

x Accounting: A mean to an end
↳ financial information
↓
Financial statement

x Decision Making

- ↳ Users: 1- Internal user.
2- external user (investor, creditors)

x Types of Accounting:

- 1 - Financial Accounting "general purpose"
- 2 - Managerial Accounting.
- 3 - tax Accounting.

x Financial statements:

- 1 - Balance sheet (Statement of Financial Position)
- 2 - Income statement.
- 3 - cash flow statement.

* (IFRS) International Financial Reporting standards.
↳ المعايير الدولية للإبلاغ المالي

* (IASB) International Accounting Standard Board.
↳ المجلس الدولي للمعايير المحاسبية الدولية

□ Balance sheet (statement of financial position)

Assets

- buildings
- machine
- Land
- > 120 - Supplies
- equipment
- Inventory
- Accounts receivable (A/R)

Liabilities & Owners equity

- Accounts payable (A/P)
- Note payable ^{مكتوب} _{مكتوب}

- * owners equity
- share capital
- ← Retained earnings

** business entity ^{الكيان الاعمال}

** cost principle ^{مبدأ التكلفة}

* stable dollar * * going concern ^{الاستمرارية}

assumption ^{فرضية} * * objectivity principle ^{مبدأ الموضوعية}

Subject:.....

30/1/2014

** compute the amount for retained earnings and prepare the balance sheet.

Land = 90,000
Account payable = 43,800
Account Receivable = 56,700
Cash = 36,300
equipment = 12,400
building = 210,000
Share capital = 75,000
Note payable = 207,000
Retained earnings ??

X Company

Balance sheet

30 Dec 2013

Assets		Liabilities	
Land	90,000	Account payable	43,800
Account Receivable	56,700	Note payable	207,000
Cash	36,300		<u>250,800</u>
equipment	12,400	owner equity	
building	210,000	Share capital	75,000
	<u>405,400</u>	Retained earnings	??

Assets = Liabilities + owner equity

$405,400 = 250,800 + \text{owner equity}$

owner equity =
154,600

Retained earning = owner equity - share capital
 $= 154,600 - 75,000 = 79,600$

** (xyz) company prepare the following balance sheet at 28 Feb 2009.

xyz company
manager report
8 p.m Thursday

<u>Asset</u>		<u>equity</u>	
Share capital	92,000	A/R	70,000
retained earning	62,000	N/p	28,800
cash	69,000	supplies	14,000
building	80,000	land	70,000
cars	165,000	A/p	26,000
	<u>468,000</u>		<u>468,000</u>

* prepare a c ~~blank~~ balance sheet at 28 Feb 2009.

xyz company
balance sheet
28 Feb 2009

<u>Assets</u>		<u>Liabilities</u>	
cash	69,000	A/P	26,000
building	80,000	N/p	28,800
cars	165,000	<u>owner equity</u>	<u>314,000</u>
A/R	70,000	share capital	92,000
supplies	14,000	retained earning	62,000
Land	70,000		<u>154,000</u>
	<u>468,000</u>		<u>468,000</u>

** Income statement

Revenue الإيراد
- Increase in Assets
Expense المصاريف
- decrease in Assets

Revenue > Expense : profit ربح
Revenue < Expense : loss خسارة

*** Cash flow statement

- operating cash flow
Revenue, expense
- investing cash flow
Asset
- financing cash flow
loan/borrower

** (XYZ) Company had the following transaction during the month of March 2009.

- 1 - cash received from bank loan was 10,000.
 - 2 - Revenue earned and received in cash were 9,500.
 - 3 - Dividends of 4000 were paid to share holders.
 - 4 - expenses incurred and paid were 5,465.
- prepare an income statement.

XYZ company
income statement
for the period 1-30 March 2009

Revenue	9500
-	
Expenses	(5465)
profit	4035

* Forms of business organization^o

- 1 - sole^o owned by one person.
- 2 - partnership^o 2 or more owners.
- 3 - corporation^o owned by share holders.

Subject:.....

Debit | Credit

Journal Entries

x 20 Jan x company issued 8000 shares of capital for 10\$ per share.

80,000 Dr. cash
80,000 Cr. Shares of capital

x 21 Jan x company purchased land for 52000 cash.

52,000 Dr. Land
52,000 Cr. cash

x 22 Jan x company purchased tools for 500 cash.

