

**Guided Works Classes Serie N° 03 : Accounting books, financial statements ( Journal, Ledger, Trial balance, Final balance sheet and Income statement)**

**Exercise n°01**

**On 01/02/2011, the items(elements) of balance sheet for an entity were:**

Inventory and services suppliers :40 000 DZD, customers:220 000 DZD, bank loan: 100 000 DZD, returnable packaging:80 000 DZD, merchandises: 30 000 DZD, Bank:120 000 DZD, transportation equipment: 700 000 DZD, Raw materials and supplies: 100 000 DZD, office equipment: 70 000 DZD, Cash box: 60 000 DZD, damaged packaging: 20 000 DZD, Fixed asset suppliers: 60 000 DZD, computer: 20 000 DZD, information software: 10 000 DZD, lands: 500 000 DZD, building: 200 000 DZD, Industrial equipment: 100 000 DZD, and the **Company's capital** ?

**Required:**

- Preparing the opening balance sheet, indicating company's capital, current items, non-current items, and the number of each account.

**Exercise n°02**

On 12/01/2017, Mr. Othman decided to establish an individual commercial enterprise, so he brought an amount of 1,600,000 DA. With half of the amount he bought a building standing on land, **where the amount of the building was estimated at a quarter of the amount of the land**. And he put 600,000 DA in the bank and the rest in the cashbox

He obtained a **long-term bank loan** of 400,000 DA, with which he bought a truck. He also bought **on the account** a computer for 120,000 DA, goods for 200,000 DA, computer software for 100,000 DA, and damaged packaging for 30,000 DA.

**Required:**

- Find the unknown amounts and completing the opening balance sheet on 12/01/2017.

**Exercise n°03**

On 01/02/2018, Mr. Othman decided to establish a commercial activity, so he brought a capital of 200000 DZD, **put it in the bank** and performs the following operations that it requests to be recorded in the journal.

**On February 03,2018, The merchant withdrew an amount of 100,000 DZD from the bank and put it in the cashier** (cash-box)

**On February 08, 2018: The trader acquired a computer for 65 000 DZD and information software for 35 000 DZD in cash.**

**On February 15, 2018 : The trader acquired a Truck for 150,000 DZD. Half of the amount was paid by check and the other half on account**

**On February 19, 2018, The trader obtained a bank loan of 800,000 DZD, placed in the bank.**

**On February 19, 2018, The trader Othman obtained a bank loan of 800,000 DZD, placed in the bank.**

**On February 20, 2018, the trader Othman received an amount of 90,000 DZD by bank check in exchange for the transportation services he provided to a customer.**

**On February 22, 2018, The trader Othman paid the workers' expenses of 70,000 DZD by bank check**

**On February 25, 2018, The trader Othman paid the debts of fixed asset suppliers, 75,000 DZD, by bank check.**

**Required:**

- 1) Record the opening entry in the journal and record all the transactions carried out by the merchant Othman during the month of February 2018.
- 2) Transferring all accounts to the ledger (large ledger) and extracting their balances.
- 3) Prepare a trial balance to ensure the accuracy of totals and balances.
- 4) Preparing the final Balance sheet on February 29, 2018, showing **the results** achieved during the month of February 2018.

#### **Exercise 04**

- 1) The income statement is considered the second list of the financial statements after the balance sheet that the entity prepares at the end of the fiscal year, based on the balances of the main management accounts (A/6 and A/7 with two numbers), to determine the various results.
  - Mention those results.

