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Chapter 10: Plant Assets, Natural Resources and Intangible Assets.

- Plant Assets are resources that have
 - Physical substance
 - are used in the operations of business
 - are not intended for sale to customer
 - are expected to provide service to the company for a number of years

لأنها مواد فيزيائية ولها وجود مادي
لأنها تستخدم في أعمال الشركة
وليس من أجل بيعها كسلعة
ولأنها من المفترض أن تخدم الشركة لعدة سنوات

Determining the Cost of Plant Assets

Cost consists of all expenditures necessary to acquire an asset and make it ready for its intended use

أي عبارة عن جميع التكاليف التي أنفقتها الشركة للحصول على أصل مادي وجعله جاهزاً للاستخدام
ex: فواتير تكاليف شراء الآلة، النقل، التأمين، الجمارك، التحويل، التركيب والاختبار
أي هيكله يتم مع كل هذه التكاليف للحصول على أصل مادي

Cost principle: require that companies record plant Assets at Cost

مبدأ التكلفة: يلزم الشركة بتسجيل الأصول بسعرها الموجود ولها أسماء عدة

Plant Assets = property, plant, equipment = Fixed Assets "الأصول الثابتة"

□ Plant Assets انواعه

□ Land's All necessary cost incurred in making Land ready for its intended use
لجميع التكاليف اللازمة لجعل الارض جاهزة للاستخدام

□ Cost typically include ⇒

- the cash purchased price □ سعر الشراء
- closing costs such as title and attorney fees □ اخلاف التكاليف مثل المحامي
- real estate broker □ عمولات الماكورة
- accrued property taxes and other lines assumed by purchaser □ الضرائب

□ Depreciation ان القيمة ان الارض هي الشيء الوحيد الذي لا يتم عمله
□ $Cost of R - salvage materials$ \Rightarrow net removal cost
□ مصاريف الهم و منه يتم لهم الاكوان الفضية ان وصفت بظلالها ويتم افلحة مصاريف الهم من سعر الارض
Land removal cost

□ Land improvements All cost include All expenditures necessary to make the improvement for land

لجميع اعباء عن جميع التكاليف اللازمة لتطوير الارض وجعلها جاهزة للاستخدام

□ Drive way, Parking lots, fences, landscaping and lighting
مناطق طبيعية اوار موقف سيارات فصح طريقه عابرة

□ limited useful lives & Depreciation لها
لها يتم استهلاكها

□

③ Land improv Buildings & Includes All cost related directly to purchase or construction

لجميع تكاليف شراء مبني جاهز مع مراعاة تكاليف التحسين
او تكاليف بناء مبني جديد

□ Purchase Costs & تكاليف الشراء

ex purchase price, Closing Cost "attorneys, title insurance"

Remodeling and replacing or Repering the roof
لجميع تكاليف صيانة او اعادة تجميل السقف او المبنى

□ Construction Cost & تكاليف البناء

ex contract price plus pymnts for architects

"fees, building permits, and excavation cost"

لجميع تكاليف البناء مثل رسوم العقد التي رسوم المهندسين المعماريين وتكاليف
البناء والكفر معه الخ

④ Equipment & Includes All Costs incurred in acquiring the equipment and preparing it for use

لجميع تكاليف الادوية للاصول على المعدات و جعلها جاهزة للاستخدام

□ Cost typically includes &

① cash price

② sales taxes

③ freight charges

④ insurance during transit paid by purchaser

⑤ expenditures required in assembling, installing, etc

Plant Assets المصاريف المتكررة لا تدقل تحت وفي ال Plant Assets

لجميع تكاليف وترويض السيارة المتكررة كل سنة لا تدقل تحت هذا (لأنه يعتبرها ان تستخدم الشركة لعدة سنوات وليس لسنة واحدة)

Depreciation

It's the process of allocating to expense the cost of a plant Assets over its useful life in rational and systematic manner

← هو عبارة عن عملية توزيع التكلفة الأصلية على مدى عمره بطريقة عقلانية ومنظمة

↳ process of cost allocation, not Assets valuation

← عملية توزيع التكلفة وليس تقييم الأصل

↳ Applies to land improvement, buildings and equipment not land

← ينطبق هذا على تطوير الأراضي، المباني والمعدات وليس على الأرض

↳ Depreciable, because the revenue-producing ability of Assets will decline over the assets useful life

← غير قابل للاستهلاك لأن قدرة الأصل المبررة للدخل ستتناقص خلال عمره الإنتاجي للأصل

↳ Depreciation → expense "None Cash"

↳ Accumulated depreciation → Contra Assets

ex: Assume purchased an equipment cost 1000,000, useful life ⇒ 10 years

| | |
|-----------|----------|
| equipment | 1000,000 |
| cash | 1000,000 |

$$\frac{1000000}{10} = 100,000 \text{ per years}$$

← عندهم يتم حساب Depreciation كل سنة 100,000

Depreciation is consistent with the "going-concern assumption"
 لم افكر اني تعمل على مبدأ الاستمرار في الشركة مبدأ الاستمرارية

Factors in computing Depreciation →

(1) Cost & [Actual] مقياس

all expenditures necessary to acquire the Asset and make it ready for its intended use
 كل ما ينفق على الحصول على الأصول وجعله جاهزاً للاستخدام

(2) useful life & [Estimated] تقدير

Estimate of the expected life based on need for repair, service, etc
 يتم تقدير العمر الفيد للأصل بناءً على الحاجة للإصلاح والصيانات وغيرها

(3) salvage value & [Estimated] تقدير

is an estimate of the Assets value at the end of its useful life
 القيمة المتبقية بعد انتهاء العمر الافتراضي للأصل

Depreciation method

(1) straight-line method 83% "SLM"

(2) Units of activity method 15%

(3) Declining balance method 4%

II) straight line method "SLM"

↳ Depreciation expense per year

$$\text{Depreciation expense per year} = \frac{\text{Cost} - \text{Salvage value}}{\text{useful life}}$$

↳ Depreciable Cost

in years

منه (قانون)

ex ⇒ Cost of truck = 13000 useful life = 5 years

Salvage value = 1000 truck Driven = 100,000 miles

by using "SLM" = $\frac{13000 - 1000}{5} = 2400$

باعتبار كل سنة

entry will be

Depreciation expense 2400

Accumulated Dep. 2400

Dep. Expenses ⇒ يظهر في ⇒ income statement

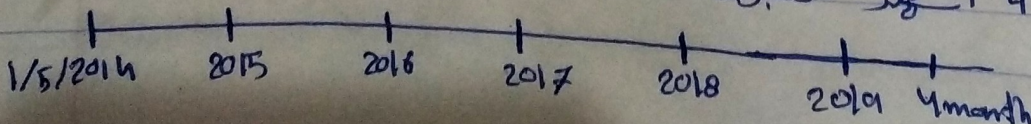
Accumulated Dep. ⇒ يوضع ⇒ Contra Assets ⇒ Balance sheet

Cost - Accumulated Depreciation = net Book value

□ Assume the truck was purchased in 1/5/2014 - 5 months

1/5 → 31/12 = 8 month ⇒ $2400 \times \frac{8}{12} = 1600$

من 1/5 إلى 31/12 = 8 أشهر



2) Units of activity وهذه الطريقة تعتمد على عدد وحدات العمل وليس على السنوات

Depreciation Expenses
per Unit

قانونه

$$\text{Depreciation Expense per unit} = \frac{\text{Cost} - \text{Salvage value}}{\text{Useful life in unit}}$$

مثال
السيارة

$$\frac{30000 - 10000}{100,000 \text{ miles}} = 0.12 \text{ per mile}$$

يعني مثلاً

□ in 2013 the truck was driven 15,000 miles

□ in 2014 the truck was driven 30,000 miles

$$\begin{aligned} \hookrightarrow 2013 &\rightarrow 15,000 \times 0.12 \\ &= 1800 \end{aligned}$$

$$\begin{aligned} \hookrightarrow 2014 &\rightarrow 30,000 \times 0.12 \\ &= 3600 \end{aligned}$$

مثال

$$\text{Annual Rate of Depreciation} = \frac{100\%}{\text{useful life}}$$

$$\text{ex} \Rightarrow \frac{100\%}{5} = 20\%$$

3) Declining balance method
 و حساباً من طرف ان Depreciation
 يقبل مع مورد العطفه

كيف تحسبها

Calculate by use "SIM" Rate

$$\text{SIM Rate} = \frac{100\%}{\text{useful life}} = \frac{100\%}{5} = 20\%$$

ان كان

↳ Double Declining = $[2 \times 20\%]$ 2
 ↳ trouble = $[3 \times 20\%]$ 3

↳ Half Rate = $\frac{1}{2} \times 20\%$

Ex) Calculate the Depreciation Rate by D.D. Rate = $2 \times 20\%$
 = 40%

| Date | B. Book value | Depreciation Expense | Acc. Dep | E. Book.V |
|--------------|---------------|----------------------------|----------|-----------|
| 1, 1, 2014 | 13,000 | — | — | 13,000 |
| 31/12/2014 | 13,000 | $40\% \times 13000 = 5200$ | 5200 | 7800 |
| 31, 12, 2015 | 7800 | $40\% \times 7800 = 3120$ | 8320 | 4680 |
| 31, 12, 2016 | 4680 | $40\% \times 4680 = 1872$ | 10192 | 2808 |
| 31, 12, 2017 | 2808 | $40\% \times 2808 = 1123$ | 11315 | 1685 |
| 31, 12, 2018 | 1685 | $40\% \times 1685 = 674$ | 12000 | 1000 |

له 14 يوم تقريبه اجواب هن يتم تكيرها به لبع 685

$$1685 - 1000 = 685$$

← لبع

لذا نفترضها ان كان Truck تم اشرائه في 1/4/2014 يعني تقوم

$$5200 \times \frac{9}{12}$$

ونكفل عادي حين في الدوله لاين .

