

**Required:**

- 1-Prepare trading account, profit and loss account for the year ended Dec, 31, 2011.
2. Prepare balance sheet as of Dec, 31, 2011.
3. Record the closing entries at Dec, 31, 2011.

**Solution:**

Capital balance = 40000 - 20000 = ID 20000

Salah-Aldine Company

Trading Account for the year ended Dec, 31, 2011

Date	Particular	IQD	Date	Particular	IQD
	To Opening stock	2000		By Closing stock	4000
	To purchases	6000		By sales	14000
	To freight in	2000		By purchase return	1000
	To sales returns	3000			
	To profit and loss A/c (Gross profit)	6000			
		19000			19000

Salah-Aldine Company

Profit and loss account for the year ended Dec, 31, 2011

Date	Particular	IQD	Date	Particular	IQD
	To rent expense	1000		By trading A/c	6000
	To salaries expense	2000		By purchases discount	1000
	To freight out	2000		By gains from selling fixed assets	500
	To advertising expenses	1000			
	To sales discount	500			
	To capital A/c (Net Profit)	1000			
		7500			7500

**Salah-Aldine Company**  
**Balance sheet as of Dec., 31, 2011**

Assets	IQD	IQD	Liabilities & owner's equity	IQD	IQD
Current assets			Current liabilities		
Cash	5000		Notes payable	1500	
Notes receivable	2500		creditors (accounts payable)	2000	
Debtors (accounts receivables)	4000		Total current liabilities		3500
Closing stock	4000		Owner's equity		
Total current assets		15500	Capital 1/1	20000	
Fixed assets			+ Net income	1000	
Furniture	1000		Total	21000	
Cars	6000		Less: drawings	(2000)	
Total fixed assets		7000	Net owner's equity		19000
Total assets		22500	Total liabilities and owner's equity		22500

**Closing entries:**

Date	Entries	IQD	IQD
	Trading account A/c Dr To Opening stock To purchases To freight in To sales returns	13000	2000 6000 2000 3000
	Sales A/c Dr Purchases returns Dr To trading A/c	14000 1000	15000
	Closing stock A/c Dr To Trading A/c	4000	4000
	Trading A/c Dr To profit and loss account	6000	6000
	Profit and loss A/c Dr To rent expense To salaries expense To freight out To advertising expense To sales discount	6500	1000 2000 2000 1000 500
	Purchases discount A/c Dr Gains from selling fixed assets A/c Dr To profit and loss A/c	1000 500	1500

To close expenses accounts, it may be credit these accounts since its normal balance is debit, and vice versa to revenues.

## Questions and Exercises

### ▪ Questions

1-What is the meaning of ledger? What is its importance?

2-What is the meaning of account? Give a specimen (نموذج) of an account?

3-What is the meaning of balancing an account?

4-Why are the accounts balanced?

5-How are the accounts balanced?

6- Explain the meaning and definition of trial balance?

7- Discuss the objectives of trial balance?

8- Explain the various characteristics and uses of trial balance?

9- Explain the procedures for the preparation of trial balance?

### **10- Choose the correct answer:**

(1) The amount brought in by the proprietor in the business should be credited to:-

- (a) Cash account.                      (b) Capital account.  
(c) Drawings account.                (d) Bank account.

(2) The amount of salary paid to Khalid should be debited to:-

- (a) Cash account.                      (b) salary account.  
(c) Khalid's account                (c) administrative expenses.

(3) Cash account is debited by:

- (a) Amounts collected cash. (b) amount paid cash  
(c) Cash purchases.                      (d) Credit sales.

(4) If the total of debits.....the total of credits for Ahmed's account, the balance is credit.

- (a) Less than.      (b) More than.
- (c) Equal.          (d) We cannot determine.

(5) Accounts that normally have debit balances are:

- a- assets, expenses, and revenues,
- b- assets, expenses, and owner's capital,
- c- assets, liabilities, and owner's drawings,
- d- Assets, owner's drawings, and expenses.

(6) Which of the following is not part of the recording process?

- a- Analyzing transactions.
- b- entering transactions in journal,
- c- Preparing a trial balance.
- d- Posting transactions.

(7) Posting:

- a- normally occurs before journalizing,
- b- transfers ledger transaction data to the journal,
- c- is an optional step in the recording process,
- d- Transfers journal entries to ledger accounts.

(8) .....is a list of accounts with their balances at a given time.

- (a) Journal.          (b) Ledger
- (c) Trial balance.    (d) Posting.

