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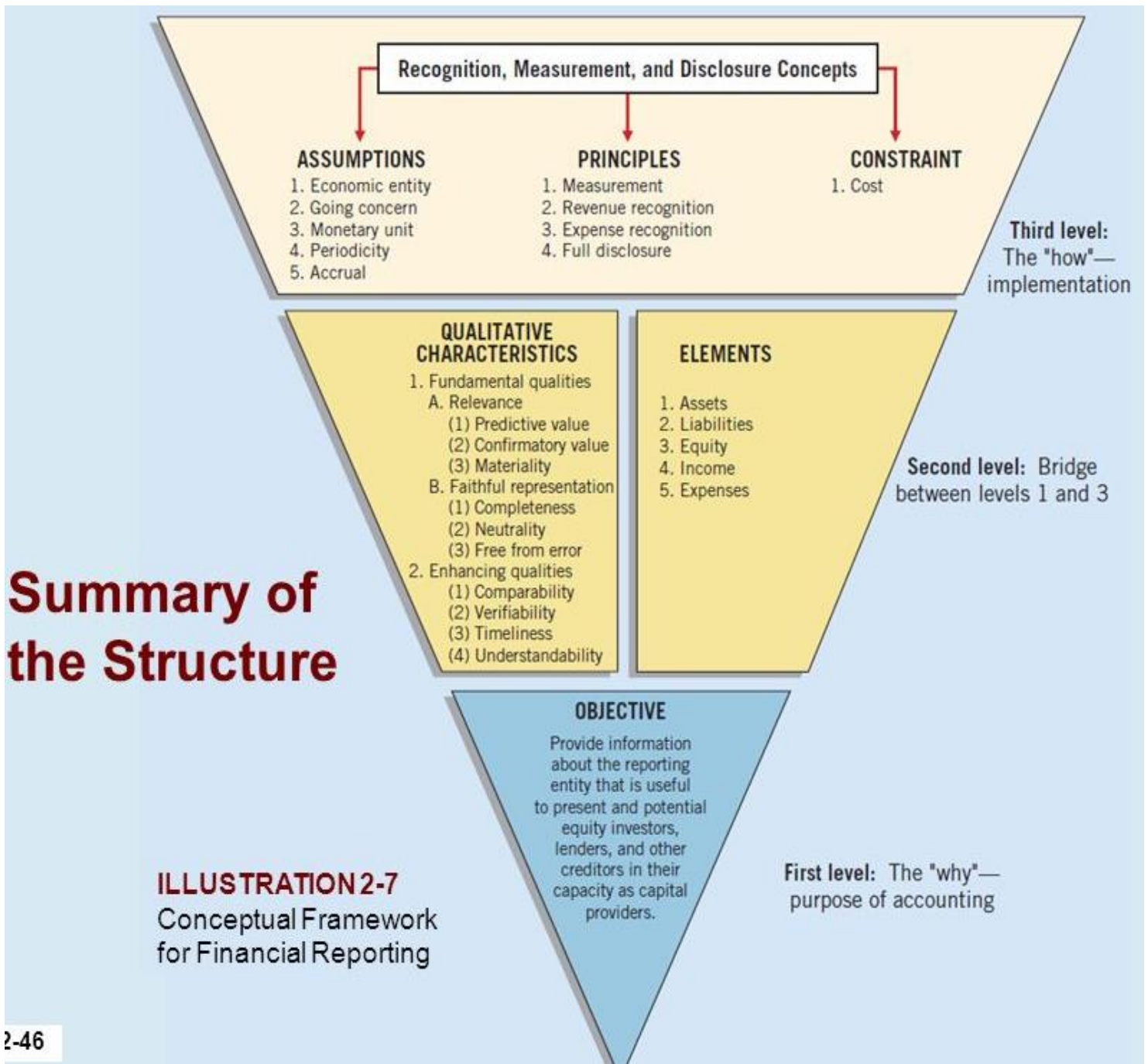
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Conceptual framework of accounting

One of the issues for the accounting students studying the conceptual framework of accounting because it is considered as a constitution for people who work in accounting, financing, and auditing fields. Furthermore, understanding the conceptual framework is the first step and key point to understand financial statements.

The conceptual framework is defined as the collection of Concepts that guide the manner in which accounting is practiced. This recognized a set of standards called generally accepted accounting principles (GAAP).

يتم تعريف الإطار المفاهيمي على أنه مجموعة من المفاهيم التي توجه الطريقة التي تمارس بها المحاسبة. الذي يكون مجموعة من المعايير تسمى مبادئ المحاسبة المقبولة عمومًا (GAAP).



1. Objectives of Financial Reporting

The objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity. Those decisions involve buying, selling or holding equity and debt instruments, and providing or settling loans and other forms of credit.

تتضمن هذه القرارات شراء أو بيع أو الاحتفاظ بحقوق الملكية وأدوات الدين ، وتقديم أو تسوية القروض وأشكال الائتمان الأخرى.

This objective of general purpose financial reporting forms the foundation of the Conceptual Framework.

1. Is useful to those making investment and credit decisions
2. Helpful in assessing future cash flow
3. Identify the economic resources (Assets) and the claims to those resources (liabilities) and the changes in those resources and claims.

1. مفيد لمن يتخذون قرارات الاستثمار والائتمان

2. مفيدة في تقييم التدفق النقدي المستقبلي

3. تحديد الموارد الاقتصادية القياسية (الأصول) والمطالبات لتلك الموارد (الخصوم) والتغيرات في تلك الموارد والمطالبات.

2. Qualitative characteristics of accounting information

Accounting information must possess certain qualitative characteristics to be considered useful. The following qualitative characteristics help ensure that accounting information is indeed useful, there are two types of qualitative characteristics of accounting information.

a) Fundamental qualitative characteristics

- i. **Relevance:** refers to the capacity of accounting information to make difference in decision, and relevance should include three sub-characteristics (Confirmatory value – Provides information about past events \ Predictive value – Provides predictive power regarding possible future events \ Materiality – the extent or nature of an error (including an omission) in financial information)

الخصائص النوعية الأساسية

الملاءمة: يشير إلى قدرة المعلومات المحاسبية على إحداث فرق في القرار

- ii. **Faithful representation:** Means that the numbers and descriptions match what really existed or happened. It includes (completeness – Financial statements should not exclude any transaction. \ Neutrality – The degree to which information is free from bias. Note that there are subjectivity and estimation involved in financial statements, therefore

information cannot be truly “neutral. \ Free from error – The degree to which information is free from errors.)

ثانياً. التمثيل الصادق: يعني أن الأرقام والأوصاف تتطابق مع ما كان موجوداً بالفعل أو حدث

b) Enhancing Qualitative characteristics

- i. **Comparability:** refers to the ability to use accounting information to compare or contrast the financial activities of different businesses.
- ii. **Verifiability:** occurs when independent measures using the same methods obtain similar results.
- iii. **Timeliness:** means having information available to decision makers before it loses its capacity to influence decisions.
- iv. **Understandability:** refers to the ability of accounting information to be comprehensible to those who have a reasonable understanding of business and economic activities

(ب) تعزيز الخصائص النوعية

أولاً. قابلية المقارنة: تشير إلى القدرة على استخدام المعلومات المحاسبية لمقارنة أو مقارنة الأنشطة المالية للشركات المختلفة.

ثانياً. إمكانية التحقق: تحدث عندما تحصل تدابير مستقلة تستخدم نفس الأساليب على نتائج مماثلة.

ثالثاً. حسن التوقيت: يعني توفر المعلومات لصانعي القرار قبل أن تفقد قدرتها على التأثير في القرارات.

رابعاً. الفهم: يشير إلى قدرة المعلومات المحاسبية على أن تكون مفهومة لأولئك الذين لديهم فهم معقول للأعمال والأنشطة الاقتصادية

Fundamental Characteristics

RELEVANCE

FAITHFUL
REPRESENTATION

Enhancing Characteristics

VERIFIABILITY

TIMELINESS

UNDERSTANDABILITY

COMPARABILITY

Financial statements

Financial statements are written records that convey the business activities and the financial performance of a company. Financial statements are often audited by government agencies, accountants, firms, etc. to ensure accuracy and for tax, financing, or investing purposes. Financial statements include:

البيانات المالية هي سجلات مكتوبة تنقل الأنشطة التجارية والأداء المالي للشركة.

- The statement of financial position (Balance sheet): provides an overview of assets, liabilities, and stockholders' equity as a snapshot in time. In every balance sheet, assets must equal the total of your liabilities and equity, meaning the dollar amount must zero out.

$$\text{Assets} = (\text{Liabilities} + \text{Equity})$$

بيان المركز المالي (الميزانية العمومية): يقدم نظرة عامة على الأصول والخصوم وحقوق المساهمين في وقت محدد.

- Dividends: Companies issue dividends as a way to reward current shareholders and to encourage new investors to purchase stock. A company can pay dividends in the form of cash, additional shares of stock in the company, or a combination of both.

توزيعات الأرباح: تصدر الشركات توزيعات الأرباح كطريقة لمكافأة المساهمين الحاليين ولتشجيع المستثمرين الجدد على شراء الأسهم. يمكن للشركة أن تدفع أرباحًا على شكل نقود أو أسهم إضافية في الشركة أو مزيج من الاثنين معًا.

- Retained earnings: The retained earnings section of the balance sheet reflects the total amount of profit a company has retained over time. After the business accounts for all its costs and expenses, the amount of revenue that remains at the end of the fiscal year is its net profit. The company can choose to do one of three things with its profit: pay dividends to shareholders, reinvest the funds into the company, or leave it on account. The portion of profits left on account is rolled over each year and listed on the balance sheet as retained earnings.

الأرباح المحتجزة: يعكس قسم الأرباح المحتجزة في الميزانية العمومية المبلغ الإجمالي للربح الذي احتفظت به الشركة بمرور الوقت. يمكن للشركة أن تختار القيام بأحد الأشياء الثلاثة مع أرباحها: دفع توزيعات الأرباح للمساهمين، أو إعادة استثمار الأموال في الشركة، أو تركها في الحساب. يتم ترحيل جزء الأرباح المتبقية في الحساب كل عام ويتم إدراجه في الميزانية العمومية كأرباح محتجزة.

- Contributed capital: also known as paid-in capital, is the cash and other assets that shareholders have given a company in exchange for stock.
- **Income statement: focuses on a company's revenues and expenses during a particular period.** Once expenses are subtracted from revenues, the statement produces a company's profit figure called net income.

بيان الدخل: يركز على إيرادات الشركة ونفقاتها خلال فترة معينة

- **Cash flow statement: measures how well a company generates cash to pay its debt obligations, fund its operating expenses, and fund investments**

بيان التدفق النقدي: يقيس مدى جودة الشركة في توليد النقد لسداد التزامات ديونها ، وتمويل نفقات التشغيل ، واستثمارات الصندوق

- **The statement of changes in equity: The statement explains the changes in a company's share capital, accumulated reserves and retained earnings over the reporting period.** It breaks down changes in the owners' interest in the organization, and in the application of retained profit or surplus from one accounting period to the next. The statement of changes in equity is important because it allows analysts and reviewers of financial statements to see what factors caused a change in owner's equity during the accounting period. You can find the movements of shareholder reserves on the balance sheet.

بيان التغيرات في حقوق الملكية: يوضح البيان التغيرات في رأس مال الشركة والاحتياطيات المتراكمة والأرباح المحتجزة خلال فترة التقرير.

3. **Elements of financial statements**

Now we can learn about the elements of financial statements based on the INTERNATIONAL ACCOUNTING STANDARD BOARD (IASB) classification.

➤ **Assets:**

The official definition of assets are defined by IASB's Framework for preparation and presentation of financial statements are the resources control by the entity as the result of past events and from which the future economic benefits are expected to flow the entity.

An asset is a resource with economic value that an individual, corporation, or country owns or controls with the expectation that it will provide a future benefit.

الأصول (الموجودات) هو مورد ذو قيمة اقتصادية يمتلكه أو يتحكم فيه فرد أو شركة أو دولة مع توقع أنه سيوفر فائدة مستقبلية.

For example, the account receivable is the asset of the entity.

Right here could mean the right to use or control the physical assets or the intellectual property or it could be linked to the other entity's obligation to pay or transfer the assets to the entity.

In the accounting equation, assets are calculated by the accumulation of equity and liabilities.

Here are examples of assets:

| | |
|--|---|
| • Land | أرض |
| • Building | بناء |
| • Property | ممتلكات |
| • Computer equipment | معدات الحاسوب |
| • Cash in bank | النقدية في المصرف |
| • Cash on hand | النقد في الصندوق |
| • Cash advance | قرض نقدي \ نقد مسبق |
| • Petty cash | عهدة نقدية \ نفقات نثرية |
| • Inventories | مخزون سلعي |
| • Account receivables | حسابات المقبوضات / حسابات المدينين |
| • Prepaid expenses | النفقات المدفوعة مسبقا |
| • Goodwill | السمعة التجارية \ شهرة المنشأة |
| • And other assets that meet the definition of assets above. | وغيرها من الأصول التي ينطبق عليها تعريف الأصول أعلاه. |

Assets are considered the first element of financial statement and they report only in the balance sheets. They are staying on the top of the balance sheets. In general, assets are classified into two types based on the company's policies and in accordance with international accounting standards.

• **Current assets:**

The first class of assets is the current asset which refers to short-term assets and these kinds of assets are not depreciated. The movement or usages of them are directly charged to the income statement.

For example, the usages of inventories are charged as operating expenses or costs of goods sold in the income statement. Some of the current assets are moved from one accounting item to another.

الموجودات المتداولة: الفئة الأولى من الأصول هي الأصل الحالي الذي يشير إلى الأصول قصيرة الأجل ولا يتم استهلاك هذه الأنواع من الأصول

• **Non-current assets:**

The second types of assets are fixed assets. These kinds of assets normally refer to assets that use more than one year and with large amounts as well as are not for trading or holders for price appreciation.

الموجودات غير المتداولة: النوع الثاني من الأصول هو الأصول الثابتة. تشير هذه الأنواع من الأصول عادةً إلى الأصول التي تستخدم أكثر من عام واحد وبمبالغ كبيرة وكذلك ليست للتداول أو لأصحابها لزيادة السعر.

In other words, fixed assets are the resources based on nature are converted into cash or cash equivalent in more than one year accounting period.

➤ Liabilities:

The official definition of liabilities define by IASB's Framework for preparation and presentation of financial statements are the present obligations arising from the past events, the settlement of which is expected to result in an outflow from entity resources embodying economic benefit.

Obligations of a company or organization. Amounts owed to lenders and suppliers. Money owed to suppliers (accounts payable) Wages owed. Taxes owed.

الخصوم (المطلوبات) التزامات شركة أو منظمة. المبالغ المستحقة للمقرضين والموردين. الأموال المستحقة للموردين (حسابات الدفع) الأجر المستحقة. الضرائب المستحقة

Here are examples of Liabilities in Financial Statements:

| | |
|---------------------------------|---|
| • Bank Loan | قرض مصرفي |
| • Overdraft | سحب بدون رصيد \ السحب على المكشوف |
| • Interest payable | فوائد واجبة الدفع |
| • Tax payable | ضرائب واجبة الدفع |
| • Account payable | ذمم دائنة (حسابات الدفع) |
| • Note payable | كمبيالة مستحقة الدفع |
| • Borrowing from parent company | اقتراض من الشركة الرئيسية (الشركة الأم) |
| • Intercompany account payable | حساب الدفع بين الشركات الشقيقة |
| • Salary payable | الراتب المستحق الدفع |

Liabilities are classified into two different types: Current liabilities and Non-current Liabilities. Current Liabilities refer to the kind of liabilities that expected to settle within 12 months after the reporting date.

➤ Equity:

Equity is officially defined by IASB's Framework for preparation and presentation of financial statements, is the residual interest in the assets of the entity after deducting all its liabilities.

Represents the shareholders' stake in the company, identified on a company's balance sheet.

الملكية يمثل حصة المساهمين في الشركة المحددة في الميزانية العمومية للشركة.

Example: By solving the above definition, Equities = Assets – Liabilities. A good example of Equity is Ordinary Shares Capital and Retained Earnings. That means equity increase or decrease depending on the movement of assets and liabilities.

For example, if assets are increasing and the liabilities are stable, then equities will increase. However, if assets are stable and liabilities are increased, the equity will decrease.

The items that records in equity are:

- Share capital
- Retain earning or retain losses
- Revaluation gain
- Dividends payment

➤ Revenues:

The official definition of revenues defined by IASB's Framework for preparation and presentation of financial statement is increase in the economic benefits during the accounting period in the form of inflows or enhancements of assets or decrease of liabilities that result in increases in equity, other than those relating to contributions from equity participants.

هي زيادة في المنافع الاقتصادية خلال الفترة المحاسبية في شكل تدفقات داخلية أو تعزيزات للأصول أو نقص في المطلوبات ينتج عنها زيادة في حقوق الملكية

The example of revenues is sales revenues from selling of goods or rendering of services, interest incomes from banks deposits, as well as a dividend received from equity investments.

Revenues in the income statement are records all together for both the revenues from the selling of entity main products or services (principle activities) as well as revenues that entity generate from the entity's non-activities.

There are two accounting principles use to record and recognize revenues in the income statement. First, it uses a cash basis, and second, it uses an accrual basis.

Cash basis, revenues or income is recognised at the time cash is received or collected while accrual basis, revenue or income is recogized at the time risks and rewards are transferred from sellers to buyers or the control over the products or services are handover from the seller to the buyer.

هناك نوعان من المبادئ المحاسبية المستخدمة لتسجيل الإيرادات والاعتراف بها في بيان الدخل. أولاً ، يستخدم أساساً نقدياً ، وثانياً ، يستخدم أساس الاستحقاق

يتم الاعتراف بالأساس النقدي أو الإيرادات أو الدخل في وقت استلام النقد أو تحصيله بينما يتم إعادة تقدير أساس الاستحقاق أو الإيرادات أو الدخل في الوقت الذي يتم فيه تحويل المخاطر والمكافآت من البائعين إلى المشترين أو تسليم السيطرة على المنتجات أو الخدمات من البائع للمشتري

➤ **Expenses:** Operating Expenses or Administration Expenses

The official definition of Expenses defined by IASB's Framework for preparation and presentation of financial statement is **decreased in economic benefits during the accounting period in the form of outflows or depreciation of assets or incurred of liabilities that result in decreases in equity**, other than those relating to distributions to equity participants.

المصروفات انخفاض في المنافع الاقتصادية خلال الفترة المحاسبية في شكل تدفقات خارجة أو استهلاك الأصول أو تكبد الخصوم التي تؤدي إلى انخفاض في حقوق الملكية

Expenses here refer to the expenses that occur for daily operational costs. Those expenses are:

| | |
|--------------------------|-----------------------|
| • Cost of goods sold | تكلفة البضاعة المباعة |
| • Salaries expenses | مصاريف الرواتب |
| • Depreciation | الاستهلاك |
| • Interest Expenses | مصروفات الفوائد |
| • Tax expenses | مصاريف الضرائب |
| • Utility expenses | نفقات المرافق العامة |
| • Transportation Cost | تكلفة النقل |
| • Marketing Expenses | تكاليف التسويق |
| • Rental Expenses | مصاريف الإيجار |
| • Repair and maintenance | إصلاح وصيانة |
| • Internet Fee | رسوم الإنترنت |
| • Telephone fee | رسوم الهاتف |

Expenses are records as operational costs in the income statement in the period they have occurred.

Well, sometimes they called period cost including the cost of goods sold and administrative cost. Actually, these expenses are different from capital expenditures which are paid for purchasing fixed assets.

