



# Introduction To Business مقدمة في الأعمال Grade 10

نبنى  
اقتصادي  
المستقبل

• Semester 2





حضرة صاحب السموّ

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قَسَمًا بِمَنْ نَشَرِ الضِّيَاءَ  
تَسْمُو بِرُوحِ الْأَوْفِيَاءِ  
وَعَلَى ضِيَاءِ الْأَنْبِيَاءِ  
عِزُّ وَأَمْجَادُ الْإِبَاءِ  
حُمَاتُنَا يَوْمَ النِّدَاءِ  
جَوَائِحُ يَوْمِ الْفِدَاءِ

قَسَمًا بِمَنْ رَفَعَ السَّمَاءَ  
قَطَرُ سَتَبَقَى حُرَّةً  
سِيرُوا عَلَى نَهْجِ الْأَلَى  
قَطَرُ بِقَلْبِي سِيرَةً  
قَطَرُ الرِّجَالِ الْأَوَّلِينَ  
وَحَمَائِمُ يَوْمِ السَّلَامِ

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## About this unit

The purpose of this Learner Resource is to provide you with the underpinning knowledge required to assist you in completing assessment/s in Introduction to accounting.

This Learner Resource also contains activities for you to test your knowledge and examples of skills application.

Throughout this Learner Resource you will see icons that identify important information, provide opportunities to test your knowledge and practice skills.

These icons are displayed as follows:



### Inform

This icon is used to highlight important information, notes, research or training and assessment tips.



### Practice

This icon is used to highlight an ideal time to test your knowledge or practise what you have learnt.

### How will I be assessed?

In order to achieve competency in Introduction to accounting you will need to demonstrate the skills and knowledge required for the unit.

Your teacher will decide with you how and when you will be assessed.

### Copyright

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## About this unit

Welcome to the Learner Resource for Introduction to accounting.

It is suggested that to meet all the requirements of Introduction to accounting you will need to complete the following tasks:

- Read the information contained in this Learner Resource.
- Complete the activities.
- Complete all the required assessment/s for this unit.

The topics in this Learner Resource are:

- What is accounting?
- Accounting environment
- Accounting equation
- Balance sheet
- Ledger accounts and double entry
- Trial balance
- Final reports.





## What is accounting?

Accounting affects the lives of everyone in modern society. Most people need some simple form of accounting to deal with their personal financial matters.

In business, accounting provides vital information for business managers and owners. It is the process of recording, classifying and summarising business transactions. The end result provides reports on profitability and the financial

position of the business. This allows business owners and managers to make financial decisions about the direction and progress of the business.



**The role of the accountant is broad. They are employed by private business to work as public accountants or they may be employed by the government. There are a number of areas of specialisation for accountants such as:**

- cost or management accounting
- finance and treasury functions
- budgeting
- auditing
- taxation
- company accounting
- government accounting
- management advisory services
- design of accounting systems
- financial planning
- forensic accounting with people who have widely different personalities.



## Accounting environment

The business world consists of many different types of business activity and the accounting system will be adapted to meet the specific needs of each business within each different industry.

Think about a business in the mining industry such as Qatar Petroleum (QP) or RasGas. Because the business requires several processes associated with exploration, infrastructure to mine the resource, extraction of the resource, pipe the resource from its source to the port and so on, the accounting system will be set up to record the costs of production at each stage.



*Mining industry*

This is very different to a retail business where goods are purchased in bulk from the wholesaler and sold to consumers. The accounting system for a retailer needs to be able to track the cost of inventory and record the profit made from sales.



*Recording sales*

A **manufacturing business** will be different again. Accountants will need to record the cost of materials, labour and other overhead expenses that are incurred in manufacturing a finished product.

The type of business ownership will also be very different for each business. It could be a **sole trader** where there is one single owner who may employ other people to assist him in the business.

**Partnerships** can also be formed where two or more people decide to work together to form a business. The performance and profit of this business will be shared between the partners.



*Partnerships are a common form of business ownership*

A company structure may be the preferred option for some business owners. This allows the shareholders to have limited liability, which means they are liable only up to the face value of their shares. Government regulation for companies is much greater than other forms of business ownership. Companies in Qatar also have to pay taxation. Therefore, the accounting system must meet the requirements of government, shareholders and company managers.

**QATAR NATIONAL CEMENT COMPANY ( S.A.Q )**

*Companies provide shareholders with limited liability*

As this is an introductory course in accounting, our focus will be for sole traders in either a retail or service industry.



## Accounting equation

**Accounting is made up of five major groups or types of accounts, which are:**

- Assets
- Liabilities
- Owner's equity
- Revenue
- Expenses.

The chart of accounts for both manual and electronic accounting systems will be designed around these account types.



### Inform

#### Five types of accounts:

1. Assets
2. Liabilities
3. Owner's equity
4. Revenue
5. Expenses

### Assets

Think about some of the items that you own. Do you own a laptop, books, mobile phone, clothes and money in the bank? These are all known as your assets.

For a business, the office furniture, business equipment, inventories (stock), buildings and vehicles they own, the money in the business bank account and the money owed to them by customers (debtors or accounts receivable) are all examples of assets.



## Practice

### Activity 1

In the following table, make a list of the assets that a coffee shop and a hobby shop might own.

Coffee shop	Hobby shop



## Inform

Assets are items of value that the business owns or are owed to the business.

## Liabilities

As well as owning items, you may also owe amounts to others. You may owe money to your parents or brothers and sisters or a friend. Amounts that are owed are called liabilities. Think about any liabilities you might have. A business will also have liabilities. It may owe money to suppliers (vendors) or inventories (creditors or accounts payable) or the bank (overdraft or loans).



### Inform

Liabilities are amounts of money that are owed to outside parties.

## Owner's equity

If you subtract the liabilities from the assets, you can calculate what you are worth.

In the same way, the owner of a business can calculate what their investment or financial interest in the business will be. This is called owner's equity or proprietorship. For example, a business owns assets worth QR50,000 and liabilities of QR10,000. This means the business owes the owner QR40,000 which is the owner's equity.

### Therefore, owner's equity is:

- the difference between assets and liabilities
- the owner's investment in the business
- the amount owed by the business to the owner.



### Inform

Owner's equity is the amount of the owner's investment in the business.

## Accounting equation

Assets, liabilities and owner's equity accounts are all part of the accounting equation.



**Inform**

Assets = Liabilities + Owner's equity which is represented by:

$$A = L + OE$$

There is an important accounting convention that you need to understand at this time. Accounting conventions are assumptions or generally accepted beliefs. Accounting records and final reports will be based upon these assumptions.

The Accounting Entity Convention regards the business and the owner as separate entities or bodies. This means that when we record business transactions and report on profit, we do this from the business point of view. That is, we are maintaining the books of the business, not the owner.

The following examples show how assets, liabilities and owners equity accounts form the accounting equation.

### Example one

The owner of a business, Abdulla Mansour, has deposited QR250,000 into the bank of his new business, Doha Jet Skis. Because we analyse this transaction from the business viewpoint, the business has an Asset (Cash at bank) for QR250,000 and a Liability known as Owner's equity (Capital) for QR250,000.

Therefore,

$$\text{Assets (QR250,000)} = \text{Owner's equity (QR250,000)}$$

or

$$\text{Cash at bank (QR250,000)} = \text{Capital (QR250,000)}$$



### Example two

The owner of another business, Alzan Gaber, has borrowed QR250,000 from the Doha Bank to establish his mobile phone shop. We analyse this transaction from the business point of view and the business has an Asset (Cash at bank) for QR250,000 and a Liability (Bank loan) for QR250,000.