2) The following table represents the income statement that requires completion.

designation	Amounts
Sales and ancillary products	C/70
Stored or destocked production	C/72
immobilised production	C/73
exploitation subsidies	C/74
<b>fiscal year production (1) =</b>	.....
consumed purchases	C/60
External services and other consumption	C/61 + C/62
<b>consumption for the fiscal year (2) =</b>	.....
<b>the added value of exploitation (3) =</b>	.....
personnel expenses or staff costs	C/63
taxes, fees, and similar payments	C/64
<b>Gross operating surplus (4) =</b>	.....
Other operational products	C/75
other operating expenses	C/65
depreciation allocations, provisions and impairment losses	C/68
reversal of impairment losses and provisions	C/78
<b>operational result (5) =</b>	.....
financial products	C/76
financial expenses	C/66
<b>financial result (6) =</b>	.....
<b>ordinary result before tax (7) =</b>	.....
<b>Taxes to be paid for normal results</b>	<b>C/695 and C/698</b>
<b>Deferred taxes (changes) for normal results</b>	<b>C/692 and C/693</b>
<b>Total products of ordinary activities</b>	.....
<b>total expenses of ordinary activities</b>	.....
<b>the net result of ordinary activities (8) =</b>	.....
<b>Extraordinary items - products</b>	<b>C/77</b>
<b>Extraordinary items - expenses</b>	<b>C/67</b>
<b>Extraordinary Result (9) =</b>	.....
<b>The net result of the fiscal year 10 =</b>	.....

### Exercise 05

Here are the balances of the accounts for expenses and revenues for the "Furniture Today" company as of 31/12/2015.

account number	account name	debit balance	Credit balance
60	consumer purchases	1 200 000	
61	external services	56 000	
62	Other external services	92 000	
63	personnel expenses	300 000	
64	taxes, fees, and similar payments	42 000	
65	other operating expenses	8 000	
66	financial expenses	12 000	
68	depreciation allocations, provisions and impairment losses	40 000	
70	Sales and ancillary products		1 900 000
72	Stored or destocked production	8 000	
73	immobilised production		30 000
74	exploitation subsidies		70 000
75	Other operational products		4 000
76	financial products		8 000

The required task is to prepare the income statement, with the knowledge that the profit tax rate is 25%.

### solutions

#### Solution of the first exercise

On 01/02/2011, the items(elements) of balance sheet for an entity were:

Inventory and services suppliers :40 000 DZD, customers:220 000 DZD, bank loan: 100 000 DZD, returnable packaging:80 000 DZD, merchandises: 30 000 DZD, Bank:120 000 DZD, transportation equipment: 700 000 DZD, Raw materials and supplies: 100 000 DZD, office equipment: 70 000 DZD, Cash box: 60 000 DZD, damaged packaging: 20 000 DZD, Fixed asset suppliers: 60 000 DZD, computer: 20 000 DZD, information software: 10 000 DZD, lands: 500 000 DZD, building: 200 000 DZD, Industrial equipment: 100 000 DZD, and the **Company's capital** ?

1) the opening balance sheet will be:

Assets ( The uses )			Liabilities (Sources of funds)		
C.N	account name	The Amount	C.N	account name	The Amount
	<b>Non-current Assets</b>			<b>own funds</b>	
204	informatics software	10 000	101	<b>Company's capital</b>	2 030 000
211	lands	500 000		<b>non-current liabilities</b>	
213	buildings	200 000	164	Loan from credit institutions	100 000
215	Industrial equipment and tools	100 000		<b>current liabilities</b>	
2181	hardware equipment(computer)	20 000	401	Inventory and services suppliers	40 000
2182	transportation equipment	700 000	404	Fixed asset suppliers	60 000
2183	office equipments	70 000			
2186	returnable packaging	80 000			
	<b>Current Assets</b>				
30	Merchandise stocks	30 000			
31	Raw materials and supplies	100 000			
326	Damaged packaging	20 000			
411	Customers	220 000			
512	Bank	100 000			
53	Cashbox	60 000			
<b>Total assets</b>		2 230 000	<b>total liabilities</b>		2 230 000

#### Solution of the second exercise

On 12/01/2017, Mr. Othman decided to establish an individual commercial enterprise, so he brought an amount of 1,600,000 DA. With half of the amount he bought a building standing on land, **where the amount of the building was estimated at a quarter of the amount of the land**. And he put 600,000 DA in the bank and the rest in the cashbox

He obtained a **long-term bank loan** of 400,000 DA, with which he bought a truck. He also bought **on the account** a computer for 120,000 DA, goods for

200,000 DA, computer software for 100,000 DA, and damaged packaging for 30,000 DA.

