

## محاسبة

### تقارير مالية باللغة الإنجليزية

#### ٢٤٥ حسب



الحمد لله وحده، والصلاة والسلام على من لا نبي بعده، محمد وعلى آله وصحبه، وبعد:

تسعى المؤسسة العامة للتعليم الفني والتدريب المهني لتأهيل الكوادر الوطنية المدربة القادرة على شغل الوظائف التقنية والفنية والمهنية المتوفرة في سوق العمل، ويأتي هذا الاهتمام نتيجة للتوجهات السديدة من لدن قادة هذا الوطن التي تصب في مجملها نحو إيجاد وطن متكامل يعتمد ذاتياً على موارده وعلى قوة شبابه المسلح بالعلم والإيمان من أجل الاستمرار قدماً في دفع عجلة التقدم التتموي: لتصل بعون الله تعالى لمصاف الدول المتقدمة صناعياً.

وقد خطت الإدارة العامة لتصميم وتطوير المناهج خطوة إيجابية تتفق مع التجارب الدولية المتقدمة في بناء البرامج التدريبية، وفق أساليب علمية حديثة تحاكي متطلبات سوق العمل بكافة تخصصاته لتلبي متطلباته، وقد تمثلت هذه الخطوة في مشروع إعداد المعايير المهنية الوطنية الذي يمثل الركيزة الأساسية في بناء البرامج التدريبية، إذ تعتمد المعايير في بنائها على تشكيل لجان تخصصية تمثل سوق العمل والمؤسسة العامة للتعليم الفني والتدريب المهني بحيث تتوافق الرؤية العلمية مع الواقع العملي الذي تفرضه متطلبات سوق العمل، لتخرج هذه اللجان في النهاية بنظرة متكاملة لبرنامج تدريبي أكثر التصاقاً بسوق العمل، وأكثر واقعية في تحقيق متطلباته الأساسية.

وتتناول هذه الحقيبة التدريبية " تقارير مالية باللغة الإنجليزية " لمتدربي قسم " محاسبة " للكليات التقنية موضوعات حيوية تتناول كيفية اكتساب المهارات اللازمة لهذا التخصص.

والإدارة العامة لتصميم وتطوير المناهج وهي تضع بين يديك هذه الحقيبة التدريبية تأمل من الله عز وجل أن تسهم بشكل مباشر في تأصيل المهارات الضرورية اللازمة، بأسلوب مبسط يخلو من التعقيد، وبالاستعانة بالتطبيقات والأشكال التي تدعم عملية اكتساب هذه المهارات.

والله نسأل أن يوفق القائمين على إعدادها والمستفيدين منها لما يحبه ويرضاه: إنه سميع مجيب الدعاء.

الإدارة العامة لتصميم وتطوير المناهج

إن موضوعات هذه الحقبة ليست بالجديدة على طالب قسم التقنية الإدارية بالكلية التقنية ، حيث سبق وأن درسها في مقرر المحاسبة المالية (١) ...لكن الجديد فيها أن المتدرب يتناول المادة العلمية بالدراسة باللغة الإنجليزية لما في ذلك من أهمية كبيرة تتمثل في ضرورة إلمام خريج القسم بالمفاهيم والمصطلحات والمفردات المتعلقة بالمحاسبة المالية وإعداد التقارير المالية باللغة الإنجليزية كحدٍ أدنى قبل أن ينتقل إلى سوق العمل.

لقد قُسمت هذه الحقبة إلى ثلاث وحدات على النحو التالي :

#### الوحدة الأولى:

تتعلق بخطوات الدورة المحاسبية Accounting Cycle Steps وتتضمن خريطة تدفق خطوات عناصر النظام المحاسبي Flow Chart مع شرح لكل خطوة.

#### الوحدة الثانية:

تتعلق بالسجلات المحاسبية Accounting Records حيث التدريب على التسجيل المحاسبي Journalize في سجل اليومية Journal ثم الترحيل Post إلى سجل الأستاذ Ledger إضافةً إلى التدريب على عملية الترسيد Balance وكيفية إعداد ميزان المراجعة Trial Balance.

