available-for-sale investments	10,000
Interest expense	6,000
Loss on discontinued operations	12,000
Dividends declared and paid	5,000

**Instructions** Compute the following:

- income from operations,
- net income,
- comprehensive income, and
- retained earnings balance at December 31, 2017. (Ignore income tax effects.)

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**Solution**

Sales revenue	\$310,000
Cost of goods sold	<u>140,000</u>
Gross profit	170,000
Selling and administrative expenses	<u>50,000</u>
<b>Income from operations</b>	<b>120,000(a)</b>
Other revenues and gains	
Gain on sale of plant assets	30,000
Other expenses and losses	
Interest expense	<u>6,000</u>
Income from continuing operations	144,000
Loss on discontinued operations	<u>(12,000)</u>
<b>Net income</b>	<b>\$ 132,000(b)</b>
Net income	\$132,000
Unrealized gain on available-for-sale investments	<u>10,000</u>
<b>Comprehensive income</b>	<b>\$142,000(c)</b>
Net income	\$132,000
Dividends	<u>(5,000)</u>
<b>12/31/17 Retained earnings</b>	<b>\$127,000(d)</b>

- a. Income from operations      \$120,000
- b. Net income                      \$132,000
- c. Comprehensive income      \$142,000
- d. Retained earnings balance    \$127,000

**Q11: Presented below are selected ledger accounts of Tucker Corporation as of December 31, 2017.**

Cash	\$ 50,000
Administrative expenses	100,000
Selling expenses	80,000
Net sales	540,000
Cost of goods sold	210,000
Cash dividends declared (2017)	20,000
Cash dividends paid (2017)	15,000
Discontinued operations (loss before income taxes)	40,000
Depreciation expense, not recorded in 2016	30,000
Retained earnings, December 31, 2016	90,000
<b>Effective tax rate 30%</b>	

**Instructions**

- (a) Compute net income for 2017.
- (b) Prepare a partial income statement beginning with income from continuing operations before income tax, and including appropriate earnings per share information. Assume 10,000 shares of common stock were outstanding during 2017.

**Solution**

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(a)	Net sales	\$ 540,000
	Cost of goods sold	(210,000)
	Administrative expenses	(100,000)
	Selling expenses	(80,000)
	Discontinued operations-loss	<u>(40,000)</u>
	Income before income tax	110,000
	Income tax (\$110,000 X .30)	<u>33,000</u>
	Net income	<u>\$ 77,000</u>
(b)	Income from continuing operations before income tax	\$150,000*
	Income tax (\$150,000 X .30)	<u>45,000</u>
	Income from continuing operations	105,000
	Discontinued operations, less applicable income tax of	\$12,000
		<u>(28,000)</u>
	Net income	<u>\$ 77,000</u>
	*Income from income tax	\$110,000
	Discontinued operations	<u>40,000</u>
		<u>\$150,000</u>
<b>Earnings per share:</b>		
	Income from continuing operations (\$105,000 ÷ 10,000)	\$10.50
	Loss on discontinued operations, net of tax	<u>(2.80)</u>
	Net Income (\$77,000 ÷ 10,000)	<u>\$ 7.70</u>

**Q12: The stockholders' equity section of Hendly Corporation appears below as of December 31, 2017.**

8% preferred stock, \$50 par value, authorized 100,000 shares, outstanding 90,000 shares		\$ 4,500,000
Common stock, \$1.00 par, authorized and issued 10 million shares		10,000,000
Additional paid-in capital		20,500,000
Retained earnings	\$134,000,000	
Net income	<u>33,000,000</u>	<u>167,000,000</u>
		<u>\$202,000,000</u>

Net income for 2017 reflects a total effective tax rate of 34%. Included in the net income figure is a loss of \$18,000,000 (before tax) as a result of a non-recurring major casualty. Preferred stock dividends of \$360,000 were declared and paid in 2017. Dividends of \$1,000,000 were declared and paid to common stockholders in 2017.

**Instructions** Compute earnings per share data as it should appear on the income statement of Hendly Corporation.

**Solution**

Net income	\$33,000,000
<b>Less:</b> Provision for preferred dividends (8% of \$4,500,000)	<u>360,000</u>
Income available to common stockholders	32,640,000
Common stock shares	<u>÷10,000,000</u>
Earnings per share	<u>\$3.26*</u>
<b>Income statement presentation</b>	
Per share of common stock: Net income	<u>\$3.26</u>

**Q13:** Tim Mattke Company began operations in 2015 and for simplicity reasons, adopted weighted-average pricing for inventory. In 2017, in accordance with other companies in its industry, Mattke changed its inventory pricing to FIFO. The pretax income data is reported below.

Year	Weighted-Average	FIFO
2015	\$370,000	\$395,000
2016	390,000	430,000
2017	410,000	450,000

**Instructions**

- What is Mattke's net income in 2017? Assume a 35% tax rate in all years.
- Compute the cumulative effect of the change in accounting principle from weighted-average to FIFO inventory pricing.
- Show comparative income statements for Tim Mattke Company, beginning with income before income tax, as presented on the 2017 income statement

**Solution****(a) 2017**

Income before income tax	\$450,000
Income tax (35%)	157,500
Net Income	<u>\$292,500</u>

**(b) Cumulative effect for years prior to 2017.**

Year	Weighted- Average	FIFO	Difference	Tax Rate (35%)	Net Effect
2015	\$370,000	\$395,000	\$25,000		
2016	390,000	430,000	40,000		
		<b>Total</b>	\$65,000	\$22,750	\$42,250

(c)		2017	2016	2015
	Income before income tax	\$450,000	\$430,000	\$395,000
	Income tax (35%)	157,500	150,500	138,250
	Net income	\$292,500	\$279,500	\$256,750

**Q14:** Maher Inc. reported income from continuing operations before taxes during 2017 of \$790,000. Additional transactions occurring in 2017 but not considered in the \$790,000 are as follows.

- The corporation experienced an uninsured flood loss in the amount of \$90,000 during the year.
- At the beginning of 2015, the corporation purchased a machine for \$54,000 (salvage value of \$9,000) that had a useful life of 6 years. The bookkeeper used straight-line depreciation for 2015, 2016, and 2017, but failed to deduct the salvage value in computing the depreciation base.
- Sale of securities held as a part of its portfolio resulted in a loss of \$57,000 (pretax).
- When its president died, the corporation realized \$150,000 from an insurance policy. The cash surrender value of this policy had been carried on the books as an investment in the amount of \$46,000 (the gain is nontaxable).
- The corporation disposed of its recreational division at a loss of \$115,000 before taxes. Assume that this transaction meets the criteria for discontinued operations.
- The corporation decided to change its method of inventory pricing from average-cost to the FIFO method. The effect of this change on prior years is to increase 2015 income by \$60,000 and decrease 2016 income by \$20,000 before taxes. The FIFO method has been used for 2017. The tax rate on these items is 40%

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**Instructions** Prepare an income statement for the year 2017 starting with income from continuing operations before taxes. Compute earnings per share as it should be shown on the face of the income statement. Common shares outstanding for the year are 120,000 shares. (Assume a tax rate of 30% on all items, unless indicated otherwise.)

**Solution**

(a) <b>Computation of income from cont. operations before taxes:</b>		
As previously stated, <b>(Before Tax)</b>		\$790,000
<b>Loss</b> on sale of securities		57,000
<b>Gain</b> on proceeds of life insurance policy (\$150,000 – \$46,000)		104,000
<b>Flood Loss</b>		90,000
Error in computation of depreciation		
As computed (\$54,000 ÷ 6)	\$9,000	
Corrected (\$54,000 – \$9,000) ÷ 6	(7,500)	1,500
As restated		\$748,500

(b) <b>Computation of income tax:</b>		
Income from continuing operations before taxes		\$748,500
Nontaxable income (gain on life insurance)		(104,000)
Taxable income		644,500
Tax rate	X .30	
Income tax		\$193,350
Income From Continuing Operations (After Tax)		\$555,150
<b>Discontinued Operations:</b>		
Loss on disposal of recreation unit, Net of #34,500 Tax Saving	(80,500)	
<b>Net Income</b>		<b>\$474,650</b>
<b>Earnings per share calculations:</b>		
From Continuing Operations		4.62
From Discontinued Operations		(0.67)
<b>Net income EPS</b>		<b>\$3.95</b>

**أسايمنت تشابتر 4 وحله :**

**Q15:** Bas Baladi for the marketing of cooperative agricultural products is a company based in Ramallah. It operates two separate major divisions: Organic Food division, and Beverage division. On December 31, 2021, Bas Baladi had **\$327,000 operating Income**.

**Required:**

- a. Based on the below information (A-G). Use the following format to prepare the statement of comprehensive income. **(Assume the tax rate is 20%)**

**Note: Some of the items provided will not affect the statement of comprehensive income.**

<b>A.</b>	During 2021, the entity discovered that there's an error in the calculation of pension expense for 2020. The error overstated income before tax by \$17,000.
<b>B.</b>	Flood in Ramallah's farmland caused the company a loss of \$11,000. They received insurance coverage of \$6,500. Assume floods are common in Ramallah.
<b>C.</b>	Bas Baladi decided to dispose of the Beverage division at the beginning of 2021. The Beverage division recognized a loss from operations of \$150,000 before tax for the year ended 31 December 2021. The division was sold for \$1,000,000, while the carrying value of the division's assets was \$900,000.

D.	In 2020 Bas Baladi purchased 10,000 shares of Padico stock at \$1.2 per share. The stocks were categorized as a trading security. During 2021, the company received cash dividends of \$ 0.05 per share.
E.	Until 2021, the company has used weighted average, and on January 1 <sup>st</sup> , 2021. It has decided to switch to FIFO. The cumulative effect of this change is \$60,000 before tax.
F.	The company suffered a \$10,000 loss before tax from foreign currency translation of its subsidiary's financial statements.
G.	Minority interest in net income amounted to \$22,480.