4. The key accounting assumptions

الفرضيات المحاسبية الرئيسية

Key accounting assumptions state how a business is organized and operates. They provide structure to how business transactions are recorded. If any of these assumptions are not true, it may be necessary to alter the financial information produced by a business and reported in its financial statements. These key assumptions are:

- **Accrual assumption.** فرضية الاستحقاق

Transactions are recorded using the accrual basis of accounting, where the recognition of revenues and expenses arises when earned or used, respectively. If this assumption is not true, a business should instead use the cash basis of accounting to develop financial statements that are based on cash flows. The latter approach will not result in financial statements that can be audited.

- **Conservatism assumption.** فرضية التحفظ

Revenues and expenses should be recognized when earned, but there is a bias toward earlier recognition of expenses. If this assumption is not true, a business may be issuing overly optimistic financial results.

- **Consistency assumption.** فرضية الاستمرارية

The same method of accounting will be used from period to period, unless it can be replaced by a more relevant method. If this assumption is not true, the financial statements produced over multiple periods are probably not comparable.

- **Economic entity assumption.** فرض الوحدة الاقتصادية المستقلة

The transactions of a business and those of its owners are not intermingled. If this assumption is not true, it is impossible to develop accurate financial statements. This assumption is a particular problem for small, family-owned businesses.

- **Going concern assumption.** فرضية إستمرارية النشاط

A business will continue to operate for the foreseeable future. If this assumption is not true (such as when bankruptcy appears probable), deferred expenses should be recognized at once.

- **Reliability assumption.** فرضية الموثوقية

Only those transactions that can be adequately proven should be recorded. If this assumption is not true, a business is probably artificially accelerating the recognition of revenue to bolster its short-term results.

- **Time period assumption.** افتراض الفترة الزمنية

The financial results reported by a business should cover a uniform and consistent period of time. If this is not the case, financial statements will not be comparable across reporting periods.

Though the preceding assumptions may appear obvious, they are easily violated, and can lead to the production of financial statements that are fundamentally unsound.

When a company's financial statements are audited, the auditors will be looking for violations of these accounting assumptions, and will refuse to render a favorable opinion on the statements

until any issues found are corrected. Doing so will require that new financial statements be produced that reflect the corrected assumptions.

5. Principles

A. The money measurement concept مفهوم القياس النقدي

(also called monetary measurement concept) underlines the fact that in accounting and economics generally, every recorded event or transaction is measured in terms of money, the local currency monetary unit of measure.

The money measurement concept states that a business should only record an accounting transaction if it can be expressed in terms of money. This means that the focus of accounting transactions is on quantitative information, rather than on qualitative information. Thus, a large number of items are never reflected in a company's accounting records, which means that they never appear in its financial statements. Examples of items that cannot be recorded as accounting transactions because they cannot be expressed in terms of money include:

| | |
|--|---|
| • Employee skill level | • مستوى مهارة الموظف |
| • Employee working conditions | • ظروف عمل الموظف |
| • Expected resale value of a patent | • قيمة إعادة البيع المتوقعة لبراءة الاختراع |
| • Value of an in-house brand | • قيمة العلامة التجارية الداخلية |
| • Product durability | • متانة المنتج |
| • The quality of customer support or field service | • جودة دعم العملاء أو الخدمة الميدانية |
| • The efficiency of administrative processes | • كفاءة العمليات الإدارية |

B. Revenue recognition مبدأ تحقق الإيراد

is a generally accepted accounting principle (GAAP) that identifies the specific conditions in which revenue is recognized and determines how to account for it. Typically, revenue is recognized when a critical event has occurred, and the dollar amount is easily measurable to the company.

For example, revenue accounting is fairly straightforward when a product is sold, and the revenue is recognized when the customer pays for the product. However, accounting for revenue can get complicated when a company takes a long time to produce a product. As a result, there are several situations in which there can be exceptions to the revenue recognition principle.

C. The Expense Principle مبدأ المصروفات

This principle defines a point in time at which the bookkeeper may log a transaction as an expense in the books. The expense principle, or expense recognition principle, states that an expense occurs at the time at which the business accepts goods or services from another entity. Essentially, it means that expense

D. The Matching Principle مبدأ المطابقة

The matching principle states that you should match each item of revenue with an item of expense. For example, if you are selling tacos, you could count the expense of the shells, meat, and toppings at the time at which a customer buys the taco. In other words, you match the expense of the taco ingredients with the revenue earned from the sale of the taco. When a business applies the revenue, expense, and matching principles in practice, they are operating under the accrual accounting method.

E. The Full Disclosure Principle مبدأ الإفصاح التام

states that all relevant and necessary information for the understanding of a financial statement should be included on a set of financial statements for public company filings.

Financial Analysts who read financial statements need to know what inventory valuation method has been used, if there have been any significant write-downs, how depreciation is being calculated, and other critical information for the understanding of the financial statements. This principle is crucial to ensure that there is limited information asymmetry between the company's management and its current shareholders.

6. Constraints المقيدات

In the field of accounting, when reporting the financial statements of a company, accounting constraints (also known as the constraints of accounting) are boundaries, limitations, or guidelines.

These constraints may allow for variations to the accounting standards an accountant is trying to follow. Types of constraints include *objectivity, costs and benefits, materiality, consistency, industry practices, timeliness, and conservatism*

a. Costs and benefits التكلفة والمنفعة

The costs and benefits constraint, also called the cost-effectiveness constraint, is pervasive throughout the framework. Companies must spend time and money to provide financial statements. To be more specific, Costs can constrain the range of information when providing financial reporting on the grounds that the companies must "collect, process, analyze and disseminate relevant information" which need time and money.

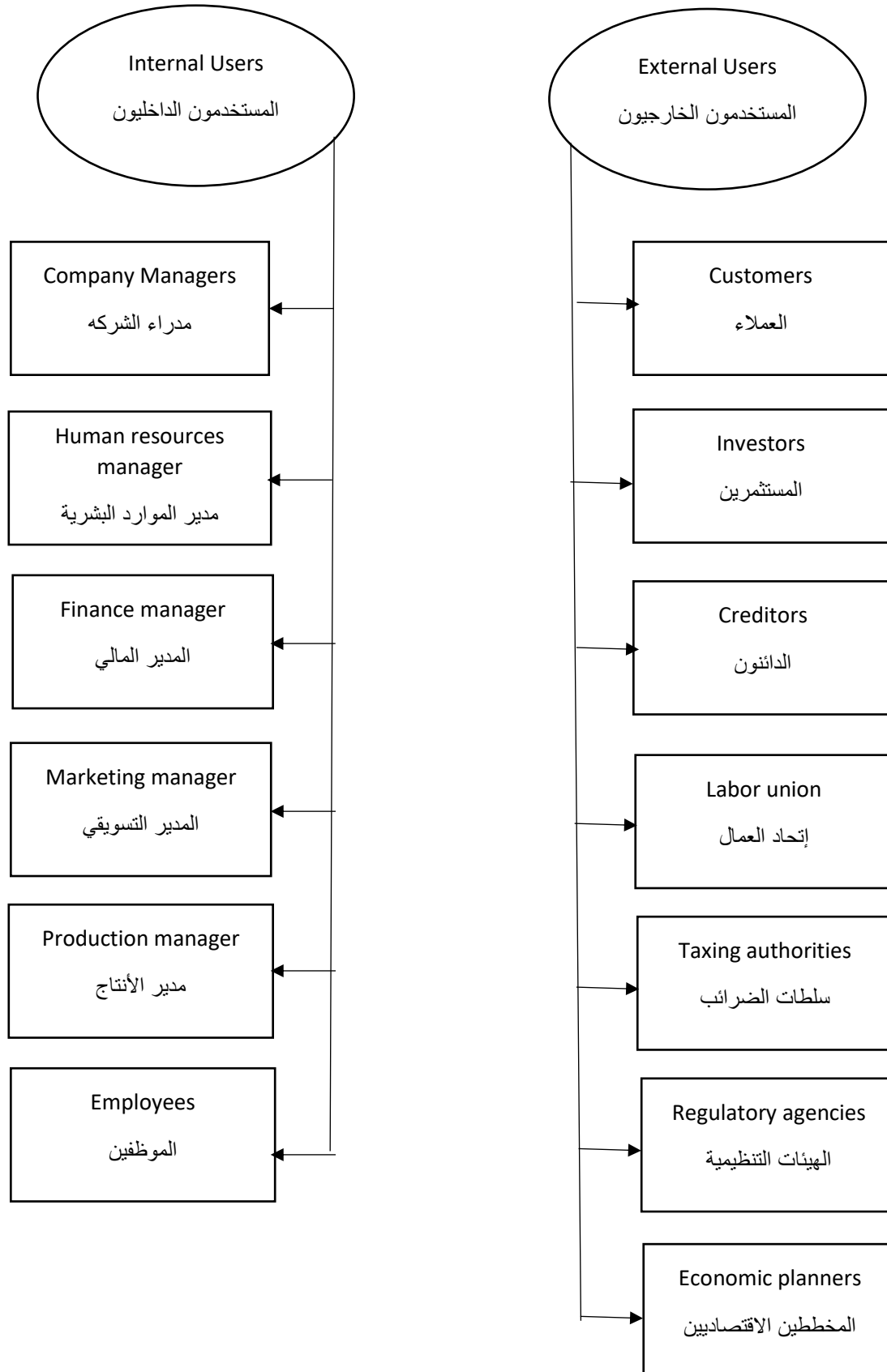


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1. Users of Accounting information

مستخدمو المعلومات المحاسبية



2. Accounting for purchases and sales of goods

Purchase

The purchase is the cost of buying inventory during a period for the purpose of sale and generate profit. Other purchases of assets may be used by the business such as office equipment, machines, computers, etc.

Purchase results in an increase in the expense and decrease in assets of the entity, the expense must be debited while assets must be credited. A purchase may be made on Cash or on Credit.

Sales

Sales refer to the revenues earned when a company sells its goods, products, merchandise, etc.

Sale results in an increase in the income and assets of the entity, assets must be debited whereas revenue must be credited. A sale also results in the reduction of inventory. A sale may be made in cash or on credit.

الشراء

الشراء هو تكلفة شراء المخزون خلال فترة ما بغرض البيع وتحقيق الربح. يمكن استخدام مشتريات الأصول الأخرى من قبل الأعمال مثل المعدات المكتبية والآلات وأجهزة الكمبيوتر وما إلى ذلك.

ينتج عن الشراء زيادة في المصاريف وانخفاض في أصول الكيان ، يجب خصم المصاريف بينما يجب قيد الأصول. قد يتم الشراء نقدًا أو عن طريق الائتمان.

المبيعات

تشير المبيعات إلى الإيرادات المحققة عندما تبيع الشركة سلعها ومنتجاتها وبضائعها وما إلى ذلك.

ينتج عن البيع زيادة في دخل وأصول الكيان ، ويجب خصم الأصول بينما يجب تقييد الإيرادات. ينتج عن البيع أيضًا تقليل المخزون. قد يتم البيع نقدًا أو عن طريق الائتمان.

- **Cash purchase:** Companies record cash purchases by an increase in purchase account and a decrease in cash account. Knowing the normal balance of accounts meaning purchase account will be debited and cash account will be credited.

الشراء النقدي: تسجل الشركات عمليات الشراء النقدية من خلال زيادة حساب الشراء وانخفاض الحساب النقدي. معرفة الرصيد العادي للحسابات مما يعني أنه سيتم الخصم من حساب الشراء وسيتم إضافة الحساب النقدي.

- **Bought goods for cash 8,000**

| | |
|----------------------|-------|
| From Goods/Stock a/c | 8,000 |
| To Cash a/c | 8,000 |

[To record cash purchase]

- **Credit Purchase:** If purchases are made on credit the purchase account would be debited and accounts payable credited.

شراء بالائتمان: إذا تم إجراء عمليات شراء بالدين ، فسيتم الخصم من حساب الشراء وتفيد الحسابات الدائنة.

- **Bought goods from M/s Roddic & CO. on credit 12,000**

| | | |
|----------------------|--------|--------|
| From Goods/Stock a/c | 12,000 | |
| To Roddic & Co a/c | | 12,000 |

[To record credit purchase from M/s Roddic & Co.,]

- **Purchase Return:** Occurs when the buyer of merchandise, inventory, fixed assets, or other items sends these goods back to the seller. Normally returned goods are either defected, damaged, or doesn't meet the purchaser's specifications.

إرجاع الشراء: يحدث عندما يرسل مشتري البضائع أو المخزون أو الأصول الثابتة أو العناصر الأخرى هذه البضائع إلى البائع. عادة ما تكون البضائع المعادة إما معطوبة أو تالفة أو لا تفي بمواصفات المشتري

- **Purchase Allowance:** A purchase allowance is a reduction in the buyer's cost of merchandise that it had purchased. The purchase allowance is granted by the supplier because of a problem such as shipping the wrong items, the incorrect quantity, flaws in the goods, etc.

بدل الشراء: بدل الشراء هو تخفيض في تكلفة المشتري للبضائع التي اشتراها. يتم منح بدل الشراء من قبل المورد بسبب مشكلة مثل شحن العناصر الخاطئة والكمية غير الصحيحة والعيوب في البضائع وما إلى ذلك.

- **Assume Baghdad co. returned 2 out of 10 pcs on 2\2\2020 on cash and 5 pcs on credit. Each item costs 2000IQD**

| | | |
|-----------------------------------|-------|-------|
| From Cash a/c | 4,000 | |
| To Purchase Return\ Allowence a/c | | 4,000 |

[To record purchase return to Dijlah co. on 2\2\2020]

| | | |
|-----------------------------------|--------|--------|
| From Accounts Payable a/c | 10,000 | |
| To Purchase Return\ Allowence a/c | | 10,000 |

[To record purchase return to Dijlah co. on 2\2\2020]

- **Purchase discount:** It is an offer from the supplier to the purchaser, to reduce the payment amount if the payment is made within a certain period of time.

خصم الشراء: وهو عرض من المورد للمشتري لتقليل مبلغ السداد إذا تم السداد خلال فترة زمنية معينة.

- **On May 1 2014, Baghdad co. purchases goods from Ishtar co. on credit at the cost of 2,000,000 credit terms 2/15 n30.**
 - On May 14 Baghdad co. pays 800,000IQD
 - On May 29 Baghdad co. paid the rest of amount

1\5\2014

| | | |
|-----------------------------------|-----------|-----------|
| From Purchases a/c | 2,000,000 | |
| To Account payable Ishtar co. a/c | | 2,000,000 |

[To record credit purchase]

Baghdad co. paid within the discount period =

$800,000 * 2\% = 16,000$ IQD purchase discount

14\5\2020

| | | |
|--------------------------|---------|---------|
| From Account payable a/c | 800,000 | |
| To Cash a/c | | 784,000 |
| Purchase discount a/c | | 16,000 |

[To record payment of account payable after deducting 2% discount]

29\5\2020

| | | |
|--------------------------|-----------|-----------|
| From Account payable a/c | 1,200,000 | |
| To Cash a/c | | 1,200,000 |

[To record payment of account payable]

3. Accounting for sales of goods

- Cash Sales: When a cash sale is made, the following double entry is recorded

المبيعات النقدية: عند إجراء بيع نقدي ، يتم تسجيل القيد المزدوج التالي

- **Sold goods costing 9,000 for cash 15,000**

| | | |
|--------------------|--------|--------|
| From Cash a/c | 15,000 | |
| To Goods/Stock a/c | | 15,000 |

[To record sale of goods for cash]

- **Performed services for cash 9,000**

| | | |
|------------------------|-------|-------|
| From Cash a/c | 9,000 | |
| To Service Revenue a/c | | 9,000 |

[To record services performed for cash]

- Credit Sale: In case of a credit sale, the following double entry is recorded

بيع الائتمان: في حالة بيع الائتمان ، يتم تسجيل القيد المزدوج التالي

- **sold goods costing 10,000 on credit to Mr. Tejamul 18,000**

| | | |
|----------------------|--------|--------|
| From Mr. Tejamul a/c | 18,000 | |
| To Goods/Stock a/c | | 18,000 |

[To record sale of goods to Mr. Tejamul on credit]

- **Performed services on account for \$10,000**

| | |
|-----------------------------|--------|
| From Account receivable a/c | 10,000 |
| To Service Revenue a/c | 10,000 |

[To record services performed on account]

- Sales discount: is a reduction in the price of a product or service that is offered by the seller, in exchange for early payment by the buyer.

خصم المبيعات: هو تخفيض في سعر المنتج أو الخدمة التي يقدمها البائع مقابل السداد المبكر من قبل المشتري.

The sales discounts account appears in the income statement and is a contra revenue account, which means that it offsets gross sales, resulting in a smaller net sales figure. The presentation of a sales discount in the income statement is:

يظهر حساب خصومات المبيعات في بيان الدخل وهو حساب إيرادات مقابل ، مما يعني أنه يعوض إجمالي المبيعات ، مما يؤدي إلى رقم صافي مبيعات أصغر. عرض خصم المبيعات في قائمة الدخل هو:

| | |
|-----------------------|-----------|
| Gross sales | \$xxx,xxx |
| Less: sales discounts | (xxx,xxx) |
| Net sales | \$xxx,xxx |

- **ABC International issues a \$10,000 invoice to a customer that offers a 2% discount if the customer pays the invoice within 10 days.**

$$\$10,000 * 2\% = \$200$$

| | |
|-----------------------|----------|
| Gross sales | \$10,000 |
| Less: sales discounts | (200) |
| Net sales | \$9,800 |

| | |
|------------------------|--------|
| From Cash | 9,800 |
| Sales discounts | 200 |
| To Accounts receivable | 10,000 |

Exercise 1 Prepare the journal entry required for each of the following transactions:

1. Cash was received for services performed for customers, \$1,200.
2. Sold equipment for customers on 14\May, \$4,200.
3. Cash was received for services performed for customers, \$ 700.
4. Services were performed for customers on account, \$ 1,200.
5. Purchased another truck for cash, \$ 48,000.
6. Sold land on account for December, \$ 27,000.
7. Purchased land on account on 20 December, \$ 20,000 on terms of 2/10, n/30

Required:

- Prepare journal entries for these transactions.
- Post the journal entries to T-accounts.

Exercise 2 Cramer Company uses periodic inventory procedure. Purchases during the period were \$ 40,000, purchase returns and allowances were \$ 1,000, purchase discounts were \$ 2,000, and collected \$ 2,500 from services performed.

Required:

- Prepare journal entries for these transactions.
- Post the journal entries to T-accounts.



Contents

1. Preparing financial statements
2. Practices

➤ Prepare an income statement

To prepare an income statement generate a trial balance report, calculate your revenue, determine the cost of goods sold, calculate the gross margin, include operating expenses, calculate your income, include income taxes, calculate net income and lastly finalize your income statement with business details and the reporting period.

إعداد بيان الدخل

إعداد بيان الدخل ، قم بإنشاء تقرير ميزان المراجعة ، وحساب إيراداتك ، وتحديد تكلفة البضائع المباعة ، وحساب الهامش الإجمالي ، وتضمن نفقات التشغيل ، وحساب الدخل ، وتضمن ضرائب الدخل ، وحساب صافي الدخل ، وأخيراً إنهاء بيان الدخل الخاص بك مع الأعمال التفصيل وفترة التقرير .

1. Pick a reporting period

The first step in preparing an income statement is to choose the reporting period your report will cover.

اختر فترة التقرير

تتمثل الخطوة الأولى في إعداد بيان الدخل في اختيار فترة التقرير التي سيغطيها تقريرك.

2. Generate a trial balance report

To create an income statement for your business, you'll need to print out a standard trial balance report. You can easily generate the trial balance through your cloud-based accounting software. Trial balance reports are internal documents that list the end balance of each account in the general ledger for a specific reporting period. It will give you all the end balance figures you need to create an income statement.