#### الوحدة الثالثة:

تتعلق بإعداد التقارير المالية Financial Reports حيث يتم في هذه الوحدة نقل الأرصدة من ميزان المراجعة إلى الحسابات الختامية، وإقفال الحسابات الاسمية Nominal في حساب الأرباح والخسائر وإعداد قائمة الدخل ، وإعداد قائمة المركز المالي ، وإعداد قائمة التدفقات النقدية.



## تقارير مالية باللغة الإنجليزية

خطوات الدورة التدريبية (Accounting cycle steps)

خطوات الدورة المحاسبية  
Accounting cycle steps

**الجدارة: .**

- القدرة على تحليل عناصر الدورة المحاسبية.
- تحليل وتصنيف الحسابات.
- التحقق من صحة تدوين المتدرب للبيانات المالية على سند القيد.

**أهداف الوحدة:**

عندما تكتمل هذه الوحدة يكون المتدرب قادراً على:

١. رسم خريطة الدورة المحاسبية Flow chart.
٢. التحليل المالي لمستندات ووثائق العمليات المالية.
٣. التصنيف الرقمي للحسابات.
٤. كتابة التوجيه المحاسبي الصحيح على سند القيد.

**مستوى الأداء المطلوب:**

أن يصل المتدرب إلى إتقان هذه الجدارة بنسبة %٨٠.

**الوقت المتوقع للتدريب: ( ٨ ) ساعات.**

## الوسائل المساعدة:

وسيلة التدريب	طريقة التدريب	المدخل
سبورة عرض شرائح	محاضرة	تقديم
سبورة أو حامل ورق	نقاش	استخلاص

## متطلبات الجدارة: .

- اجتياز حقيبة المحاسبة المالية (١).
- حفظ المصطلحات الإنجليزية المتعلقة بالوحدة الأولى ضمن ملحق الحقيبة.
- اجتياز مقرر تطبيقات الحاسب الآلي ( الجداول الإلكترونية ).
- إجادة استخدام الآلة الحاسبة .

## Content

### Part one

- Introduction – flowchart – analyzes transactions**
- classifies accounts**
- Journalize – Post – Trial balance**

### Part two

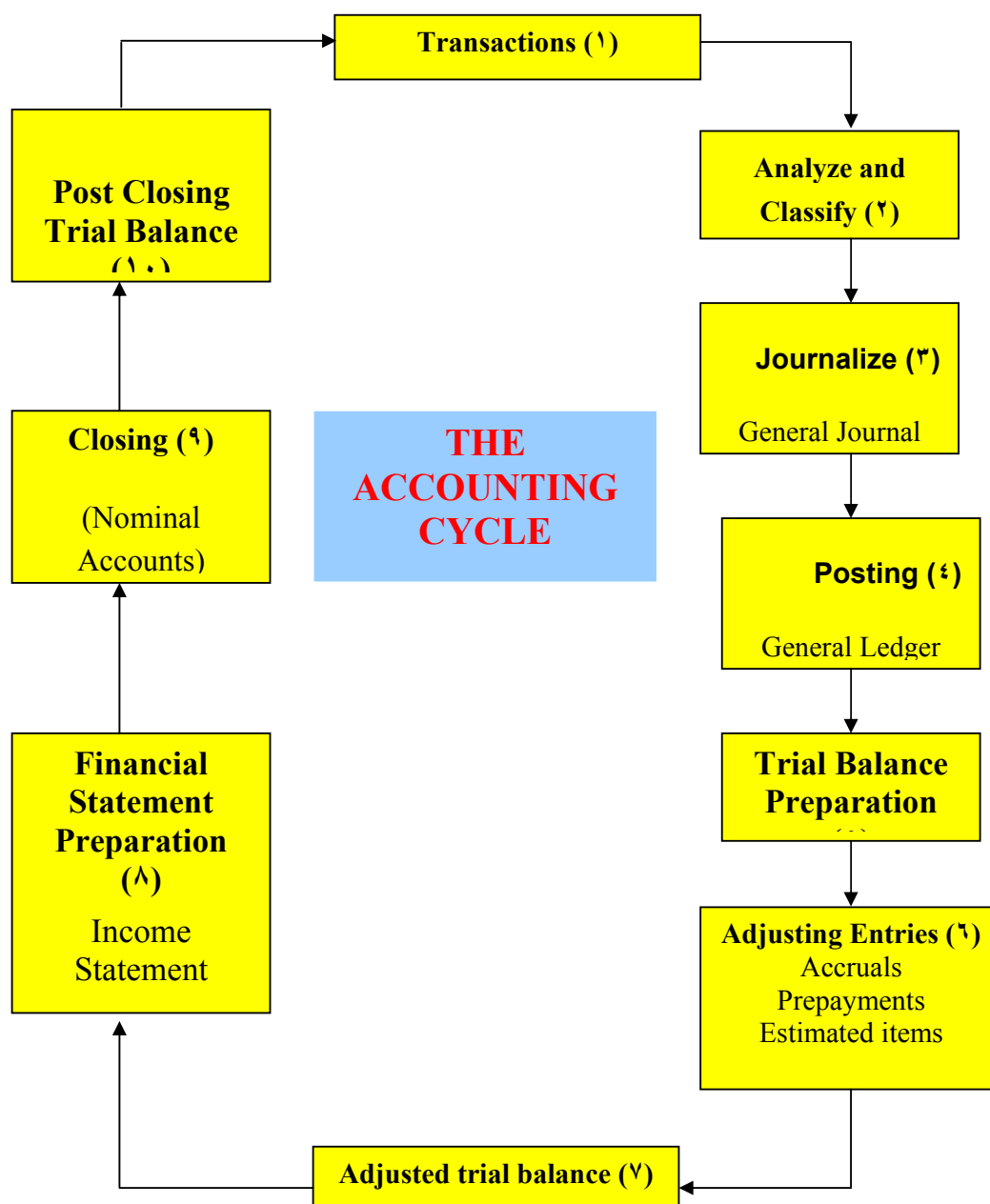
- Adjusting entries – Adjusted trial balance**
- Financial statements – Closing entries**
  - Post closing trial balance**
  - Sample of accounting voucher**