Therefore

Assets (QR250,000) = Liabilities (QR250,000)

or

Cash at bank (QR250,000) = Bank loan (QR250,000)

### Example three

The owner of a third business, Amad Naser, introduces QR150,000 into the bank account of his business, Desert Bike Supplies and also borrows QR100,000 from the Doha Bank to establish his business. Again, we analyse this transaction from the business point of view and the business has an Asset (Cash at bank) for QR000 250, a Liability (Bank Loan) for QR100,000 and Owner's equity (Capital) for QR150,000.

Therefore,

Assets (QR250,000) = Liabilities (QR100,000) + Owner's equity (QR150,000)

or

Cash at bank (QR250,000) = Bank loan (QR100,000) + Capital (QR150,000)

Because the previous examples can be expressed as an equation (the relationship between Assets, Liabilities and Owner's equity), the accounting equation can be expressed in three ways.

$$A = L + OE$$

$$OE = A - L$$

$$L = A - OE$$

## Balance sheet

The balance sheet is an accounting report prepared for interested parties. The balance sheet is based on the accounting equation, and lists all of the individual assets and liabilities.

A balance sheet is a statement financial position – it lists the assets, liabilities and owner's equity as at a particular point in time.

The balance sheet can be presented in two formats – account form and narrative form.

## Account form balance sheet

The account form, or 'T' form, presents assets on the left hand side and liabilities and owner's equity on the right hand side. It matches the accounting equation,  $A = L + OE$ .

Balance sheet of Doha Book Shop as at 31 March 2011			
	QR		QR
<b>Assets</b>		<b>Liabilities</b>	
Cash at bank	15,000	Bank loan – QIB	25,000
Inventories (books)	25,000	<b>Owner's equity</b>	
Accounts receivable	12,000	Capital (Amal Mifsud)	45,000
Shop equipment	18,000		
	<b>70,000</b>		<b>70,000</b>

## Narrative form balance sheet

The narrative form is designed to be read down the page and matches the accounting equation  $OE = A - L$ .

Balance sheet of Doha Book Shop as at 31 March 2011		
	QR	QR
<b>Owner's equity</b>		
Capital (Amal Mifsud)	45,000	<b>45,000</b>
<b>Represented by:</b>		
<b>Assets</b>		
Cash at bank	15,000	
Inventories	25,000	
Accounts receivable	12,000	
Shop equipment	18,000	70,000
<b>Less Liabilities</b>		
Bank Loan – QIB		25,000
		<b>45,000</b>



## Practice

### Activity 2

Balance sheet of Doha Chocolate Shop as at 31 December 2011			
	QR		QR
<b>Assets</b>		<b>Liabilities</b>	
Cash at bank	35,000	Accounts payable	22,000
Accounts receivable	18,000	Bank overdraft – QNB	15,000
Inventories	27,000	Bank loan – QNB	51,000
Motor vehicle	30,000	<b>Owner's equity</b>	
Premises	250,000	Capital – Amal Bazzi	272,000
	<b>360,000</b>		<b>360,000</b>

Answer the following questions about the balance sheet for the Doha Chocolate Shop.

a) On what date is the balance sheet prepared?

.....

b) Who is the owner of the business?

.....

c) What does the term 'inventories' mean?

.....

.....

.....



d) What is the value of the motor vehicle?

.....

.....

e) Which bank does the business owe money to?

.....

.....

f) What is the owner's investment in the business?

.....

.....



*The balance sheet lists the assets and liabilities of the business*

The balance sheet represents the financial position of a business at a particular point in time. However, as soon as the business operates after that date, the financial position changes with each business transaction.

The following are consecutive balance sheets that would have been prepared to show the financial position of Qatar Business Equipment after each business transaction.

On 1 March 2011, Adra Qureshi deposited QR50,000 into the business bank account. This amount represented his capital.

Balance sheet of Qatar Business Equipment as at 1 March 2011			
	QR		QR
<b>Assets</b>		<b>Owner's equity</b>	
Cash at bank	50,000	Capital – Qureshi	50,000
	<b>50,000</b>		<b>50,000</b>

On 3 March 2011, the business purchased a vehicle for QR25,000. The business paid for the vehicle in cash.

Balance sheet of Qatar Business Equipment as at 3 March 2011			
	QR		QR
<b>Assets</b>		<b>Owner's equity</b>	
Cash at bank	25,000	Capital – Qureshi	50,000
Vehicle	25,000		
	<b>50,000</b>		<b>50,000</b>

On 7 March 2011, the business bought furniture on credit from Doha Furniture for QR2,500.

Balance sheet of Qatar Business Equipment as at 7 March 2011			
	QR		QR
<b>Assets</b>		<b>Liabilities</b>	
Cash at bank	25,000	Doha Furniture	2,500
Vehicle	25,000	<b>Owner's equity</b>	
Furniture	2,500	Capital – Qureshi	50,000
	<b>52,500</b>		<b>52,500</b>

On 13 March 2011, the business paid Doha Furniture QR1,500.

Balance sheet of Qatar Business Equipment as at 13 March 2011			
	QR		QR
<b>Assets</b>		<b>Liabilities</b>	
Cash at bank	23,500	Doha Furniture	1,000
Vehicle	25,000	<b>Owner's equity</b>	
Furniture	2,500	Capital – Qureshi	50,000
	<b>51,000</b>		<b>51,000</b>

**Note:** that each business transaction involves two accounts always mainlining a balance.



## Practice

### Activity 3

Now we will see how well you can read a balance sheet and understand the business transactions that take place.

The balance sheet of the Doha Legal Service on 1 December 2011 is as follows:

Balance sheet of Doha Legal Service as at 1 December 2011			
	QR		QR
<b>Assets</b>		<b>Liabilities</b>	
Cash at bank	10,000	Accounts payable	11,000
Vehicle	19,000	<b>Owner's equity</b>	
Equipment	12,000	Capital – Bishara	30,000
	<b>41,000</b>		<b>41,000</b>

For each of the following balance sheets for the Doha Legal Service, describe what transaction occurred.

Balance sheet of Doha Legal Service as at 3 December 2011			
	QR		QR
<b>Assets</b>		<b>Liabilities</b>	
Cash at bank	5,000	Accounts payable	11,000
Vehicle	19,000	<b>Owner's equity</b>	
Equipment	17,000	Capital – Bishara	30,000
	<b>41,000</b>		<b>41,000</b>

Date	Transaction

Balance sheet of Doha Legal Service as at 7 December 2011			
	QR		QR
<b>Assets</b>		<b>Liabilities</b>	
Cash at bank	25,000	Accounts payable	11,000
Vehicle	19,000	<b>Owner's equity</b>	
Equipment	17,000	Capital – Bishara	50,000
	<b>61,000</b>		<b>61,000</b>

Date	Transaction

Balance sheet of Doha Legal Service as at 10 December 2011			
	QR		QR
<b>Assets</b>		<b>Liabilities</b>	
Cash at bank	20,000	Accounts payable	6,000
Vehicle	19,000	<b>Owner's equity</b>	
Equipment	17,000	Capital – Bishara	50,000
	<b>56,000</b>		<b>56,000</b>

Date	Transaction

Balance sheet of Doha Legal Service as at 12 December 2011			
	QR		QR
<b>Assets</b>		<b>Liabilities</b>	
Cash at bank	20,000	Accounts payable	14,000
Furniture	8,000		
Vehicle	19,000	<b>Owner's equity</b>	
Equipment	17,000	Capital – Bishara	50,000
	<b>64,000</b>		<b>64,000</b>

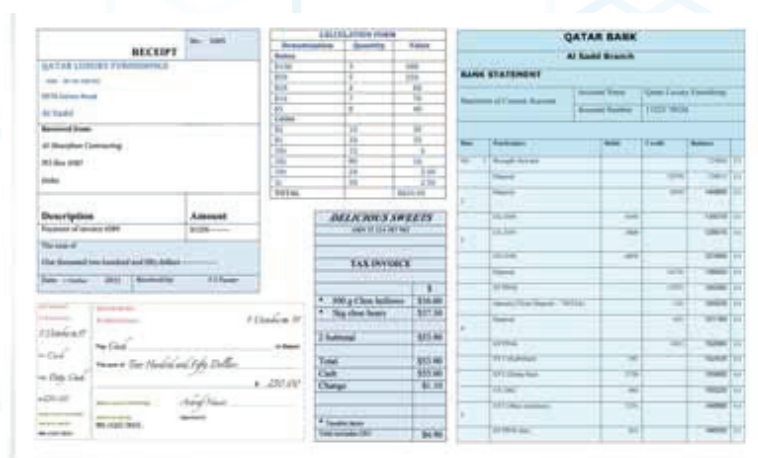
Date	Transaction

## Ledger accounts and double entry

We have seen how the balance sheet changes after a business transaction. However it would not be practical to do this every time we record a new transaction. Instead we maintain a book called a ledger. The ledger consists of a number of accounts. All business transactions are recorded into these accounts. The account will show details of transactions and keep a running balance of the account. The following example shows what the 'Cash at Bank' account may look like.