**11- Choose the correct alternative:**

- (1) Preparation of financial statements consists of:-  
(a) Revenue accounts alone (b) Balance Sheet only  
(c) Revenues and expenses accounts and Balance Sheet.
- (2) Accrued expenses are:  
(a) Nominal accounts (b) Properties (c) Personal accounts
- (3) Balance sheet is containing the balances of:-  
(a) Real and Personal accounts (b) Real and Nominal accounts  
(c) Nominal and Personal accounts.
- (4) Prepaid insurance appears in:-  
(a) Trading account (b) Profit and Loss account  
(c) accounts of asset.
- (5) Depreciation is a:-  
(a) Gain (b) Loss (c) Appreciation
- (6) Income earned but not received is:-  
(a) A liability (b) an asset (c) Nominal account
- (7) Interest on Drawings is deducted from:-  
(a) Net profit (b) Drawings (c) Capital
- (8) Closing Stock is valued at:-  
(a) Cost price (b) Market price  
(c) Cost price or market price whichever is lower.

**12- Choose the correct answer from the following:-**

- (1) Gross loss will result if:  
a- Sales are greater than cost of goods sold.

- b- Operating expenses are greater than net income.
- c- Sales are less than cost of goods sold.
- d- Sales are less than operating expense.

(2) A credit sale of IQD 1080 is made on July 10, terms 5/10, net / 30, on which a return of IQD 80 is granted on July 15. The amount received as a payment in full one 19 July is:

- (a) 1000 (b) 1080 (c) 1039.75 (d) 950

(3) In determining cost of goods sold:

	Purchases returns and allowances	Freight – in
a	Deducted	Deducted
b	Added	Added
c	Deducted	Added
d	Added	Deducted

(4) If opening stock is IQD 10000, cost of purchases is IQD 190000, and closing stock is IQD 30000, cost of goods sold is:

- (a) 170000 (b) 230000 (c) 220000 (d) 200000

(5) If sales revenues are IQD 500000, cost of goods sold (x). Operating expenses IQD 50000, income from operations IQD 150000. The value of (x) is:

- (a) 200000 (b) 300000 (c) 400000 (d) 500000

(6) The closing entry for closing stock in financial accounts:

No.	Trading accounts	Balance sheet
a	Debit	Debit
b	Debit	Credit
c	Credit	Credit
d	Credit	Debit

(7) The beginning balance in accounts receivable is IQD 80000, and the ending balance is IQD 75000. Sales during the period are IQD 120000. Cash receipts from customers are:

a- 125000 b- 115000 c- 120000 d- none of all the above.

(8) The list that includes assets, liabilities, and owner's equity is:

- (a) Trial balance                      (b) Balance sheet  
(c) Income statement              (d) Profit and loss account.

(9) Interest expense account is closed in:

- (a) Trading account                      (b) Balance sheet  
(c) Profit and loss account              (d) Manufacturing account.

(10) All of the following are assets except:

- (a) Notes receivable. (b) Marketable securities in other corporations  
(c) Interest revenue. (d) Prepaid insurance.



**13- Match the following:-**

No.	"A"	No.	"B"
1	Trading A/c	a	Group of three different statements.
2	Profit & Loss A/c	b	Deducted from Sales.
3	Balance Sheet	c	Deducted from Purchases.
4	Financial statements	d	Not an account, but a statement.
5	Purchase Returns	e	Indicates gross profit or loss.
6	Sales Returns	f	Indicates net profit or loss.

**14- Match the following:-**

No.	A	No.	B
1	Accrued Expenses	a	Investment made into the business by proprietor
2	Accounts receivable	b	Is a liability of the business
3	Depreciation	c	Is an asset of the business
4	Prepaid expenses	d	Deducted from asset concerned
5	Drawings	e	Shown on the asset side of Balance Sheet
6	Capital	f	Deducted from capital

**15- State whether the statements given below are True or False**

- (1) Capital is an asset account.
- (2) Balance sheet consists of debit side and credit side.
- (3) All Assets will show debit balances.
- (4) All Liabilities will show credit balances.
- (5) An account with debit balance will be either expense or asset.
- (6) Closing stock is valued at cost price or market price whichever is lower.

**16- State whether the following statements are True or False:**

- (1) Financial statements are the group of two statements: trading A/c and profit and Loss a/c.
- (2) Trading A/c gives result of gross profit earned or gross loss suffered in the trading year.
- (3) Trading A/c is prepared on the basis of indirect expenses and revenues.
- (4) Debit balance of trading A/c indicates gross loss.
- (5) Credit balance of trading A/c shows gross profit.
- (6) Profit and Loss A/c is prepared on the basis of direct expenses and revenues.
- (7) Debit balance of P.L A/c shows net profit.
- (8) Credit balance of P/L A/c indicates net profit.
- (9) Balance sheet is a statement and not an account.
- (10) If Trial Balance is not tallied, balance sheet prepared on it, will not be balanced.

**Answers of question (10):**

No	a	b	c	d
(1)		x		
(2)	x			
(3)	x			
(4)	x			
(5)				x
(6)			x	
(7)				x

(8)			x	
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➤ **Answers of questions (11,12,13,,14,15,16):**

No.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
<b>11</b>	c	a	a	c	b	b	c	c	---	---
<b>12</b>	c	d	c	a	b	a	a	b	c	c
<b>13</b>	e	f	d	a	c	b	---	---	---	---
<b>14</b>	c	e	d	b	f	a	---	---	---	---
<b>15</b>	F	F	T	T	T	T	---	---	---	---
<b>16</b>	F	T	F	F	F	F	T	F	T	T

**Exercises**

**1- Prepare cash account from the following transactions:-**

- 1.1.2012 Purchased goods for cash IQD 2000000.
- 5.1.2012 Sold goods for cash IQD 20000000.
- 25.1.2012 Paid salaries IQD 3000000
- Balance the account on 31.1.2012.