## Part one

### Introduction:

Accounting is the art of recording, summarizing, classifying and reporting financial transactions and other events of an enterprise.

The following flowchart shows the steps in the accounting cycle. These are the accounting procedures normally used by enterprises to record transactions and prepare financial statements





Below, the flowchart steps have been explained in detail:

## ١. Transaction:

The processing of accounting data begins with an economic transaction, where two or more parties engage in an exchange of goods or services for some form of consideration. Evidence of this happening is the receipt of some form of a source document. Common examples of such a source document include:

- A sales receipt - this can be in a variety of forms.
- A purchase invoice.
- A debit/credit memorandum.
- A copy of a contract entered into.
- A billing statement.
- A remittance statement.

There are a multitude of source documents, in type, shapes, and format used to record the significant data. It is these documents, which become the basis for data input to the accounting processing. But, prior to the actual data entry, the documents must be subjected to a series of analysis and classification.

## ٢. Analyze and classify:

### ٢,١. Analyze:

This phase of the accounting process includes the application of several of the accounting principles, namely:

**The Entity Concept** - This is probably the most basic of all concepts in accounting. As applied here in this phase of the accounting process, the analysis must determine that the transaction in question, first relates to the entity in question. If not it must be rejected and not allowed to continue through the process.

**Monetary Concept** - In addition the analysis must determine that the transaction can be measured in terms of a monetary basis. Those transactions, which cannot be measured in terms of amount (for e.g., Saudi Riyals), are eliminated from further consideration for inclusion in the accounting process.

**Cost Principle** - All transactions are recorded at cost and not at current market value. Cost is determined from the source documents used as evidence of the transaction.

### ٢,٢. Classify:

Once past the analysis phase, the transaction is then properly classified in preparation for entry into the accounting database, commonly using a Chart of Accounts.

