قسم المحاسبة
المرحلة الثانية
محاسبة باللغة الإنجليزية 2

المحاضرة الاولى

CURRENT ASSETS

Current assets are represent the value of all assets that

are expected to be converted into cash within one year

in the normal course of business, current assets include: inventory, accounts receivable , cash, prepaid expenses and other liquid assets that can be readily converted to cash .

Inventory systems :

1.Periodic inventory system.

2.Perpetual inventory system.

 To explain the difference between the two methods above , take the following example:

 Example : the following transactions occurred in one of the companies during the year 2013:

1.   1/1 The inventory balance was 100000 IQD (5000 units for 20 IQD per unit).

2. 5/2 The company bought goods on credit from Mazen for IQD 120000 (6000 units for 20 IQD per unit) .

3. 10/2 The company return some of goods which purchased from Mazen , its value IQD 10000 (500 units cost of unit IQD 20) .

4. 3/8 The company sold goods on credit to Marwan stores for IQD 320000(8000 units , cost of unit 20 IQD) .

5. 15/8 Marwan stores return goods valued IQD 40000 (10000 units , cost of unit 20 IQD) .

6. 11/12 The company bought goods by cheque 60000 (3000 units for price IQD 20 per unit).

Required : Record the transactions in the general journal of the company assume :

1.The company used a periodic inventory system.

2.The company used a perpetual inventory system.

المحاضرة الثانية

Solution :

periodic inventory system

Date	Details
5/2	Purchases….. 120000 To accounts payable (Mazen) … 120000
10/2	Accounts payable (Mazen) ……10000 To purchases returns ………. 10000
3/8	Accounts receivable (Marwan) ……320000 To sales ……….320000
15/8	Sales returns………… 40000 To accounts receivable (Marwan) ….40000
11/12	Purchases …………. 60000 To bank ………… 60000

Perpetual inventory system.

Date	Details
5/2	Stores (inventory) control….. 120000 To accounts payable (Mazen) …120000
10/2	Accounts payable (Mazen) ……10000 To stores (inventory) control…. 10000
3/8	Cost of goods sold …….. 160000 To stores (inventory) control … 160000
3/8	Accounts receivable (Marwan) ……320000 To sales……..320000
15/8	Stores (inventory) control …….. 20000 To cost of goods sold …….. 20000
15/8	Sales returns………… 40000 To accounts receivable (Marwan) ... 40000

11/12	**Stores (inventory) control ………….. 60000** **To bank …………** **60000**

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المحاضرة الثالثة

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Methods of inventory valuation :

There are various methods of determine the value of inventory such as : FIFO , LIFO , weighted-average method, specific (identification) , lower of cost or market , gross profit .

First-in first-out (FIFO) :

Example : the following transactions occurred in one of the companies during the year 2018:

1. 1/1 The inventory balance was 2000 units at a price 10 IQD per unit.

2. 2/3 The company bought 3000 units at 11 IQD per unit .

3. 25/2 The company sold goods 1500 units .

4. 3/4   The company sold 3100 units .

5. 20/6 The company sold 1400 units .

6. 10/5 The company bought 2000 units at 12 IQD per unit .

7. 15/8 The company bought 4000 units at 13 IQD per unit .

Required : Compute the cost of goods sold and ending inventory by using First-in First out (FIFO) method .

المحاضرة الرابعة

Solution :

Q :Quantity   P : Price , V : Value

Date	Details	Purchases			Sales			Balance		
		Q.	P.	V.	Q.	P.	V.	Q.	P.	V.
1/1	Balance	-	-	-	-	-	-	2000	10	20000
25/2	Sales	-	-	-	1500	10	15000	500	10	5000
2/3	Purchases	3000	11	33000	-	-	-	500	10	5000
								3000	11	33000
¾	Sales	-	-	-	500	10	5000	400	11	4400
					2600	11	28600			
10/5	Purchases	2000	12	24000	-	-	-	400	11	4400
								2000	12	24000
20/6	Sales	-	-	-	400	11	4400	1000	12	12000
					1000	12	12000			
15/8	Purchases	4000	13	52000	-	-	-	1000	12	12000
								4000	13	52000

- Cost of goods sold = 65000 IQD

- Ending inventory = 64000 IQD .

المحاضرة الخامسة

2. Last-in First out (LIFO) method :

Example : depending on the example data in above , find the cost of goods sold and ending inventory by using (LIFO) method .