**2- Pass journal entries in each of the following cases**

- (1) Purchased goods from Jabber for cash IQD 1000000 and he allowed a cash discount of IQD 50000.
- (2) Sold goods to Nasser for cash IQD 800000 and allowed for him IQD 50000 as discount on sales.

*3-PREPARE CASH ACCOUNT AND BALANCES IT ON 31<sup>ST</sup> MARCH 2012.*

<u>2012</u>	<u>IQD</u>
March 1. Opening balance of cash	3200000
5. Cash sales	4000000
6. Cash purchases from Tahseen	2000000
8. Paid for advertisement	200000
9. Paid for News papers	120000
10. Received from Hashim	1650000
12. Paid Telephone Bill	250000
22. Sold goods to kareem	6700000
28. Received cash from kareem in full settlement	6500000

**4-Enter the following transactions in the journal of Walled and prepare the necessary ledger accounts and balance them as on 30<sup>th</sup> April 2012.**

April .1 Walled brought cash IQD 10000000 stock worth IQD 7000000 into his business.

April 7. Purchased office Furniture for cash IQD 2000000

April 12. Bought stationery on credit from Mr. Ismail IQD 50000

April 18. Sold goods to Ahmed for IQD 1000000

April 24. Received cash from Salam IQD 2000000.

April 26. Paid commission to Sammy IQD 250000

April 30. Paid salaries for the Month of April IQD 1500000.

**5- Pass Journal entries of the following transactions and prepare necessary ledger accounts. Balance the ledger accounts on 28<sup>th</sup> February 2012.**

Feb. 1 2012 Started business with cash IQD 10000000 and machinery worth IQD 5000000.

5. Purchased Car for IQD 5000000.

8. Cash purchases IQD 2000000.

10. Purchased goods from Khalid IQD 8000000.

20. Paid Travelling expenses IQD 100000.

25. Sold goods for IQD 15000000.

**6- The following balances extracted from the books of Ibrahim as on 31<sup>st</sup> December 2011**

Names of Accounts	IQD	Names of Accounts	IQD
OPENING STOCK	15000	PRINTING AND STATIONERY	3400
BILLS PAYABLE	6000	INSURANCE	750
ACCRUED WAGES	1700	SALARIES	10000
PURCHASES	45700	CREDITORS	12000
WAGES	9900	BANK OVERDRAFT	3000
MARKETABLE SECURITIES	3500	POSTAGE AND TELEPHONE	700
SALES	79800	MACHINERY	26800
CAPITAL	65000	FURNITURE	6400
CARRIAGE INWARDS	2600	DEBTORS	25000
CARRIAGE OUTWARDS	2000	CASH AT BANK	10500
BAD DEBTS	250	ADVERTISEMENT	2000
BILLS RECEIVABLE	4000	RESERVES	1000

**Required:** Prepare a trial balance.

**7- From the following information prepare a Trial Balance as on 31<sup>st</sup> March 2012:**

Particulars	IQD
Assets	10000000
Capital	8000000
Commission payable	2000000
Discount receivable	1000000
Discount Allowed	1000000
Drawings	2500000
Purchases	12000000
Rent	3000000
Rent Payable	2000000
Sales	20000000
Sundry Expenses	500000

**8- The following information is extracted from Hassan's Books as on 31st December 2011 (Amounts in thousands).**

Particulars	<u>IQD</u>
Purchases	20500
Sales	22000
Returns Inwards	1800
Returns Outwards	1000
Carriage Inward	600
Carriage Outward	400
Bank Overdraft	5400
Loan	1200
Commission (Dr.)	800
Drawings	2000
Marketable Securities	8000
Debtors	12000
Creditors	4000
Lighting	1000
Cash in hand	4500
Capital	18000

**Required:** Prepare a Trial Balance.

**9-** Enter the following transactions in a Journal and prepare Ledger accounts. Also balance the ledger accounts and draw a Trial Balance:-

2012	particulars	IQD
March.		
1	Started business with cash	25000000
4	Cash Deposited in AL-Rasheed Bank	10000000
8	Purchased goods for cash	7000000
12	Purchased goods from Bushra Stores	5000000
15	Sold goods to Maher	8000000
16	Purchased goods from Amar	12000000
20	Cash paid to Bushra	4000000
22	Received cash from Maher	8000000
23	Cash withdrawn from the Bank for office use	5000000
24	Purchases made by cheque	2000000
25	Cash sales	15000000
26	Cash Purchases	2000000
27	Paid office rent	1500000
29	Paid salaries	2000000