Chart of Accounts - The design of a good accounting system begins with the Chart of Accounts. This is a list of the accounts, which comprise the particular accounting system (it is designed with the particular company and its needs for information). Accounts are grouped according to their relationship in the accounting equation (i.e., assets, liabilities, owner's equity, revenues and expenses). The numberings scheme assigns a block of numbers to the respective groups. A typical assignment of numbers might be as follows:

Assets	١٠٠-١٩٩
Liabilities	٢٠٠-٢٩٩
Owner's Equity	٣٠٠-٣٩٩
Revenues	٤٠٠-٤٩٩
Expenses	٥٠٠-٥٩٩

The numbering blocks should provide a convenient manner for adding new accounts without having to renumber the accounts. Sometimes the account numbers are designed to provide additional information as to location, cost codes, etc. In any event they assist in arranging the accounts for convenience of financial statement preparation, account location, and category identification.

The next consideration is that of determining whether this transaction when recorded in the account will cause the balance of that account to be increased or decreased. Depending upon the type of account and what side of the accounting equation it appears, this means it must be reported as a debit or a credit. Of course the basic rule of having debits and credits equal must be followed. That means each transaction will require at least one debit and one credit identity to be recorded correctly. Finally, a transaction can affect multiple accounts, requiring more than one debit and/or one credit in order to properly record it in the accounting process.

### ٣. Journalize:

This step in the accounting cycle represents the first time that the transaction enters the accounting database. It is the data entry phase. Here the transaction, having been analyzed and classified, is recorded in the Accounting Voucher.

In entering the transaction, various types of vouchers depending on the type of organization are used. However, the most commonly used format of an accounting voucher is attached in Appendix.

Sometimes, accounting vouchers are not prepared and transactions are directly entered into Journals and this is for this reason that the journal is referred to as the "book of original entry." The journal can be likened to a diary in which events are recorded in chronological order of their occurrence. In the accounting process, two types of journals are used:

### ٣,١. **General Journal**

In the General Journal, transactions are recorded as they were analyzed and classified. First the event is dated as to when it actually happened. Then the debit side of the transaction is recorded first by itemizing the account(s) that must be debited. The amount(s) to be debited are then entered in the column to the left. This process is continued until all of the debits have been recorded. The recording shifts to the account(s) to be credited. The recording(s) for the credits are indented to offset them from the debit recording(s). After recording the account(s) to be credited, the amounts are then entered into the column to the left of that of the debits.

If the transaction required only one debit and one credit, this is referred to as a *simple entry*. On the other hand, it requires more than one debit and/or credit; it is referred to as a *compound entry*.

### ٣,٢. **Special Journals**

As their name implies, these journals are used to record uniquely classified types of transactions by use of specially designed journals. They are designed to meet the needs of the specific entity, which uses them. There is no common format for their design, as this is determined by the individual entities. However, the most commonly used special journals are as follows:

- **Sales Journals** - generally used to record all credit sales of merchandise inventory items.
- **Purchases Journals** - generally used to record all credit purchases of merchandise inventory items.
- **Cash Receipts Journals** - generally used to record all inflows of cash.
- **Cash Payments (Disbursement) Journals** - generally used to record all outflows of cash.
- **NOTE:** The check register is sometimes used in place of the Cash Receipts and Cash Payments Journals.

#### ٤. Post:

Posting refers to the process of transferring or transcribing the information contained in the journal entries to the appropriate accounts in the general ledger. During this process debits in the journal entry are posted as debits in the ledger, and credits in the journal entry are posted as credits in the ledger. Along with the debits and credits, the information transferred includes the date of the journal entry and the voucher reference. This cross-reference is the **audit trail** by which a transaction can be traced from its entrance into the system via the journal/voucher to the final destination in the general ledger. This is an important part of the processing of accounting data.

#### General Ledger

The general ledger is the heart of any accounting system. It is the permanent record of the consequences resulting from the accumulation of transaction throughout the life of the entity. Each account in the accounting system has its separate page in the general ledger. In addition each account has its unique identification in the form of an account number as specified in the Chart of Accounts.

#### Subsidiary Ledger

An enterprise constantly needs detailed information about its dealings with individual customers and creditors. To provide this information, companies with several thousand customers and creditors, use a subsidiary ledger to keep track of individual balances. Thus a typical merchandising enterprise has subsidiary ledgers containing accounts with customers (customers' ledger) and creditors (creditors' ledger). An account in the general ledger is maintained that summarizes the details in the accounts receivable and accounts payable ledgers. This summary account in the general ledger is called a control account, because the summary account controls the subsidiary ledger.