500 Dr. tools
500 Cr. cash

Subject:

6/2/2014

Assets = Liabilities + owner equity

Debit | credit

Debit | credit

x 18 Jan X company issued shares for 30,000 cash

30,000 Dr. cash

30,000 cr. Shares of capital

x 22 Jan Borrowed 20,000 from bank by issuing N/P.

20,000 Dr. cash

20,000 cr. Note payable

x 23 Jan purchased Machine for 2750 payment due in 3 months.

2750 Dr. machine

2750 cr. Account payable

x 25 Jan purchased supplies for 2600 on account.

2600 Dr. supplies

2600 cr. Account payable

x 27 Jan paid 1000 in ^{cash} settlement A/p

1000 Dr. Account payable

1000 Cr. cash

Subject:

6/2/2014

x 2 Sep x company issued shares of capital for 9,000 cash.

90,000 Dr. cash

90,000 cr. shares of capital

x 4 sep purchased land for 50,000 and building for 300,000 the company paid 200,000 cash and issued note payable for the balance.

350,000 Dr.

50,000 Dr. Land

300,000 Dr. building

350,000 cr.

200,000 cr. cash

150,000 cr. Note payable

compound entry

x 12 sep purchased supplies for 600 on account.

600 Dr. supplier

600 cr. Account payable

x 13 sep purchased tools for 13800 due within 60 Days.

13800 Dr. tools

13800 cr. Account payable

x 15 sep Purchased equipment for 36000 payed 6000 cash and issued M/P for 30,000

36,000 Dr. equipment

36,000 cr.

6,000 cr. cash

30,000 cr. Note payable

Subject: Posting to general ledger

9/21/2014

Dr.	cash	cr.	Dr.	share of capital	cr.
	900,000			900,000	
		200,000			
		6,000			
	<hr/>			<hr/>	
	694,000			900,000	
	Debit Balance			Credit Balance	

Dr.	Land	cr.	Dr.	building	cr.
	50,000			300,000	
	<hr/>			<hr/>	
	50,000			300,000	
	Debit Balance			Debit Balance	

Dr.	Note payable	cr.	Dr.	supplies	cr.
	150,000			6,000	
	30,000				
	<hr/>			<hr/>	
	180,000			6,000	
	Credit Balance			Debit Balance	

Dr.	A/P	cr.	Dr.	tools	cr.	Dr.		cr.
	600			13,800			36,000	
	13,800							
	<hr/>			<hr/>			<hr/>	
	14,400			13,800			36,000	
	Credit Balance			Debit Balance			Debit Balance	

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Credit Balance

R Balance

S Notebook

- * Recognition Principle مبدأ الاعتراف بالإيراد
- * Matching principle مبدأ مطابقة الإيرادات بالمصاريف
- * Accrual Basis أساس الاستحقاق
- الاعتراف بالإيراد والمصاريف حسب الاستحقاق التي تخص الفترة
حتى لو لم يقبض أو يدفع

Revenue → Credit
Expense → Debit



- 31 Jan X company recorded revenue of 2200 received in cash
2200 Dr. cash
2200 Cr. revenue
- 31 Jan paid employed wages earned in Jan 200
1200 Dr. employed wages
1200 Cr. cash
- 31 Jan paid utilities used in Jan 200.
200 Dr. utilities
200 Cr. cash
- 1 Feb X company paid Y company 360 for news paper advertising
360 Dr. advertising expenses
360 Cr. cash
- 2 Feb purchased Radio advertising the cost was 470 payable within 30 days.
470 Dr. advertising expense
470 Cr. Account payable

Subject:

11/2/2014

- 4 Feb purchased supplies the cost was 1400 due
in 30 Days. 1400 Dr. supplies

1400 cr. Account payable

- 15 Feb collected 4980 cash for rendering service
to Z company. 4980 Dr. Cash

4980 cr. revenue

- 28 Feb Billed customer 5400 for maintenance service.
the payment will be received by 10 March

5400 Dr. Account receivable

5400 cr. service Revenue

* 28 Feb paid employer wages earned in Feb 4900.

4900 Dr. ~~exp~~ wages expenses.

4900 cr. cash

Subject: Trial Balance.

