accounting in english الفصل الدراسي الثاني

يهدف هذا الفصل الى معرفة مايلى :

Inventory

W.A

FIFO

LIFO

INVENTORY

IT IS THE REMMAINING IN THE STORE IN THE END OF THE PERIOD OF FINANCIAL AND CALLED (ENDING INVENTORY) , DETERMINE QUALITITY , THERE IS TWO SYSTEM FOR REGULAR INVENTORY .

A/ PERPUAL INVENTORY SYSTEM

B/ PEROIDIC INVENTORY SYSTEM

A/ PERPUAL INVENTORY SYSTEM

In this system we recorded any purchases or selling operation in the same time , so we can take any goods balance in any time , and the actual inventory make it after any operation .

1.perchases constraints

inventory or goods xx

Cash or bank or creditor xx

2. selling constraints

Cash or bank or debetors xx

Sales xx

cost of good sold xx

Good or inventory xx

3. we don't need to make constraint in the inventory system .

b/ perodic inventory system

Here the actual inventory make it in the end of period the constraints as follow .

1. purchases constraints

Purchases xx

Cash , creditor , bank xx

2. In the selling

Cash or debetors or bank xx

Sales xx

3. In the inventory

Ending inventory xx

Cost of good sold xx

purchases xx

Begging inventory xx

Ex: if this information available for x company , make aconstraints for the perodic and perpual inventory system for (W.A)

(on credit)

Begging inventory 100 unit by cost 6 IQD for unit = 600

Purchases 900 unit by cost 6 IQD for unit 5400

Sales 600 unit by price 12 IQD for unit = 7200

Ending inventory 400 unit by cost 6 IQD for unit =2400

Answer:

Perpual inventory

1.Purchases constraints

Inventory 5400

Creditors 5400

2. selling constraints

Debetors 7200

Sales 7200

Cost of good sold 3600

Inventory 3600

Cost of good sold = purchases+begging inventory – ending inventory

= 5400+600-2400 = 3600

لايوجد قيد اقفال في نهاية السنة لانه بعد كل عملية بيع وشراء نقوم بوضع قيد التثبيت

2. perodic inventory

1.

Purchases 5400

Creditors 5400

2. selling constraints

Debetors 7200

Sales 7200

3. constraints closing when you make the inventory (in stallation)

Ending inventory 2400

Cost of good sold 3600

purchases 5400

Begging inventory 600

Methods of pricing the inventory

Cost methods

A\ first in – first out

The items are priced here same according to the order of their purchases . Any goods purchases first that are first uses in industriral companies or sold first in commercial company .

- B\ last in –first out
- The item are priced here revers order of purchases any goods purchased first are the goods that are finally used in industrial companies or are finally sold in commercial companies .
- C\ W.A

- EX : this information for al-ahmed company for 2017
- in 1\3 begging balance (200) unit by price (1000)IQD for unit .
- -in 10\3 we purchases (800)unit by price (1100) IQD for unit .
- -in 15\3 we sold (600) unit by price (1200) IQD for unit
- -in 25\3 we sold (300) unit by price (1300) IQD for unit .

- -in 28\3 we purchases (900) unit by price (900)IQD for unit .
- -in 31\3 we sold (700) unit by price (1000) IQD for unit .
- Required\
- 1. cost of good sold
- 2. ending inventory uses (fifo)
- Use (perpual and perodic inventory)

- Answer\
- 1. perodic inventory
- Sold unit = 600+ 300+ 700 = 1600 unit
- Residual units = number of unit available for sell – number of unit sold
- =(200+800+900)-1600
- = 1900-1600
- =300 unit

1. cost of good sold

date	Number of unit	Unit price	amount
1\3	200	1000	200000
10\3	800	1100	880000
28\3	600	900	540000
	1600		1620000

y

date	Number of unit	Unit price	amount
28\3	300	900	27000

2.Perpual inventory

date	Purc31\3hases unit	Sold unit	Balance
1\3			200*1000=200 000
10\3	800*1100=880 000		200*1000=200 000 800*1100=880 000
15\3		200*1000=200 000 400*1100=440 000	400*1100=440 000
25\3		300*1100=330 000	100*1100=110 000
28\3	900*900=8100 00		100*1100=110 000 900*900=8100

EX: this information for x company for april 2017.