Date	Particulars	Debit	Credit	Balance	
<b>Cash at bank account</b>					
1 February	Balance			15,500	Dr
4 February	Sales	2,500		18,000	Dr
8 February	Accounts receivable	6,000		24,000	Dr
9 February	Rent		2,100	21,900	Dr

The accounting process begins with the documentation that our business either receives or prepares as a result of the business transaction. This could be an invoice, adjustment note, receipt, cheque details, cash register summary and bank statement etc.



*Business documents*

Information from these documents is recorded in a journal. The information recorded in the journal is the date of the transaction, the name of the supplier or customer, the document number and the amount of money. Separate journals or books will be used to record similar transactions. For example, we will have a purchases journal to record goods that we purchase on credit. We will have a sales journal to record the credit sales of goods to customers.

The information is then 'posted' or transferred from the journal to the ledger.



## Practice

### Activity 4

Fill in the following blanks to complete the accounting equation.

A \_\_\_\_\_ = L \_\_\_\_\_ + O \_\_\_\_\_ E \_\_\_\_\_

## Debits and credits

An understanding of debits and credits or double entry is essential in accounting. All manual and computerised accounting systems are based on double entry.

As mentioned previously, there are five types of accounts. We will only be working with assets, liabilities and owner's equity at this point. We will introduce revenue and expense accounts later.

We have to assume that assets are debit by nature. Therefore, liabilities and owner's equity will have to be credit by nature because they are on the opposite side of the accounting equation

Assets	=	Liabilities	+	Owner's equity
Dr		Cr		Cr
Debit by nature		Credit by nature		Credit by nature

This does not mean much on its own. It becomes very important when we relate it to the business transaction. Because of the many different transactions a business will have, accounts will always be increasing or decreasing. For example as we sell more goods to a customer, their account will increase. As they pay the amount owing, their account will decrease.

It is very important that you learn the information in the following table.

Type of account	Nature of account	Increase	Decrease
Assets	Debit	Debit	Credit
Liabilities	Credit	Credit	Debit
Owner's equity	Credit	Credit	Debit

When an account increases it stays the same as its nature (as shown in the previous table). When an account decreases, it is the opposite.

Debits and credits are abbreviated when recording transactions as Dr for Debit and Cr for Credit.



## Practice

### Activity 5

Complete the blank boxes in the following table.

Type of account	Nature of account	Increase	Decrease
Assets	Dr	Dr	
Liabilities	Cr		Dr
Owner's equity			



## Double entry

Now that we have some knowledge of debits and credits, we will learn about the accounting term double entry.

Every business transaction will involve two accounts. One account will be debit and one account will be credit. The total debit amounts must equal the total credit amounts so that the accounting equation always remains in balance.

$$A = L + OE.$$



*Recording debits and credits*

The following table shows how you can analyse transactions and determine what account is debit and what account is credit. The transactions shown in the table are:

- February 1 – The owner, Jassim al Najjar, introduced \$50,000 cash into the business.
- February 3 – Bought a vehicle for cash \$32,000.
- February 5 – Bought furniture on credit from Al Wakhra Furniture for \$3,500.
- February 7 – Paid Al Wakhra Furniture \$1,000.

## Transaction analysis

Date	Accounts involved	Type of account	Nature of account	Increase or decrease	Debit or credit	Debit Dr QR	Credit Cr QR
1 February	Cash at bank	Asset	Dr	Increase	Dr	50,000	
	Capital	Owner's equity	Cr	Increase	Cr		50,000
3 February	Vehicle	Asset	Dr	Increase	Dr	32,000	
	Cash at bank	Asset	Dr	Decrease	Cr		32,000
5 February	Furniture	Asset	Dr	Increase	Dr	3,500	
	Al Wakhra Furniture	Liability	Cr	Increase	Cr		3,500
7 February	Al Wakhra Furniture	Liability	Cr	Decrease	Dr	1,000	
	Cash at bank	Asset	Dr	Decrease	Cr		1,000

**To complete the table you need to ask yourself the following questions:**

- What is the date of the transaction?
- What are the two accounts involved in the transaction?
- What is the type of each account?
- What is the nature of each of these accounts?
- Will the account increase or decrease as a result of the transaction?
- Will the account be debit or credit as a result of the transaction and by how much?



*Every business transaction must be recorded*

So far our business transactions have been limited to asset, liability and owner's equity accounts. We will now expand this to include revenues and expenses.

## Revenues

Think about the ways that you can earn money. Most people will work either full-time or part-time to earn an income. As students you earn a monthly allowance. This is revenue or income.

The sale of inventories or the services provided to customers represents the revenue or income for that business.



## Inform

Revenue is the money earned by a business.





*Revenue (income) is credit, expenses are debit*



## Inform

Revenues increase owner's equity. Revenues are therefore Credit.  
Expenses decrease owner's equity. Expenses are therefore Debit.

It is important that you learn how to analyse transactions that include revenues and expenses. The following example will help you understand how revenues and expenses are recorded.

Type of account	Nature of account	Increase	Decrease
Assets	Debit	Debit	Credit
Liabilities	Credit	Credit	Debit
Owner's equity	Credit	Credit	Debit
Revenues	Credit	Credit	Debit
Expenses	Debit	Debit	Credit

### Transactions for Gulf financial consultancy

- February 1 – The owner, Abdullah Wasem, introduced \$65,000 cash into the business.
- February 4 – Bought equipment for cash \$12,500.
- February 5 – Bought a vehicle on credit from Mansour Motors for \$35,000.
- February 6 – Paid wages \$2,250.
- February 7 – Paid rent \$1,500.
- February 8 – Paid Al Mansour Motors \$10,000.
- February 9 – Received service fees \$3,000.

The following table shows the transaction analysis for these transactions.

To complete the analysis table we need to ask ourselves the same questions as before.

## Transaction analysis

Date	Accounts involved	Type of account	Nature of account	Increase or decrease	Debit or credit	Debit Dr QR	Credit Cr QR
1 February	Cash at bank	Asset	Dr	Increase	Dr	65,000	
	Capital	Owner's equity	Cr	Increase	Cr		65,000
4 February	Equipment	Asset	Dr	Increase	Dr	12,500	
	Cash at bank	Asset	Dr	Decrease	Cr		12,500
5 February	Vehicle	Asset	Dr	Increase	Dr	35,000	
	Mansour Motors	Liability	Cr	Increase	Cr		35,000
6 February	Wages	Expense	Dr	Increase	Dr	2,250	
	Cash at bank	Asset	Dr	Decrease	Cr		2,250
7 February	Rent	Expense	Dr	Increase	Dr	1,500	
	Cash at bank	Asset	Dr	Decrease	Cr		1,500
8 February	Mansour Motors	Liability	Cr	Decrease	Dr	10,000	
	Cash at bank	Asset	Dr	Decrease	Cr		10,000
9 February	Cash at bank	Asset	Dr	Increase	Dr	3,000	
	Service fees	Revenue	Cr	Increase	Cr		3,000

Now that you can identify the accounts involved in business transactions and determine whether they are debit or credit, you are ready to 'post' these entries to the ledger accounts.