16/2/2014

x 2 Jan x company issued shares capital for 900,000 cash.

x 4 Jan purchased land for 30,000 and building for 70,000. The company paid 50,000 cash and issued N/P for the balance.

x 12 Jan purchased supplies for 1000 on account.

x 19 Jan Billed client 75,000 on account.

x 29 Jan Recorded and paid salary exp 24000.

x 30 Jan received 30,000 from client Billed in 19 Jan.

** Prepare Trial Balance.

Journal

2 Jan 900,000 Dr. cash
900,000 Cr. shares of capital

4 Jan 30,000 Dr. Land
70,000 Dr. building
50,000 Cr. cash
50,000 Cr. N/P

12 Jan 1000 Dr. Supplies
1000 Cr. Account payable

19 Jan 75,000 Dr. Account Receivable
75,000 Cr. revenue

29 Jan 24,000 Dr. salary Expenses
24,000 Cr. cash

30 Jan 30,000 Dr. cash
30,000 Cr. Account Receivable

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S Notebook

Subject: trial balance

18/2/2014

Posting to general ledger

Dr. Cash cr.	Dr. shares of capital cr.
900,000	900,000
30,000	
50,000	
24,000	
856,000	900,000
Debit balance	credit balance

Dr. Land cr.	Dr. building cr.	Dr. supplies cr.
30,000	70,000	1000
30,000	70,000	1000
Debit balance	Debit balance	Debit balance

Dr. A/R cr.	Dr. A/P cr.	Dr. N/P cr.
75,000	1000	50,000
30,000		
45,000	1000	50,000
Debit balance	credit balance	credit balance

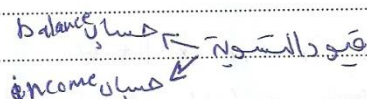
Dr.	Account	Debit	credit
	Cash	856,000	
	shares of Capital		900,000
	land	30,000	
	building	70,000	
	supplies	1000	
	A/R	45,000	
	A/P		1000
	N/p		50,000
	Revenue		75,000
	Salary expenses	24,000	
Dr. Revenue cr.			
75,000			
75,000			
credit balance			
Dr. salary expenses cr.			
24,000			
24,000			
Debit balance			
S	T	A	R
			1028,000
			S 1028,000

Chapter 4

2/3/2014

Subject:

- ① Recording transaction \Rightarrow Journal entry.
- ② posting \Rightarrow general ledger.
- ③ prepare trial balance.
- \rightarrow ④ prepare adjusting entries.



** adjusting entries:

- ① converting Assets to expenses.
- ② converting liabilities to revenue.
- ③ Accruing unpaid expense.
- ④ Accruing uncollected revenue.

①: converting Assets to expense $\left\{ \begin{array}{l} \rightarrow \text{supply} \\ \rightarrow \text{insurance} \\ \rightarrow \text{depreciation} \end{array} \right.$

** supplies: 1/1 400 Dr. supplies.

400 cr. cash

31/12 200 Dr. supplier expense

200 cr. supplies.

** insurance: 1/1 300,000 Dr. prepaid insurance

300,000 cr. cash

31/12 Dr. insurance expense

cr. prepaid insurance

** depreciation: 1/1/2010 10,000 Dr. car

10,000 cr. cash

31/12 2000 Dr. Dep exp

2000 cr.

S Notebook

Accumulated Dep

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Subject:.....

9/3/2014

- X company purchased building on Jan for 36000
its estimated useful life 20 years. Record the Dep
expense adjusting entry.

Dep - non cash
exp

**** Straight line method ****

$$\text{Depreciation expenses} = \frac{\text{Cost}}{\text{useful life}}$$

Sol :

$$\text{Dep exp} = \frac{36000}{20} = 1800$$

1800 Dr. Depreciation expense

1800 cr. accumulated Depreciation

4/3

Subject:

11/3/2014

حساب المصاريف

Dr. Dep exp

cr. Accumulated Dep.

Book value = cost - Acc. Dep.

*
- x company depreciate its tools and equipment over a period of five years using the straight line method.
at 31 Dec, Trial balance shows tools and equipment cost 12,000.

*** what is the adjusting entry to record Dep. exp.

sol:
$$\text{Dep. exp} = \frac{\text{cost}}{\text{useful life}} = \frac{12000}{5} = 2400$$

2400 Dr. Dep. exp

2400 cr. Accumulated Dep.

Book value = 12000 - 2400 = 9600

② converting liabilities to Revenue.