-in 2\4 we purchases (9000) unit by price (200) IQD for unit.

-in 10\4 we purchases (11000)unit for 150 unit IQD for unit .

-in 15\4 we sold (6000) unit

-in 20\4 we sold (8000) unit

- In 25\4 we purchases (4000) unit price (250) IQD for unit

- -in 30\4 we sold (2000) unit.
- Required \
- 1. cost of good sold
- 2. ending inventory .
- (lifo) (perpual and perodic inventory) .
- Answer \
- 1.perodic inventory
- Number of sold unit = 6000+8000+2000
- = 16000 unit

- Residual unit = number of unit avaliable for sell – unit sold

= (9000+11000+4000)-16000

= 2400-1600

= 8000 unit

Cost of good sold .1

date	Number of unit	Unit price	amount
2\4	9000	200	1800000
10\4	7000	150	1050000
	1600		2850000

2. ending inventory

date	Number of unit	Unit price	amount
25\4	4000	250	1000000
10\4	4000	150	600000
	8000 UNIT		1600000 IQD

2.PERPUAL INVENTORY

DATE	PURCHASESE UNIT	SOLD UNIT	BALANCE
2\4	9000*200=1800000		9000*200=1800000
10\4	11000*150=1650000		9000*200=1800000 11000*150=1650000
15\4		6000*200=1200000	3000*200=600000 11000*150=1650000
20\4		3000*200=600000 5000*150=750000	6000*150=900000
25\4	4000*250=1000000		6000*150=900000

- EX: this information for x company for april 2017.
- -in 2\4 we purchases (9000) unit by price (200) IQD for unit.
- -in 10\4 we purchases (11000)unit for (totel cost 165000 IQD) unit IQD for unit .
- -in 15\4 we sold (6000) unit
- -in 20\4 we sold (8000) unit
- - In 25\4 we purchases (4000) unit price (250) IQD for unit

- IN 30\4 WE SOLD (2000) UNIT.
- Required \ (W.A)
- 1.perodic inventory
- 2.perpual inventory
- Answer\

Date	Number of unit	Unit price	amount
2\4	900	200	1800000
10\4	11000	150	1650000
25\4	4000	250	1000000
	24000 unit		4450000 IQD

- WE SOLD 1600 UNIT
- W.A= $\frac{4450000}{24000}$ = 185.4 IQD

COST OF GOOD SOLD = 185.4*16000UNIT = 2966400 IQD

ENDING INVENTORY COST = 185.4 *8000 UNIT=1483200 IQD

2. PERPUAL INVENTORY

DATE	PURCHASES UNIT	SOLD UNIT	BALANCE
2\4	9000*200=1800000		9000*200=1800000
10\4	11000*150=1650000		20000*172.5=3450000
15\4		6000*172.5=1035000	14000*172.5=2415000
20\4		8000*172.5=1380000	6000*172.5=1035000
25\4	4000*250=1000000		10000*203.5=2035000
30\4		2000*203.5=407000	8000*203.5=1628000
		2822000 COST OF GOOD SOLE	ENDING INVENTORY

SHORT TERM INVESTMENT

- SHORT TERM AND LONG INVESTMENT ARE DISTIGUISHED ON THE BASIS OF THEIR RESPECTIVE RETENTION PERIODS .
- THE MEANING OF THIS INVESTMENT IS THAT SOME COMPANIES IINVESTTHER SURPLUS AMOUNTS IN STOCKS THAT MAYBE BRING PROFIT IN THE FUTURE OR SELL THEM AT HIGH PRICE AS WELL AS THE SPEED OF CIRCULATION OR CONVERSION IN TO ALONG – TERM INVESTMENT OR CONVERTED INTO CASH .

PURCHASES AND SOLD STOCKS

- When we purchases stocks :

Short –term investment (stocks) xx

cash xx

- When we sold stocks :

cash (sold price) xx

short –term investment (stocks) xx

- If the sold price same purchases cost , we don’t have any profit or losses in sold , but if the sold price more than purchases cost means the company make net profit in sold stocks.

cash(sold price) xx

short –term investment (stocks) xx

profit stocks sold xx

- If the sold price loss than purchases cost , means the company losses in stocks sold.

cash(sold price) xx

losses stocks sold xx

short-term investment xx

- Ex: al-huda company purchases stocks as follow:
- 1\2\2017 purchases 1000 stocks from company H ,price 500 IQD for one stocks.
- 1\3\2017 purchases 5000 stocks from A company stocks with totel cost 2000000 IQD
- 1\10\2017 SOLD H company the stocks , price 650000 IQD.
- 1\11\2017 SOLD HALF stocks from A company , price 300IQD for one stocks.