## Chart of accounts

The chart of accounts is a list of the ledger accounts in order. There can be a large number of accounts and they need to be classified and grouped according to the main account types. Many businesses will have their own way of setting up their chart of accounts. We will assume the following order for our chart of accounts. Be aware that there is no one correct order. It depends on the nature and activities of the business organisation.

The individual accounts in the chart of accounts will be grouped under each account type:

- Revenue
- Expense
- Asset
- Liability
- Owner's equity.

They may be in numeric, alpha numeric or alphabetic order.



*The ledger contains a record of business transactions within each account.*



## The accounting process to ledger



You will now see what is involved in a business transaction from the transaction stage to the ledger. On 1 March, the owner Walaed Abadi introduces \$ 50,000 into his business.

**The transaction analysis would appear as follows:**

Date	Accounts involved	Type of account	Nature of account	Increase or decrease	Debit or credit	Debit Dr QR	Credit Cr QR
1 March	Cash at bank	Asset	Dr	Increase	Dr	50,000	
	Capital	Owner's equity	Cr	Increase	Cr		50,000



## Transaction journal for Walaed Abadi

Date	Account name	Debit	Credit
1 March	Cash at bank	50,000	
	Capital		50,000

### Ledger extract for Walaed Abadi

Date	Particulars	Debit	Credit	Balance	
<b>Cash at bank</b>					
1 March	Capital	50,000		50,000	Dr
<b>Capital account</b>					
1 March	Cash at bank		50,000	50,000	Cr

We are ready to complete exercises up to the ledger. The example following provides you with a list of transactions and you are required to prepare the journal and post to the ledger.

### **Example**

Mohammad Atalia has commenced operations as an insurance consultant. The following transactions have taken place during his first month of operations:

- April 1 – Atalia deposits \$ 100,000 into the business bank account
- April 2 – Atalia pays rent of \$ 2,500
- April 5 – Office equipment purchased for cash \$ 5,000
- April 7 – Furniture purchased on credit from Al Dafna Furniture for \$ 8,000
- April 14 – Paid wages \$ 3,000
- April 16 – Received service fees for cash \$ 7,500
- April 18 – Completed insurance services on credit for Al Amadi Contracting for \$ 12,000
- April 22 – Paid Al Dafna Furniture \$ 3,000
- April 28 – Paid wages \$ 3,000
- April 30 – Received \$ 6,000 from Al Amadi Contracting.

## General/Transaction journal of Mohammad Atalia insurance consultant

Date	Account name	Debit	Credit
1 April	Cash at bank	100,000	
	Capital		100,000
2 April	Rent expense	2,500	
	Cash at bank		2,500
5 April	Office equipment	5,000	
	Cash at bank		5,000
7 April	Furniture	8,000	
	Al Dafna		8,000
14 April	Wages	3,000	
	Cash at bank		3,000
16 April	Cash at bank	7,500	
	Service fees		7,500
18 April	Al Amadi Contracting	12,000	
	Service fees		12,000
22 April	Ad Dafna Furniture	3,000	
	Cash at bank		3,000
28 April	Wages	3,000	
	Cash at bank		3,000
30 April	Cash at bank	6,000	
	Al Amadi Contracting		6,000

## Ledger of Mohammad Atalia insurance consultant

Date	Particulars	Debit	Credit	Balance	
<b>Service fees</b>					
16 April	Cash at bank		7,500	7,500	Cr
18 April	Al Amadi Contracting		12,000	19,500	Cr
<b>Rent</b>					
2 April	Cash at bank	2,500		2,500	Cr
<b>Wages</b>					
14 April	Cash at bank	3,000		3,000	Dr
28 April	Cash at bank	3,000		6,000	Dr
<b>Cash at bank</b>					
1 April	Capital	100,000		100,000	Dr
1 April	Rent		2,500	97,500	Dr
5 April	Office equipment		5,000	92,500	Dr
14 April	Wages		3,000	89,500	Dr
16 April	Service fees	7,500		97,000	Dr
22 April	Al Dafna Furniture		3,000	94,000	Dr
28 April	Wages		3,000	91,000	Dr
30 April	Al Amadi Contracting	6,000		97,000	Dr
<b>Al Amadi Contracting</b>					
18 April	Service fees	12,000		12,000	Dr
30 April	Cash at bank		6,000	6,000	Dr

Date	Particulars	Debit	Credit	Balance	
<b>Office equipment</b>					
5 April	Cash at bank	5,000		5,000	Dr
<b>Furniture</b>					
7 April	Al Dafna Furniture	8,000		8,000	Dr
<b>Al Dafna Furniture</b>					
7 April	Furniture		8,000	8,000	Cr
22 April	Cash at bank	3,000		5,000	Cr
<b>Capital</b>					
1 April	Cash at bank		100,000	100,000	Cr

## Trial balance

### The accounting process to trial balance



After all entries have been posted to the ledger, you need to check whether this process has been done correctly. A trial balance is prepared for this purpose. It will check whether the debits equal the credits. If the total of the trial balance does balance, it does not guarantee that the ledger is correct. There may still be errors. Entries could have been reversed, incorrect amounts could have been entered on both sides or entries could have been made in the wrong accounts.

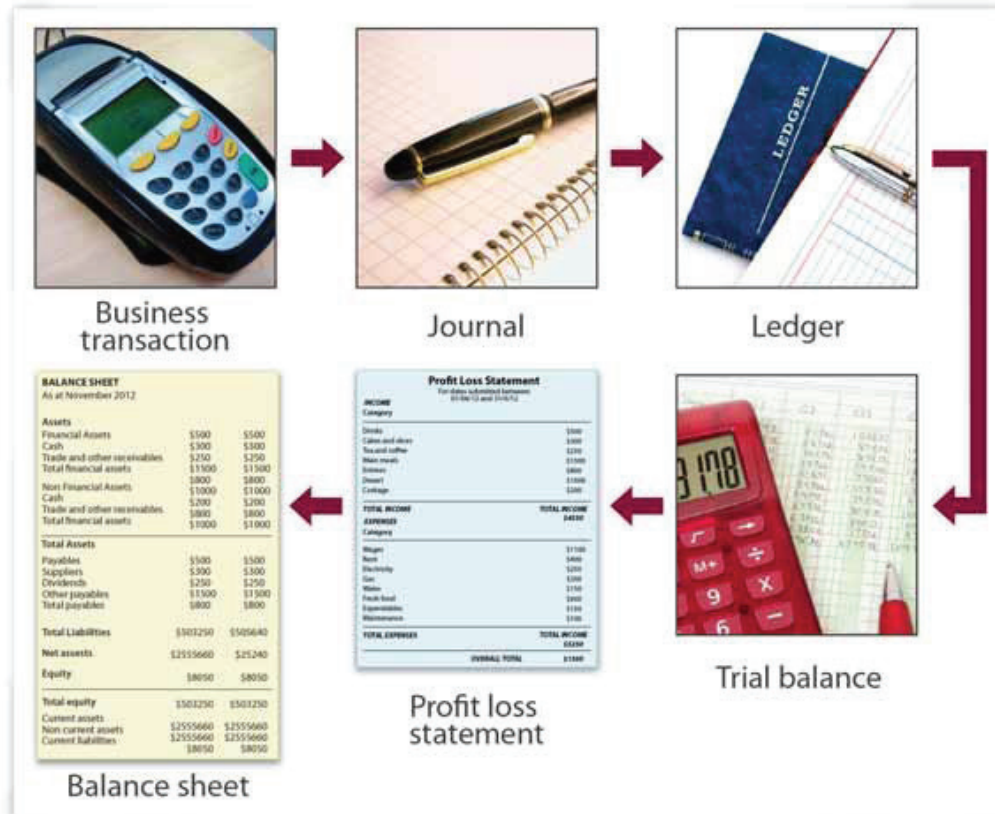
The following is an example of a trial balance. It is the trial balance that would have been prepared for the previous example for Mohammad Atalia's insurance consultancy.