Statement of Comprehensive income for the year ended December 31 <sup>st</sup> , 2021	
Operating Income	\$327,000
Other Revenues and Gains	
Dividend Revenue (10,000 * \$ 0.05)	\$500
Other Expenses and Losses	
Flood Loss (11,000 – 6,500)	(4,500)
Income from continuing operations before tax	323,000
Income Tax Expense (323,000 * 20%)	(64,600)
Income from Continuing Operations, after tax	258,400
Discontinued Operations	
Loss from operations of beverage division 150,000	
Less: applicable Income Tax Saving (150,000*20%) 30,000	(120,000)
Income on sale of beverage division 100,000	
Less: applicable Income Tax Expense (100,000*20%) 20,000	80,000
Net Income	218,400
Less: Non-Controlling Interest	(22,480)
Net income attributable to controlling interest	195,920
Other Comprehensive Income	
Foreign Currency Translation Loss (10,000*80%)	(8,000)
Comprehensive Income	\$ 187,920

Bas Baladi. reported retained earnings of \$250,000, accumulated other comprehensive income of \$70,000 at December 31, 2020. The common shares outstanding for the year are 100,000 shares. The following also occurred during 2021:

Preferred dividends declared \$30,000.

Common dividends declared \$50,000.

(b) Based on the above information, calculate the followings:

Per Share Common Stock	
Income from Continuing Operations (258,400 – 30,000) / 100,000	2.284
Loss from operations of beverage division (120,000/100,000)	(1.20)
Income on sale of beverage division (80,000/100,000)	0.80
Net Income (218,400 – 30,000) / 100,000	1.884

(c) Based on the above information, use the following format to determine the amount of accumulated other comprehensive income for the year ended December 31, 2021.

Accumulated Other Comprehensive Income January 1, 2021	<b>\$70,000</b>
Other Comprehensive Income	
Foreign Currency Translation Loss <b>(10,000*80%)</b>	<b>(8,000)</b>
Accumulated Other Comprehensive Income December 31, 2021	<b>\$62,000</b>

(d) Based on the above information, use the following format to prepare a retained earnings statement for the year ended December 31, 2021.

<b>Bas Baladi Company</b> <b>Retained Earnings Statement</b> <b>For the year ended December 31, 2021</b>	
Retained Earnings January 1, 2021	<b>\$250,000</b>
Prior Period adjustment: Error correction- pension expense <b>(17,000 *80%)</b>	<b>(13,600)</b>
Change in accounting method (weighted average to FIFO) <b>(60,000 *80%)</b>	<b>48,000</b>
Balance, January 1, as restated	<b>284,400</b>
Add: Net Income	<b>218,400</b>
Less: Cash Dividends	<b>(80,000)</b>
Retained Earnings December 31, 2021	<b>\$422,800</b>

# END OF CHAPTER 4

# CHAPTER 5

## Balance Sheet and Statement of Cash Flows

## الميزانية العمومية وبيان التدفقات النقدية



## BALANCE SHEET الميزانية العمومية

Balance Sheet, sometimes referred to as the **statement of financial position**:

الميزانية العمومية ، يشار إليها أحياناً باسم بيان المركز المالي:

1. Reports assets, liabilities, and equity at a specific date.  
تقارير الأصول والالتزامات وحقوق الملكية في تاريخ محدد.
2. Provides information about resources, obligations to creditors, and equity in net resources.  
يوفر معلومات حول الموارد والالتزامات تجاه الدائنين وحقوق الملكية في صافي الموارد.
3. Helps in predicting amounts, timing, and uncertainty of future cash flows.  
يساعد في التنبؤ بالمبالغ والتوقيت وعدم التأكد من التدفقات النقدية المستقبلية.

## Usefulness of the Balance Sheet فائدة الميزانية العمومية

- ◆ Computing rates of return. حساب معدلات العائد
- ◆ Evaluating the capital structure. تقييم هيكل رأس المال
- ◆ Assess risk and future cash flows. تقييم المخاطر و التدفقات النقدية المستقبلية
- ◆ Analyze the company's: تحليل الشركة من ناحية
  - ▶ Liquidity, السيولة
  - ▶ Solvency, and الملاءة المالية
  - ▶ Financial flexibility. المرونة المالية

## Limitations of the Balance Sheet حدود الميزانية العمومية

1. Most assets and liabilities are reported at historical cost.  
يتم تسجيل معظم الأصول والالتزامات بالتكلفة التاريخية.
2. Use of judgments and estimates. استخدام الأحكام والتقديرات
3. Many items of financial value are omitted.  
تم حذف العديد من البنود ذات القيمة المالية

## Classification in the Balance Sheet التصنيف في الميزانية العمومية

1. **ASSETS.** Probable future economic benefits obtained or controlled by a particular entity as a result of past transactions or events.  
الأصول. منافع اقتصادية مستقبلية محتملة تم الحصول عليها أو السيطرة عليها من قبل كيان معين نتيجة لمعاملات أو أحداث سابقة.
2. **LIABILITIES.** Probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.  
الالتزامات. التضحيات المستقبلية المحتملة للمنافع الاقتصادية الناشئة عن الالتزامات الحالية لكيان معين لتحويل الأصول أو تقديم خدمات لمنشآت أخرى في المستقبل نتيجة لمعاملات أو أحداث سابقة.
3. **EQUITY.** Residual interest in the assets of an entity that remains after deducting its liabilities. In a business enterprise, the equity is the ownership interest.  
حقوق المساهمين / الملكية. الفائدة المتبقية في أصول الكيان التي تبقى بعد خصم التزاماتها. في مؤسسة تجارية ، حقوق الملكية هي حصة الملكية.

ASSETS	LIABILITIES AND OWNERS' EQUITY
Current assets	Current liabilities
Long-term investments	Long-term debt
Property, plant, and equipment	Owners' (stockholders') equity
Intangible assets	
Other assets	

In practice you usually see little departure from these major subdivisions.

من الناحية العملية ، عادة ما ترى القليل من الابتعاد عن هذه التقسيمات الفرعية الرئيسية.

## Current assets الأصول المتداولة

- ◆ Cash and other assets a company expects to convert into cash, sell, or consume either in one year or in the operating cycle, whichever is longer.  
النقد والأصول الأخرى التي تتوقع الشركة تحويلها إلى نقد أو بيعها أو استهلاكها إما في عام واحد أو في دورة التشغيل ، أيهما أطول
- ◆ Presented in the balance sheet in order of liquidity. معروضة في الميزانية العمومية بترتيب السيولة

Item	Basis of valuation
Cash and cash equivalents	Fair value
Short-term investments	Generally, fair value
Receivables	Estimated amount collectible
Inventories	Lower of cost or net realizable value/market
Prepaid expenses	Cost

## Cash النقد

- ◆ Generally, any monies available "on demand." بشكل عام ، أي أموال متاحة "عند الطلب"
- ◆ Cash equivalents - short-term highly liquid investments that mature within three months or less. معادلات النقد - استثمارات قصيرة الأجل عالية السيولة تستحق خلال ثلاثة أشهر أو أقل
- ◆ Restrictions or commitments must be disclosed. يجب الإفصاح عن القيود أو الالتزامات

## Short-Term Investments استثمارات قصيرة الأجل

Portfolios	Type	Valuation	Classification
Held-to-Maturity	Debt	Amortized Cost	Current or Noncurrent
Trading	Debt or Equity	Fair Value	Current
Available- for-Sale	Debt or Equity	Fair Value	Current or Noncurrent

## Receivables الذمم المدينة

Major categories of receivables should be shown in the balance sheet or the related notes.

يجب إظهار الفئات الرئيسية للذمم المدينة في الميزانية العمومية أو الملاحظات ذات الصلة.

A company should clearly identify

يجب أن تحدد الشركة بوضوح

- ◆ Anticipated loss due to uncollectable. الخسارة المتوقعة بسبب عدم إمكانية تحصيلها
- ◆ Amount and nature of any nontrade receivables. مقدار وطبيعة أي ذمم مدينة غير تجارية
- ◆ Receivables used as collateral. الذمم المدينة المستخدمة كضمان

## Inventories المخزون

Disclose: الإفصاح عن

- ▶ Basis of valuation (e.g., lower-of-cost-or-market). أساس التقييم (على سبيل المثال ، أقل من التكلفة أو السوق)
- ▶ Cost flow assumption (e.g., FIFO or LIFO). افتراض تدفق التكلفة (على سبيل المثال ، FIFO أو LIFO)

## Prepaid Expenses المصاريف المدفوعة مسبقا

Payment of cash, that is recorded as an asset because service or benefit will be received in the future.

الدفع النقدي المسجل كأصل لأنه سيتم استلام الخدمة أو المزايا في المستقبل.

Cash Payment before Expenses Recorded

الدفع النقدي قبل تسجيل المصروفات

Prepayments often occur in regard to:

غالبًا ما تحدث المدفوعات المسبقة فيما يتعلق بما يلي

◆ Insurance التأمين	◆ Rent الإيجار
◆ Supplies اللوازم	◆ Taxes الضرائب
◆ Advertising الدعاية	

## Summary الملخص

Cash and other assets a company expects to النقد والأصول الأخرى التي تتوقعها الشركة

- ◆ convert into cash, تحويلها إلى نقد
- ◆ sell, or بيعها
- ◆ consume استهلاكها

either in one year or in the operating cycle, whichever is longer.