- Required:

Recorded the purchases and sold operation in al-huda company .

- Answer\
- In 1\2

1000*500=500000 IQD purchases stocks cost

short-term investment (H company) 500000

cash 500000

- In 1\3

Short-term investment (A company) 2000000

cash2000000

- IN 1\10

CASH 650000

SHORT-TERM INVESTMENT (STOCK H COMPANY) 500000

STOCK SOLD PROFIT 150000

- IN1\11
- 5000 *1\2 =2500 STOCK SOLD
- 2500 *300 = 750000 IQD (SOLD PRICE)
- 2000000 *1\2 =1000000 IQD (PURCHASES PRICE)

- 1000000-750000=250000
- CASH 750000
- STOCKS SOLD LOSSES 250000
- SHORY TERM INVESTMENT 1000000

Impairmrnt securities price (investment)

Sometime the market value of stock is reduced and this is called the decline in stock price .

impairment securities price xx

allownce impairment securities xx

- Ex: 1\3\2005 al-ahmed company purchases (40000) stock by price 400 IQD for one stock from A company .
- -in 10\7\2005 al-ahmed company purchases 30000 stock by price 500 IQD for one stocks from B company.
- - IN 1\10\2005 SOLD (10000) STOCK FROM B COMPANY BY PRICE (510)IQD FOR ONE STOCK.
- -IN 31\12\2005 THE MARKET VALUE FOR A COMPANY (350) IQD FOR ONE STOCK AND FOR B COMPANY (520) IQD.

- REQUIRED\
- RECORDED THE PURCHASES AND SOLD OPERATION IN ALHUDA COMPANY.
- ANSWER\
- 1\3\2005

40000*400=16000000 IQD purchases cost

short investment (Astock) 16000000

cash 16000000

-10\7\2005

30000*500=15000000 IQD

short-term investment(b stock) 15000000

cash 15000000

- 1\10 \2005
- 10000*510=5100000 IQD PRICE FOR STOCK SOLD
- 10000*500 = 5000000 iqd stock sold cost

cash 5100000

short investment (bcompany) 500000

profit stock sold 100000

Name company	Number of stock	Stock cost	Totel cost	Market value	Losses or profit
A	40000	400	16000000	14000000	(12000000)
B	20000	500	10000000	10400000	400000
					(1600000)

- قيد التسويه

LOSSES IMPAIRMENT SECURITIES PRICE 1600000

ALLOWNCE IMPAIRMENT SECURITIED 1600000

قيد الغلق

PROFIT STOCKS SOLD OR LOSSES 1600000

IMPAIRMENT SECURITIES PRICE 1600000

PROFIT STOCKS SOLD 1600000
PROFIT OR LOSSES 1600000

Depreciation

Depreciation is defined as the gradual decrease in the value of the fixed asset as a result of the use, obsolescence or technological developments. Depreciation is calculated on all fixed assets except land.

Methods of calculating extinction

1. Fixed Installment Method
2. The decreasing installment method
3. Method of production units

Fixed Installment Method

- Annual depreciation premium = $\frac{\text{Cost of fixed asset – depreciation}}{\text{Rubble life span}}$

Direct method

- Example On January 1, 2010, Tigris bought equipment worth 19 million dinars, paid 3 million dinars in cash, transportation and installation expenses, and a 5-year-old production waste, after which it becomes worth 2,000,000.
Required \ 1. Prepare a table with redundancy and redundancy
And the extraction, value of equipment at the end of each financial year.
2. Registration of the period of expiry and closure for the year 2010

- The solution\

Historical cost = purchase price + any other expenses

= 19000000 + 3 million = 22 million dinars

Annual premium premium = 22 million to 2 million 5 rs

date	Historical cost	Annual depreciation	Allowance accumulated	Equimelated net
31\12\2010	22000000	4000000		22000000
31\12\2011	22000000	4000000	8000000	14000000
31\12\2012	22000000	4000000	12000000	10000000
31\12\2013	22000000	4000000	16000000	6000000

Record the depreciation constraints \
equipment depreciation 4000000
equipment 4000000
Record closing constraints \
profit or losses 4000000
equipment depreciation
4000000

Income Statement

- **Usefulness of the Income Statement**
- Evaluate past performance.
- Predicting future performance.
- Help assess the risk or uncertainty of achieving future cash flows.