**Required:**

1) Find the unknown amounts and completing the opening balance sheet on 12/01/2017.

1) The amount brought by the trader Othman to practice his commercial activity is the capital A/101«Exploitation funds » its amount is 1,600,000 DA.

Half of the amount is 800,000 DA used for buying a building and land where the amount of the building was quarter (1/4) of the amount of land.

We put :  $x$  = building amount so  $4x$  = land amount

So we have:  $x + 4x = 800\ 000$  so  $5x = 800\ 000$  this means  $x = 160\ 000$  DA

And therefore **building amount = 160 000** and **land amount = 640 000 DA**

The amount that was placed in the bank is recorded in account A/ 512 “current account banks”, the amount of which is 600 000 DA

The remaining amount is recorded in the account A/53 "Cashbox" in the amount of 200 000 DA.

The bank loan account is A/164 « Loan from credit institutions » for the amount of 400 000 DA.

The truck acquired with the loan is recorded in the account A/2182 « Transport equipment » for 400 000 DA.

Purchasing on account means purchase with deferred payment.

In the case of purchasing **current assets**, the amount of the debt is recorded in account 401 “ Inventory and services suppliers.”

In the case of purchasing **non-current** assets, the amount of the debt is recorded in account 404 "Fixed assets suppliers".

Accordingly, the items(elements) that were purchased **on the account** and that represent stocks (inventories) are recorded as follows:

A/ 30 "Stocks of goods or merchandise" in the amount of 200,000 DA

A/ 326 " damaged packaging " for the amount of 30,000 DA.

The sum of these amounts is recorded as a debt in A / 401 "Inventory and services suppliers" in the amount of 230 000 DA.

The items acquired on the account that represent Fixed assets are recorded as follows:

A/ 204 "Informatics Software" for the amount 100,000 DA

A / 2181 "computer" for the amount of 120,000 DA

The total of these amounts is recorded as a debt in A / 404 “ Fixed assets suppliers” in the amount of 220 000 DA.

2) The opening balance sheet for merchant Othman on 01/12/2015 is:

Assets ( The uses )			Liabilities (Sources of funds)		
C.N	account name	The Amount	C.N	account name	The Amount
	<b>Non-current Assets</b>			<b>own funds</b>	
204	informatics software	100 000	101	Exploitation funds	1 600 000
211	lands	640 000		<b>non-current liabilities</b>	
213	buildings	160 000	164	Loan from credit institutions	400 000
2181	computer	120 000		<b>current liabilities</b>	
2182	transportation equipment(truck)	400 000	401	Inventory and services suppliers	230 000
	<b>Current Assets</b>		404	Fixed asset suppliers	220 000
30	merchandise stocks	200 000		<b>total liabilities</b>	2 250 000
326	damaged packaging	30 000			
512	Bank	600 000			
53	Cashbox	200 000			
	<b>Total assets</b>	2 450 000			

### Solution of the third exercise

On 01/02/2018, Mr. Othman decided to establish a commercial activity, so he brought a capital of 200000 DZD, **put it in the bank**

512	101	Bank Capital (Exploitation Funds) (Opening Entry)	200 000	200 000
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**On February 03,2018, The merchant withdrew an amount of 100,000 DZD from the bank and put it in the cashier (cash-box)**

53	512	Cash box Bank (Check n°...)	100000	100000
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**On February 08, 2018: The trader acquired a computer for 65 000 DZD and information software for 35 000 DZD in cash.**

204		02/08/2018		
2181		information software	35000	
	53	information software	65000	
		Cash box		100000
		(Purchase invoice n°)		

**On February 15, 2018 : The trader acquired a Truck for 150,000 DZD. Half of the amount was paid by check and the other half on account**

2182		02/15/2018		
	404	Transportation equipments ( Truck)	150000	
	512	Fixed asset suppliers		75000
		Bank		75000
		(Purchase invoice n°)		

**On February 19, 2018, The trader obtained a bank loan of 800,000 DZD, placed in the bank.**

512		02/19/2018		
	164	Bank		80000
		Loan from credit institution	80000	
		(Check n°...)		