إما في عام واحد أو في دورة التشغيل ، أيهما أطول

Current assets	
Cash	\$ 285,000
ST Investments	140,000
Accounts receivable	777,000
Inventory	402,000
Prepaid expenses	170,000
<b>Total current assets</b>	<b>1,774,000</b>

## Noncurrent Assets الموجودات غير المتداولة

### Short-Term Investments استثمارات قصيرة الأجل

1. **Securities** (bonds, common stock, or long-term notes).

الأوراق المالية (السندات ، الأسهم العادية ، أو السندات طويلة الأجل)

For marketable securities, management's intent determines current or noncurrent classification.

بالنسبة للأوراق المالية القابلة للتداول ، تحدد نية الإدارة التصنيف الحالي أو غير المتداول.

2. **Tangible fixed assets** not currently used in operations (land held for speculation).

الأصول الثابتة الملموسة غير المستخدمة حاليًا في العمليات (الأراضي المحتفظ بها للمضاربة)

3. **Special funds** (sinking fund, pension fund, plant expansion fund, or cash surrender value of life insurance).

الصناديق الخاصة (صندوق الغرق ، صندوق التقاعد ، صندوق التوسع في المصنع ، أو قيمة الاسترداد النقدي للتأمين على الحياة)

4. **Nonconsolidated subsidiaries or affiliated companies.**

الشركات التابعة غير الموحدة أو الشركات التابعة

Portfolios	Type	Valuation	Classification
Held-to-Maturity	Debt	Amortized Cost	Current or Noncurrent
Trading	Debt or Equity	Fair Value	Current
Available- for-Sale	Debt or Equity	Fair Value	Current or Noncurrent

### Securities

Bonds, السندات

Stock, الأسهم

Long-term notes السندات طويلة الأجل

### Fixed Assets الأصول الثابتة

Land held for speculation أرض محتفظ بها للمضاربة

### Special Funds الصناديق الخاصة

- ◆ Sinking fund صندوق الغرق
- ◆ Pensions fund صندوق التقاعد
- ◆ Cash surrender value of life insurance قيمة الاسترداد النقدي للتأمين على الحياة

### Investments:

Investment in ABC bonds	321,657
Investment in UC Inc.	253,980
Notes receivable	150,000
Land held for speculation	550,000
Sinking fund	225,000
Pension fund	653,798
Cash surrender value	84,321
Investment in Uncon. Sub.	457,836
<b>Total investments</b>	<b>2,696,592</b>

### Nonconsolidated Subsidiaries or Affiliated Companies الشركات التابعة غير الموحدة أو الشركات التابعة

### Property, Plant, and Equipment (PP&E) الممتلكات والآلات والمعدات

Tangible long-lived assets used in the regular operations of the business.

الأصول الملموسة طويلة العمر المستخدمة في العمليات العادية للشركة

- ◆ **Physical property** such as land, buildings, machinery, furniture, tools, and wasting resources (minerals).

الممتلكات المادية مثل الأراضي والمباني والآلات والأثاث والأدوات وهدر الموارد (المعادن)

- ◆ With the exception of land, a company either depreciates (e.g., buildings) or depletes (e.g., oil reserves) these assets.

باستثناء الأرض ، فإن الشركة إما تستهلك (على سبيل المثال ، المباني) أو تستنفد (على سبيل المثال ، احتياطات النفط) هذه الأصول.

Property, Plant, and Equip.	
Building	1,375,778
Land	975,000
Machinery and equipment	234,958
Capital leases	384,650
Leasehold improvements	175,000
Accumulated depreciation	(975,000)
<b>Total PP&amp;E</b>	<b>2,170,386</b>

A company discloses the basis it uses to value property, plant, and equipment.

تفصح الشركة عن الأساس الذي تستخدمه لتقييم الممتلكات والألات والمعدات.

### Intangible Assets الأصول غير الملموسة

Lack physical substance and are not financial instruments.

تفتقر إلى الجوهر المادي وليست أدوات مالية

- ◆ Limited life intangibles amortized.

الأصول غير الملموسة المحدودة العمر المستهلكة

- ◆ Indefinite-life intangibles tested for impairment.

تم اختبار الأصول غير الملموسة غير المحددة العمر للتحقق من وجود ضعف.

Intangibles	
Goodwill	2,000,000
Patents	177,000
Trademark	40,000
Franchises	125,000
Copyright	55,000
Total intangibles	2,397,000

**Ex:** Paltel Corporation adjusted trial balance contained the following asset accounts at December 31, 2017: Prepaid Rent \$12,000; Goodwill \$50,000; Franchise Fees Receivable \$2,000; Franchises \$47,000; Patents \$33,000; Trademarks \$10,000. Prepare the intangible assets section of the balance sheet.

احتوى الرصيد التجريبي المعدل لشركة بالتل على حسابات الأصول التالية في 31 ديسمبر 2017: الإيجار المدفوع مقدماً 12000 دولار؛ الشهرة 50000 دولار؛ رسوم الامتياز المستحقة القبض 2000 دولار؛ الامتيازات 47000 دولار؛ براءات الاختراع 33000 دولار؛ العلامات التجارية 10000 دولار. قم بإعداد قسم الأصول غير الملموسة في الميزانية العمومية.

$$\text{Intangible Assets} = \text{Goodwill} + \text{Franchises} + \text{Patents} + \text{Trademarks} \\ = \$50,000 + 47,000 + 33,000 + 10,000 = \underline{\$140,000}$$

### Other Assets الأصول الأخرى

This section should include only unusual items sufficiently different from assets in the other categories.

يجب أن يتضمن هذا القسم فقط العناصر غير المعتادة التي تختلف بدرجة كافية عن الأصول في الفئات الأخرى.

Items vary in practice. Can include

تختلف العناصر في الممارسة. يمكن أن تشمل

- ◆ Long-term prepaid expenses
- ◆ Non-current receivables
- ◆ Assets in special funds
- ◆ Deferred income taxes
- ◆ Property held for sale
- ◆ Restricted cash or securities

المصاريف طويلة الأجل المدفوعة مسبقاً  
ذمم مدينة غير متداولة  
الأصول في الصناديق الخاصة  
ضرائب الدخل المؤجلة  
ممتلكات محتفظ بها للبيع  
النقد أو الأوراق المالية المقيدة

Other assets	
Prepaid pension costs	133,000
Deferred income tax	40,000
Total other	173,000

### Liabilities الإلتزامات

Companies classify liabilities as current or long-term.

تصنف الشركات الإلتزامات على أنها متداولة أو طويلة الأجل

#### Current Liabilities الإلتزامات المتداولة

Obligations that a company reasonably expects to liquidate either through the use of current assets or the creation of other current liabilities.

الإلتزامات التي تتوقع الشركة بشكل معقول تصفيتها إما من خلال استخدام الأصول المتداولة أو إنشاء التزامات متداولة أخرى.

Current liabilities	
Notes payable	\$ 233,450
Accounts payable	131,800
Accrued compensation	43,000
Unearned revenue	17,000
Income tax payable	23,400
Current maturities LT debt	121,000
Total current liabilities	569,650

#### Long-Term Liabilities الإلتزامات طويلة الأجل

Obligations that a company does not reasonably expect to liquidate within the normal operating cycle.

الإلتزامات التي لا تتوقع الشركة بشكل معقول تصفيتها خلال دورة التشغيل العادية.

All covenants and restrictions must be disclosed.

يجب الإفصاح عن جميع العهود والقيود

Long-term liabilities	
Long-term debt	979,500
Obligations capital lease	345,800
Deferred income taxes	77,909
Total long-term liabilities	1,403,209

**Ex:** Included in Paltel Company's December 31, 2017, trial balance are the following accounts: Accounts Payable \$220,000; Pension Asset/Liability \$375,000; Discount on Bonds Payable \$29,000; Unearned Revenue \$41,000; Bonds Payable \$400,000; Salaries and Wages Payable \$27,000; Interest Payable \$12,000; Income Taxes Payable \$29,000. Prepare the long-term liabilities section of the balance sheet.

تم تضمين ميزان المراجعة في 31 كانون الأول (ديسمبر) 2017 لشركة بالنل : الحسابات الدائنة 220.000 دولار ؛ أصل التقاعد / الإلتزامات 375000 دولار ؛ خصم "تنزيلات" على السندات المستحقة الدفع 29000 دولار ؛ الإيرادات غير المكتسبة 41000 دولار ؛ سندات مستحقة الدفع 400000 دولار ؛ الرواتب والأجور المستحقة الدفع 27000 دولار ؛ فائدة مستحقة الدفع 12000 دولار ؛ ضرائب الدخل المستحقة الدفع 29000 دولار. قم بإعداد قسم الإلتزامات طويلة الأجل في الميزانية العمومية.