إنشاء تقرير ميزان المراجعة

إنشاء بيان دخل لعملك ، ستحتاج إلى طباعة تقرير ميزان المراجعة القياسي. يمكنك بسهولة إنشاء ميزان المراجعة من خلال برنامج المحاسبة القائم على السحابة. تقارير ميزان المراجعة هي مستندات داخلية تسرد الرصيد النهائي لكل حساب في دفتر الأستاذ العام لفترة إعداد تقارير محددة. سيوفر لك جميع أرقام الرصيد النهائي التي تحتاجها لإنشاء بيان الدخل.

3. Calculate your revenue

Next, you'll need to calculate your business's total sales revenue for the reporting period. Your revenue includes all the money earned for your services during the reporting period, even if you haven't yet received all the payments.

احسب عائدك

بعد ذلك ، ستحتاج إلى حساب إجمالي إيرادات مبيعات نشاطك التجاري خلال فترة التقرير. تشمل إيراداتك جميع الأموال المكتسبة مقابل خدماتك خلال الفترة المشمولة بالتقرير ، حتى إذا لم تكن قد تلقيت جميع المدفوعات بعد.

4. Determine cost of goods sold

Your cost of goods sold includes the direct labor, materials and overhead expenses you've incurred to provide your goods or services.

تحديد تكلفة البضائع المباعة

تشمل تكلفة البضائع المباعة العمالة المباشرة والمواد والنققات العامة التي تكبدها لتوفير سلعك أو خدماتك.

5. Calculate the gross margin

Subtract the cost of goods sold total from the revenue total on your income statement.

احسب الهامش الإجمالي

اطرح تكلفة البضائع المباعة من إجمالي الإيرادات في بيان الدخل الخاص بك.

6. Include operating expenses

Add up all the operating expenses listed on your trial balance report.

تشمل مصاريف التشغيل

أضف جميع نفقات التشغيل المدرجة في تقرير ميزان المراجعة الخاص بك.

7. Calculate your income

Subtract the selling and administrative expenses total from the gross margin.

احسب دخلك

اطرح إجمالي المصاريف الإدارية والبيعية من الهامش الإجمالي.

8. Include income taxes

To calculate income tax, multiply your applicable state tax rate by your pre-tax income figure.

قم بتضمين ضرائب الدخل

لحساب ضريبة الدخل ، اضرب معدل ضريبة الولاية المعمول به في رقم الدخل قبل الضريبة.

9. Calculate net income

To determine your business's net income, subtract the income tax from the pre-tax income figure.

احسب صافي الدخل

لتحديد الدخل الصافي لعملك ، اطرح ضريبة الدخل من رقم الدخل قبل الضريبة

10. Finalize the income statement

To finalize your income statement, add a header to the report identifying it as an income statement. Add your business details and the reporting period covered by the income statement.

استكمل بيان الدخل

لوضع اللمسات الأخيرة على بيان الدخل الخاص بك ، أضف رأساً للتقرير يحدده على أنه بيان الدخل. أضف تفاصيل عمرك وفترة إعداد التقارير التي يغطيها بيان الدخل.

| Innovative Products, Inc. | | | |
|------------------------------------|-----------|-----------|--------------------|
| Income Statement | | | |
| For Year Ending December 31, 2012 | | | |
| Sales | | | \$50,00,000 |
| Cost of Goods Sold | | | |
| Materials | 8,00,000 | | |
| Labor | 11,00,000 | | |
| Overhead | 6,00,000 | 25,00,000 | |
| Gross Margin | | | \$25,00,000 |
| Operating Expenses | | | |
| Selling Expenses | 9,00,000 | | |
| Administrative Expenses | 6,00,000 | | |
| Depreciation and Amortization | 5,00,000 | 2000000 | |
| Operating Income | | | \$5,00,000 |
| Other Income & Expenses | | | |
| Interest Revenue | 50000 | | |
| Interest Expense | -1,00,000 | | |
| Extraordinary items | 2,00,000 | 1,50,000 | |
| Income Before Tax | | | \$6,50,000 |
| Income Tax (at 35%) | | | \$2,27,500 |
| Net Income | | | \$4,22,500 |

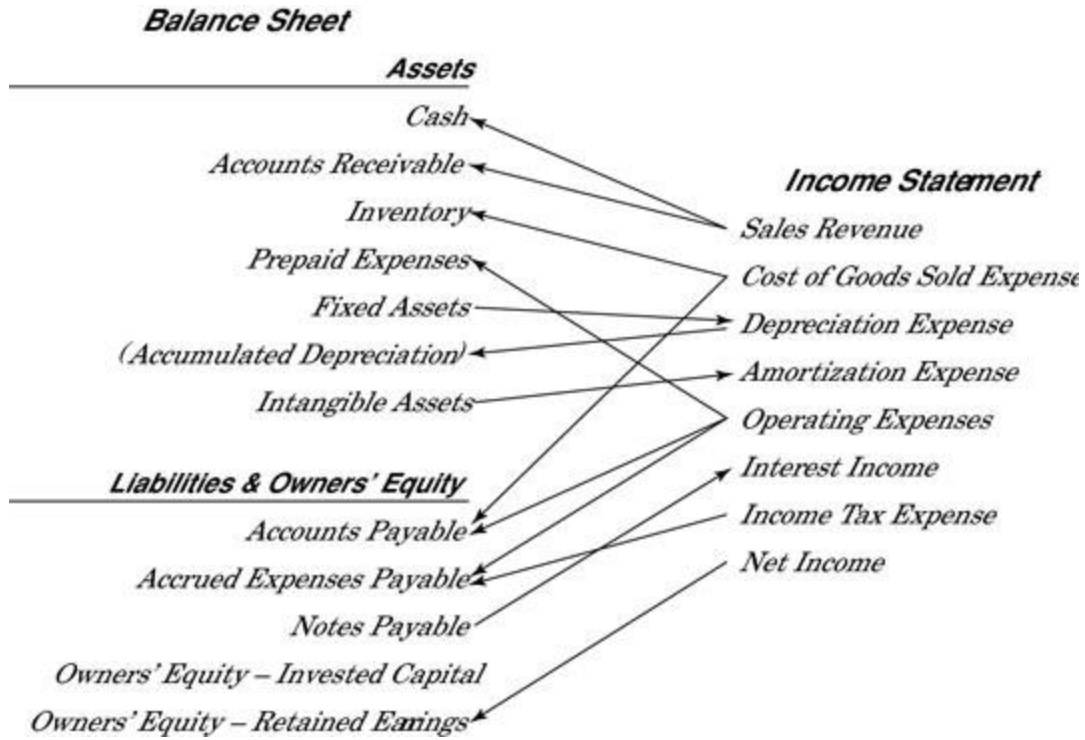
➤ **Prepare balance sheet**

A balance sheet reports a business's assets, liabilities and equity at a specific point in time. A balance sheet is broken into two main sections: assets on one side and liabilities and equity on the other side. The two sides must balance out, meaning they should be equal to one another. It reports the following line items:

تُبلغ الميزانية العمومية عن أصول الشركة وخصومها وحقوق المساهمين في نقطة زمنية محددة. يتم تقسيم الميزانية العمومية إلى قسمين رئيسيين: الأصول من جانب والمطلوبات وحقوق الملكية على الجانب الآخر. يجب أن يتوازن الجانبان ، بمعنى أنه يجب أن يكونا متساويين. يبلغ عن العناصر التالية:

- Current Assets: Assets that will be converted to cash within a year, including accounts receivable, inventory and prepaid expenses
- Long-Term Assets: Assets that won't be converted to cash within a year, including land, buildings and equipment
- Current Liabilities: Debts owed within a year, including rent, utilities, taxes and payroll
- Long-Term Liabilities: Long-term business loans, pension fund liabilities
- Shareholders' Equity: A business's net assets, including money generated by the business and donated capital

- الأصول الجارية: الأصول التي سيتم تحويلها إلى نقد في غضون عام ، بما في ذلك حسابات القبض والمخزون والمصروفات المدفوعة مسبقاً
- الأصول طويلة الأجل: الأصول التي لن يتم تحويلها إلى نقد في غضون عام ، بما في ذلك الأراضي والمباني والمعدات
- الخصوم المتداولة: الديون المستحقة خلال عام ، بما في ذلك الإيجار والمرافق والضرائب والرواتب
- المطلوبات طويلة الأجل: القروض التجارية طويلة الأجل ، والتزامات صندوق التقاعد
- حقوق المساهمين: صافي أصول الشركة ، بما في ذلك الأموال الناتجة عن النشاط التجاري ورأس المال المتبرع به



1. Determine the Reporting Date and Period

A balance sheet is meant to depict the total assets, liabilities, and shareholders' equity of a company on a specific date, typically referred to as the reporting date.

تحديد تاريخ وفترة التقرير

تهدف الميزانية العمومية إلى تصوير إجمالي الأصول والخصوم وحقوق المساهمين للشركة في تاريخ محدد ، يشار إليه عادةً باسم تاريخ إعداد التقارير.

2. Identify Your Assets

After you've identified your reporting date and period, you'll need to tally your assets as of that date.

تحديد الأصول الخاصة بك

بعد تحديد تاريخ وفترة التقرير ، ستحتاج إلى حساب الأصول اعتبارًا من ذلك التاريخ

- Current Assets:
 - Cash and cash equivalents
 - Short-term marketable securities
 - Accounts receivable
 - Inventory
 - Other current assets

- الأصول المتداولة:
 - النقد والنقد المعادل
 - أوراق مالية قابلة للتسويق قصيرة الأجل
 - حسابات القبض
 - الجرد
 - الأصول المتداولة الأخرى

- Non-current Assets:
 - Long-term marketable securities
 - Property
 - Goodwill
 - Intangible assets
 - Other non-current assets

- الموجودات غير المتداولة:
 - الأوراق المالية طويلة الأجل القابلة للتداول
 - س الممتلكات
 - يا حسن النية
 - الأصول غير الملموسة
 - الأصول الأخرى غير المتداولة

3. Identify Your Liabilities

Similarly, you will need to identify your liabilities. Again, these should be organized into both line items and totals, as below:

تحديد المسؤوليات الخاصة بك

وبالمثل ، سوف تحتاج إلى تحديد التزاماتك. مرة أخرى ، يجب تنظيمها في كل من البنود والإجماليات ، على النحو التالي:

- Current Liabilities:
 - Accounts payable
 - Accrued expenses
 - Deferred revenue
 - Current portion of long-term debt
 - Other current liabilities

• • المطلوبات المتداولة:

○ حسابات الدفع

○ المصاريف المستحقة

○ الإيرادات المؤجلة

○ الجزء الحالي من الديون طويلة الأجل

○ الخصوم المتداولة الأخرى

- Non-Current Liabilities:
 - Deferred revenue (non-current)
 - Long-term lease obligations
 - Long-term debt
 - Other non-current liabilities

• • مطلوبات غير متداولة:

○ الإيرادات المؤجلة (غير الجارية)

○ التزامات الإيجار طويل الأجل

○ س الديون طويلة الأجل

• ٥ مطلوبات أخرى غير متداولة

4. Calculate Shareholders' Equity

If a company or organization is privately held by a single owner, then shareholders' equity will generally be pretty straightforward. If it's publicly held, this calculation may become more complicated depending on the various types of stock issued.

حساب حقوق المساهمين

إذا كانت شركة أو مؤسسة مملوكة ملكية خاصة لمالك واحد ، فإن حقوق المساهمين ستكون بشكل عام واضحة جدًا. إذا كانت ملكية عامة ، فقد يصبح هذا الحساب أكثر تعقيدًا اعتمادًا على أنواع الأسهم المختلفة الصادرة.

Common line items found in this section of the balance sheet include:

- Common stock
- Preferred stock
- Treasury stock
- Retained earnings

- تتضمن البنود الشائعة الموجودة في هذا القسم من الميزانية العمومية ما يلي:
- الأسهم العادية المباعة
- الأسهم الممتازة
- أسهم الخزينة
- الأرباح المحتجزة

5. Add Total Liabilities to Total Shareholders' Equity and Compare to Assets

To ensure the balance sheet is balanced, it will be necessary to compare total assets against total liabilities plus equity. To do this, you'll need to add liabilities and shareholders' equity together.

أضف إجمالي المطلوبات إلى إجمالي حقوق المساهمين وقارن بالأصول لضمان توازن الميزانية العمومية ، سيكون من الضروري مقارنة إجمالي الأصول مقابل إجمالي المطلوبات بالإضافة إلى حقوق الملكية. للقيام بذلك ، ستحتاج إلى إضافة الالتزامات وحقوق المساهمين معًا.

Example Company
Balance Sheet
December 31, 2017

ASSETS

| | |
|-----------------------------|--------------------------|
| Current assets | |
| Cash | \$ 2,100 |
| Petty cash | 100 |
| Temporary investments | 10,000 |
| Accounts receivable - net | 40,500 |
| Inventory | 31,000 |
| Supplies | 3,800 |
| Prepaid insurance | 1,500 |
| Total current assets | <u>89,000</u> |
| Investments | <u>36,000</u> |
| Property, plant & equipment | |
| Land | 5,500 |
| Land improvements | 6,500 |
| Buildings | 180,000 |
| Equipment | 201,000 |
| Less: accum depreciation | <u>(56,000)</u> |
| Prop, plant & equip - net | <u>337,000</u> |
| Intangible assets | |
| Goodwill | 105,000 |
| Trade names | <u>200,000</u> |
| Total intangible assets | <u>305,000</u> |
| Other assets | <u>3,000</u> |
| Total assets | <u><u>\$ 770,000</u></u> |

LIABILITIES

| | |
|-----------------------------|----------------|
| Current liabilities | |
| Notes payable | \$ 5,000 |
| Accounts payable | 35,900 |
| Wages payable | 8,500 |
| Interest payable | 2,900 |
| Taxes payable | 6,100 |
| Warranty liability | 1,100 |
| Unearned revenues | 1,500 |
| Total current liabilities | <u>61,000</u> |
| Long-term liabilities | |
| Notes payable | 20,000 |
| Bonds payable | 400,000 |
| Total long-term liabilities | <u>420,000</u> |
| Total liabilities | <u>481,000</u> |

STOCKHOLDERS' EQUITY

| | |
|--|--------------------------|
| Common stock | 110,000 |
| Retained earnings | 220,000 |
| Accum other comprehensive income | 9,000 |
| Less: Treasury stock | <u>(50,000)</u> |
| Total stockholders' equity | <u>289,000</u> |
| Total liabilities & stockholders' equity | <u><u>\$ 770,000</u></u> |

The notes to the sample balance sheet have been omitted.

➤ Prepare cash flow statement

A cash flow statement documents in detail all company income and debt over a specific period of time. It reflects the short-term viability of a company by indicating whether it has enough cash on hand to pay its employees and debts. If it does, then the company is considered to have a “positive” cash flow.

□ إعداد بيان التدفق النقدي

يوثق بيان التدفق النقدي بالتفصيل جميع دخل الشركة وديونها خلال فترة زمنية محددة. إنه يعكس صلاحية الشركة على المدى القصير من خلال الإشارة إلى ما إذا كان لديها نقود كافية في متناول اليد لدفع موظفيها وديونها. إذا كان الأمر كذلك ، فإن الشركة لديها تدفق نقدي "إيجابي".

Types of Cash Flow

The cash flow statement (also referred to as a “statement of cash flows”) is broken down into three sections:

أنواع التدفق النقدي

ينقسم بيان التدفق النقدي (يشار إليه أيضًا باسم "بيان التدفقات النقدية") إلى ثلاثة أقسام:

أنشطة التشغيل

Operating activities

Cash flow operating activities are the costs directly associated with the production and sale of a company’s product, and the income generated by those sales. These costs include:

- Purchase of raw materials
- Building Inventory
- Advertising
- Payments to vendors
- Payroll and employee benefits’ payments
- Dividends from company investments
- Interest received or payed
- Income taxes & deferred taxes
- Income from sales of products or services
- Depreciation and amortization
- Sale of non-current assets

أنشطة تشغيل التدفق النقدي هي التكاليف المرتبطة مباشرة بإنتاج وبيع منتج الشركة والدخل الناتج عن تلك المبيعات. تشمل هذه التكاليف:

- شراء المواد الخام
- جرد المباني
- إعلان
- المدفوعات للبائعين
- الرواتب ومدفوعات استحقاقات الموظفين
- توزيعات أرباح من استثمارات الشركة
- الفوائد المستلمة أو المدفوعة
- ضرائب الدخل والضرائب المؤجلة
- الدخل من مبيعات المنتجات أو الخدمات
- الاهلاك واستهلاك الدين
- بيع الأصول غير المتداولة

Investing activities

This is cash spent on:

- Long term investments (for example, purchase or sales of stocks and bonds)
- Properties and equipment (purchases or sales of)
- Loan payments (but not interest. Interest on bank loans would go under 'Operating Activities' above)
- Money loans
- Costs related to payments for merger and acquisitions

Although a business can generate cash flow by selling properties and equipment, those specific costs are not an indication of a profitable business.

نشاطات إستثمارية

هذا هو النقد الذي يتم إنفاقه على:

- الاستثمارات طويلة الأجل (على سبيل المثال ، شراء أو بيع الأسهم والسندات)
 - الممتلكات والمعدات (شراء أو بيع)
 - مدفوعات القروض (لكن ليس الفوائد. ستندرج الفائدة على القروض المصرفية ضمن "أنشطة التشغيل" أعلاه)
 - القروض النقدية
 - التكاليف المتعلقة بمدفوعات الاندماج والاستحواذ
- على الرغم من أن الأعمال التجارية يمكن أن تولد تدفقًا نقديًا عن طريق بيع العقارات والمعدات ، إلا أن هذه التكاليف المحددة لا تشير إلى عمل تجاري مربح.

Financing activities

Financing activities refer to:

- Incoming cash from investors and shareholders
- Incoming cash from issuing debt (for instance, bonds)
- Outgoing cash in the form of dividends
- Repurchasing of stock
- Proceeds from employees exercising stock options
- Capital lease (a large expense, such as a building that is being accounted for over a number of years).

أنشطة التمويل

تشير أنشطة التمويل إلى:

- النقد الوارد من المستثمرين والمساهمين
- النقد الوارد من إصدار الديون (على سبيل المثال ، السندات)
- النقد الصادر على شكل توزيعات أرباح
- إعادة شراء الأسهم
- عائدات الموظفين الذين يمارسون خيارات الأسهم
- عقد إيجار رأسمالي (نفقات كبيرة ، مثل مبنى يتم احتسابه على مدى عدد من السنوات).

How Do You Calculate Cash Flow?

There are two methods to calculate cash flow. Each have a different approach to the way “Operating Activities” are calculated.

كيف تحسب التدفق النقدي؟

هناك طريقتان لحساب التدفق النقدي. لكل منها نهج مختلف للطريقة التي يتم بها حساب "أنشطة التشغيل".

Cash flow calculation: direct method

The accounting department of a company adds up all payments and receipts.

This is the universally recommended way to calculate cash flow because the expenses and income are so detailed. That detail can help a company to better make financial decisions.

حساب التدفق النقدي: الطريقة المباشرة

يضيف قسم المحاسبة في الشركة جميع المدفوعات والإيصالات.

هذه هي الطريقة الموصى بها عالميًا لحساب التدفق النقدي لأن النفقات والإيرادات مفصلة للغاية. يمكن أن تساعد هذه التفاصيل الشركة على اتخاذ قرارات مالية أفضل.

Cash flow calculation: indirect method

The accounting department takes net income and then makes adjustments to remove costs related to non-operating activities.

This is considered an easier method to calculate than direct, because of the way accounting departments typically record transactions.

حساب التدفق النقدي: طريقة غير مباشرة

يأخذ قسم المحاسبة صافي الدخل ثم يقوم بإجراء تعديلات لإزالة التكاليف المتعلقة بالأنشطة غير التشغيلية.

تعتبر هذه طريقة أسهل للحساب من الحساب المباشر ، بسبب الطريقة التي تسجل بها أقسام المحاسبة المعاملات عادةً.

