1 Mercchandise Inventory (ending) appears as an ………….. in the ………….. (financial statement).

2 The only account figure that appears on bth the income statement and balance sheet is, …………..

3 The beginning balance of Merchandise Inventory would be the same amount as the ending balance of the ………….. period.

4 The account with zero balance of the year would be those involving ………….. and …………..

**Exercise 2**

The Mehdi's Company purchased merchandise costing $150.000. What is the cost of goods sold under each assumption below?

**Beginning Inventory ending Inventory**

100.000 60.000

75.000 50.000

50.000 30.000

0 10.000

**Exercise 3**

Compute the cost of goods sold from the following information: Beginning Inventory, $30.000; Purchases, S70.000; Purchases Returns, S3.000; Ending Inventory, $34.000.

**Exercise 4**

Prepare an income statement based on the following data.

1. Merchandise Inventory, Jan. I, 2000, S30.000
2. Merchandise Inventory, Dec. 31,2000, S24.000
3. Purchases. S66.000
4. Sales Income, S103.000
5. Purchases Returns, S2.000
6. Total expenses, $27.900

**Exercise 5**

Presented below are some of the accounts balances of XYZ Company at the and of December 2018. Fill in the blank with this information

 In 000 dollars

Sales revenue 98

Purchases 32

Freight– in 2.5

Sales returns 3.5

Sales discounts 4.1

Purchases discounts 1.3

Beginning inventory 8

Ending inventory 11

Sellers wages 15

Store rents 10

Depreciation 6

General expenses 7

Delivery charges 3

Other expenses 1.5

1 Net sales is ………….. dollars

2 Cost of goods purchased is …………..

3 cost of goods sold is …………..dollars

4 operating expenses is ………….. dollars

 **Chapter 5**

**Manufacturing Enterprises**

Manufacturing companies purchase raw materials and convert these materials into finished goods through the process of production. The conversion from raw materials into finished goods results from utilizing a combination of labor and machinery. Thus, man utilizing costs are often divided into three broad categories: direct materials, direct labor, and manufacturing overhead.

**Direct materials** are raw materials and component parts used in production whose costs are directly traceable to the products manufactured.

**Direct labors** are wages and other payroll costs of employees whose efforts are directly traceable to the products they manufacture, either hand or with machinery.

**Manufacturing overhead** is a catchall classification, which includes all manufacturing costs other than the cost of direct materials and direct labor. Examples include factory utilities, supervisor's salaries, equipment repairs, and depreciation of machinery.

Sum of the first two items (I, e., direct material and direct labor) is called prime costs. Conversion costs are costs of converting raw materials into finished product and include direct labor and manufacturing overhead.

Manufacturers often maintain a perpetual inventory system for three different types of inventories due to different physical forms of products as they progress from its raw to finished state. Inventory accounts that manufacturers maintain are:

1 Raw materials inventories are materials on hand and available for use in the manufacturing process.

2 work – in – process inventories are goods completed partially upon which manufacturing activities have been started but not yet completed.

3 Finished goods inventories are completed products that are not sold until the end of the period. So, they are available for sale to customers.

کسب اطلاعات فنی

All three of these inventory accounts are classified on the balance sheet as current assets in the order of their position in the manufacturing process.

Beginning Inventory of Finished Goods

+

Cost of Goods Manufactured

-

Ending Inventory of Finished Goods

=

Cost of Goods Sold

**Exercise 1**

1 The accounting equation is ………….. = ………….. + …………..

2 Items owned by a business that have monetary value are …………..

3 ………….. is the interest of the owner's in a business.

4 Money owed to an outsider is a (n) …………..

5 The difference between assets and liabilities is …………..

6 An investment the business increases ………….. and …………..

7 To purchase on account is to create a …………..

**Exercise 2**

Tell whether each of the following accounts is an asset, a liability, arevenue a capital, an expense, or none of these.

Accounts payable Salaries expense

Service fees income Machinery

Prepaid insurance Notes payable

Cash Supplies

Telephone Expense Accounts receivable

Owner's Capital Unearned service fees

Rent expense Withdrawals

Equipment Retained earning

Keywords

|  |  |  |  |
| --- | --- | --- | --- |
| Accounting | حسابداری | Assets | دارایی ها |
| Capital | سرمایه | Benefit | منفعت |
| Withdrawals | برداشت | Obligations | بدهی – تعهد |
| Cost | بها | Cash | وجه نقد |
| Goods | کالا | revenue | درآمد |
| Expenses | هزینه | Investments | سرمایه‌گذاری |
| Operations | عملیات | Liabilities | بدهی‌ها |
| Book – keeping | دفتر اداری  | Financial | مالی |
| Owner's | مالکان | Equation | معادله |
| Managers | مدیران | Creditors | بستانکاران  |
| Governmental | دولتی | Transactions | رویداد مالی |
| Economic | اقتصادی  | Supplies | ملزومات  |
| Accounts payable | حساب های پرداختنی  | Fees income  | درآمد حق الزحمه  |
|  |  |  |  |
|  |  |  | Scanned with CamScar |

|  |  |  |  |
| --- | --- | --- | --- |
| Statement of owner's equity  | صورت حقوق مالکان  | Intangible assets | دارایی‌های نامشهود |

**Chapter 4**

**Merchandising Enterprise**

There are three of business enterprises that make up the business society

1 Servicing: Companies and individuals that yield a service to consumer, such as Lawye rs, physician, airlines and ete.

…1 ………..

3 Merchandising: Companies that engage in buying and selling finished goods such as department stores and relair establishment.

2 Manufacturing: Companies that convert raw materials into finished Products, such as housing construction companies and lumber mills.

This chapter examines the third type, merchandising companies.