**Long-term liabilities** = Pension Asset/liability + Bonds payable – Discount on bonds payable  
= \$375,000 + 400,000 – 29,000 = **\$746,000**

### Owners' Equity الملكية حقوق

- ❖ **CAPITAL STOCK.** The par or stated value of the shares issued.  
أسهم رأس المال القيمة الاسمية أو المعلنة للأسهم المصدرة.
- ❖ **ADDITIONAL PAID-IN CAPITAL.** The excess of amounts paid in over the par or stated value.  
رأس المال الإضافي المدفوع زيادة المبالغ المدفوعة على القيمة الاسمية أو المذكورة.
- ❖ **RETAINED EARNINGS.** The corporation's undistributed earnings.  
الأرباح المحتجزة أرباح الشركة غير الموزعة.
- ❖ **ACCUMULATED OTHER COMPREHENSIVE INCOME.** The aggregate amount of the other comprehensive income items.  
الدخل الشامل الآخر المتراكم المبلغ الإجمالي لبنود الدخل الشامل الأخرى.
- ❖ **TREASURY STOCK.** Generally, the cost of shares repurchased.  
أسهم الخزانة بشكل عام ، تكلفة الأسهم المعاد شرائها.
- ❖ **NONCONTROLLING INTEREST (MINORITY INTEREST).** A portion of the equity of subsidiaries not wholly owned by the reporting company  
مصلحة غير مسيطرة (مصلحة الأقلية). جزء من حقوق ملكية الشركات التابعة غير مملوك بالكامل من قبل الشركة المبلغة

Equity	
Preferred stock, \$0.001 par value, 50,000,000 shares authorized, 3,614,923 shares issued and outstanding	\$ 207,356
Common stock, \$0.001 par value, 1,000,000,000 shares authorized, 707,507,982 shares issued and outstanding	708
Capital in excess of par value	5,444,705
Accumulated other comprehensive income	129,519
Retained earnings	880,703
Total Las Vegas Sands Corp. stockholders' equity	6,662,991
Noncontrolling interests	1,268,197
Total equity	\$7,931,188

### Classified Balance Sheet الميزانية العمومية المصنفة

- ◆ **Account form** استثمار الحساب
- ◆ **Report form** نموذج تقرير

#### Account form استثمار الحساب

The balance sheet is displayed by account in its horizontal display: the assets are on the left side only and their sum, while the liabilities and equity are on the right side and their sum is equal to the total assets on the left side

يتم عرض الميزانية العمومية حسب الحساب في عرضه الأفقي: الأصول موجودة على الجانب الأيسر فقط ومجموعها ، بينما الإلتزامات وحقوق الملكية على الجانب الأيمن ومجموعها يساوي إجمالي الأصول على الجانب الأيسر



## Report form نموذج تقرير

The presentation of balance sheet information meets the objective of financial reporting—to provide information about entity resources, claims to resources, and changes in them.

إن عرض معلومات الميزانية العمومية يلبي هدف التقرير المالي - لتوفير معلومات حول موارد الكيان والمطالبات بالموارد والتغيرات فيها.

Here, the data is displayed vertically: assets are at the top, while liabilities and equity are at the bottom

تكون هنا معروضة البيانات بشكل عمودي : تكون الأصول في الأعلى بينما الإلتزامات و حقوق الملكية في الأسفل

## Statement of Cash Flows بيان التدفقات النقدية

### Usefulness of the Statement of Cash Flows فائدة بيان التدفقات النقدية

Provides information to help assess: يوفر معلومات للمساعدة في تقييم

1. Entity's ability to generate future cash flows. قدرة الكيان على توليد التدفقات النقدية المستقبلية
2. Entity's ability to pay dividends and obligations. قدرة الكيان على دفع أرباح الأسهم والالتزامات
3. Reasons for difference between net income and net cash provided (used) by operating activities. أسباب الاختلاف بين صافي الدخل وصافي النقد المقدم (المستخدم) حسب الأنشطة التشغيلية.
4. Cash investing and financing transactions during the period. عمليات الاستثمار والتمويل النقدي خلال الفترة

### Classification of Cash Flows تصنيف التدفقات النقدية

1. Operating Activities: Income Statement Items أنشطة التشغيل: بنود قائمة الدخل
2. Investing Activities: Changes in Investments and Long-Term Asset Items أنشطة الاستثمار: التغيرات في الاستثمارات وبنود الأصول طويلة الأجل
3. Financing Activities: Changes in Long-Term Liabilities and Stockholders' Equity Items أنشطة التمويل: التغيرات في المطلوبات طويلة الأجل وبنود حقوق المساهمين

#### 1. Operating activities—Income statement items أنشطة التشغيل - بنود بيان الدخل

Cash inflows: التدفقات النقدية الداخلة

From sale of goods or services.

من بيع السلع أو الخدمات

From interest received and dividends received. من الفوائد المستلمة والأرباح المستلمة

Cash outflows: التدفقات النقدية الخارجة

To suppliers for inventory.

للموردين للمخزون

To employees for wages.

للموظفين الأجور

To government for taxes.

للحكومة للضرائب

To lenders for interest.

للمقرضين من أجل الفائدة

To others for expenses.

للمصاريف الأخرى

#### 2. Investing activities—Changes in investments and long-term assets

أنشطة الاستثمار - التغيرات في الاستثمارات والأصول طويلة الأجل

Cash inflows: التدفقات النقدية الداخلة

From sale of property, plant, and equipment.

من بيع الممتلكات والألات والمعدات

From sale of investments in debt or equity securities of other entities.

من بيع استثمارات في سندات دين أو حقوق ملكية لكيانات أخرى

From collection of principals on loans to other entities.

من تحصيل أصل القروض إلى كيانات أخرى

Cash outflows: التدفقات النقدية الخارجة

To purchase property, plant, and equipment.

لشراء الممتلكات والألات والمعدات

To purchase investments in debt or equity securities of other entities.

لشراء استثمارات في سندات دين أو حقوق ملكية لكيانات أخرى

To make loans to other entities.

لتقديم قروض لجهات أخرى

### 3. Financing activities—Changes in long-term liabilities and stockholders' equity

أنشطة التمويل - التغييرات في المطلوبات طويلة الأجل وحقوق المساهمين

Cash inflows: التدفقات النقدية الداخلة

From sale of common stock. من بيع الأسهم العادية

From issuance of debt (bonds and notes). من إصدار الدين (سندات و مذكرات "كمبيالات")

Cash outflows: التدفقات النقدية الخارجة

To stockholders as dividends. للمساهمين كأرباح

To redeem long-term debt or reacquire capital stock (treasury stock).

لاسترداد الديون طويلة الأجل أو إعادة شراء رأس المال (أسهم الخزينة)

#### Significant Noncash Activities أنشطة غير نقدية مهمة

1. Direct issuance of common stock to purchase assets. الإصدار المباشر للأسهم العادية لشراء الأصول
2. Conversion of bonds into common stock. تحويل السندات إلى أسهم عادية
3. Issuance of debt to purchase assets. إصدار دين لشراء الأصول
4. Exchanges of plant assets. تبادل أصول المصنع

Companies report noncash activities in either a

تبلغ الشركات عن الأنشطة غير النقدية في أي من

◆ separate schedule (bottom of the statement) or

جدول منفصل (أسفل البيان) أو

◆ separate note to the financial statements.

ملاحظة منفصلة على البيانات المالية

Cash Flows Methods: طرق حساب التدفقات النقدية

- Direct Method الطريقة المباشرة
- Indirect Method الطريقة غير المباشرة

ملاحظة : نسبة استخدام الطريقة غير المباشرة في التدفقات النقدية هي 98% بينما الطريقة المباشرة 2%

#### Preparing the Statement of Cash Flows اعداد بيان التدفقات النقدية

Three Sources of Information:

ثلاثة مصادر للمعلومات

1. Comparative balance sheets مقارنة الميزانيات
2. Current income statement بيان الدخل الحالي
3. Additional information معلومات إضافية

Companies favor the indirect method for two reasons:

تفضل الشركات الطريقة غير المباشرة لسببين

1. Easier and less costly to prepare. أسهل وأقل تكلفة للتحضير
2. Focuses on differences between net income and net cash flow from operating activities

يركز على الفروق بين صافي الدخل وصافي التدفق النقدي من الأنشطة التشغيلية

#### Indirect Method

XYZ COMPANY Income Statement For the Year Ended December 31,2014		
Sales Revenue		\$507,000
Cost of Goods Sold	\$150,000	
Operating Expenses (excluding Depreciation)	111,000	
Depreciation Expense	9,000	
Loss on disposal of equipment	3,000	
Interest Expense	<u>42,000</u>	<u>315,000</u>
Income Before income Tax		192,000
Income Tax Expense		<u>47,000</u>
Net Income		\$145,000

XYZ COMPANY Comparative Balance Sheets December 31			
Assets	2014	2013	Change in Account Balance Increase/Decrease
<b>Current assets</b>			
Cash	\$ 55,000	\$ 33,000	\$ 22,000 Increase
Accounts receivable	20,000	30,000	10,000 Decrease
Inventory	15,000	10,000	5,000 Increase
Prepaid expenses	5,000	1,000	4,000 Increase
<b>Property, plant, and equipment</b>			
Land	130,000	20,000	110,000 Increase
Buildings	160,000	40,000	120,000 Increase
Accumulated depreciation—buildings	(11,000)	(5,000)	6,000 Increase
Equipment	27,000	10,000	17,000 Increase
Accumulated depreciation—equipment	(3,000)	(1,000)	2,000 Increase
<b>Total assets</b>	<b>\$398,000</b>	<b>\$138,000</b>	
<b>Liabilities and Stockholders' Equity</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 28,000	\$ 12,000	\$ 16,000 Increase
Income taxes payable	6,000	8,000	2,000 Decrease
<b>Long-term liabilities</b>			
Bonds payable	130,000	20,000	110,000 Increase
<b>Stockholders' equity</b>			
Common stock	70,000	50,000	20,000 Increase
Retained earnings	164,000	48,000	116,000 Increase
<b>Total liabilities and stockholders' equity</b>	<b>\$398,000</b>	<b>\$138,000</b>	

**Additional information for 2014:**

**معلومات إضافية لعام 2014**

- Depreciation expense was comprised of \$6,000 for building and \$3,000 for equipment.  
تتألف مصروفات الإستهلاك من 6000 دولار للمبنى و 3000 دولار للمعدات.
- The company sold equipment with a book value of \$7,000 (cost \$8,000, less accumulated depreciation \$1,000) for \$4,000 cash.  
باعت الشركة معدات بقيمة دفترية قدرها \$7000 (تكلفتها \$8000 ، مطروحاً منها الإستهلاك المتراكم \$1000) مقابل \$4000 نقداً
- Issued \$110,000 of long-term bonds in direct exchange for land.  
إصدار 110.000 دولار من السندات طويلة الأجل في تبادل مباشر للأرض.
- A building costing \$120,000 was purchased for cash. Equipment costing \$25,000 was also purchased for cash.  
تم شراء مبنى تكلفته 120.000 دولار نقداً. كما تم شراء معدات تبلغ تكلفتها 25000 دولار نقداً
- Issued common stock for \$20,000 cash.  
أصدرت الأسهم العادية بمبلغ 20000 دولار نقداً
- The company declared and paid a \$29,000 cash dividend.  
أعلنت الشركة عن توزيع أرباح نقدية بقيمة 29 ألف دولار ودفعتها

**Answer:**

**Step 1: Operating Activities** الخطوة 1: أنشطة التشغيل

Determine net cash provided/used by operating activities by **converting** net income from accrual basis to cash basis.