#### ٥. Trial balance:

Simply defined, a **Trial Balance** is a list of all of the general ledger accounts having a balance amount as of that date. It contains the following columns:

- Account Number (from chart of accounts)
- Account Title(s).
- Applicable debit amounts.
- Applicable credit balance.

A trial balance provides a check on the accuracy of the postings, which occurred during the period by showing that the total debits posted equals the total credits posted. It is prepared at any time, following the posting of all journal entries. However, it is routinely prepared at the end of the accounting period, prior to making any adjustments

to the books. Thus, the trial balance is a test of the mathematical equality of debits and credits after all postings have been completed. Its preparation is essential to the processing events leading up to the preparation of the financial statements.

## ٦. Adjusting entries:

Throughout an accounting period, an entity will continue to be engaged in a variety of economic transactions. Some of those will affect the current period, while some of them will affect future periods throughout the life of the entity. At the time that they occur, each of these transactions, are supported by a source document (see step ١ above). If they are applicable to the current period, their flow through the accounting system is straight forward and without the need for any special handling or considerations.

However, those transactions, which effect the present and future accounting periods, will at some future date require special considerations and handling. The special considerations are caused by absence of a source document, which gives cause to their existence. Keep in minds that these transaction either happened in a prior period or have not yet happened The special handling is a continuation of the special consideration, in that these transaction must be dealt with in a manner which adjusts their effects in the current period, by means of special journal entries. Many have already been recorded in the accounting system. What is needed then is to ensure that their consequences are applied to the proper accounting period. Some of the examples of adjusting entries are:

- Accruals
- Amortization of prepayments and intangibles
- Deferred revenues and expenses

Also some, balances have to be reclassified from one account to another for the purpose of proper presentation in the financial statements. Some of the examples of such transactions are as follows:

- Reclassification of current portion of long-term loan from long term liability to current liability
- Reclassification of debit balances in creditors account
- Reclassification of credit balances in debtors account

This, then, is accomplished through the use of *Adjusting Entries and Reclassifying entries*.

## ∇. Adjusted trial balance:

After all *Adjusting Entries and Reclassifying Entries* have been journalized and posted an **ADJUSTED TRIAL BALANCE** is prepared from the ledger accounts. It shows the balance of all accounts, including those that have been adjusted, at the end of the accounting period. The purpose of an adjusted trial balance is to show the effects of all financial events that have occurred during the accounting period. The financial statements are usually prepared from this trial balance.

## ∧. Financial statements:

The following are the basic financial statements, which are prepared at the end of each accounting period. Each portrays a different representation of the entities financial status and results of activities. All of them are linked together in a manner, which presents the financial position and results of economic activities, and therefore all three must always be presented together.

### Income Statement

Income statement:

- Presents the results of economic activities, which occurred during the specific accounting period.
- Bridges the balance sheet of the previous accounting period with that of the current accounting period. Therefore, it covers a period of time.
- Develops the net income for the current accounting period. This is used to reflect the profitability of that period.
- is linked to the balance sheet via the net income amount, which appears in both of those statements.

### Statement of Changes in Owners' Equity

Presents the changes that have occurred in the owner's equity as a result of the current period's activities. Therefore its results represent what occurred within a period of time. It is linked to the balance sheet via the capital account, retained earnings, and any reserves.

### Balance Sheet

Sometimes referred to as the statement of financial position, reports the assets, liabilities, and owner's equity of an enterprise at a specific date.

## Statement of Cash Flows

The basic purpose of a statement of cash flows is to provide relevant information about the cash receipts and cash payments of an enterprise during a period. To achieve this purpose, the statement of cash flows reports the cash effects of:

- Operations during a period
- Investing transactions
- Financing transactions; and
- Net increase or decrease in cash during the period

## ٩. Closing entries

**Closing** an account means to "**bring the balance to zero**". We close what we call the **temporary** (or nominal) accounts. In the closing process all of the revenue and expense account balances (income statement items) are transferred to a clearing or suspense account called Income Summary (or Income for the year), which is used only at the end of each accounting period (yearly). Revenues and Expenses are matched in the Income Summary account and the net result of this matching, which represents the net income or net loss for the period, is then transferred to an owners' equity account i.e., retained earnings. All closing entries are posted to the appropriate general ledger accounts.