Depreciation and Income tax

يعني
 لـ Tax اقل والعكس صحيح
 لـ Expenses اعلی نفع

لـ Revenue اقل نفع
 لـ Tax اقل والعكس صحيح

S-L method

Declining method

Depreciation expens

Less

more

Acc. Depreciation

Less

more

net income

more

less

Taxe

more

less

Assets

more

less

480

5350

3150

480

5808

1015

1835

1080

782

1112

1153

5808

1000

1500

1000

782

□ Revising periodic Depreciation 8 مراجعة الاستهلاك الدوري

□ **مراجعة** factor affect Depreciation

- Cost of Plant Assets ⇒ Actual حقيقي
- useful life of Assets ⇒ estimated تقدير
- salvage "Residual" value of Assets ⇒ estimated تقديري

□ if the company annual depreciation estimate are inadequate or excessive, the company should change the amount of Depreciation expenses

لأنه في حال أن الشركة وجدت أن تقديرها لعام لا يكفي كان لها أن تعدل تقديرها الشركة لتعديل على كذا، العام الافتراضي بزيادة أو نقصان.

□ The company can adjust estimated

□ The company cannot adjust Actual

□ Change in an estimate is required

□ Change in current and future year

لأنه يعني أنني أستطيع أن أغير في الحاضر والمستقبل وليس في الماضي

□ Do not change in Prior Period

لأنه يعني أنه لا أستطيع أن أغير في الماضي

Revising Depreciation

الاستهلاك المصحح

Depreciation

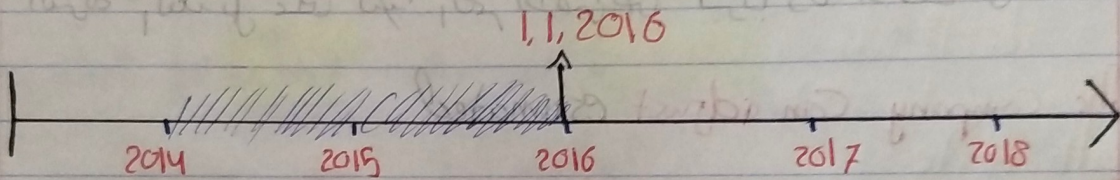
المسألة
الاصيلة

truck cost = 13,000
useful life = 5
Salvage value = 1000
was purchased in = 1,1,2014

by using
"SIM"
method

$$\text{Depreciation expense per year} = \frac{13,000 - 1,000}{5}$$

$$= 2,400$$



يعني ان الشركة في 1,1,2016 تغيير التقديرات

Revising Dep. من تاريخ 1,1,2016 فأفوق

When we make a change, the result affect the future

First, we calculate the Book value

$$\text{Book value} = \text{Cost} - \text{Accumelated Depreciation}$$

then we use this Legal

$$\text{Revised Depreciation per year} = \frac{\text{Book value at point of Revision} - \text{new salvage value}}{\text{the Remaining of the new useful life}}$$

يعني اننا نستخدم الصيغة القانونية الجديدة

قوت الشركة الرئيسي

حساب التكاليف

Salvage value = 1500
useful life = 8 years

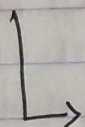
ب1

Book's value = Cost - Acc. Dep.
 $13,000 - 4,800$
 $= 8,200$

Acc. Dep
السنتين الماضيتين
2400
+ 2400
= 4800

Revising Dep = $\frac{8,200 - 1,500}{6}$
exp. per year

$8 - 2 = 6$



$= \frac{6,700}{6} = 1,116$

السنتين
الماضيتين

Capital expenditures

↳ it's the expenditure during useful life

Plant Assets تطوير الشركة من اجل زيادة ال useful life

Plant Assets له، هذا تقوم بزيادة فيه بالمصاريف على سعره لا

Plant Asset كالمكانة لا تعتبر من المصاريف التي تضاف اليها سعر هذه ال Plant Assets له، لكنه تسمى Revenue expenditures

Plant Assets Disposals 8 انكاف لإصول ثابتية

there are three way to disposal the plant Assets

- 1) Sales بيع
- 2) Retirement انكاف
- 3) Exchange التبديل

whatever the disposal method
 the company must determine the Book value of the plant Assets at the disposal date, to determine the **Gain or Loss**

لم يعني انه بغض النظر عن الطريقة المستخدمة في التخلص يجب على الشركة تحديد القيمة الدفترية للشيء المراد التخلص منه وذلك ليم تحدد هل هناك ربح ام خسارة

Retirement of Plant Assets انكاف لإصول ثابتية

لم يتم انتهاء العمر الافتراضي للماكينة
 من الماكينة بحيث لا يكون هناك ربح او خسارة
 يتم للتخلص "Pully Dep" وقم للتخلص
 تقوم بعمل entrie كالتالي

Accumelated Depreciation
 equipment

لم في حالة تم انتهاء الماكينة قبل انتهاء العمر الافتراضي لها ففي هذه الحالة يكون هناك خسارة وتظهر على حساب **"Loss on disposal"** ~~Loss on disposal~~

| | | | |
|--|--------------------------|--------|-------|
| | Accumelated Depreciation | 14,000 | |
| | Loss on disposal | 4000 | |
| | equipment | | 18000 |

و تقوم بعمل
 entrie كالتالي

حالة

19 Sale of Plant Assets

بيع الأصول الثابتة

In this case the company compares the Book value with the proceeds received

في هذه الحالة تقوم الشركة بمقارنة سعر البيع مع القيمة المحاسبية للأصل الثابت

مثال

if the proceeds of the sale exceed the book value of the plant Assets, we make a Gain on disposals occurs

إذا كانت الأرباح من البيع أكبر من القيمة المحاسبية للأصل الثابت، فإننا نحقق ربحاً (Gain) عند التخلص من الأصول الثابتة

| | | |
|------------------|---|---|
| Cash | = | = |
| Acc. Dep | = | = |
| Gain on disposal | = | = |
| equipment | = | = |

مثال

if the proceed of the sale Less than Book value of the Plant Assets, we make a loss on disposal occurs

إذا كانت الأرباح من البيع أقل من القيمة المحاسبية للأصل الثابت، فإننا نحقق خسارة (Loss) عند التخلص من الأصول الثابتة

| | | |
|------------------|---|---|
| Cash | = | = |
| Acc. Dep | = | = |
| Loss on disposal | = | = |
| equipment | = | = |

3] Exchange of Plant Assets . تبادل , بدهول , انبائي

↳ usually exchange has Commercial substance
↳ غالباً ، التبادل يكون في مادة تجارية

معايير
معايير

عندما نقوم بأف شيء جديد بالتقابل

$$\text{Cost of new Assets} = \text{Fair market value of old Assets} + \text{Cash paid}$$

عندما نقوم بأف شيء قديم بالتقابل

$$\text{Cost of new Assets} = \text{Fair market value of old Assets} - \text{Cash Received}$$

ex- XYZ company has a truck with cost of 50,000 and Accumulated Depreciation of 26,000 , on 1.1.2019 in this Date the Company Decide to exchange this truck for a new one , the agency will conceder the fair market value of the truck at 18,000 xyz Company will pay on additional 60,000 to get the new truck

الكل
⊖
⊕

$$\square \text{ Book value} = 50,000 - 26,000 = 24,000$$

$$\text{Cost of new truck} = 18,000 + 60,000 = 78,000$$

entry \Rightarrow

| | | |
|------------------|--------|--------|
| Acc. Dep | 26,000 | |
| truck new | 78,000 | |
| Loss in exchange | 6,000 | |
| truck old | | 50,000 |
| Cash | | 60,000 |

ex \Rightarrow XYZ Company has a truck with Cost of 50,000 and A. D of 26,000, on 1, 1, 2019 on this Date the Company Decide to exchange this truck for new one the agency will consider the fair market value of the truck at 30,000, xyz will pay in additional 60,000 to get the new truck

$$\text{Book value} = 50,000 - 26,000 = 24,000$$

$$\text{Cost of new truck} = 30,000 + 60,000 = 90,000$$

entry

| | | |
|------------------|--------|--------|
| Acc. Dep | 26,000 | |
| truck new | 90,000 | |
| Truck old | | 50,000 |
| Cash | | 60,000 |
| gain on exchange | | 6,000 |

□ Assets ⇒ الأصول

- ↳ أنواعه
- 1) Current Assets
 - 2) Long term Investment
 - 3) Plant property and equipment
 - 4) Intangible Assets
 - 5) Other Assets

□ Natural Resources ⇒ الموارد الطبيعية، المصادر الطبيعية

↳ Consist of standing timber and underground deposit of oil, gas, and minerals

لمتكون من الموارد الطبيعية، مثل أشجار الغابة، والمعادن، والنفط، والغاز، والنفط.