Solution :

Date	Details	Purchases			Sales			Balance		
		Q.	P.	V.	Q.	P.	V.	Q.	P.	V.
1/1	Balance							2000	10	20000
25/2	Sales				1500	10	15000	500	10	5000
2/3	Purchases	3000	11	33000				500	10	5000
								3000	11	33000
3/4	Sales				3000	11	33000	400	10	4000
					100	10	1000			
10/5	Purchases	2000	12	24000				400	10	4000
								2000	12	24000
20/6	Sales				1400	12	16800	400	10	4000
								600	12	7200
15/8	Purchases	4000	13	52000				400	10	4000
								600	12	7200
								4000	13	52000

-Cost of goods sold = 65800 IQD

- Ending inventory = 63200 IQD.

المحاضرة السادسة

3. Weighted-average method :

Example : by using the same information in above , compute the cost

of goods sold and ending inventory according to weighted-average

method .

Solution :

Date	Details	Purchases			Sales			Balance		
		Q.	P.	V.	Q.	P.	V.	Q.	P.	V.
1/1	Balance							2000	10	20000
5/2	Sales				1500	10	15000	500	10	5000
2/3	Purchases	3000	11	33000				3500	10.86	38000
3/4	Sales				3100	10.86	33666	400	10.835	4334
10/5	Purchases	2000	12	24000				2400	11.806	28334
20/6	Sales				1400	11.806	16528	1000	11.806	11806

15/8	Purchases	4000	13	52000				5000	12.76	63806

-Cost of goods sold = 65194 IQD

- Ending inventory = 63806 IQD.

المحاضرة السابعة

Questions

Q1/ Choose the correct answer :

1. Cash account is credited by :

a. amounts collected cash   b. amounts paid cash

c. credit purchases   d . credit sales

2. If the total of debit ------- the total of credit for (x) account , the balance is debit .

a. less than   b. more than   c. equal   d. we cannot determine .

3. Accounts that have normally credit balances are :

a. assets, expenses, and revenues   b. assets , expenses and owners' equity   c. assets , liabilities and owners' equity   d. liabilities, revenues and capital .

4. Which of the following is not part of the recording process ?

a. analyzing transactions   b. entering transactions in journal   c. preparing a trail balance   d. posting transactions .

5. Transaction analysis :-

a. transfer transaction data from ledger to journal.

b . is an optional step in the recording process .

c. transfer journal entries to ledger accounts .

d. normally occurs before journalizing .

6. --------- is a list of accounts with their balances in any time .

a. journal   b. ledger   c. trail balance   d. posting

7. The credit side from general journal entry for credit purchases is :

a. purchases on account   b. account payable

c. cash   d. account receivable

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8. All of the following books are credit books except :

a. cash book   b. purchases returns book   c. credit sales book   d . note payable book

9. The claims for outsiders on the entity are :

a. assets   b. liabilities   c. revenues   d. expenses

10. The entry :

Purchases …… xx

To cash …….xx

To account payable xx

a.is a simple entry   b. is a compound entry in debit side

c. is a compound entry in credit side   d. is a compound

entry in the two sides

11. A machine cost 5000000 IQD and the balance of accumulated depreciation 4000000 IQD , sold cash by 500000 there is :

a. gain 500000   b. loss 500000   c. neither gain nor loss

d. the question is insolvable

12. --------- is not recorded in accounting books .

a. trade discount   b. quantity discount   c. sales discount

d. purchases discount

13. When goods are purchased on credit, the debit side of the entry is :

a. sales   b. accounts receivable   c. purchases   d. accounts payable .

المحاضرة الثامنة

Q3/ State whether the following statements are True or False :

1. Cash discount will not appear in the cash book.

2. Purchases returns are debit account.

3. Sales returns are credit account.

4. Drawings are a nominal accounts .

5. A sum of 500000 IQD paid as wages to carpenter for making furniture should be debited to repairs account.

6. Disagreement of the trail balance will affect in the preparation of final accounts.

7. The expenses on old machine should be debited to machine account .

<div dir="rtl">المحاضرة التاسعة</div>

Bank reconciliation statement

When a firm deals with a bank it keeps records of its bank transactions in the bank column of the cash book .similarly , the bank also keeps a record of the same transactions in the own books .

Reconciliation of bank balances :

The cash balance on a company's books seldom agrees with the balance on its monthly bank statement .Differences between these two amounts result from one or more of the following :

1. cash received at the end of the month which is not deposited in the bank until the following month (deposit in transit).

2. checks issued by the company which have not cleared the bank (outstanding checks) .

3. bank charges for services rendered during the past month .

4. notes receivable collected by the bank.

5. recording and handling errors made by either the bank or the company .

Example :

Prepare the bank reconciliation of **Salem's insurance agency** of November 30 using the following information and prepare appropriate adjusting entries :

1. balance per depositor's record 23100 IQD.