**On February 20,2018, the trader Othman received an amount of 90,000 DZD by bank check in exchange for the transportation services he provided to a customer.**

512		02/20/2018		
	706	Bank		90000
		Provided services(Transportation)	90000	
		(Check n°...)		

**On February 22, 2018, The trader Othman paid the workers' expenses of 70,000 DZD by bank check**

631		02/22/2018		
	512	Workers' expenses		70000
		Bank	70000	
		(Check n°...)		



**On February 25, 2018, The trader Othman paid the debts of fixed asset suppliers, 75,000 DZD, by bank check.**

404		02/25/2018		
	512	Fixed asset suppliers	75000	75000
		Bank		
		(Check n°...)		

**2) Transferring all accounts to the ledger (large ledger) and extracting their balances.**

D	Acc / 101	C
(200000)	200000	
<b>Credit balance</b>		
200000	200000	

D	Acc / 204	C
35000	(35000)	
	<b>Debit balance</b>	
35000	35000	

D	Acc / 53	C
100000	100000	
100000	100000	

D	Acc / 404	C
75000	75000	
75000	75000	

D	Acc / 631	C
70000	(70000)	
	<b>Debit balance</b>	
70000	70000	

D	Acc / 164	C
(80000)	80000	
<b>Credit balance</b>		
80000	80000	

D	Acc / 2182	C
150000	(150000)	
	<b>Debit balance</b>	
150000	150000	

D	Acc / 2181	C
65000	(65000)	
	<b>Debit balance</b>	
65000	65000	

D	Acc / 706	C
(90000)	90000	
<b>Credit balance</b>		
90000	90000	

D	Acc / 512	C
200000	100000	
80000	75000	
90000	700000	
	75000	
	(50000)	
	<b>Debit balance</b>	
370000	370000	

3) Prepare a trial balance to ensure the accuracy of totals and balances.

account number	account name	totals		balances	
		Debit	Credit	Debit	Credit
<b>101</b>	Capital		200000		200000
<b>164</b>	Loan		80000		80000
<b>204</b>	Software	35000		35000	
<b>215</b>	Ind Eq (Truck)	150000		150000	
<b>2181</b>	Computer	65000		65000	
<b>404</b>	Fixed asset suppliers	75000	75000	0	
<b>512</b>	Bank	280000	260000	20000	
<b>53</b>	Cashbox	100000	100000	0	
<b>631</b>	Workers' expenses	70000		70000	
<b>706</b>	Provided services (Transportation)		90000		90000
<b>Sum</b>		<b>865000</b>	<b>865000</b>	<b>370000</b>	<b>370000</b>

4) The final Balance sheet on February 29, 2018, showing the results achieved during the month of February 2018 Will be as follows :

Assets ( The uses )			Liabilities (Sources of funds)		
C.N	account name	The Amount	C.N	account name	The Amount
	<b>Non-current Assets</b>			<b>own funds</b>	
204	informatics software	35 000	101	Exploitation funds	1 600 000
2181	computer	65 000		<b>non-current liabilities</b>	
2182	transportation equipment(truck)	150 000	164	Loan from credit institutions	400 000
	<b>Current Assets</b>			<b>current liabilities</b>	
512	Bank	50000			
<b>Total assets</b>		<b>2 450 000</b>	<b>total liabilities</b>		<b>2 250 000</b>