Trial balance of Mohammad Atalia insurance consultant as at 30 April 2011		
Account name	Debit QR	Credit QR
Service fees		19,500
Rent	2,500	
Wages	6,000	
Cash at bank	97,000	
Al Amadi Contracting	6,000	
Office equipment	5,000	
Furniture	8,000	
Al Dafna Furniture		5,000
Capital		100,000
	<b>124,500</b>	<b>124,500</b>



# Final reports

## The accounting process to final reports



The preparation of the trial balance assists in identifying errors in the ledger. It does not provide any indication of the profitability of the business. You need to prepare a profit and loss statement to determine how much profit the business has made. The profit and loss statement shows the difference between all of the revenues and all of the expenses for the business for a period of time. The result will be the net profit or loss.

The balance sheet is a list of the assets, liabilities and owner's equity as at a particular date. This of course will be out of date as soon as the business commences trading after the balance sheet's date.

Following is an example of a profit and loss statement and balance sheet. It represents the profit and loss statement and balance sheet that would have been prepared for Mohammad Atalia's insurance consultancy.

Profit and loss statement for Mohammad Atalia insurance consultant for the period ended 30 April 2011		
	\$	\$
<b>Revenue</b>		
Service fees		19,500
<b>Less expenses</b>		
Rent	2,500	
Wages	6,000	8,500
<b>Net profit</b>		<b>\$11,000</b>

Balance sheet for Mohammad Atalia insurance consultant as at 30 April 2011		
	QR	QR
<b>Owner's equity</b>		
Capital	100,000	
Add Net profit	11,000	<b>\$111,000</b>
<b>Represented by:</b>		
<b>Assets</b>		
Cash at bank	97,000	
Al Amadi Contracting	6,000	
Office equipment	5,000	
Furniture	8,000	116,000
<b>Less Liabilities</b>		
Al Dafna Furniture		5,000
		<b>\$111,000</b>



**Accounting**

**Grade 10**

**Semester 2**

**STUDENT ACTIVITIES**



### Activity 1

**Using the concept of accounting equation, compute missing figures from the following:**

1. Assets = \$50,000, Liabilities = \$20,000, Owner's equity = -----
2. Assets = -----, Liabilities = \$10,000, Owner's equity = \$15,000
3. Assets = \$60,000, Liabilities = -----, Owner's equity = \$40,000
4. Assets = -----, Liabilities + Owner's equity = \$150,000
5. **Using the accounting equation, what is the owners' equity if assets are 40,000 and liabilities are 25,000?**
  - a. 25,000
  - b. 15,000
6. **Using the accounting equation, what are the liabilities if assets are 40,000 and owners' equity is 20,000?**
  - a. 20,000
  - b. -20,000
7. **Using the accounting equation, what are the assets if liabilities are 5,000 and owners' equity is 6,000?**
  - a. 11,000
  - b. 1,000
8. **Using the accounting equation, what is the owners' equity if assets are 41,000 and liabilities are 6,000?**
  - a. 47,000
  - b. 35,000

**9. Using the accounting equation, what are the liabilities if assets are 12,000 and owners' equity is 7,000?**

a. 4,000

b. 5,000

**10. Using the accounting equation, what are the assets if owners' equity is 14,000 and liabilities are 20,000?**

a. 34,000

b. -34,000

## Activity 2

### Here are the transactions in the illustration below:

1. Mr. Alex invested \$20,000 to start a printing business
2. The company obtained a loan from a bank, \$30,000
3. The company purchased printers and paid a total of \$1,000
4. Provided services and received cash, \$500
5. Provided services on account, \$750
6. Purchased office supplies on account, \$200
7. Had some equipment repaired for \$400, to be paid after 15 days.
8. Mr. Alex, the owner, withdrew \$5,000 cash for personal use.
9. Paid one-third of the loan obtained in transaction #2
10. Received customer payment from services in transaction #5

	A	=	L	+	C	-	Withdraw- als	+	Rev.	-	Exp.
1		=		+		-		+		-	
2		=		+		-		+		-	
3		=		+		-		+		-	
4		=		+		-		+		-	
5		=		+		-		+		-	
6		=		+		-		+		-	
7		=		+		-		+		-	
8		=		+		-		+		-	
9		=		+		-		+		-	
10		=		+		-		+		-	
Bal.	-----	=	-----	+	-----	-	----	+	-----	-	-----

### Activity 3

**Al-Sayed started Al-Sayed Consulting, a new business, and completed the following transactions during its first year of operations.**

1. Al-Sayed invested \$200,000 cash and office equipment valued at \$30,000 in the company.
2. The company purchased a \$300,000 building to use as an office. Al-Sayed paid \$50,000 in cash and signed a note payable promising to pay the \$250,000 balance over the next ten years.
3. The company purchased office equipment for \$6,000 cash.
4. The company purchased \$4,000 of office supplies and \$1,000 of office equipment on credit.
5. The company paid a local newspaper \$1,000 cash for printing an announcement of the office's opening.
6. The company completed a financial plan for a client and billed that client \$4,000 for the service.
7. The company designed a financial plan for another client and immediately collected \$8,000 cash fee.
8. Al-Sayed withdrew \$1,800 cash from the company for personal use.
9. The company received \$3,000 cash as partial payment from the client described in transaction 6.
10. The company made a partial payment of \$500 cash on the equipment purchased in transaction 4.
11. The company paid \$2,500 cash for the office secretary's wages for this period.

### Required

- 1- Enter the transactions in the table below.



	Assets						=	Liabilities		+	Owner's Equity				
	cash	Supplies	A/R	Equipment	Building			N/P	A/P			Capital	Withdraw- (als	Revenue	(Expenses)
1											+				
2											+				
3											+				
4											+				
5											+				
6											+				
7											+				
8											+				
9											+				
10											+				
11											+				
Balances											+				
Total															

#### Activity 4

**1. The basic accounting equation is  $\text{Assets} = \text{Liabilities} + \underline{\hspace{2cm}}$ .**

**2. The owner invests personal cash in the business.**

Assets

- a) Increase
- b) Decrease
- c) No Effect

Liabilities

- a) Increase
- b) Decrease
- c) No Effect

Owner's (or Stockholders') Equity

- a) Increase
- b) Decrease
- c) No Effect

**3. The owner withdraws cash from the business for personal use.**

Assets

- a) Increase
- b) Decrease
- c) No Effect

Liabilities

- a) Increase
- b) Decrease
- c) No Effect

Owner's (or Stockholders') Equity

- a) Increase
- b) Decrease
- c) No Effect

**4. The company receives cash from a bank loan.**

Assets

- a) Increase
- b) Decrease
- c) No Effect

Liabilities

- a) Increase
- b) Decrease
- c) No Effect

Owner's (or Stockholders') Equity

- a) Increase
- b) Decrease
- c) No Effect

**5. The company repays the bank that had lent money to the company.**

Assets

- a) Increase
- b) Decrease
- c) No Effect

Liabilities

- a) Increase
- b) Decrease
- c) No Effect

Owner's (or Stockholders') Equity

- a) Increase
- b) Decrease
- c) No Effect

**6. The company purchases equipment with its cash.**

Assets

- a) Increase
- b) Decrease
- c) No Effect

Liabilities

- a) Increase
- b) Decrease
- c) No Effect

Owner's (or Stockholders') Equity

- a) Increase
- b) Decrease
- c) No Effect

**7. The owner contributes his/her personal truck to the business.**

Assets

- a) Increase
- b) Decrease
- c) No Effect

Liabilities

- a) Increase
- b) Decrease
- c) No Effect

Owner's (or Stockholders') Equity

- a) Increase
- b) Decrease
- c) No Effect

**8. The company purchases supplies on credit.**

Assets

- a) Increase
- b) Decrease
- c) No Effect

Liabilities

- a) Increase
- b) Decrease
- c) No Effect

Owner's (or Stockholders') Equity

- a) Increase
- b) Decrease
- c) No Effect

**9. The company purchases land by paying half in cash and signing a note payable for the other half.**

Assets

- a) Increase
- b) Decrease
- c) No Effect

Liabilities

- a) Increase
- b) Decrease
- c) No Effect

Owner's (or Stockholders') Equity

- a) Increase
- b) Decrease
- c) No Effect

**10. Company X provides consulting services to Client Q in May. Company X bills Client Q in May for the agreed upon amount of \$5,000. The sales invoice shows that the amount will be due in June. In May, Company X records the transaction by a debit to Accounts Receivable for \$5,000 and a credit to Service Revenues for \$5,000. What is the effect of this entry upon the accounting equation for Company X?**