تحديد صافي النقد المقدم / المستخدم بواسطة الأنشطة التشغيلية عن طريق تحويل صافي الدخل من أساس الاستحقاق إلى الأساس النقدي.



### Common adjustments to Net Income (Loss):

### التعديلات الشائعة لصافي الدخل (الخسارة)

- ◆ Add back non-cash expenses (depreciation, amortization, or depletion expense).  
أضف المصروفات غير النقدية مرة أخرى (مصروفات الاستهلاك).
- ◆ Deduct gains and add losses.  
اقتطع "نقص" المكاسب واضف الخسائر
- ◆ Changes in noncash current assets and current liabilities.  
التغيرات في الأصول المتداولة غير النقدية والمطلوبات المتداولة.

### Depreciation Expense مصاريف الاستهلاك

Although depreciation expense reduces net income, it does not reduce cash. The company must add it back to net income.

على الرغم من أن مصروفات الاستهلاك تقلل من صافي الدخل ، إلا أنها لا تقلل من النقد. يجب على الشركة إضافته مرة أخرى إلى صافي الدخل.

### Loss on Disposal of Equipment الخسارة الناتجة عن التخلص من المعدات

Companies report as a source of cash in the investing activities section the actual amount of cash received from the sale.

- ◆ Any **loss** on disposal is **added** to net income in the operating section.  
يتم إضافة أي خسارة ناتجة عن الاستبعاد إلى صافي الدخل في قسم التشغيل.
- ◆ Any **gain** on disposal is **deducted** from net income in the operating section.  
يتم خصم أي مكاسب ناتجة عن الاستبعاد من صافي الدخل في قسم التشغيل.

### Changes to Noncash Current Asset Accounts التغيرات في حسابات الأصول الجارية غير النقدية

- When the **Accounts Receivable** balance **decreases**, cash receipts are higher than revenue earned under the accrual basis.

عندما ينخفض رصيد الحسابات المدينة ، تكون الإيصالات النقدية أعلى من الإيرادات المحققة بموجب أساس الاستحقاق.

Accounts Receivable			
1/1/014	Balance	30,000	Receipts from customers 517,000
	Revenues	507,000	
12/31/14	Balance	20,000	

Company adds to net income the amount of the decrease in accounts receivable.

تضيف الشركة إلى صافي الدخل مبلغ الانخفاض في الذمم المدينة.

- When the **Inventory** balance **increases**, the cost of merchandise purchased exceeds the cost of goods sold.

عندما يزيد رصيد المخزون ، تتجاوز تكلفة البضائع المشتراة تكلفة البضائع المباعة.

Inventory			
1/1/14	Balance	10,000	Cost of goods sold 150,000
	Purchases	155,000	
12/31/14	Balance	15,000	

Cost of goods sold does not reflect cash payments made for merchandise. The company deducts from net income this inventory increase.

لا تعكس تكلفة البضائع المباعة المدفوعات النقدية التي يتم سدادها مقابل البضائع. تقوم الشركة بخصم هذه الزيادة في المخزون من صافي الدخل.

- When the **Prepaid Expense** balance **increases**, cash paid for expenses is higher than expenses reported on an accrual basis. The company **deducts the decrease** from net income to arrive at net cash provided by operating activities.

عندما يزيد رصيد المصروفات المدفوعة مسبقًا ، يكون النقد المدفوع للمصروفات أعلى من المصروفات المبلغ عنها على أساس الاستحقاق. تقوم الشركة بخصم النقص من صافي الدخل للوصول إلى صافي النقد الناتج عن الأنشطة التشغيلية.

If **prepaid expenses decrease**, reported expenses are higher than the expenses paid.

في حالة انخفاض النفقات المدفوعة مسبقًا ، تكون النفقات المبلغ عنها أعلى من النفقات المدفوعة.

- When **Accounts Payable increases**, the company received more in goods than it actually paid for. The **increase is added** to net income to determine net cash provided by operating activities.

عندما تزداد الحسابات الدائنة ، تلقت الشركة في البضائع أكثر مما دفعته بالفعل. تضاف الزيادة إلى صافي الدخل لتحديد صافي النقد الناتج عن الأنشطة التشغيلية.

- When **Income Tax Payable decreases**, the income tax expense reported on the income statement was less than the amount of taxes paid during the period. The **decrease is subtracted** from net income to determine net cash provided by operating activities.

عندما تنخفض ضريبة الدخل المستحقة الدفع ، كانت مصروفات ضريبة الدخل المدرجة في بيان الدخل أقل من مبلغ الضرائب المدفوعة خلال الفترة. يتم طرح الانخفاض من صافي الدخل لتحديد صافي النقد الناتج عن الأنشطة التشغيلية.

Cash flows from operating activities:	
Net income	\$ 145,000
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation expense	9,000
Loss on disposal of equipment	3,000
Decrease in accounts receivable	10,000
Increase in inventory	(5,000)
Increase in prepaid expenses	(4,000)
Increase in accounts payable	16,000
Decrease in income taxes payable	(2,000)
Net cash provided by operating activities	\$ 172,000

#### Summary of Conversion to Net Cash Provided by Operating Activities—Indirect Method

ملخص التحويل إلى صافي النقد الذي توفره أنشطة التشغيل - الطريقة غير المباشرة

NON-Cash Charges	Depreciation, Depletion, Amortization expense	Add
Gains And Losses	Loss on disposal of plant assets	Add
	Gain on disposal of plant assets	Deduct
Changes in Current Assets and Current Liabilities	Increase in current asset account	Deduct
	Decrease in current asset account	Add
	Increase in current liability account	Add
	Decrease in current liability account	Deduct

#### Step 2: Investing Activities الخطوة الثانية: أنشطة الاستثمار

- Company purchased **land** of \$110,000 by issuing **long-term bonds**. This is a significant noncash **investing and financing** activity that merits disclosure in a separate schedule.

اشترت الشركة أرضًا بقيمة 110 آلاف دولار عن طريق إصدار سندات طويلة الأجل. هذا نشاط استثماري وتمويلي كبير غير نقدي يستحق الإفصاح عنه في جدول منفصل.

Land			
1/1/14	Balance	20,000	
	Issued bonds	110,000	
12/31/14	Balance	130,000	

  

Bonds Payable			
1/1/14	Balance	20,000	
	For land	110,000	
12/31/14	Balance	130,000	

- From the additional information, the company acquired an **office building** for \$120,000 cash. This is a cash outflow reported in the investing section.

من المعلومات الإضافية ، استحوذت الشركة على مبنى إداري بمبلغ 120 ألف دولار نقدًا. هذا هو التدفق النقدي الخارج المبلغ عنه في قسم الاستثمار.

Building			
1/1/14	Balance	40,000	
	Office building	120,000	
12/31/14	Balance	160,000	

- The additional information explains that the equipment increase resulted from two transactions: (1) a purchase of equipment of \$25,000, and (2) the sale for \$4,000 of equipment costing \$8,000.

توضح المعلومات الإضافية أن زيادة المعدات نتجت عن معاملتين: (1) شراء معدات بمبلغ 25000 دولار ، و (2) بيع معدات بمبلغ 4000 دولار بتكلفة 8000 دولار.

Equipment				
1/1/14	Balance	10,000	Equipment sold	8,000
	Purchase	25,000		
12/31/14	Balance	27,000		

**Journal Entry:** Cash 4,000  
 Accumulated depreciation 1,000  
 Loss on disposal of equipment 3,000  
 Equipment 8,000

Cash flows from investing activities:	
Purchase of building	(120,000)
Purchase of equipment	(25,000)
Sale of equipment	4,000
Net cash used by investing activities	(141,000)

### Step 3: Financing Activities الخطوة الثالثة: أنشطة التمويل

- The increase in common stock resulted from the issuance of new shares.

نتجت الزيادة في الأسهم العادية عن إصدار أسهم جديدة.

Common Stock			
1/1/14	Balance	50,000	
	Shares sold	20,000	
12/31/14	Balance	70,000	

- Retained earnings increased \$116,000 during the year. This increase can be explained by two factors: (1) Net income of \$145,000 increased retained earnings, and (2) Dividends of \$29,000 decreased retained earnings.

زادت الأرباح المحتجزة بمقدار 116 ألف دولار خلال العام. يمكن تفسير هذه الزيادة من خلال عاملين: (1) صافي الدخل البالغ 145000 دولار زيادة في الأرباح المحتجزة ، و (2) توزيعات أرباح بقيمة 29000 دولار انخفضت الأرباح المحتجزة.