## ١٠. Post closing trial balance

A trial balance is prepared after all temporary accounts have been closed. The accounts, which remain open are called **real** accounts and include: **Asset** accounts, **Liability** accounts and the **Capital** account. In other words, the balance sheet accounts remain open.

## Practical Session:

Although, an attempt has been made above to explain how an accounting cycle works, but in order to make the students understand the whole process of flow of transactions from beginning till the financial statements are produced, a practical session including the following steps is recommended:

- A chart of accounts should be created keeping in view requirements of a service enterprise.
- Accounting vouchers must be prepared for transactions affecting all aspects of the financial statements using the form in Appendix ١.
- Vouchers must be posted to their individual General Ledger Accounts using the form in Appendix ٢.
- A trial balance should be prepared using the final balances in general ledger.

- Adjusting and reclassifying entries must be prepared and then posted to general ledger.
- Adjusted trial balance should be prepared.
- Financial statements should be prepared from the adjusted trial balance.
- Closing process should be performed.
- A post closing trial balance should be prepared.
- Opening of a new accounting period in the books should be demonstrated using the post closing trial balance.



## Appendix 2

**XYZ COMPANY**  
**GENERAL LEDGER**

Account No. \_\_\_\_\_

Account Description \_\_\_\_\_

Voucher No.	Date	Description	Debit	Credit	Balance Debit/(Credit)



المملكة العربية السعودية  
المؤسسة العامة للتعليم الفني والتدريب المهني  
الإدارة العامة لتصميم وتطوير المناهج

## تقارير مالية باللغة الإنجليزية

السجلات المحاسبية

التقارير المالية

٢

## مقدمة

تتعلق الوحدة الأولى من هذه الحقيبة بخطوات الدورة المحاسبية والتي انتهينا من دراستها بالتأكيد على أن معيار الجدارة لدى المتدرب يُقاس بقدرته على:

١. رسم خريطة الدورة المحاسبية Flow chart.
٢. التحليل المالي لمستندات ووثائق العمليات المالية.
٣. التصنيف الرقمي للحسابات.
٤. كتابة التوجيه المحاسبي الصحيح على سند القيد.

في الوحدة الثانية التالية ننتقل إلى التدريب التفصيلي على التسجيل المحاسبي Journalize في سجل اليومية Journal وكذلك الترحيل post إلى سجل الأستاذ Ledger إضافة إلى التدريب على عملية الترسيد و كيفية إعداد ميزان المراجعة ثم التدريب على إدخال قيود اليومية بالحاسب الآلي .

قبل أن نبدأ دراسة التسجيل في سجل اليومية والترحيل إلى سجل الأستاذ سوف نبدأ الوحدة بدراسة الآتي:

- تصنيف الحسابات Classification of accounts

- المعادلة المحاسبية Accounting equation

- الطرف المدين والطرف الدائن Debits & Credits

- القيد المزدوج Double entry

**الجدارة: .**

- إثبات القيد في السجلات المحاسبية دفترياً على النحو التالي:
- تسجيل القيد في سجل اليومية.
- الترحيل إلى دفتر الأستاذ والترصيد وإعداد ميزان المراجعة.

**الأهداف للوحدة:**

عندما تكتمل هذه الوحدة يكون المتدرب قادراً على:

١. تصنيف الحسابات.
٢. تحديد الطرف المدين والطرف الدائن.
٣. تسجيل القيد في سجل اليومية.
٤. الترحيل إلى دفتر الأستاذ والترصيد.
٥. إعداد ميزان المراجعة.