Direct Method:

| | |
|------------------------------------|-------|
| Operating Activities | |
| Cash received from customers | \$800 |
| Cash paid to suppliers | (150) |
| Employee compensations | (200) |
| Other operating expenses paid | (250) |
| Net cash from operating activities | 200 |
| Investing Activities | |
| Sale of land | 200 |
| Purchase of equipment | (300) |
| Net cash from investing activities | (100) |
| Financing Activities | |
| Common share dividends | (200) |
| Payment on long-term debt | (300) |
| Net cash from financing activities | (500) |
| Beginning Cash Balance | X |
| Ending Cash Balance | Y |

Indirect Method:

| | |
|---|----------|
| Operating Activities | |
| Net Income | \$50,000 |
| Add: Depreciation expense | \$10,000 |
| Decrease in AR | \$2,000 |
| Increase in inventory | \$3,000 |
| Decrease in prepaid expense | \$4,000 |
| Increase in accounts payable | \$5,000 |
| Net Cash provided by operating activities | \$XXX |
| Investing Activities | |
| Sale of land | 200 |
| Purchase of equipment | (300) |
| Net cash from investing activities | (100) |
| Financing Activities | |
| Common share dividends | (200) |
| Payment on long-term debt | (300) |
| Net cash from financing activities | (500) |
| Beginning Cash Balance | X |
| Ending Cash Balance | Y |

[Company Name]

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Cash Flow Statement

[USD \$ millions]

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|-------------------------------------|----------------|----------------|-----------------|----------------|----------------|
| Operating Cash Flow | | | | | |
| Net Earnings | 2,474 | 11,791 | 21,075 | 26,713 | 28,227 |
| Plus: Depreciation & Amortization | 19,500 | 18,150 | 17,205 | 16,544 | 16,080 |
| Less: Changes in Working Capital | 9,003 | 1,702 | 775 | 903 | 827 |
| Cash from Operations | 12,971 | 28,239 | 37,505 | 42,354 | 43,480 |
| Investing Cash Flow | | | | | |
| Investments in Property & Equipment | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| Cash from Investing | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| Financing Cash Flow | | | | | |
| Issuance (repayment) of debt | - | - | (20,000) | - | - |
| Issuance (repayment) of equity | 170,000 | - | - | - | - |
| Cash from Financing | 170,000 | - | (20,000) | - | - |
| Net Increase (decrease) in Cash | 167,971 | 13,239 | 2,505 | 27,354 | 28,480 |
| Opening Cash Balance | - | 167,971 | 181,210 | 183,715 | 211,069 |
| Closing Cash Balance | 167,971 | 181,210 | 183,715 | 211,069 | 239,550 |



Practices

Q1: What is meant by the conceptual framework of accounting? And count the components of the framework.

It is the collection of Concepts that guide the manner in which accounting is practiced.

The components are

1. Objective
2. Elements
3. Qualitative characteristics
4. Assumptions
5. Principles
6. Constraint

Q2: What are the objectives of financial reporting?

1. Is useful to those making investment and credit decisions
2. Helpful in assessing future cash flow
3. Identify (Assets) and (liabilities) and the changes in them.

Q3: The qualitative characteristics of accounting information areand

Fundamental and enhancing qualitative characteristics

Q4: What is meant by (Relevance \ Faithful representation \ Comparability \ Timeliness \ Understandability)

- Relevance: refers to the capacity of accounting information to make difference in decision,
- Faithful representation: Means that the numbers and descriptions match wat really existed or happened.
- Comparability: refers to the ability to use accounting information to compare or contrast the financial activities of different businesses.
- Verifiability: occurs when independent measures using the same methods obtain similar results.
- Timeliness: means having information available to decision makers before it loses its capacity to influence decisions.
- Understandability: refers to the ability of accounting information to be comprehensible to those who have a reasonable understanding of business and economic activities

Q5: What is meant by the Financial statements? How types of financial statements are there?

Financial statements are written records that convey the business activities and the financial performance of a company

1. Balance sheet
2. Income statement
3. Cash flow statement
4. Change in owners' equity

Q6: What are the elements of the financial statements?

1. Assets
2. Liabilities
3. Equity
4. Revenues
5. Expenses

Q7: Count the main accounting assumptions.

1. Accrual
2. Conservatism
3. Consistency
4. Economic entity
5. Going concern
6. Reliability
7. Time period

Q8: Count the main accounting principles.

1. Money measurement concept
2. Revenue recognition
3. The Expense principle
4. The matching principle
5. The full disclosure

Q9: True \ False

1. Company managers, human resource managers, and finance managers are internal users of accounting information. **True**
2. Company managers, human resource managers, and finance managers are the only internal users of accounting information. **False**
3. Customers, investors, and taxing authorities are internal users of accounting information. **False**

Q10: What is meant by (Cash purchase \ Credit purchase \ Purchase return \ Purchase Allowance \ Purchase discount, sales discount)?

1. Cash purchase: Companies record cash purchases by an increase in purchase account and a decrease in cash account
2. Credit Purchase: If purchases are made on credit the purchase account would be debited and accounts payable credited.
3. Purchase Return: Occurs when the buyer of merchandise, inventory, fixed assets, or other items sends these goods back to the seller.
4. Purchase Allowance: A purchase allowance is a reduction in the buyer's cost of merchandise that it had purchased.
5. Purchase discount: It is an offer from the supplier to the purchaser, to reduce the payment amount if the payment is made within a certain period of time.
6. Sales discount: is a reduction in the price of a product or service that is offered by the seller, in exchange for early payment by the buyer.

Q11: What is meant b Cash flow statement? What are the main types of the statements?

A cash flow statement documents in detail all company income and debt over a specific period of time.

Types of Cash Flow

1. Operating activities
2. Investing activities
3. Financing activities

Q12: What is the accounting equation?

Assets = Liabilities + Owners equity

P1: Prepare the journal entry required for each of the following transactions:

1. Cash was received for services performed for customers, \$1,200.
2. Sold equipment for customers on 14 May, \$4,200.
3. Cash was received for services performed for customers, \$ 700.
4. Services were performed for customers on account, \$ 1,200.
5. Purchased another truck for cash, \$ 48,000.
6. Sold land on account for December, \$ 27,000.
7. Purchased land on account on 20 December, \$ 20,000 on terms of 2/10, n/30

Required:

- Prepare journal entries for these transactions.
- Post the journal entries to T-accounts.

Handwritten journal entries on lined paper:

1) From: Cash a/c. \$1,200
 To: Services Revenue \$1,200
 (to record services performed to customers)

2) From: Cash a/c 4,200
 To: equipment

3) Cash 700
 Service Revenue 700

4) Account Receivable 1200
 Service Revenue 1200

5) Truck / equipment 48,000
 Cash 48,000

6) Cash 27,000
 Land 27,000

7) Land 20,000
 Account payable 20,000

Account payable 20,000
 Cash 19,600
 purchase discount 400

P2 Cramer Company uses periodic inventory procedure. Purchases during the period were \$ 40,000, purchase returns and allowances were \$ 1,000, purchase discounts were \$ 2,000, and collected \$ 2,500 from services performed.

Required:

- Prepare journal entries for these transactions.
- Post the journal entries to T-accounts.

E2

| | | | |
|---|-------------------------------|--------|-----|
| ① | From; Purchases | 40,000 | |
| | Cash | 40,000 | (1) |
| ② | Cash | 1,000 | |
| | Purchase Return and allowance | 1,000 | |
| ③ | Cash | 2,500 | |
| | Service Revenue | 2,500 | (5) |

P3 Complete missing amounts in fundamental accounting equation for several businesses:

| | | |
|---------|---------|---------|
| 578,000 | | 152,000 |
| | 25,000 | 180,500 |
| 127,000 | 17,000 | |
| 269,000 | 45,000 | |
| 850,000 | | 675,000 |
| | 250,000 | 657,450 |

Solution:

Assets = Liabilities + Owners equity

| Assets | = Liabilities | + Stockholders' Equity |
|---------|---------------|------------------------|
| 578,000 | 426,000 | 152,000 |
| 205,500 | 25,000 | 180,500 |
| 127,000 | 17,000 | 110,000 |
| 269,000 | 45,000 | 224,000 |
| 850,000 | 175,000 | 675,000 |
| 907,450 | 250,000 | 657,450 |

P4: Knowing the following information for Big Tex's Rental and Service Company for the month ended September 30th 2019:

| | |
|--------------------------------|----------|
| Net income | \$12,000 |
| Notes payable | \$2,000 |
| Depreciation | \$3,000 |
| Account payable (increased) | \$1,000 |
| Equipment | \$2,000 |
| Account receivable (increased) | \$8,000 |
| Inventory | \$7,000 |
| Land sold | \$3,000 |

Required: prepare a cash flow statement.

Solution:

Solution P4:-

Cash flow statement
Big Tex's Rental and Service Co.
Month ended sep. 30th 2019

* Cash flow from operations

| | |
|-------------------------------|------------|
| Net income | \$ 12,000 |
| + Depreciation | \$ 3,000 |
| + Increase in acc. payable | \$ 1,000 |
| - Increase in acc. receivable | (\$ 8,000) |
| - Increase in Inventory | (\$ 7,000) |

Net cash from operations \$ 1,000

* Cash flow from Investing

purchase from equipment (\$ 2,000)

Net flow from Investing (\$ 2,000)

* Cash flow from financing

| | |
|---------------|----------|
| notes payable | \$ 2,000 |
| Sale of land | \$ 3,000 |

Net flow from financing \$ 5,000

Net Cash flow for the month \$ 4,000
ended sep. 30th 2019

* أي عملية شراء أو دفع مذكورة في بيان النقدية إلى
* الزيادة في حساب المدينين تؤثر سلباً على النقدية (لأن المدينين لم يوفوا بالدين)
* أي عملية بيع أو استلام مذكورة في بيان النقدية إلى
* الزيادة في حساب المدينين تؤثر إيجاباً على النقدية (لأن المدينين لم يستلموا من قبل المدينين)

P5: Knowing the following information for Barn Fam. company for the month ended Dec 31st 2010:

| | |
|--------------------------------|---------|
| Cash receipt from customers | \$9,500 |
| Income taxes | \$3,000 |
| Proceeds from equipment sale | \$7,500 |
| Cash paid to suppliers | \$2,000 |
| Cash generated from operations | \$7,500 |
| Dividend paid | \$2,500 |
| Interest paid | \$2,000 |
| Dividend received | \$3,000 |

Required: prepare a cash flow statement.

Solution:

Solution P5:-

Cashflow statement
Barn Fam. Company
Month ended Dec. 31st

* Cash from operations

| | |
|----------------------------------|-----------|
| Cash receipt from customers | \$9,500 |
| - Cash paid to suppliers | (\$2,000) |
| + Cash generated from operations | \$7,500 |
| - Interest paid | (\$2,000) |
| - Income tax | (\$3,000) |

Net Cash from operations \$10,000

* Cash from Investing

| | |
|------------------------------|---------|
| Proceeds from equipment sale | \$7,500 |
| + Dividends received | \$3,000 |

Net Cash from Investing \$10,500

* Cash from financing

| | |
|------------------|-----------|
| - Dividends paid | (\$2,500) |
|------------------|-----------|

Net Cash from financing (\$2,500)

Net Cashflow for the month Dec. 31st 2010 \$18,000

P6: On December 31, Bryniuk's Company, the accounting records showed the following information:

| | |
|---------------------|--------|
| Cash | 49,500 |
| Accounts Receivable | 25,000 |
| Supplies | 1,500 |
| Prepaid Insurance | 12,000 |
| Equipment | 70,000 |
| Building | 20,000 |
| Land | 11,500 |
| Accounts Payable | 30,000 |
| Notes Payable | 70,000 |
| Common Stock | 10,000 |
| Retained Earnings | 50,000 |
| Goodwill | 20,000 |
| Bond payable | 14,000 |
| Interest payable | 20,000 |
| Capital | 15,000 |

Required: Prepare the Balance sheet Statement for year ended December 31 2018.

Solution

Solution P6

Brynink Company
Balance Sheet
December 31, 2018

| Assets | | Liabilities and Equity | |
|-------------------|-----------|------------------------|-----------|
| Current Assets | | Current Liabilities | |
| Cash | \$49,500 | Account payable | \$30,000 |
| Acc. receivable | \$25,000 | Interest payable | \$20,000 |
| Supplies | \$1,500 | | |
| Prepaid insurance | \$12,000 | Total C.L. | \$50,000 |
| Total C.A. | \$88,000 | Long-term Liabilities: | |
| Fixed Assets | | notes payable | \$70,000 |
| Equipment | \$70,000 | bonds payables | \$14,000 |
| Building | \$20,000 | Total L.L. | \$84,000 |
| Land | \$11,000 | owners Equity | |
| Total F.A. | \$101,000 | Capital | \$15,000 |
| Intangible Assets | | Common stock | \$10,000 |
| Goodwill | \$20,000 | Retained earnings | \$50,000 |
| | | Total O.W. | \$75,000 |
| Total Assets | \$209,000 | Total Liabilities | \$209,000 |
| | | and owners Equity | |

*Ministry Of Higher Education And
Scientific Research
Madenat Al-Elem University College
Accounting Department*



وزارة التعليم العالي والبحث العلمي
كلية مدينة العلم الجامعة
قسم المحاسبة

Accounting in English

Lecture 5

Balance Sheet

A balance sheet is a financial statement that reports a company's assets, liabilities and shareholders' equity. The balance sheet is one of the three core financial statements used to evaluate a business (income statement and statement of cash flows being the other two).

The balance sheet adheres to the following accounting equation, where assets on one side, and liabilities plus shareholders' equity on the other, balance out:

$$\text{Assets} = \text{Liabilities} + \text{Shareholders' Equity}$$

Elements of financial statements

Now we can learn about the elements of financial statements based on the INTERNATIONAL ACCOUNTING STANDARD BOARD (IASB) classification.

➤ **Assets:**

The official definition of assets are defined by IASB's Framework for preparation and presentation of financial statements are the resources control by the entity as the result of past events and from which the future economic benefits are expected to flow the entity.

An asset is a resource with economic value that an individual, corporation, or country owns or controls with the expectation that it will provide a future benefit.

الأصول (الموجودات) هو مورد ذو قيمة اقتصادية يمتلكه أو يتحكم فيه فرد أو شركة أو دولة مع توقع أنه سيوفر فائدة مستقبلية.

For example, the account receivable is the asset of the entity.

Right here could mean the right to use or control the physical assets or the intellectual property or it could be linked to the other entity's obligation to pay or transfer the assets to the entity.

In the accounting equation, assets are calculated by the accumulation of equity and liabilities.

Here are examples of assets:

| | |
|----------------------|--------------------------|
| • Land | أرض |
| • Building | بناء |
| • Property | ممتلكات |
| • Computer equipment | معدات الحاسوب |
| • Cash in bank | النقدية في المصرف |
| • Cash on hand | النقد في الصندوق |
| • Cash advance | فرض نقدي \ نقد مسبق |
| • Petty cash | عقدة نقدية \ نفقات نثرية |
| • Inventories | مخزون سلعي |

| | |
|--|---|
| • Account receivables | حسابات المقبوضات / حسابات المدينين |
| • Prepaid expenses | النفقات المدفوعة مسبقا |
| • Goodwill | السمعة التجارية \ شهرة المنشأة |
| • And other assets that meet the definition of assets above. | وغيرها من الأصول التي ينطبق عليها تعريف الأصول أعلاه. |

Assets are considered the first element of financial statement and they report only in the balance sheets. They are staying on the top of the balance sheets. In general, assets are classified into two types based on the company's policies and in accordance with international accounting standards.

- **Current assets:**

The first class of assets is the current asset which refers to short-term assets and these kinds of assets are not depreciated. The movement or usages of them are directly charged to the income statement.

For example, the usages of inventories are charged as operating expenses or costs of goods sold in the income statement. Some of the current assets are moved from one accounting item to another.

الموجودات المتداولة: الفئة الأولى من الأصول هي الأصل الحالي الذي يشير إلى الأصول قصيرة الأجل ولا يتم استهلاك هذه الأنواع من الأصول

- **Non-current assets:**

The second types of assets are fixed assets. These kinds of assets normally refer to assets that use more than one year and with large amounts as well as are not for trading or holders for price appreciation.

الموجودات غير المتداولة: النوع الثاني من الأصول هو الأصول الثابتة. تشير هذه الأنواع من الأصول عادةً إلى الأصول التي تستخدم أكثر من عام واحد وبمبالغ كبيرة وكذلك ليست للتداول أو لأصحابها لزيادة السعر.

In other words, fixed assets are the resources based on nature are converted into cash or cash equivalent in more than one year accounting period.

- **Liabilities:**

The official definition of liabilities define by IASB's Framework for preparation and presentation of financial statements are the present obligations arising from the past events, the settlement of which is expected to result in an outflow from entity resources embodying economic benefit.

Obligations of a company or organization. Amounts owed to lenders and suppliers. Money owed to suppliers (accounts payable) Wages owed. Taxes owed.

الخصوم (المطلوبات) التزامات شركة أو منظمة. المبالغ المستحقة للمقرضين والموردين. الأموال المستحقة للموردين (حسابات الدفع) الأجور المستحقة. الضرائب المستحقة

Here are examples of Liabilities in Financial Statements:

| | |
|---------------------------------|---|
| • Bank Loan | قرض مصرفي |
| • Overdraft | سحب بدون رصيد \ السحب على المكشوف |
| • Interest payable | فوائد واجبة الدفع |
| • Tax payable | ضرائب واجبة الدفع |
| • Account payable | ذمم دائنة (حسابات الدفع) |
| • Note payable | كيميالة مستحقة الدفع |
| • Borrowing from parent company | اقتراض من الشركة الرئيسية (الشركة الأم) |
| • Intercompany account payable | حساب الدفع بين الشركات الشقيقة |
| • Salary payable | الراتب المستحق الدفع |

Liabilities are classified into two different types: Current liabilities and Non-current Liabilities. Current Liabilities refer to the kind of liabilities that expected to settle within 12 months after the reporting date.

➤ **Equity:**

Equity is officially defined by IASB's Framework for preparation and presentation of financial statements, is the residual interest in the assets of the entity after deducting all its liabilities.

Represents the shareholders' stake in the company, identified on a company's balance sheet.

الملكية يمثل حصة المساهمين في الشركة المحددة في الميزانية العمومية للشركة.

Example: By solving the above definition, $Equities = Assets - Liabilities$. A good example of Equity is Ordinary Shares Capital and Retained Earnings. That means equity increase or decrease depending on the movement of assets and liabilities.

For example, if assets are increasing and the liabilities are stable, then equities will increase. However, if assets are stable and liabilities are increased, the equity will decrease.

The items that records in equity are:

- Share capital
- Retain earning or retain losses
- Revaluation gain
- Dividends payment

Analyzing balance sheet statement

Balance sheet statement can be analyzed using either solvency ratios or liquidity ratios

1. A solvency ratio is a key metric used to measure an enterprise's ability to meet its long-term debt obligations and is used often by prospective business lenders.

➤ **Debt Ratio**

The debt-to-assets ratio is calculated as follows:

$$\text{Debt ratio} = \text{Total debt} / \text{Total assets}$$

The debt-to-assets ratio measures a company's total liabilities to its total assets.

A high ratio, above 1, indicates that a company is significantly funded by debt and may have difficulty meeting its obligations.

➤ **Equity Ratio**

The equity ratio is calculated as follows:

$$\text{Equity ratio} = \text{Shareholder equity} / \text{Total assets}$$

The equity ratio shows how much of a company is funded by equity as opposed to debt. The higher the number, the healthier a company is. The lower the number would indicate that a company has more debt on its books.

➤ **Debt-To-Equity Ratio**

The debt-to-equity ratio is calculated as follows:

$$\text{Debt-to-equity ratio} = \text{Total liabilities} / \text{Total shareholder equity}$$

The debt-to-equity ratio is similar to the debt-to-assets ratio, in that it indicates how a company is funded, in this case, by debt. The higher the ratio, the more debt a company has on its books

2. Liquidity ratios are an important class of financial metrics used to determine a debtor's ability to pay off current debt obligations without raising external capital.