* Unearned Revenue:

1/1 1000 Dr. cash

1000 cr. unearned Revenue

31/12 1000 Dr. unearned Revenue

1000 cr. earned Revenue

1 Dec X company agreed to rent customer building 3000 per month the customer paid for the first 3 months in advance.

** Record entries on 1 Dec, 31 Dec, 28/2

1/Dec 9000 Dr. cash
9000 cr. unearned Revenue

31/Dec 3000 Dr. unearned Revenue
3000 cr. earned Revenue

28/2 6000 Dr. unearned Revenue
6000 cr. earned Revenue

4/3/2014:

- prior to making Adjusting entries in 31 Dec the balance in X company's supplies remains on hand at 31 Dec

** prepare the necessary adjusting entry at 31 Dec

31/Dec → 600 Dr. supplies expense
600 cr. supplies

- assume that on 1 March purchased one year insurance policy for 18000

** prepare Journal entry on 1 March adjusting entry on 31 Dec

1800 Dr. prepaid insurance
1800 cr. cash

$\frac{18000}{12} = 1500 \text{ per month} // 1500 * 10 = 15000$
15000 Dr. Insurance exp

15000 cr. Prepaid insurance

③: Accruing unpaid expenses

31/12/2010 Dr. wages exp
cr. wages payable

3/1/2011 Dr. wages payable
cr. cash

31/12/2010 Dr. Interest exp
cr. Interest payable

1/5/2011 Dr. Interest payable
Dr. Interest expense
cr. cash

Ex on 30 Nov X company borrowed 4000 from the bank by issuing an interest bearing note payable with to be repaid in 3 months.

* Record the entries on 30 Nov, 31 Dec, 28 Feb.

30 Nov 4000 Dr. cash
4000 cr. N/P

31 Dec 30 Dr. Interest exp
30 cr. Interest payable

$$\text{Interest exp} = \text{principle} \times \text{Interest ratio} \times \text{time}$$

$$= 4000 \times \frac{9}{100} \times \frac{3}{12} = 90 \text{ (sum of it)}$$

28/2 60 Dr. Interest exp
30 Dr. Interest payable

4000 Dr. N/P
4090 cr. cash

Subject:

25/3/2014

Ex : X Company pays its employees on the 15th of each month accrued but unpaid salaries on 31 Dec 2009 totaled 175,000 salaries earned from 1 Jan to 15 Jan 2010 totaled 180,000

* * prepare the necessary adjusting entry for salaries exp on 31 Dec

* Record the company's payment of salaries on 15 Jan.

	175,000	180,000
15/12	31 Dec	15/1
2009		2010

31/12 175,000 Dr. salaries expense
175,000 Cr. salaries payable

15/1 175,000 Dr. salaries payable
180,000 Dr. salaries expense
355,000 Cr. cash

Q: Accruing uncollected Revenue

31/12 1000 Dr. AIR
1000 cr. Revenue

10/11 2000 Dr. cash
1000 cr. AIR
1000 cr. Revenue

- X company provided consulting services to customer at 1000\$ per day at 31 Dec 10 Days of unbilled consulting service has been provided.

** prepare the necessary adjusting entry at 31 Dec.

10,000 Dr. AIR
10,000 cr. Revenue

- Materiality $\frac{1000}{1000000} = 0.1\%$
- cost-benefit

Subject:.....

27/3/2014

• X Company adjusts its accounts at the end of each month the following information is available for the year ending on 31 Dec.

1 - a bank loan obtained on 1 Dec. Accrued interest at 31 Dec amounts to 1200\$. No interest expenses has yet been recorded.

2 - Depreciation of the firm's office building is based on an estimated useful life of 25 years. The building was purchased in 2005 for 33000.

3 - Accrued but unbilled Revenue during Dec amounts 6400.

4 - on 1 March the firm paid 1800 for 12 month insurance policy the entire amount was recorded as a prepaid insurance.

5 - The firm received 14000 from Customer in advance of maintenance services the entire amount was recorded as unearned revenue at 31 Dec 3500 has actually been earned.

6 - on 31 Dec there was accrued liabilities for salaries amounts to 2400\$.

CH 5

Subject: Reporting finance Result 30/3/2014

5 preparing financial statement.

* financial statements:

① Balance sheet (statement of financial position).

② income statement. *القائمة الدخل*

③ statement of change in equity.