Retained Earnings			
	1/1/14	Balance	48,000
Dividends	29,000	Net income	145,000
	12/31/14	Balance	164,000

Cash flows from financing activities:	
Issuance of common stock	20,000
Payment of cash dividends	(29,000)
<b>Net cash used by financing activities</b>	<b>(9,000)</b>

هسا احنا منجمعهم ومنطلع التدفقات النقدية خلال عام 2014

Cash flows from operating activities:	
<b>Net income</b>	<b>\$ 145,000</b>
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation expense	9,000
Loss on disposal of equipment	3,000
Decrease in accounts receivable	10,000
Increase in inventory	(5,000)
Increase in prepaid expenses	(4,000)
Increase in accounts payable	16,000
Decrease in income taxes payable	(2,000)
<b>Net cash provided by operating activities</b>	<b>172,000</b>
Cash flows from investing activities:	
Purchase of building	(120,000)
Purchase of equipment	(25,000)
Sale of equipment	4,000
<b>Net cash used by investing activities</b>	<b>(141,000)</b>
Cash flows from financing activities:	
Issuance of common stock	20,000
<b>Payment of cash dividends</b>	<b>(29,000)</b>
<b>Net cash used by financing activities</b>	<b>(9,000)</b>
<b>Net increase in cash</b>	<b>22,000</b>

#### الخطوة 4: صافي التغير في النقد Step 4: Net Change in Cash

Compare the net change in cash on the Statement of Cash Flows with the change in the cash account reported on the Balance Sheet to make sure the amounts agree.

قارن صافي التغير النقدي في بيان التدفقات النقدية بالتغيير في الحساب النقدي المسجل في الميزانية العمومية للتأكد من توافق المبالغ.

<b>Net increase in cash</b>	<b>22,000</b>
Cash at beginning of period	33,000
Cash at end of period	\$55,000

إذا الرقم زي ما اخذنا من المقارنة في الأصول معناها شغلنا صح ، غير هيك لا

#### استخدام التدفقات النقدية لتقييم الشركة Using Cash Flows to Evaluate a Company

**Free Cash Flow** = Net cash Provided by operating Activities – capital Expenditures – Cash dividend

**Ex: Required: Calculate Microsoft's free cash flow.**

MICROSOFT CORPORATION Statement of Cash Flows (partial) 2011		
Cash provided by operating activities		\$26,944
<b>Cash flows from investing activities</b>		
Additions to property and equipment	\$ (2,355)	
Purchases of investments	(35,993)	
Sales of investments	15,880	
Acquisitions of companies	(71)	
Maturities of investments	6,897	
Other	1,026	
Cash used by investing activities		(14,616)
Cash paid for dividends		(5,180)

**Free Cash Flow** = Net cash Provided by operating Activities – capital Expenditures – Cash dividend .  
 = \$26,944 – 2,355 – 5,180 = **\$19,459**

### Usefulness of the Statement of Cash Flows فوائد بيان التدفقات النقدية

Without cash, a company will not survive.

بدون النقود ، لن تقدم الشركة خدماتها

**Cash flow from Operations:** التدفقات النقدية من العمليات

- ◆ **High amount** – company is able to generate sufficient cash to pay its bills.

مبلغ كبير - الشركة قادرة على توليد نقود كافية لدفع فواتيرها.

- ◆ **Low amount** - company may have to borrow or issue equity securities to pay bills.

مبلغ منخفض - قد تضطر الشركة إلى الاقتراض أو إصدار أوراق مالية لسداد الفواتير.

### Financial Liquidity السيولة المالية

$$\text{Current Cash Debt Coverage Ratio} = \frac{\text{Net Cash Provided by Operating Activities}}{\text{Average Current Liabilities}}$$

- Ratio indicates whether the company can pay off its current liabilities from internally generated cash flows. A ratio near 1:1 is good.

تشير النسبة إلى ما إذا كان بإمكان الشركة سداد التزاماتها الحالية من التدفقات النقدية المتولدة داخلياً. النسبة القريبة من 1:1 جيدة.

### Financial Flexibility المرونة المالية

$$\text{Cash Debt Coverage Ratio} = \frac{\text{Net Cash Provided by Operating Activities}}{\text{Average Total Liabilities}}$$

- This ratio indicates a company's ability to repay its liabilities from net cash provided by operating activities, without having to liquidate the assets employed in its operations.

تشير هذه النسبة إلى قدرة الشركة على سداد التزاماتها من صافي النقد المقدم من الأنشطة التشغيلية ، دون الحاجة إلى تصفية الأصول المستخدمة في عملياتها.

### Supplemental Disclosures الإفصاحات التكميلية

1. **CONTINGENCIES.** Material events that have an uncertain outcome.

حالات غير متوقعة الأحداث المادية التي لها نتائج غير مؤكدة.

2. **ACCOUNTING POLICIES.** Explanations of the valuation methods used or the basic assumptions made concerning inventory valuations, depreciation methods, investments in subsidiaries, etc.

السياسات المحاسبية تفسيرات طرق التقييم المستخدمة أو الافتراضات الأساسية المتعلقة بتقييم المخزون ، وطرق الاستهلاك ، والاستثمارات في الشركات التابعة ، وما إلى ذلك.

3. **CONTRACTUAL SITUATIONS.** Explanations of certain restrictions or covenants attached to specific assets or, more likely, to liabilities.  
الحالات التعاقدية تفسيرات لبعض القيود أو التعهدات المرتبطة بأصول محددة أو ، على الأرجح ، بالتزامات.
4. **FAIR VALUES.** Disclosures of fair values, particularly for financial instruments.  
القيم العادلة الإفصاح عن القيم العادلة وخاصة الأدوات المالية.

#### Techniques of Disclosure تقنيات الإفصاح

- ◆ Parenthetical Explanations التفسيرات الخاصة
- ◆ Notes ملاحظات
- ◆ Cross-Reference and Contra Items المراجع التبادلية و العناصر المقابلة
- ◆ Supporting Schedules الجداول التذييمية
- ◆ Terminology المصطلحات

- A **contra account** on a balance sheet reduces either an asset, liability, or owners' equity account. Examples include

حساب مقابل في الميزانية العمومية يقلل من الأصول أو المسؤولية أو حساب حقوق الملكية. الامثلة تشمل

- ◆ Accumulated Depreciation—Equipment and Discount on Bonds Payable.

الاستهلاك المتراكم - المعدات والخصم على السندات المستحقة الدفع.

- An **adjunct account** increases either an asset, liability, or owners' equity account. An example is

يزيد الحساب المساعد من أصل أو التزام أو حساب حقوق الملكية. مثال

- ◆ Premium on Bonds Payable.

أقساط السندات المستحقة الدفع

### Additional Question الأسئلة الإضافية

#### Q1: Circle the correct answer

1. The current cash debt coverage ratio is often used to assess
  - a. financial flexibility.
  - b. liquidity.**
  - c. profitability.
  - d. solvency.
2. The correct order to present current assets (Order of Liquidity) is
  - a. Cash, accounts receivable, prepaid items, inventories.
  - b. Cash, accounts receivable, inventories, prepaid items.
  - c. Cash, inventories, accounts receivable, prepaid items.**
  - d. Cash, inventories, prepaid items, accounts receivable.
3. Which is an example of a cash flow from an operating activity?
  - a. Payment of cash to lenders for interest.**
  - b. Receipt of cash from the sale of capital stock.
  - c. Payment of cash dividends to the company's stockholders.
  - d. None of the above.
4. Which is an example of a cash flow from an investing activity?
  - a. Receipt of cash from the issuance of bonds payable.
  - b. Payment of cash to repurchase outstanding capital stock.
  - c. Receipt of cash from the sale of equipment.**
  - d. Payment of cash to suppliers for inventory.

5. In preparing a statement of cash flows, which of the following transactions would be considered an investing activity?
  - a. **Sale of equipment at book value**
  - b. Sale of merchandise on credit
  - c. Declaration of a cash dividend
  - d. Issuance of bonds payable at a discount.
6. The balance sheet is useful for analyzing all of the following except
  - a. liquidity.
  - b. solvency.
  - c. **profitability.**
  - d. financial flexibility.
7. Balance sheet information is useful for all of the following except
  - a. assessing a company's risk
  - b. evaluating a company's liquidity
  - c. evaluating a company's financial flexibility
  - d. **determining free cash flows.**
8. The amount of time that is expected to elapse until an asset is realized or otherwise converted into cash is referred to as
  - a. solvency.
  - b. financial flexibility.
  - c. **liquidity.**
  - d. exchangeability.
9. The net assets of a business are equal to
  - a. current assets minus current liabilities.
  - b. total assets plus total liabilities.
  - c. total assets minus total stockholders' equity.
  - d. **none of these.**
10. The current assets section of the balance sheet should include
  - a. machinery.
  - b. patents.
  - c. goodwill.
  - d. **inventory.**
11. Which of the following is *not* a long-term investment?
  - a. Cash surrender value of life insurance
  - b. **Franchise**
  - c. Land held for speculation
  - d. A sinking fund
12. Which item below is *not* a current liability?
  - a. Unearned revenue
  - b. **Stock dividends distributable**
  - c. The currently maturing portion of long-term debt
  - d. Trade accounts payable
13. Which of the following is a contra account?
  - a. Premium on bonds payable
  - b. Unearned revenue
  - c. Patents
  - d. **Accumulated depreciation**



**14. Long-term liabilities include**

- a. obligations not expected to be liquidated within the operating cycle.
- b. obligations payable at some date beyond the operating cycle.
- c. deferred income taxes and most lease obligations.
- d. all of these.**

**15. Treasury stock should be reported as a(n)**

- a. current asset.
- b. investment.
- c. other asset.
- d. reduction of stockholders' equity.**

**16. The stockholders' equity section is usually divided into what three parts?**

- a. Preferred stock, common stock, treasury stock
- b. Preferred stock, common stock, retained earnings
- c. Capital stock, additional paid-in capital, retained earnings**
- d. Capital stock, appropriated retained earnings, unappropriated retained earnings

**17. The statement of cash flows reports all of the following except**

- a. the net change in cash for the period.
- b. the cash effects of operations during the period.
- c. the free cash flows generated during the period.**
- d. investing transactions.