Assets

- a) Increase
- b) Decrease
- c) No Effect

Liabilities

- a) Increase
- b) Decrease
- c) No Effect

Owner's (or Stockholders') Equity

- a) Increase
- b) Decrease
- c) No Effect

**11. In June, Company X receives the \$5,000. What is the effect on the accounting equation and which accounts are affected at Company X?**

Assets

- a) Increase
- b) Decrease
- c) No Effect

Liabilities

- a) Increase
- b) Decrease
- c) No Effect

Owner's (or Stockholders') Equity

- a) Increase
- b) Decrease
- c) No Effect

**12. What is the effect on Client Q's accounting equation in May when Client Q records the transaction as a debit to Consultant Expense for \$5,000 and a credit to Accounts Payable for \$5,000?**

Assets

- a) Increase
- b) Decrease
- c) No Effect

Liabilities

- a) Increase
- b) Decrease
- c) No Effect

Owner's (or Stockholders') Equity

- a) Increase
- b) Decrease
- c) No Effect

**13. What is the effect on Client Q's accounting equation in June when Client Q remits the \$5,000? Also, which accounts will be involved?**

Assets

- a) Increase
- b) Decrease
- c) No Effect

Liabilities

- a) Increase
- b) Decrease
- c) No Effect

Owner's (or Stockholders') Equity

- a) Increase
- b) Decrease
- c) No Effect

**14. Which of the following will cause owner's equity to increase?**

- a) Expenses
- b) Owner withdraws
- c) Revenue

**15. Which of the following will cause owner's equity to decrease?**

- a) Net Income
- b) Net Loss
- c) Revenue

**16. The accounting equation should remain in balance because every transaction affects how many accounts?**

- a) Only One
- b) Only Two
- c) Two Or More



### Activity 5

#### Al-Rayan Entity had the following transactions in December 2017

1. December 2, the Owner created a new Entity (Al-Rayan) and invested \$140,000 in cash.
2. December 9, Al-Rayan Entity borrowed \$80,000 from Barwa bank.
3. December 11, Al-Rayan Entity purchased 3,000 units of goods at \$10 per unit in cash.
4. December 16, merchandise purchased 2,000 units of goods at \$10 per unit on credit.
5. December 18, Al-Rayan Entity purchased equipment and paid \$70,000 in cash.

#### 1. Investment by owner

1. December 2, the Owner created a new Entity (Al-Rayan) and invested \$140,000 in cash.

Account	Debit	Credit

#### 2. Borrowings from a bank

2. December 9, Al-Rayan Entity borrowed \$80,000 from Barwa bank.

Account	Debit	Credit

### **3. Purchase of merchandise in cash**

3. December 11, Al-Rayan Entity purchased 3,000 units of goods at \$10 per unit in cash.

Account	Debit	Credit

### **4. Purchase of merchandise on credit**

4. December 16, merchandise purchased 2,000 units of goods at \$10 per unit on credit.

Account	Debit	Credit

### **5. Purchase of equipment in cash**

5. December 18, Al-Rayan Entity purchased equipment and paid \$70,000 in cash.

Account	Debit	Credit

Balance Sheet			
-----			
Assets		Liabilities	
		Owner's Equity	
Total Assets		Total Liabilities+Owner's Equity	

## Activity 6

**Prepare journal entries for the following transactions.**

1. Mr. John invested \$500,000 as capital in cash
2. Purchased land for \$105,000
3. Purchased goods from Fahad creation on credit \$200,000
4. Stationery purchased for \$1,000
5. Goods sold to Al-Shamal Stores for credit \$45,000
6. Rent paid to building owner \$11,500
7. Cash withdrawn for personal use \$5,000
8. Tea and coffee expenses for staff \$100
9. Computer purchased from computer solutions \$2,000
10. Deposit cash in to QNB bank \$15,000
11. Cash sales \$25,000
12. Cheque received from Al-Shamal Stores \$45,000
13. Cash withdrawn from QNB \$10,000

Date	Particulars	Dr	Cr



### Activity 7

**1- Indicate whether each of the following items is an asset (A), liability (L), or part of owner's equity (OE).**

- \_\_\_\_\_(a) Accounts receivable
- \_\_\_\_\_(b) Salaries and wages payable
- \_\_\_\_\_(c) Equipment
- \_\_\_\_\_(d) Supplies
- \_\_\_\_\_(e) Owner's capital
- \_\_\_\_\_(f) Notes payable

**2- For each column, indicate whether the transactions increased (+), decreased (–), or had no effect (NE) on assets, liabilities, and owner's equity.**

- a) Purchased supplies on account.
- b) Received cash for performing a service.
- c) Paid expenses in cash.
- d) Invested cash in the business.
- e) Withdrawal of cash by owner.

	Assets	Owner's Equity	Liabilities
(a)			
(b)			
(c)			
(d)			
(e)			



**3- Classify items affecting owner's equity. Classify each of the following items as owner's drawings (D), revenue (R), or expense (E).**

- \_\_\_\_\_(a) Advertising expense
- \_\_\_\_\_(b) Service revenue
- \_\_\_\_\_(c) Insurance expense
- \_\_\_\_\_(d) Salaries and wages expense
- \_\_\_\_\_(e) Owner's drawings
- \_\_\_\_\_(f) Rent revenue
- \_\_\_\_\_(g) Utilities expense

**4- Presented below are three transactions. Mark each transaction as affecting owner's investment (I), owner's drawings (D), revenue (R), expense (E), or not affecting owner's equity (NOE).**

- \_\_\_\_\_(a) Received cash for services performed
- \_\_\_\_\_(b) Paid cash to purchase equipment
- \_\_\_\_\_(c) Paid employee salaries

**5- For the following, mark "D" if the following account normally has a debit balance and mark "C" if the following account normally has a credit balance.**

- \_\_\_\_\_1. Notes Payable
- \_\_\_\_\_2. Mortgage Payable
- \_\_\_\_\_3. Withdrawals
- \_\_\_\_\_4. Accounts Receivable
- \_\_\_\_\_5. Capital
- \_\_\_\_\_6. Rent Revenue
- \_\_\_\_\_7. Automobiles
- \_\_\_\_\_8. Utility Expense

6- In the table below are balance sheet items for Al-Khour Company at December 31, 2017. Fahad Al-Hajri is the owner of the Company. Prepare a balance sheet as at the date above.