□ Distinguishing characteristics : الخصائص المميزة

1) Physically extracted in operations : مستخرج ماديًا في العمليات

2) Replaceable only by an act of nature
لا يمكن استرجاعه إلا بفعل الطبيعة فقط

□ Depletion ⇒ الاستهلاك

□ Depletion is for natural resources

□ the company use unit of activity method

Entry =

Depletion expenses

Accumulated Depletion

□ by using Unit of activity method

$$\text{Depletion expense per unit} = \frac{\text{Cost} - \text{Residual value}}{\text{useful life in method}}$$

القيمة المتبقية في نهاية عمر

القيمة المتبقية في نهاية عمر 500,000

القيمة المتبقية في نهاية عمر 400,000
Inventory

entry

Depreciation expense

500,000

Inventory

100,000

A-D

400,000

□ Intangible Assets الأصول غير الملموسة

↳ are rights, privileges, and competitive advantages that result from ownership of long-lived Assets, that do not possess physical substance

الأصول غير الملموسة هي عبارة عن حقوق وامتيازات وفرايز تنافسية ناتجة عن ملكية الأصول طويلة الأجل التي لا تملك مادة مادية

Intangible Assets

limited life
حياة محدودة

unlimited life
حياة غير محدودة

□ Amortization Just for limited life intangible Assets

□ Capitalization are for both "limited or unlimited" life

□ The Common type is

1) Patents

براءة اختراع

2) Copyrights

حقوق التأليف والنشر

3) Goodwill

اسم الشهرة

4) Trademarks

and tradename

5) Franchises

of Licenses

العلاقات التجارية، الاسماء التجارية

الامتيازات والتراخيص

Intangible Assets Issue

| | | | |
|---------------------------|------------|----------|-----------------|
| limited life Intangible | Capitalize | Expense | Amortize |
| unlimited life Intangible | Capitalize | Expenses | Do not Amortize |

Intangible Assets Table

□ Patent ⇒ legal life ⇒ 20 years from the date of the grant ⇒ Amortize

□ Trademarks & Trade name ⇒ legal life ⇒ Indefinite number of 20 years renewal periods ⇒ No Amortize

□ Copy rights ⇒ legal life ⇒ the life of creator plus 70 years
↳ Amortize

□ Franchise and Licenses ⇒ legal life ⇒ By contract definite or indefinite ⇒ definite ⇒ Amortize
indefinite ⇒ No Amortize

□ Good will ⇒ legal life ⇒ Indefinite

↳ No Amortize

E10-17

2017 = 15,000 miles
2018 = 12,000 miles

Cost = 34,000
S.V = 2000
U.L = 8 years
Total = 100,000 miles

A)

1) by using "S.L.M"

$$\text{Depreciation expenses per year} = \frac{34,000 - 2,000}{8} = 4,000$$

Depreciation expenses for 2017 and 2018 = 4,000

2) by using "unit of activity method"

$$\text{Depreciation expense per unit} = \frac{34,000 - 2,000}{100,000} = 0,32 \text{ per mile}$$

$$\text{in 2017} = 0,32 \times 15,000 \text{ mile} = 4,800$$

$$\text{in 2018} = 0,32 \times 12,000 \text{ mile} = 3,840$$

(B) by using "Decline Balance method" (Double)

SLM Rate = $\frac{1}{8} = 0.125$

D. Rate = $0.125 \times 2 = 25\%$

| Date | Book value (Beg) | Dep. exp | Acc. Dep | Book value (End) |
|------|------------------|-----------------------------|----------|------------------|
| 2017 | 34,000 | $25\% \times 34,000 = 8500$ | 8500 | 25,500 |
| 2018 | 25,500 | $25\% \times 25,500 = 6375$ | 14875 | 19125 |

(B) 2017

Dep exp 4000
 Acc Dep 4000

Partial Balance sheet

Assets
 !

P.P. and E

Truck 34,000
 Less - Acc Dep (4000)

net Book value = 30,000

E10-8

Solve \rightarrow 15,

Building \rightarrow Book value on 1,1,2017
 $= 800,000 - 114,000 = 686,000$

\rightarrow Revised Dep. $= \frac{686,000 - 26,000}{44} = 15,000$

Wearhouse \rightarrow Book value on 1,1,2017
 $= 100,000 - 19,000 = 81,000$

\rightarrow Revised Dep $= \frac{81,000 - 6,000}{15} = 5,000$

entries for Building

Depreciation exp (trail) 15,000

Acc. Dep 15,000

E10-15

Cost of new truck = Fair value for old truck + Cash paid
 $= 24,000 + 5,000 = \underline{\underline{29,000}}$

entries

Acc. Depreciation 30,000

Truck new 29,000

Loss on exchange 7,000

Truck old 61,000

Cash 5,000

P10-6A

Book value = 80,000 - 50,000 = 30,000

(A) entries &

| | | |
|-------------------|--------|--------|
| Acc. Depreciation | 50,000 | |
| Loss on Disposal | 30,000 | |
| equipment | | 80,000 |

(B) it was sold At cost 21,000

entries =>

| | | |
|-------------------|--------|--------|
| Acc. Depreciation | 50,000 | |
| Cash | 21,000 | |
| Loss on Disposal | 9,000 | |
| equipment | | 80,000 |

(C) it was sold At cost 31,000

entries &

| | | |
|-------------------|--------|--------|
| Acc. Depreciation | 50,000 | |
| Cash | 31,000 | |
| Gain on Disposal | 1,000 | |
| equipment | | 80,000 |

E10-3 Determining the Cost of Plant Assets

Land cost

75,000

+ 8600

- 1700

+ 1100

+ 5000

Land cost = 88,000

E10-13

Intangible Assets

Capitalization

entries =>

Patent 595,000

Cash

595,000

Goodwill 360,000

Cash

360,000

Franchise 480,000

Cash

480,000

Research expens 185,000

Cash

185,000

□ Amortization

□

Patient Amortization = 595,000
Per year 2017 7

= 85,000

□ good will => No Amortization

□ Franchise = $\frac{480,000}{10} \times \frac{6}{12}$

= 24,000

Emilia Lodge

Chapter 11 Current Liability and payroll Accounting

لديون قصيرة الأمد - وحسابات الرواتب

□ Current Liability & its debt with two features

لديون قصيرة الأمد على رهنها ضماناً

□ Company expects to pay the debt from existing current assets or through the creation of other current liability

حيث تتوقع الشركة دفع الدين من الأصول الحالية أو من خلال إنشاء مطلوبات حالية أخرى.

□ Company will pay the debt within one year or the operating cycle, whichever is longer

لديون الشركة ستدفع بالدين خلال سنة محاسبية واحدة أو دورة تشغيلية واحدة

Current Liability include :

□ Note payable => وهي عبارة عن ديون مكتوبة يوجب عليها فائدة

□ Account payable => لا يوجد عليها فائدة

□ unearned Revenue => يعني لم يقبلها ولكن لم يتم تقديم الخدمات

□ accrue liability => نفقات مستحقة

□ Note payable 8

السبون المكتوبة

□ written promissory note

السند يكون مكتوبه

□ Requires the borrower to pay interest

به دفع على
صافه

□ Issued for varying periods

يتم اصدارها لفترة

محدوده وفي نهايتها لفترة تدفع مرة واحدة

مثال في شهر 1/9/2014 100,000 في تاريخ

وعليها فائدة 12%

تاريخ الاستحقاق 4 اشهر

entry => 1/9

Cash

100,000

Note payable

100,000

Principal x interest x period
Rate

قاعدة
لفائدة

الفترة x نسبة الفائدة x قيمة القرض

entry => 31/12

interest expens

4000

interest payable

4000

$$100,000 \times 12\% \times \frac{4}{12} = \underline{\underline{4000}}$$

entry =>

entry =>

| | | |
|------------------|---------|---------|
| Note payable | 100,000 | |
| interest payable | 4,000 | |
| Cash | | 104,000 |

□ If the loan was taken on 1/11/2014

entry =>

1/11

| | | |
|--------------|---------|---------|
| Cash | 100,000 | |
| Note payable | | 100,000 |

31/12 entry =>

| | | |
|-------------------|-------|-------|
| Interest expenses | 2,000 | |
| Interest payable | | 2,000 |

pay. in 1/3/2015

entry =>

| | | |
|------------------|---------|---------|
| Note payable | 100,000 | |
| Interest payable | 2,000 | |
| Interest expense | 2,000 | |
| Cash | | 104,000 |

2015 في 2 و 1

$$100,000 \times \frac{1}{100} \times 2 = 2,000$$

□ Sales Taxes Payable ضريبة المبيعات

□ Sales taxes are expressed as stated percentage of the sales price

← حيث يتم التعبير عن ضرائب المبيعات كنسبة مئوية من سعر البيع

□ Either rung up separately or included in total receipts

← إما رفع بشكل منفصل أو تضمينه في إجمالي الإيرادات

□ Retailer collects tax from the customer and give the collection taxes to the government