2. balance per bank statement 33680 IQD .

3. outstanding checks 4884 IQD .

4. erroneous recording of check No.1558 for telephone expense 342 IQD , actual amount issued by check 234 IQD .

5. bank service charge 12 IQD.

6. deposit in transit 5520 IQD .

7. not sufficient funds (NSF) check of Hussein 1680 IQD .

8. note receivable collected by bank 12800 IQD .

المحاضرة العاشرة

Solution :

Details	Amounts	Details	Amounts

Balance per depositor's record	23100	Balance per bank statement	33680
Add :		Add :	
Note receivable collected	12800	Deposit in transit	5520
Error in check	108		
Total	36008	Total	39200
Deduct		Deduct	
Bank service charge	12	Outstanding checks	4884
NSF check of Hussien	1680		
Total	1692	Total	4884
Adjusted balance	34316	Adjusted balance	34316

Cash ……… 12908

     To note receivable ……. 12800

     To telephone expense ……..108

_____

Bank service charge ……. 12

Accounts receivable ……... 1680

         To cash ………………. 1692

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المحاضرة الحادية عشرة

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ACCONTING ADJSTMENTS

1.Expenditures adjustments :

Which classified into two main categories :

A – Accrued expenses :-

Are expenses which have been incurred but not paid , for example : accrued wages payable ,accrued interest payable , salaries , rent , ….. etc.

B- Expenditures paid in advance (prepaid expenses) :

When a firm pay in advance for goods or services such as insurance, rent , interest ,…..etc.

Example :

The following amounts extracted from one of the companies during the year 2017 :

Rent expense   3000 IQD .

Salaries   2900 IQD.

Telephone expense   2000 IQD.

Insurance expense   2400 IQD.

Additional information :

1. The lease contract was 200 IQD monthly .

2. The monthly salaries was 300 IQD .

3.The telephone expense was 2000 IQD per year .

4. The insurance policy covering two years beginning with 1-7 – 2017 .

Required :

Prepare the adjusting entries for the company at the end of the year 2017 .

<div align="center">المحاضرة الثانية عشرة</div>

Solution :

 1. Rent

 200 x 12 = 2400 IQD

3000 – 2400 = 600

Prepaid rent ………… 600

       To rent expense …………. 600

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2. Salaries :

300 x 12 = 3600 IQD

3600 - 2900 = 700

Salaries expense ……….... 700

       To accrued salaries ………….700

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3. The telephone expense :

No entry .

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4. Insurance :

24 = 100 IQD per month ÷2400

100 x 6 = 600

2400 – 600 = 1800

Prepaid insurance………. 1800

   To insurance expense ………… 1800

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2. Revenues adjustment :

A- Accrued revenues :

Revenues earned but not yet received in cash .

B- Unearned revenues (revenues received in advance) :

Are received in advance before they are earned .

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Example :

The following balances extracted from one of the companies

during the year 2016.(amounts in thousands)

Rent revenue …… 5000 IQD .

Revenue services provided to others …. 15000 IQD.

Additional information :

1.Monthly revenue for rent is 500 IQD .

2. Monthly services revenue is 1000 IQD .

Required :

Prepare the adjusting entries

Solution :

1.Rent revenue

500 x 12 = 6000 IQD per year

6000 – 5000 = 1000

Accr
ued rent revenue …….. 1000
   To rent revenue ……………… 1000

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2. Services revenue :

1000 x 12 = 12000

15000 – 12000 = 3000

Services revenue ……. 3000
   To unearned services revenue …3000

Example :

The following trail balance to the Al- Huda company before the adjustment at 31/12/2014:

Debit	Credit	Account name

45700		Furniture
7000		Materials & supplies
30000		Prepaid rent
6500		Accounts receivable
40400		Cash
66000		Salaries & wages
	5000	Accounts payable
	196000	Services revenue
	110000	Capital
	4600	Securities revenue
120000		Land
315600	315600	Total

Additional information :

1.Accrued wages was 6000 IQD at 31/12/2014.

2. Residual materials & supplies at the end of a year 1800 IQD

.

3. Prepaid rent was for 15 months beginning from 1/1/2014 .

4.Securities revenue for the period 6000 IQD .

5. There are services provided to others which not collected

with 4000 IQD .

<u>Required :</u>

1.Prepare the adjusting and closing entries .

2. Prepare the worksheet .

3.Prepare the profit and loss account .