**18. If common stock was issued to acquire an \$8,000 machine, how would the transaction appear on the statement of cash flows?**

- a. It would depend on whether you are using the direct or the indirect method.
- b. It would be a positive \$8,000 in the financing section and a negative \$8,000 in the investing section.
- c. It would be a negative \$8,000 in the financing section and a positive \$8,000 in the investing section.**
- d. It would not appear on the statement of cash flows but rather on a schedule of noncash investing and financing activities.

**19. Making and collecting loans and disposing of property, plant, and equipment are**

- a. operating activities.
- b. investing activities.**
- c. financing activities.
- d. liquidity activities.

**20. In preparing a statement of cash flows, cash flows from operating activities**

- a. are always equal to accrual accounting income.
- b. are calculated as the difference between revenues and expenses.
- c. can be calculated by appropriately adding to or deducting from net income those items in the income statement that do not affect cash.**
- d. can be calculated by appropriately adding to or deducting from net income those items in the income statement that do affect cash.

**21. The cash debt coverage ratio is computed by dividing net cash provided by operating activities by**

- a. average long-term liabilities.
- b. average total liabilities.**
- c. ending long-term liabilities.
- d. ending total liabilities.

22. The current cash debt coverage ratio is often used to assess
- financial flexibility.
  - liquidity.**
  - profitability.
  - solvency.
23. Free cash flow is calculated as net cash provided by operating activities less
- capital expenditures.
  - dividends.
  - capital expenditures and dividends.**
  - capital expenditures and depreciation.
24. Which of the following balance sheet classifications would normally require the greatest amount of supplementary disclosure?
- Current assets
  - Current liabilities
  - Plant assets
  - Long-term liabilities**
25. For Grimmatt Company, the following information is available:
- |                       |           |
|-----------------------|-----------|
| Capitalized leases    | \$600,000 |
| Trademarks            | 195,000   |
| Long-term receivables | 225,000   |
- In Grimmatt's balance sheet, intangible assets should be reported at
- \$195,000.**
  - \$225,000.
  - \$795,000.
  - \$825,000.
26. Olmsted Company has the following items: common stock, \$900,000; treasury stock, \$105,000; deferred taxes, \$125,000 and retained earnings, \$454,000. What total amount should Olmsted Company report as stockholders' equity?
- \$1,124,000.
  - \$1,249,000.**
  - \$1,374,000.
  - \$1,499,000.

**Expiation:**  $\$900,000 - \$105,000 + \$454,000 = \$1,249,000$ .

27. During 2012 the DLD Company had a net income of \$55,000. In addition, selected accounts showed the following changes:

Accounts Receivable	\$3,000 increase
Accounts Payable	1,000 increase
Building	4,000 decrease
Depreciation Expense	1,500 increase
Bonds Payable	8,000 increase

What was the amount of cash provided by operating activities?

- \$54,500**
- \$55,000
- \$56,500
- \$64,500

**Expiation:**  $\$55,000 - \$3,000 + \$1,000 + \$1,500 = \$54,500$ .

**28. Packard Corporation reports the following information:**

Net cash provided by operating activities	\$235,000
Average current liabilities	150,000
Average long-term liabilities	100,000
Dividends declared	60,000
Capital expenditures	110,000
Payments of debt	35,000

**Packard's cash debt coverage ratio is**

- a. **0.94.**
- b. 1.59.
- c. 2.35.
- d. 3.92.

**Expiation:**  $\$235,000 \div (\$150,000 + \$100,000) = 0.94.$

**29. Packard Corporation reports the following information:**

Net cash provided by operating activities	\$235,000
Average current liabilities	150,000
Average long-term liabilities	100,000
Dividends paid	60,000
Capital expenditures	110,000
Payments of debt	35,000

**Packard's free cash flow is**

- a. \$50,000.
- b. **\$65,000.**
- c. \$125,000.
- d. \$175,000.

**Expiation:**  $\$235,000 - \$60,000 - \$110,000 = \$65,000.$

**30. Pedigo Corporation reports the following information:**

Net cash provided by operating activities	\$275,000
Average current liabilities	150,000
Average long-term liabilities	100,000
Dividends paid	60,000
Capital expenditures	110,000
Payments of debt	35,000

**Pedigo's cash debt coverage ratio is**

- a. **1.10.**
- b. 1.83.
- c. 2.75.
- d. 2.50.

**Expiation:**  $\$275,000 \div (\$150,000 + \$100,000) = 1.10.$

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

**False** 1. Liquidity refers to the ability of an enterprise to pay its debts as they mature.

**True** 2. The balance sheet omits many items that are of financial value to the business but cannot be recorded objectively.

- True** 3. Financial flexibility measures the ability of an enterprise to take effective actions to alter the amounts and timing of cash flows.
- True** 4. Companies frequently describe the terms of all long-term liability agreements in notes to the financial statements.
- False** 5. An asset which is expected to be converted into cash, sold, or consumed within one year of the balance sheet date is always reported as a current asset.
- False** 6. Land held for speculation is reported in the property, plant, and equipment section of the balance sheet.
- True** 7. The account form and the report form of the balance sheet are both acceptable under GAAP.
- False** 8. The primary purpose of a statement of cash flows is to report the cash effects of operations during a period.
- False** 9. The statement of cash flows reports only the cash effects of operations during a period and financing transactions.
- True** 10. Financial flexibility is a company's ability to respond and adapt to financial adversity and unexpected needs and opportunities.
- True** 11. Collection of a loan is reported as an investing activity in the statement of cash flows.
- True** 12. Companies determine cash provided by operating activities by converting net income on an accrual basis to a cash basis.
- False** 13. Significant financing and investing activities that do not affect cash are not reported in the statement of cash flows or any other place.
- True** 14. Financial statement readers often assess liquidity by using the current cash debt coverage ratio.
- False** 15. Free cash flow is net income less capital expenditures and dividends.
- False** 16. Because of the historical cost principle, fair values may not be disclosed in the balance sheet.
- False** 17. Companies have the option of disclosing information about the nature of their operations and the use of estimates in preparing financial statements.
- True** 18. Companies may use parenthetical explanations, notes, cross references, and supporting schedules to disclose pertinent information.
- False** 19. The accounting profession has recommended that companies use the word reserve only to describe amounts deducted from assets.
- False** 20. On the balance sheet, an adjunct account reduces either an asset, a liability, or an owners' equity account.

**Q3:**

ASSETS

- a. Current assets
- b. Investments
- c. Plant and equipment
- d. Intangibles
- e. Other assets

LIABILITIES AND CAPITAL

- f. Current liabilities
- g. Long-term liabilities
- h. Preferred stock
- i. Common stock
- j. Additional paid-in capital
- k. Retained earnings
- l. Items excluded from balance sheet

Using the letters above, classify the following accounts according to the preferred and ordinary balance sheet presentation.

- \_\_\_\_\_ 1. Bond sinking fund
- \_\_\_\_\_ 2. Common stock dividend distributable
- \_\_\_\_\_ 3. Appropriation for plant expansion
- \_\_\_\_\_ 4. Bank overdraft
- \_\_\_\_\_ 5. Bonds payable (due 2015)
- \_\_\_\_\_ 6. Premium on common stock
- \_\_\_\_\_ 7. Securities owned by another company which are collateral for that company's note
- \_\_\_\_\_ 8. Equity investments (trading)
- \_\_\_\_\_ 9. Inventory
- \_\_\_\_\_ 10. Discount on bonds payable
- \_\_\_\_\_ 11. Patents
- \_\_\_\_\_ 12. Unearned revenue

**Solution**

- |      |      |       |
|------|------|-------|
| 1. b | 5. g | 9. a  |
| 2. i | 6. j | 10. g |
| 3. k | 7. l | 11. d |
| 4. f | 8. a | 12. f |

**Q4: For each event listed below, select the appropriate category which describes the effect of the event on a statement of cash flows:**

- a. Cash provided/used by operating activities.
- b. Cash provided/used by investing activities.
- c. Cash provided/used by financing activities.
- d. Not a cash flow.

- \_\_\_\_\_ 1. Payment on long-term debt
- \_\_\_\_\_ 2. Issuance of bonds at a premium
- \_\_\_\_\_ 3. Collection of accounts receivable
- \_\_\_\_\_ 4. Cash dividends declared
- \_\_\_\_\_ 5. Issuance of stock to acquire land
- \_\_\_\_\_ 6. Sale of available-for-sale securities (long-term)
- \_\_\_\_\_ 7. Payment of employees' wages
- \_\_\_\_\_ 8. Issuance of common stock for cash
- \_\_\_\_\_ 9. Payment of income tax payable
- \_\_\_\_\_ 10. Purchase of equipment
- \_\_\_\_\_ 11. Purchase of treasury stock (common)
- \_\_\_\_\_ 12. Sale of real estate held as a long-term investment

**Solution**

- |      |      |      |       |
|------|------|------|-------|
| 1. c | 4. d | 7. a | 10. b |
| 2. c | 5. d | 8. c | 11. c |
| 3. a | 6. b | 9. a | 12. b |

**Q5: Selected financial statement information and additional data for Stanislaus Co. is presented below. Prepare a statement of cash flows for the year ending December 31, 2012**

	December 31	
	2011	2012
Cash .....	\$42,000	\$75,000
Accounts receivable (net) .....	84,000	144,200
Inventory .....	168,000	201,600
Land.....	58,800	16,000
Equipment.....	504,000	789,600
TOTAL .....	<u>\$856,800</u>	<u>\$1,226,400</u>
Accumulated depreciation.....	\$84,000	\$115,600
Accounts payable .....	50,400	86,000
Notes payable - Short-term .....	67,200	29,400
Notes payable - Long-term .....	168,000	302,400
Common stock.....	420,000	487,200
Retained earnings.....	67,200	205,800
TOTAL .....	<u>\$856,800</u>	<u>\$1,226,400</u>

**Additional data for 2012:**

1. Net income was \$240,200.
2. Depreciation was \$31,600.
3. Land was sold at its original cost.
4. Dividends of \$101,600 were paid.
5. Equipment was purchased for \$84,000 cash.
6. A long-term note for \$201,600 was used to pay for an equipment purchase.
7. Common stock was issued to pay a \$67,200 long-term note payable.