← يتم جمع الضرائب من الزبائن ومن ثم إرسالها للحكومة

↳ Retailer remits the collection to the states department of revenue

example ⇒ Sales = 10,000 sales tax = 6%
 $10,000 \times 6\% = \underline{600}$

entry ⇒

| | |
|---------------|--------|
| Cash | 10,600 |
| Sales Revenue | 10,000 |
| tax sales | 600 |

وعندما يتم تحويل
إيرادات الحكومة يتم
تسجيلها

entry ⇒

| | |
|-------------------|-----|
| Sales tax payable | 600 |
| Cash | 600 |

$$\square \text{ Sales Revenue} = \frac{\text{Cash}}{1 + \text{tax Rate}}$$

في حال تم شراء قطعة ملابس بسعر 150 # وعليها ضريبة 18% فكييف نريد ان نعرف الما يقا من العيريات ومع هذه كمية الضريبة على هذه القطعة

$$150/R = \frac{150}{1.18} = \underline{129,33}$$

$$150 - 129,33 = \underline{20,7}$$

$$\boxed{\text{Revenue} = 129,3}$$

$$\boxed{\text{tax on sale} = 20,7}$$

□ Unearned Revenue

↳ Received cash before service performed

لم يتم الحصول على الكاش قبل تقديم الخدمة

Ex) ⇒ sales = 10,000 tickets for five games

Cost per tickets = 50¢

Cost of ticket sold

$$= 10,000 \times 50$$

$$= 500,000$$

entry ⇒

Cash 500,000

unearned ticket Revenue

500,000

مكافأة
entry ⇒

unearned ticket Revenue

100,000

ticket Revenue

□ Current Maturities of Long Term Debt

↳ Companies often have a portion of long-term debt that comes due in the current year

لأنه إما أن يكون على الشركة ديون طويلة الأجل ولكن تكون مقسمة على دفعات سنوية، وهذه الدفعات تكون Current liability

مثلاً إذا كان على شركة ما دين بقيمة 500,000 على مدار 5 سنوات

100,000 Current liability
400,000 Long term debt

□ **Liquidity Ratio** → The ability to pay maturing obligations and meet unexpected need for cash
أي يعني قدرة الشركة على سداد ديونها

□ **Current Ratios** = $\frac{C. Assets}{C. Liability}$

ex ⇒ $\frac{38,128}{28,561} = 1.33 : 1$

أي يعني أن الشركة قادرة على دفع ديونها [C.L] مرة وثلاث

أي أو أنه لكل دولار من C.L عني 1.33 دولار من

أي لو، وأنا كان أقل من 1 يكون هناك **high liquidity Risk**

□ **working Capital Ratio** نسبة رأس المال للتعامل

□ **working Capital Ratio** = $C. Assets - C. Liability$ إفتاؤون

ex ⇒ $38,128 - 28,561 = 9,567$

أي يعني أن الشركة قادرة على دفعها، لا يوزن ويزيد نسبة 9,567

□ Contingent Liability ⇒ ديون استقبلية

↳ a Potential Liability that may Become an actual Liability in the future

لأنه، وهو عبارة عن ديون متوقعة، يمكن أن تصبح ديون حقيقية في المستقبل

⇒ there are three level of Probability هناك ثلاثة مستويات احتمالية

① Probable ⇒ غالباً محتمل حدوثها (نسبة حدوثها الاحتمالية)
↳ Record it / Accure → يعني نجلها

② Reasonably possible ⇒ يعني نسبة حدوثها 50%، وحوصلها 50%
↳ disclose it

↳ that mean we make a note ~~and~~

Foot no after preparing a financial statement
Balance sheet لأنه لا نجلها، ولكن نضع ملاحظة في ال Balance sheet

③ Remote ⇒ احتمالية حدوثها ضعيف جداً
↳ neglect it / Ignore نغفل عنها، نتجاهلها

□ Product warranties [الكفالة] ضمان ما بعد البيع

↳ promise made by a seller to a buyer to make good on a deficiency of quantity, quality, or performance in a product

لأنه لو حصل لي شيء قدوة، أبيع للشخصي لتدقيقه، لنقلها في الكمية أو الكمية أو الأداء، في المنتج

↳ Estimated cost of honoring product warranty contracts should be recognized as an expense in the period in which the sale occurs.

لأنه يجب الاعتراف بالتكلفة التقديرية لأضرار عقود ضمان المنتج، كما هو مرفوع في الفترة التي بيعت فيها المنتج

example Sales \Rightarrow 10,000 washers
 Cost per washer = 600
 The company give 500 unit's warranty
 repair Cost = 80 and 300 unit was repaired on warranty

$\Rightarrow 300 \times 80 = 24,000$

Probable Liability = $500 \times 80 = 40,000$

2014 entry \Rightarrow warranty expenses 40,000
 Estimated warranty liability 40,000

2014 entry = Estimated liability 24,000
 Repair part 24,000

\Rightarrow on 2015 the company repair 20 unit's on warranty
 $20 \times 80 = 1,600$

2015 entry \Rightarrow Estimated warranty liability 1,600
 Repair part 1,600

P11-1A

Account payable = 52,000
 Sales taxes payable = 7,700
 unearned service Revenue = 16,000

a)

5/1 entry
 Cash 20,520
 Sales tax payable 1,520
 Service Revenue 19,000
 Revenue = 19,000
 sales tax = 1,520

12/1 entry
 unearned service Revenue 10,000
 Service Revenue 10,000

14/1 entry
 sales tax Payable 7,700
 Cash 7,700

20/1 entry
 Account Receivable 48,600
 Sales Revenue 45,000
 Sales taxes 3,600
 Revenue = $900 \times 50 = 45,000$
 sales tax = $45,000 \times 8\% = 3,600$

21/1 entry
 Cash 27,000
 Note payable 27,000

25/1
entry

Cash 12,420
Sales Revenue 11,500
Sales taxes 920

25/1

12,420
1,08

sales Revenue = 11,500
Sales taxes = 920

[B]

31/1
adjusted entry

$$27,000 \times 8\% \times \frac{1}{12} = 60$$

Interest expenses 60
Interest payable 60

31/1

$$27,000 \times 8\% \times \frac{10}{365} = 59,17$$

31/1
adjusted entry

$$45,000 \times 7\% = 3150$$

warranty expenses 3150
Estimated warranty payable liability 3150

[C]

sales tax payable

Account Payable

Estimated w/L

7700
7700
1520
3600
920
B. 6040

52,000

3150

B. 52,000

B. 3150

Note Payable

unearned S/R

interest payable

27,000

10,000

16000

60

B. 27,000

B. 6000

B. 60

Accord Company
Partial Balance sheet
31/1/2017

(A)

Current Liability

| | |
|-------------------------|--------|
| Notes payable | 27,000 |
| Account payable | 52,000 |
| Sales tax payable | 6040 |
| unearned/s/Revenues | 6000 |
| Intrest payable | 60 |
| Estimated lw/ liability | 3150 |

Total liability 94,250

(B)

(C)

E 11 - 5

(A)

November
entry

warranty expenses
E/w/Liability

13,500

13,500

$30,000 \times \frac{2}{100} \times 15$

$= 13,500$

December
entry

warranty expenses
E/w/Liability

14,400

14,400

$32,000 \times \frac{2}{100} \times 15$

$= 14,400$

$10,000 \times 15 = 15,000$

(B)

entry

Estimated warranty liability
Repair part Inventory

15,000

15,000

E/w/L

15,000 | 13,500
| 14,400

| 12,900 B

(C)

entry

Estimated warranty liability
Repair part

7,500

7,500

$500 \times 15 = 7500$

E 11-1

July 1 / 2014

entry => Cash 50,000
Note payable 50,000

Nov 1 / 2014

entry => Cash 60,000
Note payable 60,000

$50,000 \times 8\% \times \frac{6}{12}$
= 2000

31 / 12

Interest expenses 2000
Interest payable 2000

$60,000 \times 6\% \times \frac{2}{12}$
= 600

31 / 12

Interest expenses 600
Interest payable 600

1 / 2 / 2018

Note payable 60,000
Interest payable 600
Interest expenses 300
Cash 60,900

1 / 4 / 2018

Note payable 50,000
Interest payable 2000
Interest expenses 1000
Cash 53,000

Simple fact

Chapter 12 ⇒ Accounting for partnership

□ partnerships

الشراكة

↳ an association of two or more people to carry on as co-owners of a business for profit

لـ، هي عبارة عن مجموعة مكونة من شخصين أو أكثر يوافقون العمل
كالكين مشاركين لشركة من أجل الربح

□ type of partnership ⇒

□ Small retail, service, manufacturing Companies
لـ الشركات الصغيرة
لـ شركات التجزئة
لـ شركات الخدمات

□ Accountant, lawyers, Doctors
لـ المحاسبين
لـ المحامين
لـ الأطباء

□ Characteristics of Partnership فوائدها لشراكة

□ Association of individuals رابطة الافراد

□ legal entity

لـ كيان قانوني

□ Accounting entity

لـ كيان محاسبي

□ net income not taxed as separate entity

لـ لا يتم دفع الضريبة على كيان الربح ← يتم دفع الضريبة مرة واحدة

مسؤولية مشتركة / = / "Dis Advantage" وكالة متبادلة Mutual Agency

□ Act of any partner is binding on all other partners, so long as the act appears to be appropriate for the partnership