قائمة التغيرات في حقوق المساهمين

④ Notes *ملاحظات* ;

such as: - Maturity date for liabilities.

- Accrual time - policies.

Subject:

30/3/2014

	Debit	credit
Cash	171100	
A/R	9400	
Prepaid Rent	3000	
Supplies	500	
Equipment	18000	
Acc Dep		7200
M/P		10000
A/P		3200
Unearned Revenue		8800
Share Capital		100000
Retained earnings		72880
dividends	6000	
Revenue		142,500
Salary exp	85000	
Supply exp	3900	
Rent exp	12000	
Dep exp	1800	
Intrest exp	1000	
total	311700	311700

** prepare Income statement, statement of change in Balance sheet

* prepare the closing entries.

* prepare " after closing trial Balance.

Subject:

30/3/2014

	Debit	credit
Cash	17100	
A/R	9400	
Prepaid Rent	3000	
Supplies	500	
Equipment	18000	
Acc Dep		7200
M/P		10000
A/P		3200
unearned Revenue		8800
Share capital		100000
Retained earnings		72880
dividends	6000	
Revenue		142500
Salary exp	85000	
Supply exp	3900	
Rent exp	12000	
Dep exp	1800	
Intrest exp	1000	
total	311700	311700

** prepare Income statement, statement of change in Balance sheet

* prepare the closing entries.

* prepare " after closing trial Balance.

Subject:

1 / 4 / 2014

Sol:

X Company
income statement
For the period ended in 31 Dec 2009

Revenue 142,500

Expenses

salary exp 85,000

supply exp 3,900

Rent exp 12,000

Dep exp 1,800

Intrest exp 1,000

total expenses 103,700

Net profit 38,800

* Ending shares of capital = beginning + New shares issued
- Re-purchase shares

* Ending Retained earning =
beginning + Profit (loss) - Dividends.

Subject:

1/4/2014

X company

Statement of change in equity

For the period ended 31 Dec 2009

	Shares of capital	Retained earnings	total
beginning balance	100 000	40 000	140 000
new issued shares	0	0	0
profit	0	388 00	388 00
dividends	0	(6 000)	(6000)
Ending Balance	100 000	72 800	172,800

X company

Balance sheet

31 Dec 2009

Asset		Liabilities	
cash	171 100	N/p	10 000
A/R	9400	A/p	3 200
prepaid-Rent	3000	un earned Revenue	88 00
equipment	180 00	total liabilities	(22 000)
Acc. Dep	(7200) 10800	owner equity	
		Shares of capital	100 000
		Retained earning	72880
		total equity	172800
	194 800		194 800

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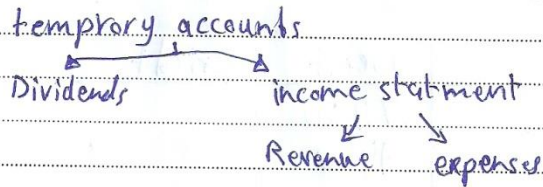
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S Notebook

** Closing entries



1 142500 Dr. revenue
142500 cr. Income summary

2 103700 Dr. Income summary
85000 cr. salary exp
3900 cr. supply exp
12000 cr. Rent exp
1800 cr. Dep exp
1000 cr. Interest exp

3 6000 Dr. Retained Earnings.
6000 cr. Dividends

4 38800 Dr. Income summary
38800 cr. Retained earnings.

Dr. Income summary cr		Dr. Retained earnings cr	
	142500		40000
103700		6000	
	38800		38800
			71800

Subject:

3/4/2014

* Trial balance after closing entries

	Debit	credit
Cash	1711.00	
A/R	9400	
pre-paid Rent	3000	
supplies	500	
equipment	18000	
Acc Dep		72000
M/p		10000
A/P		3200
unearned Revenue		8800
Share capital	100000	
Retained earnings		72800
total	202000	202000

Subject:

8/4/2014

X Company
adjusted trial balance
31 Dec 2010

	Debit	credit
Cash	91100	
A/R	4500	
Supplies	300	
equipment	12000	
Acc. Dep		5000
A/P		5000
shares of capital		25000
Retained earnings		45000
Dividends	2000	
Revenue earned		96000
salary exp	52000	
supply exp	1200	
advertising exp	300	
Dep. exp	1000	
Rent exp	11600	
	176000	176000

- * prepare Income statement, Balance Sheet, Statement of change in equity.
- prepare closing entries
- prepare trial Balance after closing entries.