➤ **The Current Ratio**

The current ratio measures a company's ability to pay off its current liabilities (payable within one year) with its current assets such as cash, accounts receivable and inventories. The higher the ratio, the better the company's liquidity position:

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

➤ **The Quick Ratio**

The quick ratio measures a company's ability to meet its short-term obligations with its most liquid assets and therefore excludes inventories from its current assets.

$$\text{Quick ratio} = \text{Current Assets} - \text{Inventories} - \text{Prepaid expenses} / \text{Current Liabilities}$$

***Quick ratio = (Cash + Cash Equivalents + Marketable Securities + Accounts Receivable) /
Current Liabilities***

P6: On December 31, Bryniuk's Company, the accounting records showed the following information:

| | |
|---------------------|--------|
| Cash | 49,500 |
| Accounts Receivable | 25,000 |
| Supplies | 1,500 |
| Prepaid Insurance | 12,000 |
| Equipment | 70,000 |
| Building | 20,000 |
| Land | 11,500 |
| Accounts Payable | 30,000 |
| Notes Payable | 70,000 |
| Common Stock | 10,000 |
| Retained Earnings | 50,000 |
| Goodwill | 20,000 |
| Bond payable | 14,000 |
| Interest payable | 20,000 |
| Capital | 15,000 |

Required: Prepare the Balance sheet Statement for year ended December 31 2018.

Solution

Solution P6

Brynink Company
Balance Sheet
December 31, 2018

| Assets | | Liabilities and Equity | |
|-------------------|-----------|------------------------|-----------|
| Current Assets | | Current Liabilities | |
| Cash | \$49,500 | Account payable | \$30,000 |
| Acc. receivable | \$25,000 | Interest payable | \$20,000 |
| Supplies | \$1,500 | | |
| Prepaid insurance | \$12,000 | Total C.L. | \$50,000 |
| Total C.A. | \$88,000 | Long-term Liabilities: | |
| Fixed Assets | | notes payable | \$70,000 |
| Equipment | \$70,000 | bonds payables | \$14,000 |
| Building | \$20,000 | Total L.L. | \$84,000 |
| Land | \$11,000 | owners Equity | |
| Total F.A. | \$101,000 | Capital | \$15,000 |
| Intangible Assets | | Common stock | \$10,000 |
| Goodwill | \$20,000 | Retained earnings | \$50,000 |
| | | Total O.W. | \$75,000 |
| Total Assets | \$209,000 | Total Liabilities | \$209,000 |
| | | and owners Equity | |

Practices and questions

1. Another name for the balance sheet is
[Statement Of Operations](#)
[Statement Of Financial Position](#)
2. The balance sheet heading will specify a
[Period Of Time](#)
[Point In Time](#)
3. Which of the following is a category or element of the balance sheet?
[Expenses](#)
[Gains](#)
[Liabilities](#)
[Losses](#)
4. Which of the following is an asset account?
[Accounts Payable](#)
[Prepaid Insurance](#)
[Unearned Revenue](#)
5. What is the normal balance for an asset account?
[Debit](#)
[Credit](#)
6. What is the normal balance for liability accounts?
[Debit](#)
[Credit](#)
7. What is the normal balance for stockholders' equity and owner's equity accounts?
[Debit](#)
[Credit](#)
8. What is the normal balance for current asset accounts?
[Debit](#)
[Credit](#)

9. Which of the following would **not** be a current asset?

[Accounts Receivable](#)

[Land](#)

[Prepaid Insurance](#)

[Supplies](#)

10. Which of the following would normally be a current liability?

[Note Payable Due In Two Years](#)

[Unearned Revenue](#)

P2 Prepare a balance sheet for Beta co. for the year ended Dec. 31,201X using the information given:

| | |
|---------------------------------|-----------------|
| Cash | \$12,300 |
| Accounts receivable | 22,900 |
| Accounts payable | \$ 8,900 |
| Wages payable | 11,525 |
| Inventory | 32,090 |
| Bank Loan Payable | 17,500 |
| Tom Beta, Capital | 53,744 |
| Equipment | 100,200 |
| Accumulated Depreciation | 78,321 |

Solution

| Beta Sales Company Balance Sheet December 31, 201X | | | | | |
|---|----------|----------|--------------------------------|----------|----------|
| Assets | | | Liabilities and Capital | | |
| <i>Current Assets</i> | | | <i>Current Liabilities</i> | | |
| Cash | \$12,300 | | Accounts payable | \$ 8,900 | |
| Accounts receivable | 22,900 | | Wages payable | 11,525 | |
| Inventory | 32,090 | | Total Current Liabilities | | \$20,425 |
| Prepaid Insurance | 2,500 | | <i>Long-Term Liabilities</i> | | |
| Total Current Assets | | \$69,790 | Bank Loan Payable | 17,500 | |
| <i>Fixed Assets</i> | | | Total Long-Term Liability | | 17,500 |
| Equipment | 100,200 | | Total Liabilities | | 37,925 |
| Less: Accumulated Depreciation | (78,321) | | <i>Equity</i> | | |
| Total Fixed Assets | | 21,879 | Tom Beta, Capital | | 53,744 |
| Total assets | | 91,669 | Total liabilities and equity | | 91,669 |

P3: The following information is related to Example Corporation for the year 2017 Dec 31st

| | |
|---------------------------------------|---------------|
| Net Income | 60,000 |
| Notes receivable | 1,000 |
| Account payable (increased) | 10,000 |
| Purchased Equipment | 5,000 |
| Notes payable | 7,500 |
| Account receivable (decreased) | 20,000 |
| Purchased land | 15,000 |
| Depreciation | 20,000 |
| Decrease in Inventory | 30,000 |

Note: amounts represented above are in US dollars.

Required:

- 1) Prepare cash flow statement for the year 2017**
- 2) What is the net opening cash balance for the year 2018**

P4: Toshiba co. reported the following amounts for the year sep 30th 2010:

- 1. Net income 30,000**
- 2. Dividend paid 2,500**
- 3. Proceeds from sale of equipment 7,500**
- 4. Dividends received 3,000**
- 5. Capital expenditures 10,000**
- 6. Cash receipt from customers 9,500**
- 7. Cash paid to suppliers 2,000**
- 8. Income tax 3,000**
- 9. Interest paid 2,000**
- 10. Opening cash balance for the year is 1,000**

Prepare cash flow statement using direct method

**Ministry Of Higher Education And
Scientific Research
Madenat Al-Elem University College
Accounting Department**



وزارة التعليم العالي والبحث العلمي
كلية مدينة العلم الجامعة
قسم المحاسبة

Accounting in English

Lecture 6

P1: The following information is related to Example Corporation for the year 2017 Dec 31st

| | |
|---------------------------------------|---------------|
| Net Income | 60,000 |
| Notes receivable | 1,000 |
| Account payable (increased) | 10,000 |
| Purchased Equipment | 5,000 |
| Notes payable | 7,500 |
| Account receivable (decreased) | 20,000 |
| Purchased land | 15,000 |
| Depreciation decreased | 20,000 |
| Decrease in Inventory | 30,000 |

Notes

- 1) Amounts represented above are in US dollars.**
- 2) Opening cash balance for the year is 100,000**

Required:

- 1) Prepare cash flow statement for the year 2017**
- 2) What is the net opening cash balance for the year 2018**

Solution

(1)

Cash flow statement

Example Corporation

December 31st 2017

operating activity

| | |
|----------------------|---------------|
| Net income | \$ 60,000 |
| + Account payable | \$ 10,000 |
| + Account Receivable | \$ 20,000 |
| - Depreciation | (\$ 20,000) |
| + Inventory | \$ 30,000 |

Total operating activities \$ 100,000

Investing activity

| | |
|-------------|---------------|
| - Equipment | (\$ 5,000) |
| - Land | (\$ 15,000) |

Total investing activity (\$ 20,000)

Financing activity

| | |
|--------------------|--------------|
| + notes payable | \$ 7,500 |
| - notes receivable | (\$ 1,000) |

Total Financing activity \$ 6,500

Total Cash flow for the year \$ 86,500

+ Opening cash balance 100,000

Ending Cash balance for the year 2017 \$ 186,500

(2) opening cash balance for the year 2018 is
\$ 186,500

P2: Toshiba co. reported the following amounts for the year sep 30th 2010:

- 1. Net income 30,000**
- 2. Dividend paid 2,500**
- 3. Proceeds from sale of equipment 7,500**
- 4. Dividends received 3,000**
- 5. Capital expenditures 10,000**
- 6. Cash receipt from customers 9,500**
- 7. Cash paid to suppliers 2,000**
- 8. Income tax 3,000**
- 9. Interest paid 2,000**
- 10. Opening cash balance for the year is 1,000**

Prepare cash flow statement using direct method

Solution Cash flow Statement
Toshiba Corporation
September 30th 2010

Operating Activity

| | |
|-----------------------------|-----------|
| Cash Receipt from customers | \$9,500 |
| - Cash paid to suppliers | (\$2,000) |
| - Interest paid | (\$2,000) |
| - Income tax paid | (\$3,000) |

Total operating activity \$2,500

Investing Activity

| | |
|---------------------------------|------------|
| Proceeds from sale of equipment | \$7,500 |
| + Dividends received | \$3,000 |
| - Capital expenditures | (\$10,000) |

Total investing activity \$500

Financing Activity

| | |
|------------------|-----------|
| - Dividends paid | (\$2,500) |
|------------------|-----------|

Total financing activity (\$2,500)

| | |
|------------------------|---------|
| Total Cash Flow | \$500 |
| + Opening cash balance | \$1,000 |
| Ending cash balance | \$1,500 |

P3: The following is reported:

| | |
|-------------------------------------|-----------------|
| Net income | ? |
| Depreciation | \$4,000 |
| Capital expenditures | \$28,000 |
| Proceeds from sale of land | \$7,000 |
| Increased account receivable | \$6,000 |
| Total operating activities | \$25,000 |
| Decrease in inventory | \$9,000 |
| Borrowing of long term debts | \$10,000 |
| Dividends paid | \$5,000 |
| Decrease in account payable | \$5,000 |
| Purchase of treasury stock | \$8,000 |
| Cash balance (beginning) | \$12,000 |

Required:

Prepare cash flow statement for Inc. corporation for the year ending Dec31st 2019.

Cash Flow statement
Inc. Corporation
December 31st 2019

| Operating Activity | | |
|---|--|------------------|
| Net Income | | \$ 23,000 |
| + Depreciation | | \$ 4,000 |
| + Increase in acc. receivable (\$6,000) | | \$ 9,000 |
| + Decrease in inventory | | \$ 9,000 |
| + Decrease in acc. payable (\$5,000) | | \$ 5,000 |
| <u>Total operating activity</u> | | <u>\$ 25,000</u> |

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تقل الأرباح

| Investing activity | | |
|-----------------------------------|--|--------------------|
| - Capital Expenditures (\$28,000) | | (\$ 28,000) |
| + Proceeds from sale of land | | \$ 7,000 |
| <u>Total investing activity</u> | | <u>(\$ 21,000)</u> |

| Financing activity | | |
|---------------------------------|--|-------------------|
| Borrowing from debts | | \$ 10,000 |
| - dividends paid | | (\$ 5,000) |
| Purchase of stock | | (\$ 8,000) |
| <u>Total financing activity</u> | | <u>(\$ 3,000)</u> |

| | | |
|------------------------|--|------------------|
| Total Cash balance | | \$ 1,000 |
| + Opening Cash balance | | \$ 12,000 |
| <u>Cash balance</u> | | <u>\$ 13,000</u> |

$$\begin{aligned} \text{Net income} &= \text{T.O} - (\text{Dep.}) + \text{Acc. receivable} - (\text{inventory}) \\ &+ \text{acc. payable} \\ &= 25,000 - (4,000) + 6,000 - (9,000) + 5,000 \end{aligned}$$

P4: The Delta Company uses indirect method to prepare its statement of cash flows. The list of various activities performed by the company during the year 2014 is given below:

- 1. Purchase of treasury stock**
- 2. Purchase of available for sale investment**
- 3. Sale of equipment**
- 4. Increase in accounts payable**
- 5. Issuance of bonds**
- 6. Decrease in accounts payable**
- 7. Increase in inventory**
- 8. Loan from bank received**
- 9. Increase in accounts receivable**
- 10. Purchase of equipment on credit**
- 11. Purchase of land and building.**
- 12. Decrease in accounts receivable.**
- 13. Depreciation expense increased**
- 14. Payment of dividends.**
- 15. Issuance of stock for cash.**
- 16. Sale of land at a gain.**
- 17. Decrease in inventory.**
- 18. Depreciation expense decreased.**
- 19. Sale of land at book value.**

Required: Explain the effect of each activity on the statement of cash flows in the form of *Inflow* and *outflow* of the Delta Company for the year 2014.

Solution:-

- 1) Outflow
- 2) Outflow
- 3) Inflow
- 4) Inflow
- 5) Inflow
- 6) Outflow
- 7) Outflow
- 8) Inflow
- 9) Outflow
- 10) inflow on credit
- 11) Outflow
- 12) Inflow
- 13) Inflow
- 14) Outflow
- 15) Inflow
- 16) Inflow
- 17) Inflow
- 18) Outflow
- 19) Inflow

P5: Using the following information for teddy fab co.

Balance sheet example

| TEDDY FAB INC. | | BALANCE SHEET | |
|-------------------------------|-------------------|---|-------------------|
| | | December 31, 2100 | |
| ASSETS | | LIABILITIES AND SHAREHOLDERS' EQUITY | |
| Current assets | | Current liabilities | |
| Cash and cash equivalents | \$ 100,000 | Accounts payable | \$ 30,000 |
| Accounts receivable | 20,000 | Notes payable | 10,000 |
| Inventory | 15,000 | Accrued expenses | 5,000 |
| Prepaid expense | 4,000 | Deferred revenue | 2,000 |
| Investments | 10,000 | Total current liabilities | 47,000 |
| Total current assets | 149,000 | | |
| Property and equipment | | Long-term debt | 200,000 |
| Land | 24,300 | Total liabilities | 247,000 |
| Buildings and improvements | 250,000 | | |
| Equipment | 50,000 | Shareholders' Equity | |
| Less accumulated depreciation | (5,000) | Common stock | 10,000 |
| | | Additional paid-in capital | 20,000 |
| | | Retained earnings | 197,100 |
| | | Treasury stock | (2,000) |
| Other assets | | Total liabilities and shareholders' equity | \$ 472,100 |
| Intangible assets | 4,000 | | |
| Less accumulated amortization | (200) | | |
| Total assets | \$ 472,100 | | |

Required:

- 1) Calculate current ratio
- 2) Calculate equity ratio
- 3) Calculate debt to equity ratio
- 4) Calculate debit ratio

1) Current ratio = Current Assets / Current Liabilities

$$= 149,000 / 47,000 = 3.17$$

2) Equity ratio = Shareholders equity / Total assets

$$= 225,100 / 472,100 = 0.476$$

3) Debt to Equity ratio =

$$= \text{Total Liabilities} / \text{Total Equity}$$

$$= 247,000 / 225,100 = 1.097$$

4) Debit ratio = Total Debt / Total Assets
(Liabilities)

$$= 247,000 / 472,100$$

$$= 0.523$$

P6: Using the information in the previous example for teddy fab co. knowing that Marketable securities is \$2,000. Calculate Quick ratio.

$$\begin{aligned} \text{p. 6 Quick ratio} &= \text{Cash} + \text{Cash equivalent} + \\ &\text{marketable securities} + \text{Account receivable} / \\ &\text{Current liabilities.} \\ &= 100,000 + 20,000 + 20,000 / 47,000 \\ &= 2.5957 \end{aligned}$$



Revision

Q1: What is meant by the conceptual framework of accounting? And count the components of the framework.

It is the collection of Concepts that guide the manner in which accounting is practiced.

The components are

1. Objective
2. Elements
3. Qualitative characteristics
4. Assumptions
5. Principles
6. Constraint

Q2: What are the objectives of financial reporting?

1. Is useful to those making investment and credit decisions
2. Helpful in assessing future cash flow
3. Identify (Assets) and (liabilities) and the changes in them.

Q3: The qualitative characteristics of accounting information areand

Fundamental and enhancing qualitative characteristics

Q4: What is meant by (Relevance \ Faithful representation \ Comparability \ Timeliness \ Understandability)

- Relevance: refers to the capacity of accounting information to make difference in decision,
- Faithful representation: Means that the numbers and descriptions match wat really existed or happened.
- Comparability: refers to the ability to use accounting information to compare or contrast the financial activities of different businesses.
- Verifiability: occurs when independent measures using the same methods obtain similar results.
- Timeliness: means having information available to decision makers before it loses its capacity to influence decisions.
- Understandability: refers to the ability of accounting information to be comprehensible to those who have a reasonable understanding of business and economic activities

Q5: What is meant by the Financial statements? How types of financial statements are there?

Financial statements are written records that convey the business activities and the financial performance of a company

1. Balance sheet
2. Income statement
3. Cash flow statement
4. Change in owners' equity

Q6: What are the elements of the financial statements?

1. Assets
2. Liabilities
3. Equity
4. Revenues
5. Expenses

Q7: Count the main accounting assumptions.

1. Accrual
2. Conservatism
3. Consistency
4. Economic entity
5. Going concern
6. Reliability
7. Time period

Q8: Count the main accounting principles.

1. Money measurement concept
2. Revenue recognition
3. The Expense principle
4. The matching principle
5. The full disclosure

Q9: True \ False

1. Company managers, human resource managers, and finance managers are internal users of accounting information. **True**
2. Company managers, human resource managers, and finance managers are the only internal users of accounting information. **False**
3. Customers, investors, and taxing authorities are internal users of accounting information. **False**

Q10: What is meant by (Cash purchase \ Credit purchase \ Purchase return \ Purchase Allowance \ Purchase discount, sales discount)?

1. Cash purchase: Companies record cash purchases by an increase in purchase account and a decrease in cash account
2. Credit Purchase: If purchases are made on credit the purchase account would be debited and accounts payable credited.
3. Purchase Return: Occurs when the buyer of merchandise, inventory, fixed assets, or other items sends these goods back to the seller.
4. Purchase Allowance: A purchase allowance is a reduction in the buyer's cost of merchandise that it had purchased.
5. Purchase discount: It is an offer from the supplier to the purchaser, to reduce the payment amount if the payment is made within a certain period of time.
6. Sales discount: is a reduction in the price of a product or service that is offered by the seller, in exchange for early payment by the buyer.

Q11: What is meant b Cash flow statement? What are the main types of the statements?

A cash flow statement documents in detail all company income and debt over a specific period of time.