لـ حيث يعتبر عمل ابي شريكاً ملتزماً لجميع الشركاء الاخرين طالما كان
لهذا العمل مناسب للشركة

3) limited life حياة محدودة

□ Dissolution Occurs whenever a partner withdraws or a new partner is admitted
لأنه عندما ينسحب أحد الشركاء أو يتم قبول شريك جديد

□ Dissolution does not mean the Business end
لأنه هنا لا يعني أن العمل انتهى، ولكن يجب عليهم الخروج، والتفويض لعمل جديد

4) unlimited Liability مسؤولية غير محدودة

□ Each partner is personally and individually liable for all partnership liabilities
لأن كل شريك مسؤولاً شخصياً ولفرداً لجميع ديون الشركة

لأنه يعني أن المقرضين يتوقعون المطالبة بأموال الشركاء الشخصية
لمستأجر ديون الشركة

5) Co-ownership of property الملكية المشتركة للأصول

□ Each partner has claim on total Assets
لأن كل شريك لديه مطالبة بأجمالي الأصول

□ This claim does not attach to specific Assets
لأن هذه المطالبة لا تتعلق بأصول محددة

□ All net income or loss are shared equally by the partners unless otherwise stated in the partnership agreement
لأنه يتم تقاسم جميع الأرباح والخسائر بالتساوي بين الشركاء ما لم ينص خلافه

□ Partnership agreement

اتفاقية الشراكة

له حيث ان هذه الاتفاقية تغطي كل الامور التي تتعلق بالراكة
وكذا كانت النفاذ التي تلت اتمالية هذه مشاكل من جهة
منه الشركة

□ should specify relation among partners

□ Names and capital contribution of partners
له اسماء الشركاء و مساهمتهم في رأس المال

□ Rights and Duties of partners
له حقوق و واجباتهم

□ Basis for sharing net income or net loss
له كيفية مشاركة ارباح الدخل والخسائر (السيارة والخسائر)

□ Provision for withdrawals of assets
له حكم خروج كل شريك الاقتران من الشركة

□ Proper Procedures for submitting Disputes to arbitration
له طرق حل النزاعات، المشاكل في حال حدوثها

□ Procedures for the withdrawal or addition of a partner
له اجراءات اضافة او ازالة شريك

□ Rights and Duties of surviving partners if any partner Death
له حقوق و واجبات الشركاء الباقين في حال وفاة احد الشركاء

Forming of partnership → تأسيس الشركة

The partnership should Record the investment at the fair value of the Assets at the date of their transfer to the partnership and All partners must agree this

في سجل شراكة يجب ان تكون جميع الاصول والالتزامات كقيمة
 على شكل Assets → تسجل قيمتها ك Fair value

في سجل يتم عمل entry لكل شريك
 في اويتم عمل entry لكل الشريك من امواله

example

* Rolf

entry مرفقة

Cash 8000
 equipment 4000
 Rolf capital 12,000

Less. Acc. Dep لا يتم عمل
 Fair value القيمة الحقيقية

* Shea

Cash 9000
 equipment 4000
 Allowance for Doubtful Account 1000
 Shea Capital 12,000

entry المرفقة

Cash 17,000
 Equipment 4000
 Acc. Receivable 4000
 All. For. D. Acc. 1000
 Rolf capital 12000
 Shea capital 12000

□ Dividing net income or net loss تقسيم الربح والخسائر

□ Partners equally share net income or net loss unless the partnership contract indicates otherwise
أما يشارك الشركاء في صافي الدخل أو خسارة الصافية فالجميع يشارك عقد الشركة على غير ذلك.

⇒ Closing Entries ⇒

□ Close all Revenue and expenses account to Income summary
ننقل حسابات I/S لإغلاق إيرادات، المصاريف

□ Close Income summary to each partner Capital
لإغلاق حساب I/S لحساب كل شريك

□ Close each partner's Drawing Account
لإغلاق حسابات كل شريك من حسابات

entries ⇒

1) to close Revenues

total Revenues

Income Summary Acc.

2) to close Expenses

Income summary Acc

total Expenses

3) to close Income summary Acc.

13) to close Income summary Account

| I/S | |
|------|------|
| xxxx | xxxx |
| xxxx | xxxx |

A) قسمة الربح

Income summary Account

- P₁, Capital
- P₂, Capital
- P₃, Capital

13) قسمة الأرباح

- P₁, Capital
- P₂, Capital
- P₃, Capital

Income summary Account

14) to Close Drawing Account

- P₁, Capital
- P₂, Capital
- P₃, Capital

P₁, Drawing Acc

P₂, Drawing Acc

P₃, Drawing Acc

5] Salaries to partners, Interest on partners' Capital and the Remainder on Fixed Ratio

الرواتب للشركاء
 الفائدة على رأس المال
 والتبقي يوزع على نسبة ثابتة

three step agreement

$$A = 50\%, B = 30\%, C = 12\%$$

| | | |
|-----|-----|-----|
| A | B | C |
| 50% | 30% | 30% |

Partners to partners and partners and partners

| | | |
|-----|-----|-----|
| A | B | C |
| 50% | 30% | 30% |

two step agreement

Partners to partners and partners and partners

two step agreement

Topic

example \Rightarrow A Dividing of N. Income / Loss Between partners
 \hookrightarrow Assume A, B, C, are partner's in a small service. Co
on Dec. 31, 2019, the partner's Capital show the following
Figures, Before the N. Income for the year

A. Capital \Rightarrow 50,000

B. Capital \Rightarrow 40,000

C. Capital \Rightarrow 90,000

□ The net Income for 2019 is = 70,000 \$

Case 1

\hookrightarrow if the partnership agreement calls for Dividing
net income / loss in a fixed Ratio of

| A | B | C |
|-----|-----|-----|
| 20% | 40% | 40% |

Share of A \Rightarrow 20% \times 70,000 = 14,000

Share of B \Rightarrow 40% \times 70,000 = 28,000

Share of C \Rightarrow 40% \times 70,000 = 28,000

total shares = 70,000

Case 2

↳ if agreement calls for Dividing net Income or Loss in Ratios Based on their Capital's

$$A's \text{ share} = \frac{5}{18} \times 70,000 = 19,444$$

$$B's \text{ share} = \frac{4}{18} \times 70,000 = 15,556$$

$$C's \text{ share} = \frac{9}{18} \times 70,000 = 35,000$$

$$\text{total} = 70,000$$

Case 3 → if the agreement calls for giving A and B salaries of 10,000, 20,000 respectively, and the Remaining on a Fixed Ratio

| A | B | C |
|-----|-----|-----|
| 20% | 20% | 60% |

Dividing of N/Income table

| | A | B | C | total |
|--------------------------------|----------|-------|--------|----------|
| net income to be Divided | | | | 70,000 |
| <u>50</u> salaries to partners | 10,000 | -- | 20,000 | (30,000) |
| Remaining After salaries | | | | 40,000 |
| <u>50</u> in a fixed Ratio | 8,000 | 8,000 | 24,000 | (40,000) |
| share of partner | 18,000 | 8,000 | 44,000 | -- |
| total | = 70,000 | | | |

Case 2

↳ if agreement calls for Dividing net Income or Loss in Ratios Based on their Capital's

$$A's \text{ share} = \frac{5}{18} \times 70,000 = 19,444$$

$$B's \text{ share} = \frac{4}{18} \times 70,000 = 15,556$$

$$C's \text{ share} = \frac{9}{18} \times 70,000 = 35,000$$

$$\text{total} = 70,000$$

Case 3

→ if the agreement calls for giving A and B salaries of 10,000, 20,000 respectively, and the Remaining on a Fixed Ratio

| A | B | C |
|-----|-----|-----|
| 20% | 20% | 60% |

Dividing of N/Income table

| | A | B | C | total |
|--------------------------------|----------|-------|--------|----------|
| Net income to be Divided | | | | 70,000 |
| <u>S1</u> salaries to partners | 10,000 | -- | 20,000 | (30,000) |
| Remaining After salaries | | | | 40,000 |
| <u>S2</u> in a fixed Ratio | 8,000 | 8,000 | 24,000 | (40,000) |
| share of partner | 18,000 | 8,000 | 44,000 | -- |
| total | = 70,000 | | | |

Case 4 → if the agreement calls for giving all partner 10% ^{interest} on their capital and the Remaining on a Fixed Ratio of
 A → 30% B → 30% C → 40%

Dividing N/Incom table

| | A | B | C | total |
|-------------------------------|----------|--------|--------|----------|
| Income to be Divided | | | | 70,000 |
| ① → interest on their capital | 5,000 | 4,000 | 9,000 | (18,000) |
| Remaining After interest | | | | 52,000 |
| ② Fixed Ratio | 15,600 | 15,600 | 20,800 | (52,000) |
| Share of partner's | 20,600 | 19,600 | 29,800 | 0 |
| total | = 70,000 | | | |

Case 5 → if Agreement calls for Dividing n. Income/Loss as follows
 ① salary to A and B of 10,000 each
 ② interest on capital of 20%
 ③ Remaining to be Divided equally