→
solve

Subject:.....

6/4/2014

X company

Income statement

For the period ended on 31/12/2010

revenue 96000

expenses

salary exp 52000

supply exp 1200

rent exp 11600

adv exp 300

Dep exp 1000

(66100)

Net profit 29900

X company

statement of change in equity

For the period ended 31 Dec 2010

Shares of
capital

R.E

total

begining balance 25000 45000 70000

profit — 29900 29900

Dividends — (2000) (2000)

Ending Balance 25000 72900 97900

Subject:

6/4/2014

X company
Balance sheet
31 Dec 2010

<u>Assets</u>			<u>liabilities</u>	
cash	91100		A/P	5000
A/R	4500		Total liabilities	5000
supplies	300		owners equity	
equipment	12000		shares of capital	25000
Acc. Dep	(5000) 7000		R.E	72900
<u>Total</u>	<u>102900</u>		<u>total o.E</u>	<u>97900</u>
			<u>total</u>	<u>102900</u>

8/4/2014 **

closing entries: ① 96000 Dr. Revenue
96000 cr. Income Summary

② 66100 Dr. Income Summary
52000 cr. Salary exp
1200 cr. supply exp
300 cr. adv exp
1000 cr. dep exp
11600 cr. Rent exp

Dr.	Income Summary	cr.
		96000
66100		
	29900	

Income Summary
= Net profit

Subject:.....

8/4/2014

③ 2000 Dr. Retained earning
2000 cr. Dividends

29900 Dr. Income summary
29900 cr. Retained earning

changing in equity = R.E

Dr.	RE	Cr.
		45000
2000		29900
		<hr/>
		72900

- trial balance after closing entries

	debit	credit
cash	91100	
A/R	4500	
supplies	300	
equipment	12000	
Acc. Dep		5000
AP		5000
Shares of capital		25000
Retained earning		72900
	<hr/>	<hr/>
	107900	107900

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S Notebook

Subject:

15/4/2014

- 1 sep x company purchased 10 computers on account from ABC company, The computer cost 900 each payment is due in 30 days.
- 7 sep sold two computers on account to z customer at sale price of 1600 each, payment is due in 30 days.
- 1 oct paid 9000 A/P to ABC company.
- 7 oct collected 3200 A/R from z customer.

Sol:

1 sep 9000 Dr. Inventory
 9000 Cr. A/P - ABC company

7 sep 3200 Dr. A/R - z customer
 3200 Cr. sales
 1800 Dr. cost of good sold
 1800 Cr. Inventory

1 oct 9000 Dr. A/P - ABC company
 9000 Cr. cash

7 oct 3200 Dr. cash
 3200 Cr. A/R - z customer

*** Taking physical inventory الجرد الفعلي
 shrinkage losses
 قسمة الخسارة في الجرد الفعلي
 Dr. cost of gold sold
 Cr. Inventory

Subject:.....

15/4/2014

**** Transactions Related to purchases:**

1- purchase Return

Dr. Alp II cash
cr. Inventory

2- transportation cost

Dr. Cost of good cost
cr. Alp II cash

3- purchase Discount

Net cost method

98 Dr. Inventory

98 cr. Alp

المبلغ
المستحق

2 Dr. purchase Discount loss

98 Dr. Alp

100 cr. cash

Gross price method

100 Dr. Inventory

100 cr. Alp

100 Dr. Alp

98 cr. cash

2 cr. purchase Discount taken

Subject:

17/4/2014

- on 3 nov X company purchase 100 computer from ABC company at cost of 100\$ each. ABC company offers credit term of 2/10, N/30

- on 3 Dec X company paid the amount of A/p due to ABC company. Record journal entries under.

1- Net cost method

2- Gross price method

① Net cost method

3 nov 9800 Dr. Inventory
9800 cr. A/p - ABC company

3 Dec 9800 Dr. A/p - ABC company
200 Dr. purchase Discount lost
10000 cr. cash

② Gross price method

3 nov 1000 Dr. Inventory
1000 cr. A/p - ABC company

3 Dec 1000 Dr. A/p - ABC company
1000 cr. cash

* If X company paid on 10 nov:

10 nov 1000 Dr. A/p
9800 cr. cash
200 cr. purchase Discount taken