4. Prepare the balance sheet .

<u>Solution :</u>

1. wages expense ……. 6000

    To accrued wages ……….. 6000

Profit and loss ……. 72000

    To wages expense…………72000

2.   7000 – 1800 = 5200

 Materials & supplies expense …… 5200

    To materials & supplies……………..5200

Profit and loss ……. 5200

    To materials & supplies expense …… 5200

3. $30000 \div 15 = 2000$ IQD per month

2000 x 12 = 24000 IQD per year

Rent expense ………… 24000

    To prepaid rent ……………. 24000

Profit and loss …………. 24000

      To rent expense ……………… 24000

4.   6000 – 4600 = 1400 IQD

Accrued securities revenue ………. 1400

          To securities revenue …………… 1400

securities revenue ……… 6000

      To profit and loss …………… 6000

5. Accrued services revenue ……… 4000

          To services revenue …………….4000

Services revenue ……… 200000

        To profit and loss ………. 200000

المحاضرة الرابعة عشرة

Account name	Trail balance Before adjustments		The adjustments		Trail balance after adjustments		Profit and loss		Balance sheet	
	Debit	credit	debit	Credit	debit	Credit	debit	credit	Assets	Liabilities & owner's equity
Furniture	45700				45700				45700	
Materials & supplies	7000			5200	1800				1800	
Prepaid rent	30000			24000	6000				6000	
Accounts receivable	6500				6500				6500	
cash	40400				40400				40400	
Salaries & wages	66000		6000		72000		72000			
Accounts payable		5000				5000				5000
Services revenue		196000		4000		200000		200000		
Capital		110000				110000				110000
Securities revenue		4600		1400		6000		6000		
Land	120000				120000				120000	
Accrued wages				6000		6000				6000
Materials & supplies expense			5200		5200		5200			
Rent expense			24000		24000		24000			
Accrued securities revenue			1400		1400				1400	
Accrued services revenue			4000		4000				4000	
Net profit 104800										
Total	315600	315600	40600	40600	327000	327000	206000	206000	225800	225800

Profit and loss account

Expenses		Revenues	
Salaries and wages	72000	Services revenue	200000
Materials & supplies	5200	Securities revenue	6000
Rent expense	24000		
Net profit	104800		
Total	206000	Total	206000

Balance sheet of Al- Huda company at 31/12/2014

Assets		Liabilities & owner's equity	
Current assets :		**Current liabilities:**	
Cash	40400	Accounts payable	5000
Accounts receivable	6500	Accrued wages	6000
Materials & supplies	1800		
Prepaid rent	6000		
Accrued securities revenue	1400	**Owner's equity :**	
Accrued services revenue	4000	Capital	110000
Fixed assets :		**Net profit**	**104800**
Furniture	45700		
Land	120000		
Total :	225800	Total :	225800

Questions

Q1/ Fill in the blanks with the correct answer :

1. Prepaid insurance is account ---------- .

a. asset   b. liability   c. expense   d. revenue

2. If monthly wages is 100000 IQD and the balance of wages expense at the end of the year is 680000 IQD , answer the following :

-Salaries expenses for the year are :

a. 520000   b. 680000   c. 1200000   d. 1880000

-The adjusting entry is :

a. salaries expense ……680000

       To accrued salaries……. 680000

b. salaries expense ……520000

       To prepaid salaries………. 520000

c. salaries expense ……520000

       To accrued salaries……. 520000

d. accrued salaries ……….. 520000

To salaries expense ……520000

3. If the balance of prepaid insurance at December,31 2010 is 2000000 IQD , the insurance policy covers two years 2010 and 2011 , the debit side of the adjusting entry is :

a. insurance expense   b. prepaid insurance   c. accrued insurance   d. no adjusting entry

4. Depreciation is :

a. gain   b. loss   c. appreciation   d. expense

5. Revenue earned but not received is :

a. liability   b. asset   c. gain

6. Interest on drawings is deducted from :

a. net profit   b. drawings   c. capital

7. Depreciation is a process of :

a. valuation   b. allocation   c. both valuation & allocation

8. Accrued salaries are shown as :

a. expense   b. liability   c. asset   d. revenue

9. Unearned revenue is account ------------ .

a. expense   b. liability   c. asset   d. revenue

Q2/ State whether each of the following statements are **True** or **False** :

1. Adjustment entries are made at the time of closing the business every day .

2. Furniture can be classified as a capital expenditure .

3. The balance of all the prepaid expenses in the ledger will be credit .

4. An expenditure which will benefit in the future period is a capital expenditure .

5. Depreciation on the assets is add to assets in the balance sheet .

Q3/ Match the following :

A	B
1. investment made into expenses	a. Outstanding
the business by a proprietor	
2. is an asset of the business	b. Depreciation
3. is a liability of the business	c. Prepaid expenses
4. deducted from asset	d. Drawings
5. deducted from capital	e. Capital