Types of Cash Flow

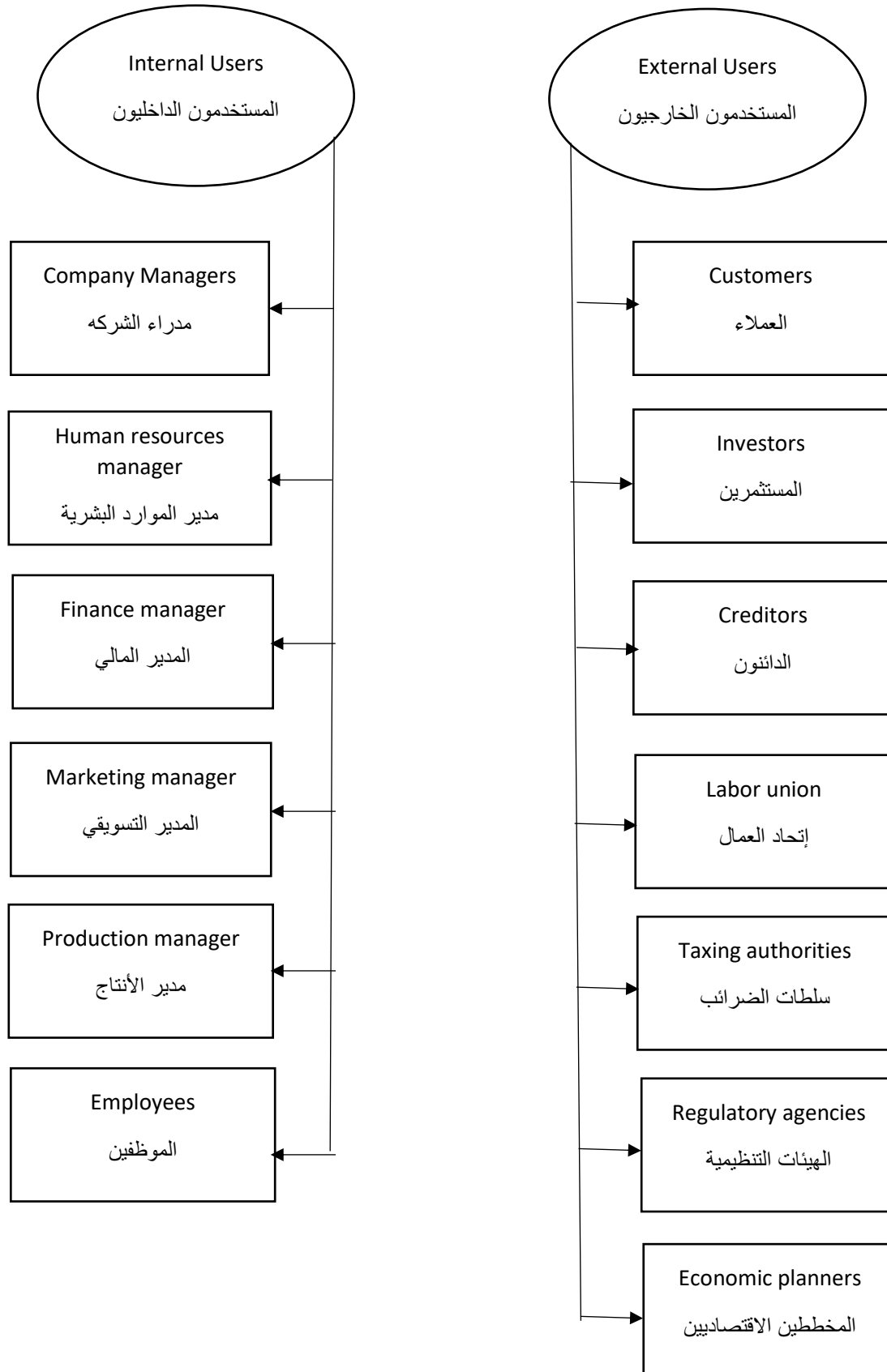
1. Operating activities
2. Investing activities
3. Financing activities

Q12: What is the accounting equation?

Assets = Liabilities + Owners equity

Q13: Count the internal \ external users of accounting information

1.



P1: Prepare the journal entry required for each of the following transactions:

1. Cash was received for services performed for customers, \$1,200.
2. Sold equipment for customers on 14 May, \$4,200.
3. Cash was received for services performed for customers, \$ 700.
4. Services were performed for customers on account, \$ 1,200.
5. Purchased another truck for cash, \$ 48,000.
6. Sold land on account for December, \$ 27,000.
7. Purchased land on account on 20 December, \$ 20,000 on terms of 2/10, n/30

Required:

- Prepare journal entries for these transactions.
- Post the journal entries to T-accounts.

Handwritten journal entries on lined paper:

1) From: Cash a/c. \$1,200
 To: Services Revenue \$1,200
 (to record services performed to customers)

2) From: Cash a/c. 4,200
 To: equipment

3) Cash 700
 Service Revenue 700

4) Account Receivable 1200
 Service Revenue 1200

5) Truck / equipment 48,000
 Cash 48,000

6) Cash 27,000
 Land 27,000

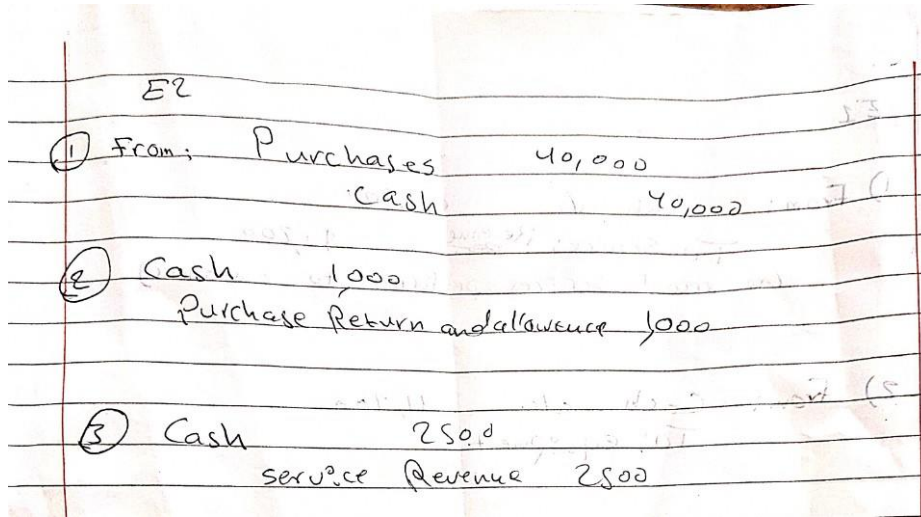
7) Land 20,000
 Account payable 20,000

Account payable 20,000
 Cash 19,600
 purchase discount 400

P2 Cramer Company uses periodic inventory procedure. Purchases during the period were \$ 40,000, purchase returns and allowances were \$ 1,000, purchase discounts were \$ 2,000, and collected \$ 2,500 from services performed.

Required:

- Prepare journal entries for these transactions.
- Post the journal entries to T-accounts.



P3 Complete missing amounts in fundamental accounting equation for several businesses:

| Assets | Liabilities | Equity |
|---------|-------------|---------|
| 578,000 | | 152,000 |
| | 25,000 | 180,500 |
| 127,000 | 17,000 | |
| 269,000 | 45,000 | |
| 850,000 | | 675,000 |
| | 250,000 | 657,450 |

Solution:**Assets = Liabilities + Owners equity**

| Assets | = Liabilities | + Stockholders' Equity |
|---------|---------------|------------------------|
| 578,000 | 426,000 | 152,000 |
| 205,500 | 25,000 | 180,500 |
| 127,000 | 17,000 | 110,000 |
| 269,000 | 45,000 | 224,000 |
| 850,000 | 175,000 | 675,000 |
| 907,450 | 250,000 | 657,450 |

List of current assets

| | | |
|---------------------------|---------------------------------|-----------------------------------|
| Cash and cash equivalents | النقد والنقد المعادل | الطبيعة المحاسبية للاصول هي مدينة |
| Marketable securities | الأوراق المالية القابلة للتسويق | الطبيعة المحاسبية للاصول هي مدينة |
| Account receivables | حساب المدينون | الطبيعة المحاسبية للاصول هي مدينة |
| Inventory/stock | الجرد / المخزون | الطبيعة المحاسبية للاصول هي مدينة |
| Prepaid expenses | النفقات المدفوعة مسبقا | الطبيعة المحاسبية للاصول هي مدينة |
| Non-trade receivables | الذمم المدينة غير التجارية | الطبيعة المحاسبية للاصول هي مدينة |
| Other current assets | الموجودات المتداولة الأخرى | الطبيعة المحاسبية للاصول هي مدينة |
| Checks | الصكوك | الطبيعة المحاسبية للاصول هي مدينة |
| Bank drafts | الحوالات المصرفية | الطبيعة المحاسبية للاصول هي مدينة |
| Petty cash fund | المصروفات النثرية | الطبيعة المحاسبية للاصول هي مدينة |
| Notes receivable | أوراق قبض | الطبيعة المحاسبية للاصول هي مدينة |
| Prepaid taxes | ضرائب مسبقة الدفع | الطبيعة المحاسبية للاصول هي مدينة |

List of non-current assets (fixed assets)

| | | |
|--|---|-----------------------------------|
| Land | أرض | الطبيعة المحاسبية للاصول هي مدينة |
| Building | بناء | الطبيعة المحاسبية للاصول هي مدينة |
| Machinery | الات | الطبيعة المحاسبية للاصول هي مدينة |
| Office equipment | معدات المكتب | الطبيعة المحاسبية للاصول هي مدينة |
| Vehicle | مركبة | الطبيعة المحاسبية للاصول هي مدينة |
| Furniture | أثاث المنزل | الطبيعة المحاسبية للاصول هي مدينة |
| Investment in securities (shares, bonds, and debt instruments) | الاستثمار في الأوراق المالية (الأسهم والسندات وأدوات الدين) | الطبيعة المحاسبية للاصول هي مدينة |
| Long term investments | استثمارات طويلة الأجل | الطبيعة المحاسبية للاصول هي مدينة |
| Patent | براءة الاختراع | الطبيعة المحاسبية للاصول هي مدينة |
| Copyright | حقوق النشر | الطبيعة المحاسبية للاصول هي مدينة |
| Trademark | علامة تجارية | الطبيعة المحاسبية للاصول هي مدينة |
| Lease rights | حقوق الإيجار | الطبيعة المحاسبية للاصول هي مدينة |
| Other noncurrent assets | موجودات غير متداولة أخرى | الطبيعة المحاسبية للاصول هي مدينة |
| Goodwill | السمعة الحسنة | الطبيعة المحاسبية للاصول هي مدينة |

List of current liabilities

| | | |
|------------------------------|---------------------------------------|-----------------------------------|
| Dividends payable | أرباح مستحقة الدفع | الطبيعة المحاسبية للاصول هي دائنة |
| Accrued expenses | المصاريف المستحقة | الطبيعة المحاسبية للاصول هي دائنة |
| Accounts payable | حسابات قابلة للدفع | الطبيعة المحاسبية للاصول هي دائنة |
| Notes payable\ bonds payable | سندات الدفع \ أوراق الدفع | الطبيعة المحاسبية للاصول هي دائنة |
| Accrued interest on notes | الفائدة المتراكمة على الأوراق النقدية | الطبيعة المحاسبية للاصول هي دائنة |
| Tax payable | ضرائب مستحقة الدفع | الطبيعة المحاسبية للاصول هي دائنة |
| Income tax payable | ضريبة الدخل المستحقة | الطبيعة المحاسبية للاصول هي دائنة |
| Account payable | حساب المستحق | الطبيعة المحاسبية للاصول هي دائنة |
| Wages payable | أجور مستحقة الدفع | الطبيعة المحاسبية للاصول هي دائنة |
| Interest payable | الفوائد المستحقة الدفع | الطبيعة المحاسبية للاصول هي دائنة |
| Warranty liabilities | التزامات الضمان | الطبيعة المحاسبية للاصول هي دائنة |
| Unearned revenues | الإيرادات غير المكتسبة | الطبيعة المحاسبية للاصول هي دائنة |

List of non-current liabilities

| | | |
|----------------------------|------------------------------------|-----------------------------------|
| Long term deferred revenue | الإيرادات المؤجلة طويلة الأجل | الطبيعة المحاسبية للاصول هي دائنة |
| Long term bonds payable | سندات طويلة الأجل مستحقة الدفع | الطبيعة المحاسبية للاصول هي دائنة |
| Long term notes payable | أوراق دفع طويلة الأجل مستحقة الدفع | الطبيعة المحاسبية للاصول هي دائنة |
| Finance lease liability | التزام عقد الإيجار التمويلي | الطبيعة المحاسبية للاصول هي دائنة |
| Deferred tax liability | التزام ضريبي مؤجل | الطبيعة المحاسبية للاصول هي دائنة |

List of shareholders equity

| | | |
|-------------------|------------------------|-----------------------------------|
| Common stock | الأسهم العادية المباعة | الطبيعة المحاسبية للاصول هي دائنة |
| Preferred stock | الأسهم الممتازة | الطبيعة المحاسبية للاصول هي دائنة |
| Treasury stock | أسهم الخزينة | الطبيعة المحاسبية للاصول هي دائنة |
| Retained earnings | الأرباح المحتجزة | الطبيعة المحاسبية للاصول هي دائنة |

Operating activities

| | |
|-------------------------------|-------------------------------|
| Purchase of raw materials | شراء المواد الخام |
| Net income | صافي الدخل |
| Inventory | مخزون |
| Depreciation and amortization | الاهلاك واستهلاك |
| Account payable | حساب الدائنون |
| Account Receivable | حساب المدينون |
| Interest received or payed | الفوائد المستلمة أو المدفوعة |
| Income taxes & deferred taxes | ضرائب الدخل والضرائب المؤجلة |
| Cash received from customers | النقد المستلم من العملاء |
| Cash paid to suppliers | النقد المدفوع للممولين |
| Operating expense | التكاليف \ المصاريف التشغيلية |
| Cash from operation | النقد من العمليات التشغيلية |

Investing activities

| | |
|---|---|
| • Purchase or sales of Equipment | بيع او شراء المعدات |
| • Purchase or sales of land | بيع او شراء الأراضي |
| • Purchase or sales of building | بيع او شراء المباني |
| • Proceeds of sale Equipment \ land \ building | المستلمات النقدية من بيع المعدات \ الاراضي \ المباني |
| • Capital expenditure | المصروفات الرأسمالية |
| • Dividend received | توزيعات الأرباح المستلمة |

Financing activities

| | |
|------------------------|--------------------------|
| • Dividend paid | توزيعات الأرباح المدفوعة |
| • Notes payable | اوراق دفع |
| • Borrowing from debts | • استلام قروض |
| • Purchasing of stock | • شراء الأسهم |
| • Notes receivable | • اوراق استلام |
| • Long term debt | • قرض طويل الأمد |
| • Bank loan received | استلام قرض من البنك |

| Inflow → + جمع | outflow → - طرح |
|--------------------------|-----------------|
| Sale بيع | Purchase شراء |
| Proceeds proceeds | paid دفع |
| received receipt | + tax ضرائب |
| generated تكون | |
| Cash from نقد من | |
| Borrowing from اقتراض من | |

| Account payable | Account Receivable |
|-----------------|--------------------|
| Notes payable | Notes receivable |
| Decrease → - | Decrease → + |
| قل يعني طرح | قل يعني جمع |
| Increase → + | Increase → - |
| زاد يعني جمع | زاد يعني طرح |

* المبدأ الختامي للسنة الحالية هو المبدأ الافتتاحي للسنة القادمة

P4: Knowing the following information for Big Tex's Rental and Service Company for the month ended September 30th 2019:

| | |
|--------------------------------|----------|
| Net income | \$12,000 |
| Notes payable | \$2,000 |
| Depreciation | \$3,000 |
| Account payable (increased) | \$1,000 |
| Equipment | \$2,000 |
| Account receivable (increased) | \$8,000 |
| Inventory | \$7,000 |
| Land sold | \$3,000 |

Required: prepare a cash flow statement.

Solution:

Solution P4:-

Cash flow statement
Big Tex's Rental and Service Co.
Month ended sep. 30th 2019

* Cash flow from operations

| | |
|-------------------------------|-----------|
| Net income | \$12,000 |
| + Depreciation | \$3,000 |
| + Increase in acc. payable | \$1,000 |
| - Increase in acc. receivable | (\$8,000) |
| - Increase in Inventory | (\$7,000) |

Net cash from operations \$1,000

* Cash flow from Investing

purchase from equipment (\$2,000)

Net flow from Investing (\$2,000)

* Cash flow from financing

notes payable \$2,000
Sale of land \$3,000

Net flow from financing \$5,000

Net Cash flow for the month \$4,000
ended sep. 30th 2019

* أي عملية شراء أو دفع مكررة ... يتسبب في نقص النقد في اليد
* الزيادة في حساب المدينين تؤثر سلباً على النقد (لأن المدينين لم يوفوا بالدين)
* أي عملية بيع أو استلام مبالغ أو ... يتسبب في زيادة النقد في اليد
* الزيادة في حساب الدائنين تؤثر إيجاباً على النقد (لأن الدائنين لم يستلموا من قبل الدائن)

P5: Knowing the following information for Barn Fam. company for the month ended Dec 31st 2010:

| | |
|--------------------------------|---------|
| Cash receipt from customers | \$9,500 |
| Income taxes | \$3,000 |
| Proceeds from equipment sale | \$7,500 |
| Cash paid to suppliers | \$2,000 |
| Cash generated from operations | \$7,500 |
| Dividend paid | \$2,500 |
| Interest paid | \$2,000 |
| Dividend received | \$3,000 |

Required: prepare a cash flow statement.

Solution:

Solution P5:-

Cashflow statement
Barn Fam. Company
Month ended Dec. 31st

* Cash from operations

| | |
|----------------------------------|-----------|
| Cash receipt from customers | \$9,500 |
| - Cash paid to suppliers | (\$2,000) |
| + Cash generated from operations | \$7,500 |
| - Interest paid | (\$2,000) |
| - Income tax | (\$3,000) |

Net Cash from operations \$10,000

* Cash from Investing

| | |
|------------------------------|---------|
| Proceeds from equipment sale | \$7,500 |
| + Dividends received | \$3,000 |

Net Cash from Investing \$10,500

* Cash from financing

| | |
|------------------|-----------|
| - Dividends paid | (\$2,500) |
|------------------|-----------|

Net Cash from financing (\$2,500)

Net Cashflow for the month Dec. 31st 2010 \$18,000

P1: The following information is related to Example Corporation for the year 2017 Dec 31st

| | |
|---------------------------------------|---------------|
| Net Income | 60,000 |
| Notes receivable | 1,000 |
| Account payable (increased) | 10,000 |
| Purchased Equipment | 5,000 |
| Notes payable | 7,500 |
| Account receivable (decreased) | 20,000 |
| Purchased land | 15,000 |
| Depreciation decreased | 20,000 |
| Decrease in Inventory | 30,000 |

Notes

- 1) Amounts represented above are in US dollars.**
- 2) Opening cash balance for the year is 100,000**

Required:

- 1) Prepare cash flow statement for the year 2017**
- 2) What is the net opening cash balance for the year 2018**

Solution

(1)

Cash flow statement

Example Corporation

December 31st 2017

operating activity

| | |
|----------------------|---------------|
| Net income | \$ 60,000 |
| + Account payable | \$ 10,000 |
| + Account Receivable | \$ 20,000 |
| - Depreciation | (\$ 20,000) |
| + Inventory | \$ 30,000 |

Total operating activities \$ 100,000

Investing activity

| | |
|-------------|---------------|
| - Equipment | (\$ 5,000) |
| - Land | (\$ 15,000) |

Total investing activity (\$ 20,000)

Financing activity

| | |
|--------------------|--------------|
| + notes payable | \$ 7,500 |
| - notes receivable | (\$ 1,000) |

Total Financing activity \$ 6,500

Total Cash flow for the year \$ 86,500

+ Opening cash balance 100,000

Ending Cash balance for the year 2017 \$ 186,500

(2) opening cash balance for the year 2018 is
\$ 186,500

P2: Toshiba co. reported the following amounts for the year sep 30th 2010:

- 1. Net income 30,000**
- 2. Dividend paid 2,500**
- 3. Proceeds from sale of equipment 7,500**
- 4. Dividends received 3,000**
- 5. Capital expenditures 10,000**
- 6. Cash receipt from customers 9,500**
- 7. Cash paid to suppliers 2,000**
- 8. Income tax 3,000**
- 9. Interest paid 2,000**
- 10. Opening cash balance for the year is 1,000**

Prepare cash flow statement using direct method

Solution Cash flow statement
Toshiba Corporation
September 30th 2010

Operating Activity

| | |
|-----------------------------|-----------|
| Cash Receipt from customers | \$9,500 |
| - Cash paid to suppliers | (\$2,000) |
| - Interest paid | (\$2,000) |
| - Income tax paid | (\$3,000) |

Total operating activity \$2,500

Investing Activity

| | |
|---------------------------------|------------|
| Proceeds from sale of equipment | \$7,500 |
| + Dividends received | \$3,000 |
| - Capital expenditures | (\$10,000) |

Total investing activity \$500

Financing Activity

| | |
|------------------|-----------|
| - Dividends paid | (\$2,500) |
|------------------|-----------|

Total financing activity (\$2,500)

| | |
|------------------------|---------|
| Total Cash Flow | \$500 |
| + Opening cash balance | \$1,000 |
| Ending cash balance | \$1,500 |

P3: The following is reported:

| | |
|-------------------------------------|-----------------|
| Net income | ? |
| Depreciation | \$4,000 |
| Capital expenditures | \$28,000 |
| Proceeds from sale of land | \$7,000 |
| Increased account receivable | \$6,000 |
| Total operating activities | \$25,000 |
| Decrease in inventory | \$9,000 |
| Borrowing of long term debts | \$10,000 |
| Dividends paid | \$5,000 |
| Decrease in account payable | \$5,000 |
| Purchase of treasury stock | \$8,000 |
| Cash balance (beginning) | \$12,000 |

Required:

Prepare cash flow statement for Inc. corporation for the year ending Dec31st 2019.