Dividing n./Incom table

| | A | B | C | total |
|---------------------------------|----------|----------|----------|----------|
| Income to be Dividing | | | | 70,000 |
| ① salaries to partner | 10,000 | 10,000 | -- | (20,000) |
| Remaining After salaries | | | | 50,000 |
| ② interest to partner's Capital | 10,000 | 8,000 | 18,000 | (36,000) |
| Remaining After interest | | | | 14,000 |
| ③ in a Fixed Ratio | 4,666.6 | 4,666.6 | 4,666.8 | (14,000) |
| share of partner | 24,666.6 | 22,666.6 | 22,666.8 | 0 |
| total | = 70,000 | | | |

example \Rightarrow Assume A, B, C are partners on Dec 31, 2014
 Capital are

A = 20,000

B = 50,000

C = 60,000

net income for year = 30,000

\Rightarrow agreement state that n. Income / loss is to be Divided as follows

- \square salaries of 10,000, 20,000 to A and B only
- \square Interest of 10% on partner's capital
- \square Remaining is Divided equally ($\frac{1}{3}, \frac{1}{3}, \frac{1}{3}$)

Dividing n. Income table

| | A | B | C | total |
|--------------------------|--------|--------|-------|-----------|
| Income to be Divided | | | | 30,000 |
| S1 salaries to partner | 10,000 | 20,000 | -- | (30,000) |
| Remaining After salaries | | | | 0 |
| S2 interest to partners | 2000 | 5000 | 5000 | (12,000) |
| Remaining After interest | | | | -12,000 |
| S3 Dividing equally | -4000 | -4000 | -4000 | (-12,000) |
| | | | | -0- |
| Shares of partners | 8000 | 21,000 | 1000 | |
| total = 30,000 | | | | |

entry \Rightarrow Income summary Acc 30,000

A's capital 8000
 B's capital 21,000
 C's capital 1000

Statement of partner capital

| | A | B | C |
|-------------------------|--------|--------|--------|
| B. Capital | 20,000 | 50,000 | 50,000 |
| + additional investment | - 0 - | - 0 - | - 0 - |
| <hr/> | | | |
| + N-Income shares | 8,000 | 21,000 | 1,000 |
| - Drawalls | - 0 - | - 0 - | - 0 - |
| <hr/> | | | |
| Ending Capital | 28,000 | 71,000 | 51,000 |

net loss = -20,000 لا لنفترق ان في تلك السنة كان هناك 20,000

Dividing N/Income/Loss table

| | A | B | C | Total |
|--------------------------|----------|----------|----------|----------|
| Income to be Dividing | | | | - 20,000 |
| ① Salaries to partner | 10,000 | 20,000 | - | (30,000) |
| <hr/> | | | | |
| Remaining After salaries | | | | - 50,000 |
| ② Interest to partners | 2,000 | 5,000 | 5,000 | (12,000) |
| <hr/> | | | | |
| Remaining After interest | | | | - 62,000 |
| ③ Divid equally | - 20,667 | - 20,667 | - 20,666 | (62,000) |
| <hr/> | | | | |
| Shares of partner | - 8,667 | 4,333 | - 15,666 | - 0 - |
| <hr/> | | | | |
| total = | | | | - 20,000 |

entry =>

A's Capital 8,667
C's Capital 15,666

Income summary Acc 20,000
B's Capital 4,333

Statement of partners

| | A | B | C |
|-------------------------|---------------|---------------|---------------|
| B. Capital | 20,000 | 50,000 | 50,000 |
| + additional investment | - 0 - | - 0 - | - 0 - |
| + N. Income share | (8,667) | 4,333 | (15,666) |
| - Drawalls | - 0 - | - 0 - | - 0 - |
| <u>Ending Capital</u> | <u>11,333</u> | <u>54,333</u> | <u>34,333</u> |

□ Entry into an existing partnership

□ Partnership Between A, B, C

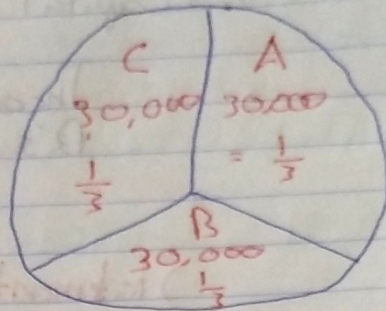
Capitals are

A = 30,000

B = 30,000

C = 30,000

total = 90,000



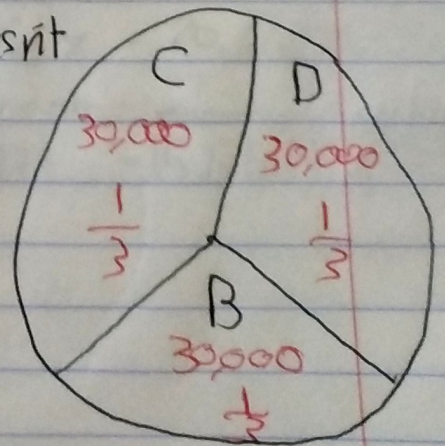
□ انا اراد □ الدخول للشراكة فإني هناك ثلاثة طرق

□ by purchases of interest [شراء حصة] from one or more of existing partners

□ Assume D agree to purchase all the share of A for 50,000

entry A's Capital 30,000
D's Capital 30,000

□ total Company capitals Doesn't change, that's mean the size of company is the same or No Assets enter the company



□ العلية فقط تبديلة فلا زلتهم الشرك مع

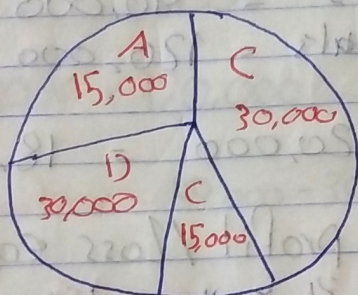
البيع

□ للتقرض من D اراد أن يشتري نصف حصته A، وتحت حصته B

Entry

A's Capital 15,000
B's Capital 15,000

D's Capital 30,000



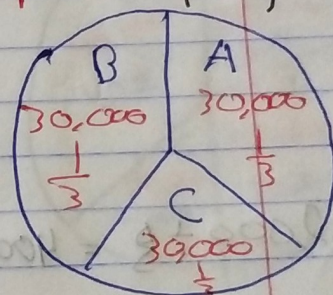
[2] by Investment into The partnership [Company]

we have 3 scenarios

A = 30,000

B = 30,000

C = 30,000



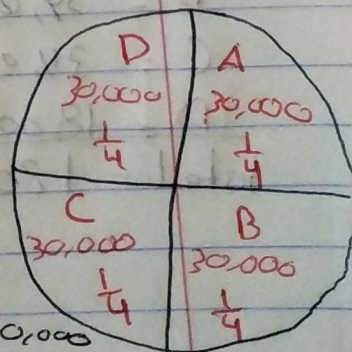
[5] D approves to invest 30,000 into the company and get share equivalent to his investment (25%)

total old capital = 90,000

total new capital = 120,000

share of D equal (25%) of 120,000

entry => Cash 30,000
D's Capital 30,000



A = 30,000

B = 30,000

C = 30,000

D = 30,000

120,000

52

Mr. D approves to invest 30,000 Cash into the Company and he get the share of 15% only of ownership

[Bonus to existing partners]
إلى الزيادة لأصحاب الشركة

total of Capitals = 90,000

total new capitals = 120,000

D's share = %15 x 120,000 = 18,000

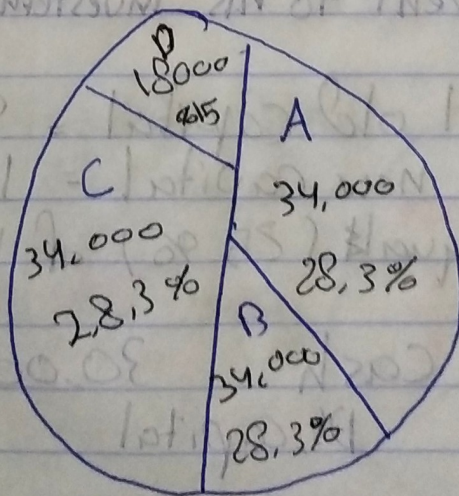
Assume, partners share profit / Loss equally

أي يعني تقاسم الربح والخسارة بالتساوي بين الشركاء

| | | |
|-------|-------------|--------|
| entry | Cash | 30,000 |
| | D's Capital | 18,000 |
| | A's Capital | 4,000 |
| | B's Capital | 4,000 |
| | C's Capital | 4,000 |

$12,000 \div 3 = 4000$ to each old partner's

A = 34,000
 B = 34,000
 C = 34,000
 D = 18,000
 total = 120,000



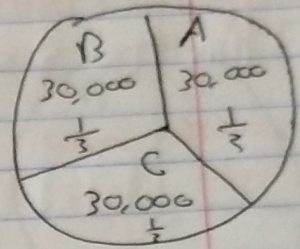
53

↳ D's will Invest 30,000 Cash into the partnership (company) and will be given 40% share of the total Company

[Bounes to new partner's]