Accounts payable	\$90,000
Accounts receivable	\$72,500
Cash	\$49,000
Land	\$350,000
loan	\$50,000
Owner's capital	?\$

Balance Sheet			
-----			
Assets		Liabilities	
		Owner's Equity	
Total Assets		Total Liabilities+Owner's Equity	

## Activity 8

### Choose the correct answer

#### 1. Revenue should be recognized when

- a. cash is received
- b. the service is performed
- c. the customer places an order
- d. the supplier charges an order

#### 2. Which of the following accounts is an owner's equity account?

- a. cash
- b. accounts payable
- c. prepaid insurance
- d. Rashid Al-Kawari, capital

#### 3. A debit may signify a(n)

- a. decrease in asset accounts
- b. decrease in liability accounts
- c. increase in the capital account
- d. decrease in the drawing account

#### 4. Which of the following types of accounts have a normal credit balance?

- a. assets and liabilities
- b. liabilities and expenses
- c. revenues and liabilities
- d. capital and drawing

#### 5. Which of the following groups of accounts have a normal debit balance?

- a. revenues, liabilities, and capital
- b. capital and assets
- c. liabilities and expenses
- d. assets and expenses

**6. A credit may signify a**

- e. decrease in assets
- f. decrease in liabilities
- g. decrease in capital
- h. decrease in revenue

**7. The owner's equity will be reduced by all of the following accounts except:**

- a. revenues
- b. expenses
- c. drawing account
- d. all are true.

**8. Which of the following group of accounts are increased with a debit?**

- a. assets, liabilities, owner's equity
- b. assets, drawing, expenses
- c. assets, revenues, expenses
- d. assets, liabilities, revenues

**9. Which of the following situations increase owner's equity?**

- a. supplies are purchased on account.
- b. services are provided on account.
- c. cash is received from customers.
- d. utility bill will be paid next month.

**10- Which of the following group of accounts increase with a credit?**

- a. capital, revenues, expenses
- b. assets, capital, revenues
- c. liabilities, capital, revenues
- d. none of these

## Activity 9

**J. D. Simpson started The Simpson Co. a new business that began operations on May 1. The Simpson Co. completed the following transactions during its first month of operations.**

### May

1. J. D. Simpson invested \$60,000 cash in the company.
1. The company rented a furnished office and paid \$3,200 cash for May's rent.
3. The company purchased \$1,680 of office equipment on credit.
5. The company paid \$800 cash for this month's cleaning services.
8. The company provided consulting services for a client and immediately collected \$4,600 cash.
12. The company provided \$3,000 of consulting services for a client on credit.
15. The company paid \$850 cash for an assistant's salary for the first half of this month.
20. The company received \$3,000 cash payment for the services provided on May 12.
22. The company provided \$2,800 of consulting services on credit.
25. The company received \$2,800 cash payment for the services provided on May 22.
26. The company paid \$1,680 cash for the office equipment purchased on May 3.
27. The company purchased \$60 of advertising in this month's (May) local paper on credit; cash payment is due June 1.
28. The company paid \$850 cash for an assistant's salary for the second half of this month.
30. The company paid \$200 cash for this month's telephone bill.
30. The company paid \$480 cash for this month's utilities.
31. J. D. Simpson withdrew \$1,200 cash from the company for personal use.

### Required

1. Record in the general journal.
2. Post into general ledger.

## General Journal

Date	Particulars	Dr	Cr

Date	Particulars	Dr	Cr



General Ledger



### Activity 10

Hamad Al-Azbaa began a professional practice on June 1 and plans to prepare financial statements at the end of each month. During June, (the owner) completed these transactions:

1. Owner invested \$50,000 cash in the company along with equipment that had a \$10,000 market value.
2. The company paid \$1,600 cash for the rent of office space for the month.
3. The company purchased \$12,000 of additional equipment on credit (payment due within 30 days).
4. The company completed work for a client and immediately collected the \$2,000 cash earned.
5. The company completed work for a client and sent a bill for \$7,000 to be received within 30 days.
6. The company purchased additional equipment for \$8,000 cash.
7. The company paid an assistant \$2,400 cash as wages for the month.
8. The company collected \$5,000 cash as a partial payment for the amount owed by the client in transaction (e).
9. The company paid \$12,000 cash to settle the liability created in transaction (c).
10. Owner withdrew \$500 cash from the company for personal use.

### Required

1. Record in the general journal.
2. Post into general ledger.

## General Journal

Date	Particulars	Dr	Cr

Date	Particulars	Dr	Cr

## General Ledger

[illegible]





### Activity 11

**Ghanem Al-Hagagi opened his Consulting, a new business, and completed the following transactions during its first Month of operations.**

1. Ghanem invests \$60,000 cash and office equipment valued at \$30,000 in the company.
2. The company purchased a \$300,000 building to use as an office. Right paid \$50,000 in cash and signed a note payable promising to pay the \$250,000 balance over the next ten years.
3. The company purchased office equipment for \$6,000 cash.
4. The company purchased \$4,000 of office supplies and \$1,000 of office equipment on credit.
5. The company paid a local newspaper \$1,000 cash for printing an announcement of the office's opening.
6. The company completed a financial plan for a client and billed that client \$4,000 for the service.
7. The company designed a financial plan for another client and immediately collected an \$8,000 cash fee.
8. Ghanem withdrew \$1,800 cash from the company for personal use.
9. The company received \$3,000 cash as partial payment from a Customer.
10. The company made a partial payment of \$500 cash on the equipment purchased earlier.
11. The company paid \$2,500 cash for the wages for this period.

#### Required

1. Record in the general journal.
2. Post into general ledger.

## General Journal

Date	Particulars	Dr	Cr

Date	Particulars	Dr	Cr

**General Ledger**

[illegible]

## Activity 12

Abdulah Khamis opens a computer consulting business called Technology Consultants and completes the following transactions in April.

1. Khamis invested \$100,000 cash.
2. The company prepaid \$7,200 cash for twelve months' rent for an office.  
(Hint: Debit Prepaid Rent for \$7,200.)
3. The company made credit purchases of office equipment for \$12,000 and of office supplies for \$2,400. Payment is due within 10 days.
6. The company completed services for a client and immediately received \$2,000 cash.
9. The company completed an \$8,000 project for a client, who must pay within 30 days.
13. The company paid \$14,400 cash to settle the account payable created on April 3.
19. The company paid \$6,000 cash for the premium on a 12-month insurance policy. (Hint: Debit Prepaid Insurance for \$6,000.)
22. The company received \$6,400 cash as partial payment for the work completed on April 9.
25. The company completed work for another client for \$2,640 on credit.
28. Khamis withdrew \$6,200 cash from the company for personal use.
29. The company purchased \$800 of additional office supplies on credit.
30. The company paid \$700 cash for this month's utility bill.

### Required

- 1- Enter the transaction into the Journal.
- 2- Post into the ledger.
- 3- Prepare the trail balance.

## General Journal

Date	Particulars	Dr	Cr

Date	Particulars	Dr	Cr



## General Ledger

[illegible]



## Trial Balance

[illegible]

### Activity 13

Ahmed Alhamed opened his Consulting, a new business, and completed the following transactions during its first month of operations.

1. Ahmed invests \$60,000 cash and office equipment valued at \$30,000 in the company.
2. The company purchased a \$400,000 building to use as an office. Right paid \$100,000 in cash and signed a note payable promising to pay the \$300,000 balance over the next ten years.
3. The company purchased office equipment for \$5,000 cash.
4. The company purchased \$5,000 of supplies and \$3,000 of equipment on credit.
5. The company completed a financial plan for a client and billed that client \$5,000 for the service.
6. The company designed a financial plan for another client and immediately collected \$10,000 cash fee.
7. Ahmed withdrew \$1,800 cash from the company for personal use.
8. The company received \$3,000 cash as partial payment from a client.
9. The company made a partial payment of \$500 cash on the equipment purchased earlier.
10. The company paid \$2,500 cash for the wages for this period.

### Required

- 1- Enter the transaction into the Journal.
- 2- Post into the ledger.
- 3- Prepare the trail balance.