Cash Flow statement
Inc. Corporation
December 31st 2019

| Operating Activity | | |
|---------------------------------|------------|------------------|
| Net Income | | \$ 23,000 |
| + Depreciation | | \$ 4,000 |
| + Increase in acc. receivable | (\$6,000) | |
| + Decrease in inventory | | \$ 9,000 |
| + Decrease in acc. payable | (\$ 5,000) | |
| <u>Total operating activity</u> | | <u>\$ 25,000</u> |

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ال
ت

| Investing activity | | |
|---------------------------------|------------|--------------------|
| - Capital Expenditures | (\$28,000) | |
| + Proceeds from sale of land | | \$ 7,000 |
| <u>Total investing activity</u> | | <u>(\$ 21,000)</u> |

| Financing activity | | |
|---------------------------------|--|------------------|
| Borrowing from debts | | \$ 10,000 |
| - dividends paid | | (\$5,000) |
| Purchase of stock | | (\$8,000) |
| <u>Total financing activity</u> | | <u>(\$3,000)</u> |

| | | |
|------------------------|--|------------------|
| Total Cash balance | | \$ 1,000 |
| + Opening Cash balance | | \$ 12,000 |
| <u>Cash balance</u> | | <u>\$ 13,000</u> |

$$\text{Net income} = \text{T.O} - (\text{Dep.}) + \text{Acc. receivable} - (\text{inventory}) + \text{acc. payable}$$

$$= 25,000 - (4,000) + 6,000 - (9,000) + 5,000$$

P4: The Delta Company uses indirect method to prepare its statement of cash flows. The list of various activities performed by the company during the year 2014 is given below:

- 1. Purchase of treasury stock**
- 2. Purchase of available for sale investment**
- 3. Sale of equipment**
- 4. Increase in accounts payable**
- 5. Issuance of bonds**
- 6. Decrease in accounts payable**
- 7. Increase in inventory**
- 8. Loan from bank received**
- 9. Increase in accounts receivable**
- 10. Purchase of equipment on credit**
- 11. Purchase of land and building.**
- 12. Decrease in accounts receivable.**
- 13. Depreciation expense increased**
- 14. Payment of dividends.**
- 15. Issuance of stock for cash.**
- 16. Sale of land at a gain.**
- 17. Decrease in inventory.**
- 18. Depreciation expense decreased.**
- 19. Sale of land at book value.**

Required: Explain the effect of each activity on the statement of cash flows in the form of *Inflow* and *outflow* of the Delta Company for the year 2014.

Solution:-

- 1) Outflow
- 2) Outflow
- 3) Inflow
- 4) Inflow
- 5) Inflow
- 6) Outflow
- 7) Outflow
- 8) Inflow
- 9) Outflow
- 10) inflow on credit
- 11) Outflow
- 12) Inflow
- 13) Inflow
- 14) Outflow
- 15) Inflow
- 16) Inflow
- 17) Inflow
- 18) Outflow
- 19) Inflow

Balance Sheet

A balance sheet is a financial statement that reports a company's assets, liabilities and shareholders' equity. The balance sheet is one of the three core financial statements used to evaluate a business (income statement and statement of cash flows being the other two).

The balance sheet adheres to the following accounting equation, where assets on one side, and liabilities plus shareholders' equity on the other, balance out:

$$\text{Assets} = \text{Liabilities} + \text{Shareholders' Equity}$$

Elements of financial statements

Now we can learn about the elements of financial statements based on the INTERNATIONAL ACCOUNTING STANDARD BOARD (IASB) classification.

➤ **Assets:**

An asset is a resource with economic value that an individual, corporation, or country owns or controls with the expectation that it will provide a future benefit.

- الأصول (الموجودات) هو مورد ذو قيمة اقتصادية يمتلكه أو يتحكم فيه فرد أو شركة أو دولة مع توقع أنه سيوف فائدة مستقبلية

- **Current assets:**

The first class of assets is the current asset which refers to short-term assets and these kinds of assets are not depreciated

- **Non-current assets:**

These kinds of assets normally refer to assets that use more than one year and with large amounts as well as are not for trading or holders for price appreciation.

➤ **Liabilities:**

- **Obligations of a company or organization. Amounts owed to lenders and suppliers.**

Money owed to suppliers (accounts payable) Wages owed. Taxes owed.

- الخصوم (المطلوبات) التزامات شركة أو منظمة. المبالغ المستحقة للمقرضين والموردين. الأموال المستحقة للموردين (حسابات الدفع) الأجور المستحقة. الضرائب المستحقة

Current Liabilities refer to the kind of liabilities that expected to settle within 12 months after the reporting date.

المطلوبات المتداولة : تشير الى نوع المطلوبات التي يتم تسديدها خلال اقل من 12 شهر من تاريخ الابلاغ

Non-current Liabilities refer to the kind of liabilities that expected to settle more than 12 months after the reporting date.

لمطلوبات المتداولة : تشير الى نوع المطلوبات التي يتم تسديدها خلال اكثر من 12 شهر من تاريخ الابلاغ

➤ **Equity:**

Represents the shareholders' stake in the company, identified on a company's balance sheet.

➤ الملكية يمثل حصة المساهمين في الشركة المحددة في الميزانية العمومية للشركة.

➤ **Analyzing balance sheet statement**

Financial Ratios المقياسات المالية

نسبة اطلووة

1. A solvency ratio is a key metric used to measure an enterprise's ability to meet its long-term debt obligations and is used often by prospective business lenders.

➤ **Debt Ratio** نسبة الدين
The debt-to-assets ratio is calculated as follows:
الموجودات / المطلوبات

① **Debt ratio = Total debt / Total assets**

The debt-to-assets ratio measures a company's total liabilities to its total assets.

A high ratio, above 1, indicates that a company is significantly funded by debt and may have difficulty meeting its obligations.

➤ **Equity Ratio**
The equity ratio is calculated as follows:
الموجودات / الملكية

② **Equity ratio = Shareholder equity / Total assets**

The equity ratio shows how much of a company is funded by equity as opposed to debt. The higher the number, the healthier a company is. The lower the number would indicate that a company has more debt on its books.

➤ **Debt-To-Equity Ratio**
The debt-to-equity ratio is calculated as follows:
المطلوبات / الملكية

③ **Debt-to-equity ratio = Total liabilities / Total shareholder equity**

The debt-to-equity ratio is similar to the debt-to-assets ratio, in that it indicates how a company is funded, in this case, by debt. The higher the ratio, the more debt a company has on its books.

④ **Liquidity Ratios** نسبة السيولة
2. Liquidity ratios are an important class of financial metrics used to determine a debtor's ability to pay off current debt obligations without raising external capital.

➤ **The Current Ratio** معدل اوز النسبة المتداولة
The current ratio measures a company's ability to pay off its current liabilities (payable within one year) with its current assets such as cash, accounts receivable and inventories. The higher the ratio, the better the company's liquidity position:
المطلوبات المتداولة / الموجودات المتداولة

④ **Current Ratio = Current Assets / Current Liabilities**

➤ **The Quick Ratio** نسبة السيولة السريعة
The quick ratio measures a company's ability to meet its short-term obligations with its most liquid assets and therefore excludes inventories from its current assets.
النسبة لسرعة العورات

⑤ **Quick ratio = Current Assets - Inventories - Prepaid expenses / Current Liabilities**
المطلوبات المتداولة / المصروفات - المخزون - المصاريف المسبقة
الدفن / الطمارة

P6: On December 31, Bryniuk's Company, the accounting records showed the following information:

| | |
|---------------------|--------|
| Cash | 49,500 |
| Accounts Receivable | 25,000 |
| Supplies | 1,500 |
| Prepaid Insurance | 12,000 |
| Equipment | 70,000 |
| Building | 20,000 |
| Land | 11,500 |
| Accounts Payable | 30,000 |
| Notes Payable | 70,000 |
| Common Stock | 10,000 |
| Retained Earnings | 50,000 |
| Goodwill | 20,000 |
| Bond payable | 14,000 |
| Interest payable | 20,000 |
| Capital | 15,000 |

Required: Prepare the Balance sheet Statement for year ended December 31 2018.

Solution

Solution P6

Brynink Company
Balance Sheet
December 31, 2018

| Assets | | Liabilities and Equity | |
|-------------------|-----------|------------------------|-----------|
| Current Assets | | Current Liabilities | |
| Cash | \$49,500 | Account payable | \$30,000 |
| Acc. receivable | \$25,000 | Interest payable | \$20,000 |
| Supplies | \$1,500 | | |
| Prepaid insurance | \$12,000 | Total C.L. | \$50,000 |
| Total C.A. | \$88,000 | Long-term Liabilities: | |
| Fixed Assets | | notes payable | \$70,000 |
| Equipment | \$70,000 | bonds payables | \$14,000 |
| Building | \$20,000 | Total L.L. | \$84,000 |
| Land | \$11,000 | owners Equity | |
| Total F.A. | \$101,000 | Capital | \$15,000 |
| Intangible Assets | | Common stock | \$10,000 |
| Goodwill | \$20,000 | Retained earnings | \$50,000 |
| | | Total O.W. | \$75,000 |
| Total Assets | \$209,000 | Total Liabilities | \$209,000 |
| | | and owners Equity | |

Practices and questions

1. Another name for the balance sheet is
Statement Of Operations
Statement Of Financial Position ✓
2. The balance sheet heading will specify a
Period Of Time ✓
Point In Time
3. Which of the following is a category or element of the balance sheet?
Expenses
Gains
Liabilities ✓
Losses
4. Which of the following is an asset account?
Accounts Payable
Prepaid Insurance ✓
Unearned Revenue
5. What is the normal balance for an asset account?
Debit ✓
Credit
6. What is the normal balance for liability accounts?
Debit
Credit ✓
7. What is the normal balance for stockholders' equity and owner's equity accounts?
Debit
Credit ✓
8. What is the normal balance for current asset accounts?
Debit ✓
Credit

9. Which of the following would **not** be a current asset?
Accounts Receivable
Land ✓
Prepaid Insurance
Supplies

10. Which of the following would normally be a current liability?
Note Payable Due In Two Years
Unearned Revenue ✓

P2 Prepare a balance sheet for Beta co. for the year ended Dec. 31,201X using the information given:

| | |
|---------------------------------|-----------------|
| Cash | \$12,300 |
| Accounts receivable | 22,900 |
| Accounts payable | \$ 8,900 |
| Wages payable | 11,525 |
| Inventory | 32,090 |
| Bank Loan Payable | 17,500 |
| Tom Beta, Capital | 53,744 |
| Equipment | 100,200 |
| Accumulated Depreciation | 78,321 |

Solution

| Beta Sales Company Balance Sheet December 31, 201X | | | | | |
|---|----------|----------|--------------------------------|----------|----------|
| Assets | | | Liabilities and Capital | | |
| <i>Current Assets</i> | | | <i>Current Liabilities</i> | | |
| Cash | \$12,300 | | Accounts payable | \$ 8,900 | |
| Accounts receivable | 22,900 | | Wages payable | 11,525 | |
| Inventory | 32,090 | | Total Current Liabilities | | \$20,425 |
| Prepaid Insurance | 2,500 | | <i>Long-Term Liabilities</i> | | |
| Total Current Assets | | \$69,790 | Bank Loan Payable | 17,500 | |
| <i>Fixed Assets</i> | | | Total Long-Term Liability | | 17,500 |
| Equipment | 100,200 | | Total Liabilities | | 37,925 |
| Less: Accumulated Depreciation | (78,321) | | <i>Equity</i> | | |
| Total Fixed Assets | | 21,879 | Tom Beta, Capital | | 53,744 |
| Total assets | | 91,669 | Total liabilities and equity | | 91,669 |

P5: Using the following information for teddy fab co.

Balance sheet example

| TEDDY FAB INC. | | BALANCE SHEET | |
|-------------------------------|-------------------|---|-------------------|
| | | December 31, 2100 | |
| ASSETS | | LIABILITIES AND SHAREHOLDERS' EQUITY | |
| Current assets | | Current liabilities | |
| Cash and cash equivalents | \$ 100,000 | Accounts payable | \$ 30,000 |
| Accounts receivable | 20,000 | Notes payable | 10,000 |
| Inventory | 15,000 | Accrued expenses | 5,000 |
| Prepaid expense | 4,000 | Deferred revenue | 2,000 |
| Investments | 10,000 | Total current liabilities | 47,000 |
| Total current assets | 149,000 | | |
| Property and equipment | | Long-term debt | 200,000 |
| Land | 24,300 | Total liabilities | 247,000 |
| Buildings and improvements | 250,000 | | |
| Equipment | 50,000 | Shareholders' Equity | |
| Less accumulated depreciation | (5,000) | Common stock | 10,000 |
| | | Additional paid-in capital | 20,000 |
| | | Retained earnings | 197,100 |
| | | Treasury stock | (2,000) |
| Other assets | | Total liabilities and shareholders' equity | \$ 472,100 |
| Intangible assets | 4,000 | | |
| Less accumulated amortization | (200) | | |
| Total assets | \$ 472,100 | | |

Required:

- 1) Calculate current ratio
- 2) Calculate equity ratio
- 3) Calculate debt to equity ratio
- 4) Calculate debit ratio

$$1) \text{ Current ratio} = \text{Current Assets} / \text{Current Liabilities}$$

$$= 149,000 / 47,000 = 3.17$$

$$2) \text{ Equity ratio} = \text{Shareholders equity} / \text{Total assets}$$

$$= 225,100 / 472,100 = 0.476$$

$$3) \text{ Debt to Equity ratio} =$$

$$= \text{Total Liabilities} / \text{Total Equity}$$

$$= 247,000 / 225,100 = 1.097$$

$$4) \text{ Debit ratio} = \frac{\text{Total Debt}}{\text{Total Assets}} \\ (\text{Liabilities})$$

$$= 247,000 / 472,100$$

$$= 0.523$$

P6: Using the information in the previous example for teddy fab co. knowing that Marketable securities is \$2,000. Calculate Quick ratio.

$$\begin{aligned} \text{p.6 Quick ratio} &= \text{Cash} + \text{Cash equivalent} + \\ &\text{marketable securities} + \text{Account receivable} / \\ &\text{Current liabilities.} \\ &= 100,000 + 20,000 + 20,000 / 47,000 \\ &= 2.5957 \end{aligned}$$

P1: The qualitative characteristics of accounting information areand

P2: What is meant by (Relevance \ Faithful representation \ Comparability \ Timeliness \ Understandability)

P3: What is meant b Cash flow statement? What are the main types of the statements?

P4: Prepare the journal entry required for each of the following transactions:

1. Cash was received for sold goods, \$2,000.
2. Sold land for customers on 10\Jan, \$40,000.
3. Cash was received for services performed for customers, \$ 1,700.
4. Purchase of truck for cash, \$ 8,000.
5. Sold inventory on account \$ 17,000.
6. Purchased Machine on account on 1 \ May, \$ 20,000 on terms of 2/10, n/30.
7. Paid \$ 5,000 cash on 5 \ May for machine purchased
8. Paid \$ 15,000 cash on 29 \ May for machine purchased

Required:

- Prepare journal entries for these transactions.

P4:-

① From:- Cash \$ 2,000
To:- goods \$ 2,000
(to record goods sold)

② From:- Cash \$ 40,000
To:- Land \$ 40,000
(to record land sold)

③ From:- Cash \$ 1,700
To:- Service \$ 1,700
(to record services performed)

④ From:- Truck \$ 8,000
To:- Cash \$ 8,000
(to record purchased truck)

⑤ From:- Acc. receivable \$ 17,000
To:- inventory \$ 17,000
(to record inventory sale on account)

⑥ 1/5 Date
From:- Machine \$ 20,000
To:- Acc. payable \$ 20,000
(to record machine purchase on account)

⑦ 5/5 Date terms → 20 days
From:- Acc. payable \$ 5,000
To:- Cash \$ 4,900
To:- purchase discount \$ 100
(to record payment of acc. payable)

⑧ 29/5 Date terms → 30 days
From:- Acc. payable \$ 15,000
To:- Cash \$ 15,000
(to record payment of acc. payable)

(3)

Acc. payable ↑

| Dr. | Cr. |
|-----------------------------|----------------------|
| 5/5 cash \$4,900 | 1/5 machine \$20,000 |
| 5/5 purchase discount \$100 | |
| 29/5 cash \$15,000 | |
| \$20,000 | \$20,000 |

(Balance Zero)

P5 Complete missing amounts in fundamental accounting equation for several businesses:

| Assets | Liabilities | Equity |
|---------|-------------|---------|
| 200,000 | | 152,000 |
| | 250,000 | 100,500 |
| 117,000 | 17,000 | |
| 69,000 | 45,000 | |

P5:-

| Assets | Liabilities | Equity |
|----------|-------------|---------|
| 2,09,000 | 48,000 | 152,000 |
| 350,500 | 250,000 | 100,500 |
| 117,000 | 17,000 | 100,000 |
| 69,000 | 45,000 | 24,000 |

P6: Knowing the following information for Tex's Rental and Service Company for the month ended December 31st 2018:

| | |
|--------------------------------|----------|
| Net income | \$12,000 |
| Notes payable (increased) | \$2,000 |
| Cash paid to suppliers | \$3,000 |
| Account payable (increased) | \$1,000 |
| Equipment sold | \$2,000 |
| Account receivable (increased) | \$8,000 |
| Dividend received | \$7,000 |
| Operating expense | \$3,000 |

| | |
|----------------------|----------|
| Dividend paid | \$1,000 |
| Opening cash balance | \$20,000 |

Required:

- 1. Prepare a cash flow statement.**
- 2. What is the net opening cash balance for the year 2018**
- 3. What is the net opening cash balance for the year 2019**

①

Cash flow statement
Tex's Rental Co.
December 31st 2018

④

Operating activities:-

| | |
|----------------------------------|-------------|
| + Net income | \$ 12,000 |
| - Cash paid to suppliers | (\$ 3,000) |
| + Account payable (increased) | \$ 1,000 |
| - Account receivable (increased) | (\$ 3,000) |
| - operating expenses | (\$ 3,000) |
| <hr/> | |
| Total operating | (\$ 1,000) |

Investing Activities:-

| | |
|---------------------|----------|
| + Equipment sold | \$ 2,000 |
| + Dividend received | \$ 7,000 |
| <hr/> | |
| Total investing | \$ 9,000 |

Financing activities:-

| | |
|-----------------------------|------------|
| + Notes payable (increased) | \$ 2,000 |
| - Dividend paid | (\$ 1,000) |
| <hr/> | |
| Total financing | \$ 1,000 |

| | |
|------------------------------|-----------|
| Total cash flow for the year | \$ 9,000 |
| + opening cash balance | \$ 20,000 |
| <hr/> | |
| Ending cash balance | \$ 29,000 |

2) opening 2018 \$ 20,000

3) opening 2019 \$ 29,000



➤ Prepare an income statement

To prepare an income statement generate a trial balance report, calculate your revenue, determine the cost of goods sold, calculate the gross margin, include operating expenses, calculate your income, include income taxes, calculate net income and lastly finalize your income statement with business details and the reporting period.