Elements of the Income Statement

- **Revenues – Inflows or other enhancements of assets or settlements of its liabilities that constitute the entity's ongoing major or central operations.**
- **Examples of Revenue Accounts**
  - Sales
  - Fee revenue
  - Interest revenue
  - Dividend revenue
  - Rent revenue

- **Expenses** – Outflows or other using-up of assets or incurrences of liabilities that constitute the entity's ongoing major or central operations.
- **Examples of Expense Accounts**
  - Cost of goods sold
  - Depreciation expense
  - Interest expense
  - Rent expense
  - Salary expens

Gains - Increases in equity (net assets) from peripheral or incidental transactions.

Losses - Decreases in equity (net assets) from peripheral or incidental transactions.

Ex:

Income Statement (in thousands)		
Revenues:		
Sales	$	285,000
Interest revenue		17,000
Total revenue		302,000
Expenses:		
Cost of goods sold		149,000
Advertising expense		10,000
Depreciation expense		43,000
Interest expense		21,000
Income tax expense		24,000
Total expenses		247,000
Net income	$	55,000
Earnings per share	$	0.75

Balance Sheet Statement

- **Usefulness of the Balance Sheet**
  - Evaluating the capital structure.
  - Assess risk and future cash flows.
  - Analyze the company's:
    - Liquidity,
    - Solvency, and
    - Financial flexibility.

Classification in the Balance Sheet

- Three General Classifications
  - Assets, Liabilities, and Stockholders' Equity
- Companies further divide these classifications:

Assets	Liabilities and Owners' Equity
Current assets	Current liabilities
Long-term investments	Long-term debt
Property, plant, and equipment	Owners' equity
Intangible assets	Capital stock
Other assets	Additional paid-in capital
	Retained earnings

The Statement of Cash Flows

- One of the three basic objectives of financial reporting is
- **"assessing the amounts, timing, and uncertainty of cash flows."**

Purpose of the Statement

- To provide relevant information about the cash receipts and cash payments of an enterprise during a period.
- The statement provides answers to the following questions:

1. Where did the cash come from?
2. What was the cash used for?
3. What was the change in the cash balance?

Statement of Cash Flows

Cash flows from operating activities	$XXX
Cash flows from investing activities	XXX
Cash flows from financing activities	XXX
Net increase (decrease) in cash	XXX
Cash at beginning of year	XXX
Cash at end of year	$XXX

Content and Format

- **Operating**

Cash inflows and outflows from operations.

- **Investing**

Cash inflows and outflows from non-current assets.

- **Financing**

Cash inflows and outflows from non-current liabilities and equity

- The statement's value is that it helps users evaluate liquidity, solvency, and financial flexibility.

Net income	$40,000
Dividends paid	5,000
Increase in accounts receivable	10,000
Increase in accounts payable	5,000
Purchase of equipment (capital expenditure)	8,000
Depreciation expense	4,000
Issue of notes payable	20,000

Statement of Cash Flow (in thousands)		
Operating activities		
Net income	$	40,000
Increase in accounts receivable		(10,000)
Increase in accounts payable		5,000
Depreciation expense		40,000
Cash flow from operations		75,000
Investing activities		
Purchase of equipment		(8,000)
Financing activities		
Proceeds from notes payable		20,000
Dividends paid		(5,000)
Cash flow from financing		15,000
Increase in cash	$	82,000

Accounting for Receivables

- A receivable is a company's claims for money, goods, or services.
- An account receivable is classified as a current asset representing money due for services performed or merchandise sold on credit.
- When an account becomes uncollectible, a bad debt expense is incurred.

Example: Accounts Receivable

- Assume merchandise is sold on account for $1,000. The terms of the agreement were 2/10, n/30. The entries are as follows.

Credit Sale:

Accounts Receivable	1,000	
		1,000 Sales Revenue

Collection--2/10,n/30:

Cash.....	980	
Sales Discounts.....	20	
		1,000 Accounts Receivable