## General Journal

Date	Particulars	Dr	Cr

Date	Particulars	Dr	Cr

## General Ledger

[illegible]





## Trial Balance

[illegible]

### Activity 14

**Santo Birch opens a Web consulting business called Show-Me-the-Money and completes the following transactions in its first month of operations.**

- March 1. Birch invests \$150,000 cash along with office equipment valued at \$22,000 in the company.
2. The company prepaid \$6,000 cash for twelve months' rent for office space. (Hint: Debit Prepaid Rent for \$6,000.)
3. The company made credit purchases for \$3,000 in office equipment and \$1,200 in office supplies. Payment is due within 10 days.
6. The company completed services for a client and immediately received \$4,000 cash.
9. The company completed a \$7,500 project for a client, who must pay within 30 days.
13. The company paid \$4,200 cash to settle the account payable created on March 3.
19. The company paid \$5,000 cash for the premium on a 12-month insurance policy. (Hint: Debit Prepaid Insurance for \$5,000.)
22. Received \$3,500 cash as partial payment for the work completed on March 9.
25. The company completed work for another client for \$3,820 on credit.
29. Birch withdrew \$5,100 cash from the company for personal use.
30. The company purchased \$600 of additional office supplies on credit.
31. The company paid \$200 cash for this month's utility bill.

### Required

- 1- Enter the transaction in the Journal.
- 2- Post into the ledger.
- 3- Prepare a trail balance.

## General Journal

Date	Particulars	Dr	Cr

Date	Particulars	Dr	Cr

## General Ledger

[illegible]



## Trial Balance

[illegible]

### Activity 15

**Salem started The Salem Co. a new business that began operations on May 1. The Salem Co. completed the following transactions during its first month of operations.**

#### **May**

1. Salem invested \$60,000 cash in the company along with 120,000 vehicles.
2. The company rented a furnished office and paid \$3,200 cash for May's rent.
4. The company purchased \$1,680 of office equipment on credit.
6. The company paid \$800 cash for this month's cleaning services.
9. The company provided consulting services for a client and immediately collected \$4,600 cash.
13. The company provided \$3,000 of consulting services for a client on credit.
16. The company paid \$850 cash for an assistant's salary for the first half of this month.
21. The company received \$3,000 cash payment for the services provided on May 12.
23. The company provided \$2,800 of consulting services on credit.
29. The company paid \$850 cash for an assistant's salary for the second half of this month.
31. The company paid \$200 cash for this month's telephone bill.
31. The company paid \$480 cash for this month's utilities.
31. Salem withdrew \$1,200 cash from the company for personal use.

#### **Required**

- 1- Record the transaction in the journal
- 2- Post into ledger
- 3- Prepare a trail balance.



## General Journal

Date	Particulars	Dr	Cr

Date	Particulars	Dr	Cr

## General Ledger

[illegible]



## Trial Balance

[illegible]

### Activity 16

**Record journal entries for the following transaction that occurred in Naser Al-Kaabi small business as a sole trader provided cleaning service.**

- Jan 1 Mr. Naser Al-Kaabi invested \$50,000 as capital in cash.
- Jan 2 An amount of \$3,600 was paid as a rent for one month.
- Jan 3 Paid \$6,000 cash on the purchase of equipment.
- Jan 4 Purchased office supplies costing \$17,600 on account.
- Jan 13 Provided services to its customers and received \$8,500 in cash.
- Jan 13 Paid the accounts payable on the office supplies purchased on January 4.
- Jan 14 Paid wages to its employees for \$9,100.
- Jan 18 Provided \$5,100 of services to customers and paid \$2,900 and promised to pay the remaining amount.
- Jan 23 Received \$2,200 from customers for the services provided on January 18.
- Jan 25 Received \$4,000 from customers for the services provided in cash.
- Jan 26 Purchased office supplies costing \$5,200 on account.
- Jan 28 Paid water and electricity for \$900.
- Jan 31 Paid \$2,000 for the owner for personal use.
- Jan 31 Paid fuel bill of \$470.
- Jan 31 Paid telephone bill of \$494.
- Jan 31 Miscellaneous expenses paid during the month totaled \$1,070

## General Journal

Date	Particulars	Dr	Cr

Date	Particulars	Dr	Cr



**Activity 17**

The following transaction that occurred in Nasser Al-Kaabi small business as a sole trader provided business advisory (consulting).

**Required:**

- 1- Prepare Income Statement.
- 2- Prepare Balance Sheet.

<b>Nasser Al-Kaabi Business Advisory</b>		
<b>Trial Balance</b>		
<b>As at December 31, 2017</b>		
	<b>\$ Debit</b>	<b>\$ Credit</b>
<b>Cash on hand</b>	<b>4,875</b>	
<b>Bank loan</b>		<b>11,450</b>
<b>Accounts receivable</b>	<b>5,900</b>	
<b>Accounts payable</b>		<b>6,600</b>
<b>Cash at bank</b>	<b>24,050</b>	
<b>Office supplies</b>	<b>1,400</b>	
<b>Salaries expense</b>	<b>6,600</b>	
<b>Insurance expense</b>	<b>3,000</b>	
<b>Equipment</b>	<b>32,500</b>	
<b>Nasser Al-Kaaba's capital</b>		<b>??</b>
<b>Rent expense</b>	<b>3,500</b>	
<b>Performed revenue</b>		<b>25,650</b>
<b>Utilities expense</b>	<b>1,875</b>	
<b>Totals</b>	<b>??</b>	<b>??</b>





### Activity 18

The following trial balance of Rashid Al-Khayerine Company W.L.L. December 31, 2018. Prepare Income Statement and Balance Sheet in the presented tables below.

Rashid Al-Khayerine Company W.L.L.		
Trial balance for the year ended December 31, 2018		
Account Name	Debit	Credit
Cash	18,000	
Notes Receivable	98,300	
Accounts Receivable	57,800	
Inventory	39,100	
Land	50,000	
Building	185,000	
Accumulated Depreciation for Building		95,000
Good Will	80,000	
Equipment	251,700	
Accumulated Depreciation for Equipment		101,700
Investments (Long term shares and bonds)	196,700	
Patent	50,000	
Accounts Payable		33,600
Long-term Loan		70,000
Unearned Income		15,000
Long-term Notes Payable		18,000
Capital		500,000
Bonds Payable		174,600
Withdrawals	5,000	
Cost of Good Sold	100,000	
Sales Revenue		250,000
Salaries Expense	45,000	
Advertising Expense	14,000	
Insurance Expense	23,300	
Utilities Expense	21,000	
Miscellaneous Expense	45,000	
Interest Income		10,000
Rent Revenue		20,000
Interest Expense	8,000	
Totals	1,091,200	1,091,200





**Activity 19**

<b>Equipment</b>	<b>\$40,000</b>
<b>Interest expense</b>	<b>\$2,400</b>
<b>Interest payable</b>	<b>\$600</b>
<b>Withdrawals</b>	<b>\$50,400</b>
<b>Land</b>	<b>\$137,320</b>
<b>Inventory</b>	<b>\$102,000</b>
<b>Bonds payable</b>	<b>\$78,000</b>
<b>Notes payable (due within 6 months)</b>	<b>\$14,400</b>
<b>Capital</b>	<b>??</b>
<b>Accumulated depreciation - equipment</b>	<b>\$10,000</b>
<b>Prepaid advertising</b>	<b>\$5,000</b>
<b>Sales Revenue</b>	<b>\$331,400</b>
<b>Buildings</b>	<b>\$80,400</b>
<b>Supplies</b>	<b>\$1,860</b>
<b>Taxes payable</b>	<b>\$3,000</b>
<b>Service expense</b>	<b>\$1,320</b>
<b>Advertising expense</b>	<b>\$1,560</b>
<b>Salary expense</b>	<b>\$53,040</b>
<b>Salaries payable</b>	<b>\$900</b>
<b>Cost of goods sold</b>	<b>\$175,000</b>
<b>Cash</b>	<b>\$30,000</b>
<b>Trademark</b>	<b>\$8,000</b>

**Required:**

- 1- Prepare the classified Income Statement.**
- 2- Prepare the classified Balance Sheet.**







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