إعداد بيان الدخل

لإعداد بيان الدخل ، قم بإنشاء تقرير ميزان المراجعة ، وحساب إيراداتك ، وتحديد تكلفة البضائع المباعة ، وحساب الهامش الإجمالي ، وتضمن نفقات التشغيل ، وحساب الدخل ، وتضمن ضرائب الدخل ، وحساب صافي الدخل ، وأخيراً إنهاء بيان الدخل الخاص بك مع الأعمال التفاصيل وفترة التقرير .

1. Pick a reporting period

The first step in preparing an income statement is to choose the reporting period your report will cover.

اختر فترة التقرير

تتمثل الخطوة الأولى في إعداد بيان الدخل في اختيار فترة التقرير التي سيغطيها تقريرك.

2. Generate a trial balance report

To create an income statement for your business, you'll need to print out a standard trial balance report. You can easily generate the trial balance through your cloud-based accounting software. Trial balance reports are internal documents that list the end balance of each account in the general ledger for a specific reporting period. It will give you all the end balance figures you need to create an income statement.

إنشاء تقرير ميزان المراجعة

لإنشاء بيان دخل لعملك ، ستحتاج إلى طباعة تقرير ميزان المراجعة القياسي. يمكنك بسهولة إنشاء ميزان المراجعة من خلال برنامج المحاسبة القائم على السحابة. تقارير ميزان المراجعة هي مستندات داخلية تسرد الرصيد النهائي لكل حساب في دفتر الأستاذ العام لفترة إعداد تقارير محددة. سيوفر لك جميع أرقام الرصيد النهائي التي تحتاجها لإنشاء بيان الدخل.

3. Calculate your revenue

Next, you'll need to calculate your business's total sales revenue for the reporting period. Your revenue includes all the money earned for your services during the reporting period, even if you haven't yet received all the payments.

احسب عائدك

بعد ذلك ، ستحتاج إلى حساب إجمالي إيرادات مبيعات نشاطك التجاري خلال فترة التقرير. تشمل إيراداتك جميع الأموال المكتسبة مقابل خدماتك خلال الفترة المشمولة بالتقارير ، حتى إذا لم تكن قد تلقيت جميع المدفوعات بعد.

4. Determine cost of goods sold

Your cost of goods sold includes the direct labor, materials and overhead expenses you've incurred to provide your goods or services.

تحديد تكلفة البضائع المباعة

تشمل تكلفة البضائع المباعة العمالة المباشرة والمواد والنققات العامة التي تكبدها لتوفير سلعك أو خدماتك.

5. Calculate the gross margin

Subtract the cost of goods sold total from the revenue total on your income statement.

احسب الهامش الإجمالي

اطرح تكلفة البضائع المباعة من إجمالي الإيرادات في بيان الدخل الخاص بك.

6. Include operating expenses

Add up all the operating expenses listed on your trial balance report.

تشمل مصاريف التشغيل

أضف جميع نفقات التشغيل المدرجة في تقرير ميزان المراجعة الخاص بك.

7. Calculate your income

Subtract the selling and administrative expenses total from the gross margin.

احسب دخلك

اطرح إجمالي المصاريف الإدارية والبيعية من الهامش الإجمالي.

8. Include income taxes

To calculate income tax, multiply your applicable state tax rate by your pre-tax income figure.

قم بتضمين ضرائب الدخل

لحساب ضريبة الدخل ، اضرب معدل ضريبة الولاية المعمول به في رقم الدخل قبل الضريبة.

9. Calculate net income

To determine your business's net income, subtract the income tax from the pre-tax income figure.

احسب صافي الدخل

لتحديد الدخل الصافي لعملك ، اطرح ضريبة الدخل من رقم الدخل قبل الضريبة

10. Finalize the income statement

To finalize your income statement, add a header to the report identifying it as an income statement. Add your business details and the reporting period covered by the income statement.

استكمل بيان الدخل

لوضع اللمسات الأخيرة على بيان الدخل الخاص بك ، أضف رأسًا للتقرير يحدده على أنه بيان الدخل. أضف تفاصيل عمالك وفترة إعداد التقارير التي يغطيها بيان الدخل.

Innovative Products, Inc.
Income Statement
For Year Ending December 31, 2012

| | | |
|------------------------------------|-----------|--------------------|
| Sales | | \$50,00,000 |
| Cost of Goods Sold | | |
| Materials | 8,00,000 | |
| Labor | 11,00,000 | |
| Overhead | 6,00,000 | 25,00,000 |
| Gross Margin | | \$25,00,000 |
| Operating Expenses | | |
| Selling Expenses | 9,00,000 | |
| Administrative Expenses | 6,00,000 | |
| Depreciation and Amortization | 5,00,000 | 2000000 |
| Operating Income | | \$5,00,000 |
| Other Income & Expenses | | |
| Interest Revenue | 50000 | |
| Interest Expense | -1,00,000 | |
| Extraordinary items | 2,00,000 | 1,50,000 |
| Income Before Tax | | \$6,50,000 |
| Income Tax (at 35%) | | \$2,27,500 |
| Net Income | | \$4,22,500 |

Sample Products Co.
Income Statement
For the Five Months Ended May 31, 2017

| | | |
|-----------------------------|--------------|-------------------------|
| Sales | | \$100,000 |
| Cost of goods sold | | <u>75,000</u> |
| Gross profit | | <u>25,000</u> |
| | | |
| Operating expenses | | |
| Selling expenses | | |
| Advertising expense | 2,000 | |
| Commissions expense | <u>5,000</u> | 7,000 |
| Administrative expenses | | |
| Office supplies expense | 3,500 | |
| Office equipment expense | <u>2,500</u> | <u>6,000</u> |
| Total operating expenses | | <u>13,000</u> |
| | | |
| Operating income | | <u>12,000</u> |
| | | |
| Non-Operating or other | | |
| Interest revenues | | 5,000 |
| Gain on sale of investments | | 3,000 |
| Interest expense | | (500) |
| Loss from lawsuit | | <u>(1,500)</u> |
| Total non-operating | | <u>6,000</u> |
| | | |
| Net Income | | <u><u>\$ 18,000</u></u> |

Preparing trial balance

Trial Balance

| <u>Account Titles</u> | <u>Debit</u> | <u>Credit</u> |
|-----------------------|--------------|---------------|
| Assets | XXX | |
| Liabilities | | XXX |
| Equity | | XXX |
| Drawings | XXX | |
| Revenues | | XXX |
| Expenses | XXX | |
| | <u>XXX</u> | <u>XXX</u> |

M. SANTOS
Trial Balance
December 31, 2011

<http://BusinessTips.Ph>

| Account Title | L/F | Debit | Credit |
|---------------------------|-----|------------------|------------------|
| Cash | | P 189,000 | P - |
| Accounts receivable | | - | - |
| Computer supplies | | 47,000 | - |
| Computer equipment | | 100,000 | - |
| Accounts payable | | - | - |
| Loans payable | | - | 100,000 |
| M. Santos, Capital | | - | 300,000 |
| M. Santos, Drawing | | 25,000 | - |
| Internet service income | | - | 5,000 |
| Printing service income | | - | 4,000 |
| Salaries and wages | | 20,000 | - |
| Rental | | 5,000 | - |
| Computer supplies expense | | 3,000 | - |
| Taxes and licenses | | 20,000 | - |
| Total | | P 409,000 | P 409,000 |

Trial Balance
December 31, 2005

| Account Title | Debit | Credit |
|---------------------|-----------------|-----------------|
| Cash | \$7,000 | |
| Accounts Receivable | 3,000 | |
| Office Supplies | 3,000 | |
| Office Equipment | 5,000 | |
| Bank Loan | | \$5,000 |
| Accounts Payable | | 1,000 |
| Common Stock | | 10,000 |
| Consulting Revenue | | 7,000 |
| Rent Expense | 600 | |
| Salaries Expense | 2,500 | |
| Supplies Used | 1,200 | |
| Utilities Expense | 700 | |
| Total | \$23,000 | \$23,000 |

الأوراق التجارية (الشيك / الكمبيالة)

إن النقود، أو ما يسمى بالأوراق النقدية أداة أساسية للتعاملات بين الناس وبخاصة في العمليات التجارية. إلا أن معظم التجار لا يحتفظون - غالباً - في خزائهم بالنقود السائلة بدون استثمار. ولذلك فإنهم يحتاجون دائماً إلى الائتمان، ويكون ذلك في شكل منح المدين أو المشتري فترة زمنية يسدد بعدها القيمة المطلوبة (وهذا هو الائتمان). ولذلك نشأت الحاجة إلى مستندات تنظم هذه الأعمال التجارية، سميت بالأوراق التجارية؛ وهي مختلفة عن الأوراق المالية مثل النقود والأسهم والسندات وأذون الخزينة. أنواع الأوراق التجارية وأهم خصائصها:

الأوراق التجارية هي صكوك (محررات مكتوبة) قابلة للتداول، تمثل حقاً نقدياً يستحق الدفع بمجرد الإطلاع (بمجرد تقديمه)، أو بعد أجل قصير أو طويل. وجرى العرف على قبولها كأداة وفاء. وأنواعها هي الكمبيالة، الشيك، والسند الإذني والسند لحامله .

وأهم خصائص الأوراق التجارية:- أنها قابلة للتداول بين الناس بطريق التظهير أو بطريق المناولة المباشرة.- تمثل قدرأ مستحقاً من المال لأنها تتضمن دفع مبلغ معين من أصل معين وفي وقت محدد لصالح مستفيد آخر.- تمثل ديناً مستحقاً للدفع بمجرد الطلب أو بعد أجل بحيث يستطيع حاملها أن يضعها في أحد البنوك بغرض تحصيلها لصالحه.

-الكمبيالة:هي صك (محرر) مكتوب وفق أوضاع شكلية، حددها القانون، قابلة للتداول. وتتضمن ثلاثة أطراف، هم: الساحب، والمسحوب عليه والمستفيد. ويتم فيها أمر بالدفع غير مشروط من الساحب إلى المسحوب عليه بأن يدفع مبلغاً من المال في تاريخ محدد أو بمجرد الاطلاع إلى الطرف الثالث وهو المستفيد أو حامل الصك.

-الشيك:هو صك (محرر) مكتوب وفق أوضاع شكلية استقر عليها العرف التجاري، وهو مكون من ثلاثة أطراف، وفيها أمر صادر من صاحب الشيك وهو الساحب إلى طرف آخر مسحوب عليه وهو - في هذه الحالة - البنك، وذلك بأن يدفع البنك مبلغاً من المال للطرف الثالث وهو المستفيد، ويسمى أيضاً حامله أو "الأمره" وذلك عند الاطلاع، أي بمجرد تقديم الشيك.

Sales of goods

The revenue from the sales of goods is recorded in special accounts called **Sales revenue**. Similar to service business, sales of goods can be carried out either on cash or credit. For the cash sale, the customer makes full settlement or full payment at the point of sale. The seller makes two entries for each sale. **The first entry records the sale:** The seller increases (debits) Cash (or Accounts Receivable, if a credit sale), and also increases (credits) Sales Revenue.

A **business document** should support every sales transaction, to provide written evidence of the sale. **Cash register tapes** provide evidence of cash sales.

Cash Sales: The salesperson would prepare a document called cash sales document. In the document, all information is included such as the date, the type and the number of units sold, unit price and total sales.

Example: On 5 January 2014, Baghdad Company sold 2 pieces of carpets at ID 1500 each.

Required: Record the above transaction in the Baghdad's Co. records.

Solution:

5/1/2014

| | | |
|----------|-----------|------|
| Dr. Cash | 3000 | |
| | Cr. Sales | 3000 |

To record sales of carpet in cash

The credit sale is a sale, in which the seller agrees to accept the payment sometime in the future after the goods were delivered to a buyer. Usually, credit sales are more often practiced by wholesalers rather than retailers. A **sales invoice**, like the one shown in provides support for a credit sale. The original copy of the invoice goes to the customer, and the seller keeps a copy for use in recording the sale. The invoice

Sales Discounts:

As mentioned in our discussion of purchase transactions, the seller may offer the customer a cash discount called by the seller a sales discount for the prompt payment of the balance due. Like a purchase discount, a sales discount is based on the invoice price less returns and allowances, if any. The seller increases (debits) the Sales Discounts account for discounts that are taken.

Example: Baghdad Company provides a 2% cash discount from the invoiced price, to all its credit customers who settle their debts before the end of the credit period.

On 1 June 2014, Baghdad company sales goods for Ishtar Company on credit at the price of ID 2000000 with a credit term of 30 days

On June 24 the Baghdad Company receives the entire amount.

Required: Record any necessary journal entries in the Baghdad's company records.

Solution:

1/6/2014

| | |
|-------------------------------------|---------|
| Dr. Accounts Receivable/ Ishtar Co. | 2000000 |
| Cr. Sales | 2000000 |
| To record sales on credit | |

24/6/2014

$2000000 \times 2\% = \text{ID } 40\,000$ Sales discount

| | |
|--|----------|
| Dr. Cash | 1960 000 |
| Dr. Sales discount | 40 000 |
| Cr. Accounts receivable/Ishtar Co. | 2000000 |
| To record receipt of payment with a sales discount | |

Summary of sales and purchases and other related Costs

- 1- Net Sales = Gross Sales — (Sales Returns and Allowance + Sales Discount)
- 2- Cost of Goods Sold = Beginning Inventories + Purchases — Ending inventories
- 3- Net Purchases = Gross Purchases — (Purchases Returns and Allowances + purchases Discount) + Freight Inwards + Import Duty
- 4- Gross profit = Net Sales — cost of Goods Sold.



Exercise (1)

The following balances are related to plastic factory in December, 31,2011 (Amounts in IQD thousands):

| Particulars | Jan. 1.2011 | December. 31.2011 |
|-----------------|-------------|-------------------|
| Raw materials | 7000 | 6000 |
| Work in process | 5000 | 8000 |
| Finished goods | 9000 | 10000 |

- Cost of raw material purchased for 2011 is IQD 20000
- Direct labor IQD 10000
- Manufacturing overhead IQD 5000
- Finished goods purchased 8000
- Freight - in for finished goods purchased IQD 2000
- Sales returns IQD 10000
- Sales revenue IQD 110000
- Selling and administrative expenses IQD 6000
- Other revenues IQD 1000.
- Cash IQD 15000
- Accounts receivable IQD 5000
- Furniture IQD 4000
- Factory equipment IQD 36000
- Long - term debt IQD 4000, notes payable IQD
- Notes payable IQD 3000
- Accounts payable IQD 7000
- Drawings IQD 3000 capital
- Accumulated depreciation for factory equipment IQD 10000.

Required:

Prepare the balance sheet for plastic factory as of Dec, 31, 2011.

Plastic factory
Balance sheet as of December, 31, 2011

| Assets | IQD | IQD | Equities | IQD | IQD |
|-------------------------|---------|--------------|---|--------|--------------|
| Fixed assets: | | | Owner's equity | | |
| Factory equipment | 36000 | | Capital Jan. 1 | 10000 | |
| Less accumulated dep. | (10000) | | Add: Net income for 2011 | 53000 | |
| Furniture | 26000 | | Total capital Dec. 31 | 63000 | |
| Total fixed assets | 4000 | 30000 | Less: drawings | (3000) | 60000 |
| | | | Net owner's equity | | |
| Current assets | | | Long term liabilities | | |
| Ending inventory: | | | Long - term debt | | 4000 |
| Raw materials Dec, 31 | 6000 | | | | |
| Work in process Dec.,31 | 8000 | | Current liabilities | | |
| Finished goods Dec.,31 | 10000 | 24000 | Notes payable | 3000 | |
| Accounts receivables | | 15000 | Accounts payable | 7000 | |
| Cash | | 5000 | Total current Liabilities | | 10000 |
| | | | | | |
| Total assets | | 74000 | Total liabilities and owner's equity | | 74000 |

Exercise (2)

The following Trial Balance is extracted from the books of the firm of Ismail brothers on 31-12-2011 (Amounts in IQD thousands)

Ismail Brothers - Trial Balance as on 31-12-2011

| Debit Balances | IQD | Credit Balances | IQD |
|----------------------------|--------|------------------------|--------|
| Opening stock: | | Capital | 70000 |
| Raw materials | 8400 | Sundry Creditors | 10000 |
| Work-in- progress | 8000 | Discount received | 1000 |
| Finished goods | 11500 | Sale of finished goods | 157900 |
| Power | 800 | Sale of Scrap | 3000 |
| Freight inwards | 2000 | Bank Overdraft | 6600 |
| Repairs to plants | 1000 | | |
| Freight outward | 400 | | |
| Rent - Factory | 6000 | | |
| Rent - Office | 3000 | | |
| Salaries - Factory | 2400 | | |
| Salaries - office | 12000 | | |
| Purchases of Raw materials | 80000 | | |
| Wages | 8000 | | |
| Sundry Trade Expenses | 15000 | | |
| | | | |
| Office Furniture | 10000 | | |
| Plant and Machinery | 50000 | | |
| Sundry Debtors | 30000 | | |
| | 248500 | | 248500 |

- Raw materials IQD 7800
- Work - in – progress IQD 6000
- Finished goods IQD 12500

Required: Prepare balance sheet.

Ismail Brothers - Balance Sheet
As on 31-12-2011

| Assets | IQD | Liabilities | IQD |
|---------------------|--------|----------------|--------|
| Plant and Machinery | 50000 | Capital | 70000 |
| Office Furniture | 10000 | Add net profit | 29700 |
| Closing Stock: | | Creditors | 10000 |
| Rawmaterials | 7800 | Bank overdraft | 6600 |
| Work- in – progress | 6000 | | |
| Finished goods | 12500 | | |
| Debtors | 30000 | | |
| | 116300 | | 116300 |

7-The following is the Trial balance of Mr. Rahman on 31-12-2011.

Trial Balance on 31-12-2011

| Name of the Account | Dr. IQD | Cr. IQD |
|---------------------------|---------|---------|
| Capital Account | | 50000 |
| Stock (1-1-2011) | 10000 | |
| Cash at Bank | 7200 | |
| Machinery Account | 36800 | |
| Purchases Account | 75000 | |
| Wages Account | 50000 | |
| Fuel and Power Account | 15000 | |
| Factory Lighting Account | 1000 | |
| Salaries Account | 35000 | |
| Discount Allowed Account | 2500 | |
| Discount Received Account | | 1500 |
| Advertisement Account | 45000 | |
| Sales Account | | 250000 |
| Sundry Debtors Account | 42500 | |
| Sundry Creditors Account | | 18500 |

Required:

What is the ending balance for each side?

Solution :

320,000 DR.

320,000 CR

Exercise: The flowing balances are showed at Dec, 31, 2011. For AL-Zamman

Company (amount in IQD)

Merchandise inventory (1/ 1) 750000, sales 5050000 , sales returns 50000 , Accounts receivable 350000 , purchases 3000000 , freight- in 10000 , freight - out 20000 , cash 1050000 , Equipment 1000000 , Administrative expense 350000 , Notes receivable 600000 , Accounts payable 250000 , Notes payable 50000,capital? Ending inventory at cost 1000000 Ending inventory at market 900000

Required:

- 1) Prepare the trial balance at the end of 2011.
- 2) Prepare the balance sheet as on Dec. 31, 2011.