- total old Capital = 90,000
- total new capital = 120,000

$$D's \text{ share} = 40\% \times 120,000 = 48,000$$



$$\text{Bounes to the new partner} = 48,000 - 30,000 = 18,000$$

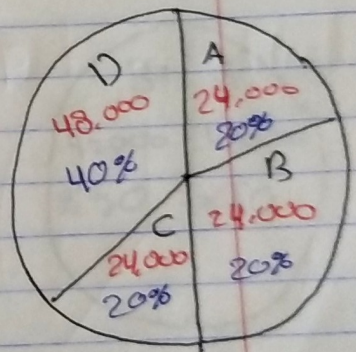
$$\downarrow$$
$$\div 3 = 6000$$

entry \Rightarrow

| | |
|----------|--------|
| Cash | 30,000 |
| A's Cap. | 6000 |
| B's Cap. | 6000 |
| C's Cap. | 6000 |

D's Capital 48,000

$$\square \text{ total of new Capital} = 120,000$$

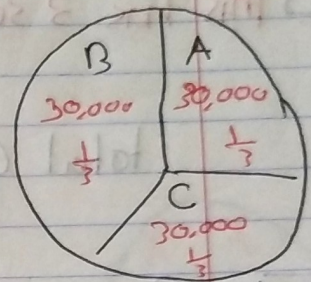


□ Exit [Departure] (فروج) of partner from an ongoing partnership company
 خروج شريك من الشركة

↳ this can be happened in two way

1) By selling of interest to either his old partners or anybody else
 عن طريق بيع حصته

example ⇒ Assume C wants to sell his share to A and B, they agree to purchase his share equally



entry ⇒

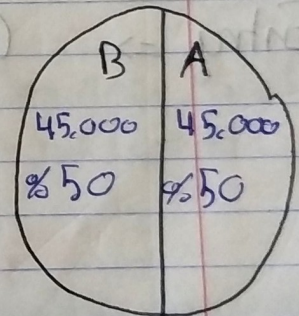
C's Capital 30,000

A's Capital 15,000

B's Capital 15,000

$$30,000 \div 2$$

$$= 15,000$$

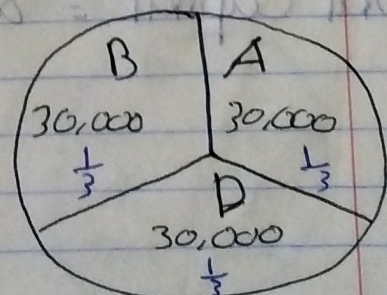


Example ⇒ if C sells his share to D for 40,000

Entry ⇒

C's Capital 30,000

D's Capital 30,000

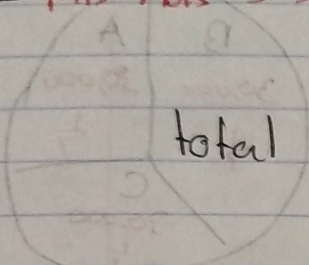


الطريقة
2

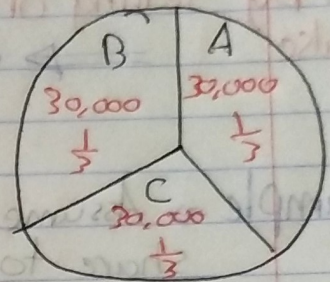
↳ By with Drowing Assets [Cash] From the partnership [Company]

لأنه من طريق سحب الكاش من الشركة

□ This has 3 scenarios

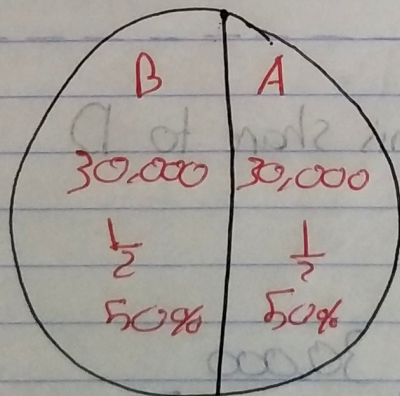
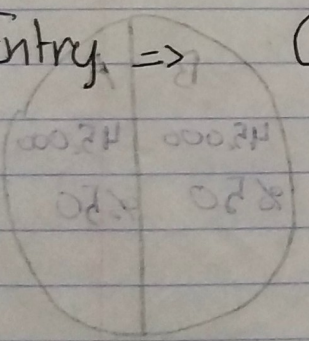


total Capital = 90,000



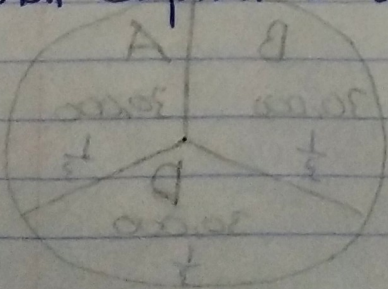
51 → C, Leaves the Company by with Drowing Cash of 30,000 equal to his Capital, from partnership Company

Entry => C's Capital 30,000
Cash 30,000



total Capital = 60,000

(90,000 - 30,000)

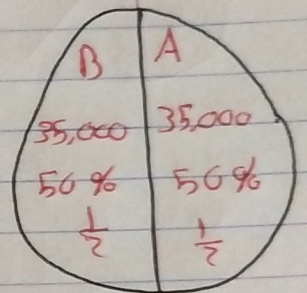


[52] C, Leaves the partnership by with Drawing Assets [Cash] of 20,000 which is Less than his Capital the Difference is called **Bonus to old partners** [مكافأة للشركاء القدامى]

and is Dividing according to profit / Loss sharing agreement

Entry \Rightarrow C's Capital 30,000

| | |
|-------------|--------|
| Cash | 20,000 |
| A's Capital | 5000 |
| B's Capital | 5000 |



total Capital = 70,000
(90,000 - 20,000)

[53] C, Leaves the partnership by with Drawing Asset [Cash] of 40,000 which is more than his Capital

\hookrightarrow this called **Bonus to Leaving Capital** and Divided according to profit / Loss sharing agreement

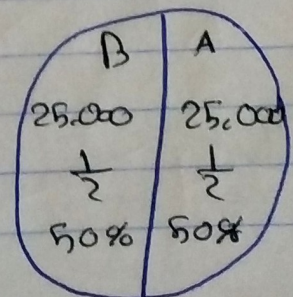
Entry \Rightarrow C's Capital 30,000
A's Capital 5000
B's Capital 5000

Cash 40,000

The total of new Capital

= 50,000

(90,000 - 40,000)



□ Liquidation of a Partnership تصفية الشراكة

↳ An event that ends both the legal and economic life of a partnership

لأنه اكتملت التي يتم من خلاله انتهاء الشركة اقتصادياً وقانونياً «تسكير نهائياً»

to liquidate it, it's necessary to

□ sell nonCash Assets and recognize Gain or Loss
لبيع الأصول الغير نقدية والتعرف على الربح، الخسارة

□

□ Allocate Gain / Loss on realization to the partners based on thier Income Ratios
لأنه تنقسم الربح او الخسارة على الشركاء بناءً على نسب دخلهم

□ Pay Partnership Liability in Cash

لرفع التزامات الشركة نقدياً

□ Distribute the remaining Cash to partner basis on thier Capital Balances

لأنه توزيع النقد المتبقى على الشركاء بناءً على رأسمالهم

□ if the partner have Credit Balance

↳ لا يوجد نقص في رأسمالهم، this called NoCapital Deficiency

□ if the partner have Debit Balance

↳ يوجد نقص في رأسمالهم، this called Capital Deficiency

□ The liquidation may result from 3 reason

1) sales of the Business by agreement of partner

2) Death of the partner

3) Bankruptcy

البنكruptcy

Example

| | | | | | |
|-------------------|--------|--------------------------|--------|--------------------|----------|
| <u>Cash</u> | | <u>Note Payable</u> | | <u>A's Capital</u> | |
| 5,000 | | 15,000 | 15,000 | | 16,000 |
| 7,500 | 31,000 | 15,000 | | | 7,500 |
| B 49,000 | | 00 | 00 | | |
| | 49,000 | | | | |
| <u>Acc/Rec</u> | | <u>Acc. Payable</u> | | <u>C's Capital</u> | |
| 15,000 | | 16,000 | 16,000 | | 17,800 |
| | 15,000 | 00 | 00 | | 5,000 |
| 0 | 0 | | | | 22,800 B |
| <u>Equipment</u> | | <u>Acc. Depreciation</u> | | <u>E's Capital</u> | |
| 35,000 | | 8,000 | 8,000 | | 27,800 |
| 35,000 | 35,000 | 8,000 | | | |
| | | 00 | 00 | | |
| <u>Inventory</u> | | <u>Gain Realization</u> | | <u>E's Capital</u> | |
| 18,000 | | 15,000 | 15,000 | | 1,200 |
| 18,000 | 18,000 | 15,000 | | | 2,500 |
| 00 | 00 | | | | 3,700 B |
| | | | | | 3,700 |
| | | | | | 00 |
| | | | | | 00 |

(1) sell non-cash

| | |
|------------------|--------|
| Cash | 75,000 |
| Acc. Dep | 8,000 |
| A/R | 15,000 |
| Inventory | 18,000 |
| Equipment | 35,000 |
| Gain Realization | 15,000 |