Merchandising (trading) businesses are those whose income derives largely from buying and selling goods rather than from rendering services.

Inventory represents the value of the accounting period. The beginning balance is the same amount as the ending balance of the previous period, so unsold merchandising must be counted and priced and its total recorded in the ledger as Ending Inventory. The amount of this inventory is shown as an asset in the balance sheet.

**Purchases**

When the periodic inventory system is used to account for inventory. Purchases of merchandise inventory account but rather is debited to separate account known as purchases. This account includes only merchandise bought for resale. Other types of purchases (machinery, furniture, trucks, etc.) that are to be used in the business, rather than sold, are debited to the particular asset account involved and appear in the balance sheet.

کسب اطلاعات فنی

**!Note**

**The amount of goods sold during the period is shown as cost of goods sold in the income statement.**

**Sales Revenue**

Revenue includes gross income from the sale of products or services. It may be designated as sales, income from fees, and so on, to indicate gross income. The gross amount is reduced by sales returns and by sales discounts to arrive at net sales.

**Cost or goods sold**

The inventory of merchandising huskiness consists of pools on hand at the end of

July 31,2018

|  |  |
| --- | --- |
| **Astes:**Cash $10.500Accounts receivable 2.000Equipment 3.000Total assets 15.500  | **Liabilities & Owner's equlity**Notes Payable 700Accruals payable 3.000 Capital 11.800 Total 15.500 |

the three general classes of the items appear on the balance sheet are assets, liabilities, and owner's equity. These are key elements of every balance sheet. However, on the balance sheet of corporations, they are usually divided into several sub classifications as below:

|  |  |  |  |
| --- | --- | --- | --- |
| Assets | Current assets | Liabilities | Current Liabilities  |
| Long- term investments | Long-term liabilities |
| Tangible fixed assets | Owner's equity  | Capital stock  |
| Other nsscts | Retained earnings  |

**Exercise 1**

1 Another term for an accounting period is an ……………..

2 The statement that shows net income for the period is known as the …………….. statement.

3 Two groups of items that make up the income statement are …………….. and ……………..

4 Assets must equal ……………..

5 Expense and Income must be matched in the same ……………..

**Exercise 2**

Presented below are the accounts balance of Tehran Institute at the end of December 2018 Prepare an Income Statement and Balance Sheet

Account payable $7.000 Salaries expense $5.000

Service fees income 1.5.000 Machinery 10.000

Prepaid insurance 2.000 Notes payable 2.000

Cash 6.000 Supplies 500

Telephone expense 2.500 Accounts receivable 1.000

Owner's capital ? Unearned service fees 1.200

**Keywords**

resources منابع profitability سودآوری

notes یادداشت‌ها balance sheet ترازنامه

Cash flows جریان‌ و وجوه نقد salaries حقوق

rent اجاره capital stock سرمایه سهام

**Exercise 1**

1 Prime costs = …………….. + ……………..

2 Conversion costs = …………….. + ……………..

3 Manufacturing Costs = …………….. + …………….. + ……………..

4 All three of inventory accounts are classified on the balance sheet as …… Assets.

**Exercise 2**

Fill in the blanks with the following information.

In the X company prime costs equal with conversion costs, which one of them is equal to 21000. Overhead application rate is 75% of the direct Iabor.

Direct material? …………….. Direct labor? ……………..

Manufacturing overhead? …………….. Product costs? ……………..

**Exercise 3**

1 Materials purchased are $ 200, Raw materials beginning inventory is $ 25, and ending materials inventory is $ 40. Assuming that Conversion costs are $ 500, what is the amount of materials available for use?

2 Using the data for question 1, what is the amount of direct materials used?

3 Using the data for question 1, what is the amount of manufacturing cost?

**Keywords**

overhead سربار conversion تبدیل

utilizing به کارگیری combination ترکیب

labor دستمزد direct materials مواد مستقیم

finished goods کالای ساخته شده component اجزاء

catchall گوناگون wage دستمزد

payroll لیست حقوق employees کارکنان

effort تلاش traceable قابل ردیابی

customer مشتری perpetual دایمی

work-in-process کار در جریان ساخت partially جزئی

prime costs بهای اولیه factory کارخانه

**کسب اطلاعات فنی**

**Chapter 6**

**Property, Pland and Equipment**

in the order in which they appear in the ledger. Debit balances are listed the left hand column and credit balances in the right-hand column. The purpose of preparing a hand column and credit balances in the right-hand column. The purpose of preparing a trial balance is, in fact, to ensure that the totals of the accounts with debit balances are equal to the totals of the accounts with credit balances. Therefore, the totals for the two columns of the trial balance should agree. Trial balance is a base to prepare financial statements.

**کسب اطلاعات فنی**

**Exercise 1**

1 To classify and summarize a single item of an account group, we xse a form called an …………………..

2 The left side of the account is known as the ……………….. while the right side of the account is known as the ……………….

3 Expenses are debited because they decrease ………………

4 The schedule showing the balance of each account at the end of the period is known as the …………….

**Exercise 2**

**Indicate whether the following increase and decreases represent a debit or credit for each particular account.**

1. Capital is increased
2. Cash is decreased
3. Accounts Payable is increased
4. Rent expense is increased
5. Equipment is increased
6. Fees income is increased
7. Capital is decreased through drawing

**Exercise 3**

**Rearrange the following list of accounts and produce a trial balance.**

Accounts Payable $9.000 General Expense 1.000

Accounts Receivable 14.000 Notes Payable 11.000

Capital 32.000 Rent expense 5.000

Cash 20.000 Salaries expense 8.000

Drawing 4.000 Supplies 6.000

Equipment 18.000 Supplies expense 2.000

Fees income 26.000