**مستوى الأداء المطلوب:** أن يصل المتدرب إلى إتقان هذه الجدارة بنسبة ٩٠٪.

**الوقت المتوقع للتدريب:** ( ١٤ ) ساعة.

## الوسائل المساعدة:

وسيلة التدريب	طريقة التدريب	المدخل
سبورة ، بور بوينت	محاضرات	تقديم
سبورة	نقاش	استخلاص
تمرين رقم ( ١ ) ، ( ٢ )	حل تمرين	أداء
سبورة	نقاش	استخلاص

## - متطلبات الجدارة:

- اجتياز حقيبة المحاسبة المالية ( ١ ) .
- حفظ المصطلحات الإنجليزية المتعلقة بالوحدة الثانية ضمن ملحق الحقيبة .
- اجتياز مقرر تطبيقات الحاسب الآلي ( الجداول الإلكترونية ) .

## **Contents**

### **Part one**

**Classification of accounts - Debits & Credits**

### **Part two**

**General Journal - Journalizing**

### **Part three**

**General ledger - posting to the accounts - Preparation of trail balance**

## Part one

### Classification of accounts

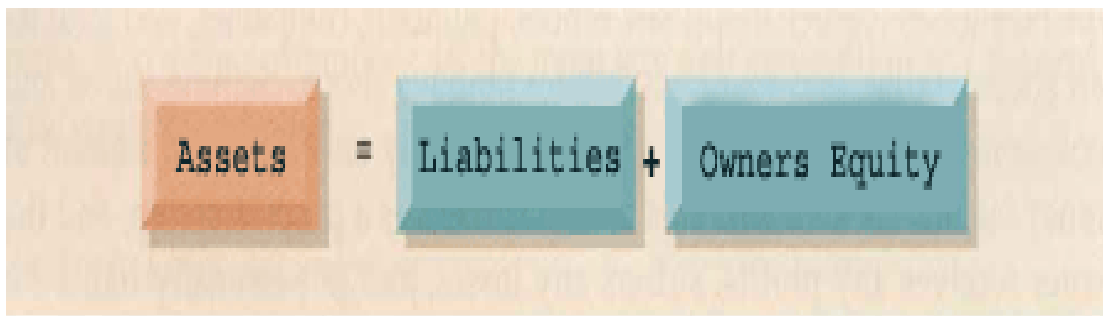
Two types of accounts:

**First:** Accounts belong to the **Balance Sheet** and represent the basic accounting equation. These accounts are:

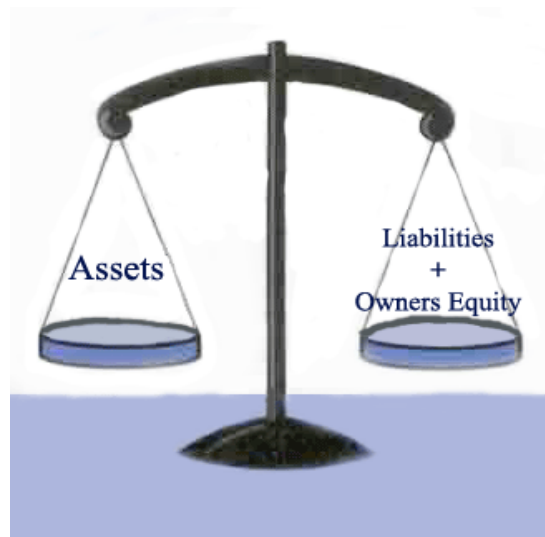
١. Assets

٢. Liabilities

٣. Owners Equity



(Assets must be equal to the sum of Liabilities and Owners equity)



## ١. Assets

Assets are the cash and non cash resources owned by a business and have economic value, and used in carrying out future services or benefits to the entity using them.

Classification of assets:

### - Current assets

Current assets are cash and other types of assets that are reasonably expected to be converted into cash, sold, or used up during the normal operating year.

Examples of current assets include:

Cash, Bank, Goods, Accounts Receivable, Prepaid expenses, Inventory and Marketable securities etc.

### - Fixed assets

Fixed assets are those assets that are used in the normal operations of the entity to produce and sell goods or perform services for customers. Fixed assets are expected to service for a number of years are not for re-sell.

Examples of fixed assets include:

Lands, cars, buildings, equipments, and furniture etc.

### - Intangible assets

Intangible assets are those assets that have no physical substance but they are expected to provide benefits to the entity for several years.

Examples of intangible assets include:

Patents, trade marks, copyrights, goodwill, franchise fees, and trade name.