**Solution**

Stanislaus Co.  
Statement of Cash Flows  
For the year ended December 31, 2012

Net Income		\$240,200
Cash flow from operating activities		
Depreciation expense	31,600	
Increase in accounts receivable	(60,200)	
Increase in inventory	(33,600)	
Increase in accounts payable	35,600	
Decrease in short-term notes payable	(37,800)	(64,400)
Net cash provided by operating activities		175,800
Cash flow from investing activities		
Purchase equipment	(84,000)	
Sale of land	42,800	
Net cash used by investing activities		(41,200)
Cash flow from financing activities		
Payment of cash dividend	(101,600)	
Net cash used by financing activities		(101,600)
Net increase in cash		33,000
Cash at beginning of year		42,000
Cash at end of the year		75,000

**Q6: Classification in the Balance Sheet**

A. Investment in preferred stock	
B. Treasury stock	
C. Common stock	
D. Cash dividends payable	
E. Accumulated depreciation	
F. Interest payable	
G. Deficit	
H. Trading securities	
I. Unearned revenue	

**Answer:**

J. Investment in preferred stock	Current asset/Investment
K. Treasury stock	Stockholders' Equity
L. Common stock	Stockholders' Equity
M. Cash dividends payable	Current liability
N. Accumulated depreciation	Contra-asset
O. Interest payable	Current liability
P. Deficit	Stockholders' Equity
Q. Trading securities	Current asset
R. Unearned revenue	Current liability

**Q7: Classify each of these transactions by type of cash flow activity.**

Issued 100,000 shares of \$5 par value common stock for \$800,000 cash.	
Borrowed \$200,000, signing a 5-year note bearing 8% interest.	
Purchased two semi-trailer trucks for \$170,000 cash.	
Paid employees \$12,000 for salaries and wages.	
Collected \$20,000 cash for services performed.	

**Answer:**

Issued 100,000 shares of \$5 par value common stock for \$800,000 cash.	Financing
Borrowed \$200,000, signing a 5-year note bearing 8% interest.	Financing
Purchased two semi-trailer trucks for \$170,000 cash.	Investing
Paid employees \$12,000 for salaries and wages.	Operating
Collected \$20,000 cash for services performed.	Operating

**Q8: Presented below is the balance sheet of Sargent Corporation for the current year, 2017.**

SARGENT CORPORATION BALANCE SHEET DECEMBER 31, 2017			
Current assets	\$ 485,000	Current liabilities	\$ 380,000
Investments	640,000	Long-term liabilities	1,000,000
Property, plant, and equipment	1,720,000	Stockholders' equity	1,770,000
Intangible assets	305,000		<b>\$3,150,000</b>
	<b>\$3,150,000</b>		



The following information is presented.

1. The current assets section includes cash \$150,000, accounts receivable \$170,000 less \$10,000 for allowance for doubtful accounts, inventories \$180,000, and unearned rent revenue \$5,000. Inventory is stated on the lower-of-FIFO-cost-or-net realizable value.
2. The investments section includes the cash surrender value of a life insurance contract \$40,000; investments in common stock, short-term \$80,000 and long-term \$270,000; and bond sinking fund \$250,000. The cost and fair value of investments in common stock are the same.
3. Property, plant, and equipment includes buildings \$1,040,000 less accumulated depreciation \$360,000, equipment \$450,000 less accumulated depreciation \$180,000, land \$500,000, and land held for future use \$270,000.
4. Intangible assets include a franchise \$165,000, goodwill \$100,000, and discount on bonds payable \$40,000.
5. Current liabilities include accounts payable \$140,000, notes payable—short-term \$80,000 and long-term \$120,000, and income taxes payable \$40,000.
6. Long-term liabilities are composed solely of 7% bonds payable due 2025.
7. Stockholders' equity has preferred stock, no par value, authorized 200,000 shares, issued 70,000 shares for \$450,000; and common stock, \$1.00 par value, authorized 400,000 shares, issued 100,000 shares at an average price of \$10. In addition, the corporation has retained earnings of \$320,000.

**Instructions** Prepare a balance sheet in good form, adjusting the amounts in each balance sheet classification as affected by the information given above.

SARGENT CORPORATION Balance Sheet December 31, 2017			
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$150,000	
Equity investments		80,000	
Accounts receivable	\$ 170,000		
Less: Allowance for doubtful accounts	<u>10,000</u>	160,000	
Inventory (lower-of-FIFO- or-net realizable value)		<u>180,000</u>	
<b>Total current assets</b>			<b>\$ 570,000</b>
<b>Long-term investments</b>			
Equity investments (at fair value)		270,000	
Bond sinking fund		250,000	
Cash surrender value of life insurance		40,000	
Land held for future use		<u>270,000</u>	830,000
<b>Property, plant, and equipment</b>			
Land		500,000	
Buildings	1,040,000		
Less: Accum. depreciation—buildings	<u>360,000</u>	680,000	
Equipment	450,000		
Less: Accum. depreciation—equipment	<u>180,000</u>	<u>270,000</u>	1,450,000
<b>Intangible assets</b>			
Franchise		165,000	
Goodwill		<u>100,000</u>	<u>265,000</u>
<b>Total assets</b>			<b>\$3,115,000</b>

Liabilities and Stockholders' Equity			
<b>Current liabilities</b>			
Accounts payable		\$ 140,000	
Notes payable		80,000	
Income taxes payable		40,000	
Unearned rent revenue		5,000	
Total current liabilities			\$ 265,000
<b>Long-term liabilities</b>			
Notes payable		120,000	
7% bonds payable, due 2025	\$1,000,000		
Less: Discount on bonds payable	40,000	960,000	1,080,000
<b>Total liabilities</b>			<b>1,345,000</b>
<b>Stockholders' equity</b>			
<b>Capital stock</b>			
Preferred stock, no par value; 200,000 shares authorized, 70,000 issued and outstanding	450,000		
Common stock, \$1 par value; 400,000 shares authorized, 100,000 issued and outstanding	100,000		
Paid-in capital in excess of par— common stock [100,000 X (\$10.00 – \$1.00)]	900,000	1,450,000	
<b>Retained earnings</b>		320,000	
<b>Total stockholders' equity</b>			<b>1,770,000</b>
<b>Total liabilities and stockholders' equity</b>			<b>\$3,115,000</b>

**Q9: Aero Inc. had the following balance sheet at December 31, 2016.**

AERO CORPORATION BALANCE SHEET DECEMBER 31, 2016			
Cash	\$ 20,000	Accounts payable	\$ 30,000
Account Receivable	21,200	Bonds payable	41,000
Investments	32,000	Common stock	100,000
Plant assets (net)	81,000	Retained earnings	23,200
Land	40,000		<b>\$194,200</b>
	<b>\$194,200</b>		

**During 2017, the following occurred.**

1. Aero liquidated its available-for-sale debt investment portfolio at a loss of \$5,000.
2. A tract of land was purchased for \$38,000.
3. An additional \$30,000 in common stock was issued at par.
4. Dividends totaling \$10,000 were declared and paid to stockholders.
5. Net income for 2017 was \$35,000, including \$12,000 in depreciation expense.
6. Land was purchased through the issuance of \$30,000 in additional bonds.
7. At December 31, 2017, Cash was \$70,200, Accounts Receivable was \$42,000, and Accounts Payable was \$40,000

**Instructions:** Prepare a statement of cash flows for the year 2017 for Aero

**Solution:**

AERO INC. Statement of Cash Flows For the Year Ended December 31, 2017		
<b>Cash flows from operating activities</b>		
Net income		\$35,000
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation expense	\$12,000	
Loss on sale of investments	5,000	
Increase in accounts payable (\$40,000 – \$30,000)	10,000	
Increase in accounts receivable (\$42,000 – \$21,200)	<u>(20,800)</u>	<u>6,200</u>
Net cash provided by operating activities		41,200
<b>Cash flows from investing activities</b>		
Sale of debt investments	27,000	
Purchase of land	<u>(38,000)</u>	
Net cash used by investing activities		(11,000)
<b>Cash flows from financing activities</b>		
Issuance of common stock	30,000	
Payment of cash dividends	<u>(10,000)</u>	
Net cash provided by financing activities		<u>20,000</u>
<b>Net increase in cash</b>		<b>50,200</b>
Cash at beginning of year		<u>20,000</u>
<b>Cash at end of year</b>		<b><u>\$70,200</u></b>

# END OF CHAPTER 5

# END OF INTERMEDIATE ACCOUNTING 1 Summary

نهاية تلخيص المحاسبة المتوسطة 1  
(انتر 1)

زميلكم : ضياء الدين صبح 

بالتوفيق زملائي 