

Note: Answer 4 questions only

Q 1// Choose correct answer :

1. Notes receivable are recognized in the accounts at

- a. cash (net) realizable value.      b- Face value.
- c. gross realizable value.          d- Maturity value

2- Sally Company receives a ID 4,000,000, 3-month, 8% promissory note from Hala company in settlement of an open accounts receivable .what entry will Sally company make upon receiving the note?

- a. From\Notes Receivable..... 4,000,000  
    To\Accounts Receivable—hala Company..... 4,000,000
- b. From\Notes Receivable..... 4,000,000  
    To\Accounts Receivable—hala Company ..... 4,000,000  
    Interest Revenue ..... 80,000
- c. From\ Notes Receivable..... 4,000,000  
    Interest Receivable ..... 80,000  
    To\ Accounts Receivable—Hala Company..... 4,000,000  
    Interest Revenue ..... 80,000
- d. From\ Notes Receivable..... 4,000,000  
    To\ Accounts Receivable—Hala Company..... 4,000,000

3- While calculating cash from operating activities will added.

- a- Decrease in current assets.          b- Increase in Accounts receivable.
- c- Decrease in current liabilities.      d- All the above.

4- The cost of goods available for sale is allocated to the cost of goods sold and the :

- a- beginning inventory.                  b- ending inventory.
- c- cost of goods purchased.          d- gross profit.

5- in accounting for stock investments between 20% and 50% the -- method is used

- a- consolidated statement      b- controlling interest.      C- cost.      d- Equity



**Instruction:**

١- Prepare the adjusting entries to report the securities at fair value.

٢- Indict the statement presentation of the related unrealized gain(loss) accounts for each class of securities

Q ٥// : The financial statement of Babel Company appear below:

**BABEL COMPANY**

**Comparative Balance Sheet December ٣١**

<u>Assets</u>	<u>٢٠١٥</u>	<u>٢٠١٤</u>
Cash	ID ٣٩.٠٠٠	ID ٢٣.٠٠٠
Accounts receivable	٢٦.٠٠٠	٣٤.٠٠٠
Inventory	٢٥.٠٠٠	١٥.٠٠٠
Plant and equipment	٥.٠٠٠	٧٨.٠٠٠
Accumulated depreciation	<u>(٢٠.٠٠٠)</u>	<u>(٢٤.٠٠٠)</u>
<b>Total</b>	<b>ID <u>١٢.٠٠٠</u></b>	<b>ID <u>١٢٦.٠٠٠</u></b>
<u>Liabilities and Stockholder's Equity</u>		
Account payable	ID ١٥.٠٠٠	ID ٢٣.٠٠٠
Income taxes payable	١٣.٠٠٠	٨.٠٠٠
Bonds payable	٧.٠٠٠	٣٣.٠٠٠
Common stock	٤١.٠٠٠	٢٤.٠٠٠
Retained earnings	<u>٤٤.٠٠٠</u>	<u>٣٨.٠٠٠</u>
<b>Total</b>	<b>ID <u>١٢.٠٠٠</u></b>	<b>ID <u>١٢٦.٠٠٠</u></b>

## BABEL COMPANY

### Income statement

For the year Ended December ٣١,٢٠١٥

Sales		ID ٣٥,٠٠٠
Cost of goods sold		<u>٢٨,٠٠٠</u>
Gross profit		٧,٠٠٠
Selling expenses	ID ٢,٠٠٠	
Administrative expenses	<u>١٦,٠٠٠</u>	<u>( ٣٦,٠٠٠ )</u>
Income from operation		٣٤,٠٠٠
Interest expense		<u>٤,٠٠٠</u>
Income before income tax		٣٠,٠٠٠
Income tax expense		<u>١,٠٠٠</u>
Net income		<u>ID ٢٩,٠٠٠</u>

The following additional information were provided

- ١- Dividends declared and paid were ID ١٤,٠٠٠
- ٢- During the year equipment was sold for ID ١٢,٠٠٠ cash, this equipment cost ID ٢٨,٠٠٠ originally and had a book value of ID ١٢,٠٠٠ at the time of sale.
- ٣- All the depreciation expense is in the selling expense category.
- ٤- All sales and purchases are on account.
- ٥- Accounts payable pertain to merchandise suppliers.
- ٦- All operating expenses except for depreciation were paid in cash.

Good luck

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