B) Mr E will not pay the Deficiency

⇒ the ~~CAWA~~ other partner will absorb the loss between them

$$A's \rightarrow 1800 \times \frac{3}{5} = 1080$$

$$C's \rightarrow 1800 \times \frac{2}{5} = 720$$

| | | |
|---------------|------|------|
| ⊕ A's Capital | 1080 | |
| C's Capital | 720 | |
| E's Capital | | 1800 |

| | | |
|---------------|-------|-------|
| ⊕ A's Capital | 4920 | |
| C's Capital | 11080 | |
| Cash | | 16000 |

Case 2

| Cash | | Note / P | | A's Capital | |
|--------|--------|----------|--------|-------------|--------|
| 5,000 | | | 15,000 | | 15,000 |
| 42,000 | | 15,000 | | 9,000 | |
| | 31,000 | 00 | 00 | | 6,000 |
| 16,000 | | | | | |

| A/R | | Acc / P | | B's Capital | |
|--------|--------|---------|--------|-------------|--------|
| 15,000 | | | 16,000 | | 17,800 |
| | 13,000 | 00 | 00 | 6,000 | |
| 00 | 00 | | | | 11,800 |

| Inventory | | Loss on Realization | | C's Capital | |
|-----------|--------|---------------------|--------|-------------|--------|
| 18,000 | | | 18,000 | | 12,000 |
| | 18,000 | 18,000 | | 3,000 | |
| 00 | 00 | | 18,000 | 1,800 | |
| | | 00 | 00 | | |

| Equipment | | Acc. Depreciation | | Capital Deficiency | |
|-----------|--------|-------------------|-------|--------------------|--|
| 3,000 | | | 8,000 | | |
| | 35,000 | 8,000 | | | |
| 00 | 00 | | 8,000 | | |
| | | 00 | 00 | | |

12) sell non cash Assets

| | |
|---------------------|--------|
| Cash | 42,000 |
| Acc. Dep | 8,000 |
| Loss on Realization | 18,000 |

| | |
|-----------|--------|
| A/R | 15,000 |
| Inventory | 18,000 |
| Equipment | 35,000 |

13) Divide the loss Between Partner

| | |
|-------------|-------|
| A's Capital | 9,000 |
| E's Capital | 6,000 |
| E's Capital | 3,000 |

Loss on Realization 18,000

14) Pay all liability from Cash

A:C:E
3:4:2:1

| | |
|----------------|--------|
| N/P | 15,000 |
| A/P | 16,000 |
| Cash | 31,000 |

15) we have a Capital Deficiency situation, E's has a Debit Balance for 1,800 we have 2 scenarios

15) E's is to pay 1,800 to partners

| | |
|-------------|-------|
| Cash | 1,800 |
| E's Capital | 1,800 |

| | |
|---------------|-------|
| * A's Capital | 6000 |
| C's Capital | 11800 |
| Cash | 17800 |

And cash

15,000
18,000
33,000

ARR
Investment
Equipment

Loss Between Partners

4000
3000
3000

Capital
Capital
Capital

Loss on Realisation

Liability from Cash

A: C: B
1: 1: 1

17,000
16,000

31,000

Cash

P12-2A

N: B: S
6: 3: 1

(a) (b)

1. A. Niensted $60\% \times 30,000 = 18,000$
 B. Bolen $30\% \times 30,000 = 9,000$
 S. Saylor $10\% \times 30,000 = 3,000$

2.

| | N | B | S | Total |
|--------------------------|--------|--------|-------|----------|
| Income to be Divided | | | | 40,000 |
| Salaries to partner | 15,000 | 10,000 | -- | (25,000) |
| Remaining After salaries | | | | 15,000 |
| Dividing equally | 5,000 | 5,000 | 5,000 | (15,000) |
| total shares | 20,000 | 15,000 | 5,000 | -- |

Entry =

Income Summary Account
 N's Capital
 B's Capital
 S's Capital

40,000

20,000
 15,000
 5,000

[3]

| | N | B | S | Total |
|--|---------|---------|---------|-----------|
| Income to be Divided | | | | 19,000 |
| <u>S₁</u> / interest on capital | 48,000 | 3,000 | 25,000 | (103,000) |
| <u>S₂</u> / salaries to partner | 15,000 | -- | -- | (15,000) |
| <u>S₃</u> / Dividing equally | (2,100) | (2,100) | (2,100) | (6,300) |
| <u>Total shares</u> | 17,700 | 900 | 400 | 19,000 |

Entry = Income summary Account 19,000
 A's Capital 17,700
 B's Capital 900
 S's Capital 400

for case 3

N B S Company
 Statement of partner Capital
 Dec. 31, 2017

| | N | B | S | Total |
|-----------------------|----------|----------|----------|----------|
| Beg. Capital | 48,000 | 30,000 | 25,000 | 103,000 |
| + net income | 17,700 | 900 | 400 | 19,000 |
| - Drawing partner | (23,000) | (14,000) | (10,000) | (47,000) |
| <u>Ending Capital</u> | 42,700 | 16,900 | 15,400 | 75,000 |

P12-3A

J: M: R
5: 3: 2

| J. Capital | Cash M. Capital | R. Capital |
|---------------|----------------------------|--------------|
| 33,000 | 21,000 | 3,000 |
| 11,500 | 6,900 | 4,600 |
| <u>21,500</u> | 14,100 | <u>1,600</u> |
| | | 1,600 |

Cash

| |
|---------------|
| 27,500 |
| 51,000 |
| <u>44,500</u> |
| 34,000 |
| 1,000 |
| 35,000 |

buy = 24,000
sell = 51,000
loss = 23,000

entry

| | |
|----------------|--------|
| Cash | 51,000 |
| Acc. Dep | 5,500 |
| Am. for D. Acc | 1,000 |

A/R

Inventory

Equipment

25,000
34,500
21,000

توزيع الـ loss من المبيعات
 (2) Entry

| | |
|---------------------------|--------|
| J. Capital (50% x 23,000) | 11,500 |
| M. Capital (30% x 23,000) | 6,900 |
| R. Capital (20% x 23,000) | 4,600 |
| Loss on Realization | 23,000 |

دفع المدينون في القيد
 (3)

| | | |
|----------|-------------------------|--------|
| Entry => | Notes payable | 13,500 |
| | Account payable | 27,000 |
| | Salary and wage payable | 4,000 |
| | Cash | 44,500 |

توزيع النقد
 (4)

| | | | |
|----------|--------------|--------|--------------------|
| entry => | Cash | 1,600 | (1) في حال دفع "R" |
| | R. Capital | 1,600 | |
| | Total Cash = | 35,600 | |

توزيع النقد
 entry =>

| | |
|------------|--------|
| J. Capital | 21,500 |
| M. Capital | 14,100 |
| Cash | 35,600 |

entry ①

| | | |
|------------|-------|----------------|
| J. Capital | 1000 | (2) في حال دفع |
| M. Capital | 600 | |
| R. Capital | 1,600 | |

②

| | |
|-------------|--------|
| J's Capital | 20,500 |
| Mrs Capital | 13,500 |
| Cash | 34,000 |

P12-4A

D: L: P
5:4:1

① - II entry \Rightarrow P's Capital 9000
T's Capital 9000

② entry \Rightarrow L's Capital 16,000
T's Capital 16,000

| |
|--------|
| 48,000 |
| + |
| 3 |
| 16,000 |

③ Total old Capital = 118,000
Total new Capital = 118,000 + 62,000
= 180,000

Share's of T's = $180,000 \times 30\%$
= 54,000

\Rightarrow Bonus to old Capital partner = $62,000 - 54,000$
= 8,000

entry = Cash 62,000

| |
|----------|
| D = 4000 |
| L = 3200 |
| P = 800 |

| | |
|-------------|--------|
| D's Capital | 4000 |
| L's Capital | 3200 |
| P's Capital | 800 |
| T's Capital | 54,000 |

④ Total old Capital = 118,000
Total new Capital = 118,000 + 42,000
= 160,000

T invest 42,000
Take 30% from new Capital

T's Capital = $160,000 \times 30\% = 48,000$

Bonus to new partner = $42,000 - 48,000 = (6,000)$

D's = (3000)
L's = (2400)
P's = (600)

Entry =

| | |
|-------------|--------|
| Cash | 42,000 |
| D's Capital | 3,000 |
| L's Capital | 2,400 |
| P's Capital | 600 |

| | |
|-------------|--------|
| T's Capital | 48,000 |
|-------------|--------|

$118,000 = \text{Total old Capital}$
 $118,000 + 48,000 = \text{Total New Capital} = 166,000$
 $\frac{166,000}{2} = 83,000$
 $83,000 - 3,000 = 80,000$
 $80,000 - 2,400 = 77,600$
 $77,600 - 600 = 77,000$

| | |
|-------------|--------|
| Cash | 42,000 |
| D's Capital | 3,000 |
| L's Capital | 2,400 |
| P's Capital | 600 |
| T's Capital | 48,000 |

$118,000 = \text{Total Old Capital}$
 $118,000 + 48,000 = \text{Total New Capital} = 166,000$
 $\frac{166,000}{2} = 83,000$
 $83,000 - 3,000 = 80,000$
 $80,000 - 2,400 = 77,600$
 $77,600 - 600 = 77,000$