### Solution of the fourth exercise

#### 1) The income statement determine the following various results

Fiscal year production

The added value of exploitation

Gross operating surplus

Operational result

Financial result

Ordinary result before tax

The net result of ordinary activities

Extraordinary Result

The net result of the fiscal year

## 2) The various results are calculated as follows:

designation	Amounts
Sales and ancillary products	C/70
Stored or destocked production	C/72
immobilised production	C/73
exploitation subsidies	C/74
<b>fiscal year production (1) =</b>	<b>C70 +C72 +C73 +C74</b>
consumed purchases	C/60
External services and other consumption	C/61 + C/62
<b>consumption for the fiscal year (2) =</b>	<b>C/60 + C/61 + C/62</b>
<b>the added value of exploitation (3) =</b>	<b>(1) - (2)</b>
personnel expenses or staff costs	C/63
taxes, fees, and similar payments	C/64
<b>Gross operating surplus (4) =</b>	<b>(3) - C/63 - C/64</b>
Other operational products	C/75
other operating expenses	C/65
depreciation allocations, provisions and impairment losses	C/68
reversal of impairment losses and provisions	C/78
<b>operational result (5) =</b>	<b>(4) + C/75 – C/65 – C/68 + C/78</b>
financial products	C/76
financial expenses	C/66
<b>financial result (6) =</b>	<b>C/76 - C/66</b>
<b>ordinary result before tax (7) =</b>	<b>(5) + (6)</b>
<b>Taxes to be paid for normal results</b>	<b>C/695 and C/698</b>
<b>Deferred taxes (changes) for normal results</b>	<b>C/692 and C/693</b>
<b>Total products of ordinary activities</b>	<b>(1) + C/75 + C/78 + C/76</b>
<b>total expenses of ordinary activities</b>	<b>(2) + C/63 + C/64 + C/65 +C66 + C/68</b>
<b>the net result of ordinary activities (8) =</b>	<b>(7) – [ C/695 + C/698 + C/692 + C/693]</b>
<b>Extraordinary items - products</b>	<b>C/77</b>
<b>Extraordinary items - expenses</b>	<b>C/67</b>
<b>Extraordinary Result (9) =</b>	<b>C/77 – C/ 67</b>
<b>The net result of the fiscal year 10 =</b>	<b>(8) + (9)</b>

## Solution of the fifth exercise

### 2) The income statement will be :

designation	Amounts
Sales and ancillary products	1 900 000
Stored or destocked production	- 8 000
immobilised production	30 000
exploitation subsidies	70 000
<b>fiscal year production (1) =</b>	<b>1 992 000</b>
consumed purchases	1 200 000
External services and other consumption	148 000
<b>consumption for the fiscal year (2) =</b>	<b>1 348 000</b>
<b>the added value of exploitation (3) =</b>	<b>644 000</b>
personnel expenses or staff costs	300 000
taxes, fees, and similar payments	42 000
<b>Gross operating surplus (4) =</b>	<b>302 000</b>
Other operational products	4 000
other operating expenses	8 000
depreciation allocations, provisions and impairment losses	40 000
reversal of impairment losses and provisions	/
<b>operational result (5) =</b>	<b>258 000</b>
financial products	8 000
financial expenses	12 000
<b>financial result (6) =</b>	<b>- 4 000</b>
<b>ordinary result before tax (7) =</b>	<b>254 000</b>
<b>Taxes to be paid for normal results</b>	<b>63 500</b>
<b>Deferred taxes (changes) for normal results</b>	<b>/</b>
<b>Total products of ordinary activities</b>	<b>2 004 000</b>
<b>total expenses of ordinary activities</b>	<b>1 813 500</b>
<b>the net result of ordinary activities (8) =</b>	<b>190 500</b>
<b>Extraordinary items - products</b>	<b>/</b>
<b>Extraordinary items - expenses</b>	<b>/</b>
<b>Extraordinary Result (9) =</b>	<b>0</b>
<b>The net result of the fiscal year 10 =</b>	<b>190 500</b>

**END**