## ٢. Liabilities

Liabilities are claims against assets.

Classification of Liabilities:

### - Short-term Liabilities



Short-term liabilities are obligations of the entity that are reasonably expected to be paid or settled in the next year or the normal operating cycle.

Examples of short-term liabilities include:

Short-term notes payable, accounts payable, salaries and wages payable and other types of accrued liabilities for services received but not yet paid for.

#### - Long-term Liabilities

Long-term liabilities are those obligations that do not require payment within the next year or the normal operating cycle. In other words, liabilities not classified as short-term are reported in the Long-term liabilities section of the balance sheet.

Examples of long-term liabilities include:

Loan, bonds, and any other obligation that mature in a period more than one year beyond the balance sheet date is reported as long-term.

### ٣. Owner's Equity

Owner's equity represents the owner's interest in the assets of the entity. It is equal to total assets minus total liabilities.

There are two main sources of owner's equity:

(١) Amounts contributed by the owner (Capital) and (٢) Amount earned by the entity but not yet taken by the owner.

**Second.** Accounts belong to the **Income Statement** and involve in the determination of net income or net loss of a business entity for a specific period of time. These accounts are:

#### ١. Expenses

#### ٢. Revenues

#### ١. Expenses

Expenses are the cost of assets consumed or services used in the process of earning revenue in other words; expenses are outflows or other uses of assets resulting from the sale or delivery of goods or the provision of services by the entity during specific time period.

Examples of expenses include:

Utility expenses (electric and water), telephone bill expense, rent expense, wages and salaries expense and depreciation expense etc.

## ٢. Revenues

Revenues are cash in-flow result from the sale of goods or the rendered of services.

To illustrate the affect (increase & decrease) of a financial transaction on the above classified accounts, study the following chart:

### Basic Accounting Equation

Basic Equation	<b>Assets</b>	=	<b>Liabilities</b>		<b>Owner equity</b>		
Expanded Basic Equation	<b>Assets</b>		<b>Expenses</b>		<b>Capital</b>	<b>Revenue</b>	<b>Liabilities</b>
	Dr. Cr.		Dr. Cr.		Dr. Cr.	Dr. Cr.	Dr. Cr.
Debit / Credit Effects	+ -		+ -		- +	- +	- +

You have already learned the basic accounting equation. However, in the above illustration note the expansion of the basic accounting equation to show the accounts that comprise owner's equity besides expenses and revenues with their effect (increase, decrease) of the debit /credit rules on each type of account.

### To student

Please study the above diagram carefully; it will help you understand the fundamentals of the double-entry system.

### To trainer (instructor)

Please give the student example of transaction analysis for a service entity to illustrate the effect of the financial transaction on the expanded basic equation. For example:

**Transaction (١) Investment by owner.** December ١٠, ٢٠٠٢. Saleh started his workshop by investing SR ١٠٠,٠٠٠/-, he deposited it in the bank as a capital.

$$\underline{\text{Assets + Expenses}} = \underline{\text{Liabilities}} + \underline{\text{Revenue}} + \underline{\text{Owner's equity}}$$

$$\begin{array}{r} \underline{\text{Bank}} \\ (1) + 1,000,000 + \cdot \end{array} = \begin{array}{r} \cdot \\ \cdot \end{array} + \begin{array}{r} \cdot \\ \cdot \end{array} + \begin{array}{r} \underline{\text{Capital}} \\ 1,000,000 \end{array}$$

**Transaction (٢) purchase of equipment for cheque.** at December ١٥, ٢٠٠٢. Saleh purchased a computer for SR ٢٠٠,٠٠٠ paid by cheque.

$$\underline{\text{Assets + Expenses}} = \underline{\text{Liabilities}} + \underline{\text{Revenue}} + \underline{\text{Owner's equity}}$$

$$\begin{array}{r} \underline{\text{Bank}} + \underline{\text{Computer}} \\ 1,000,000 \text{ (Old balance)} \end{array} = \begin{array}{r} \cdot \\ \cdot \end{array} + \begin{array}{r} \cdot \\ \cdot \end{array} + \begin{array}{r} \underline{\text{Capital}} \\ 1,000,000 \end{array}$$

$$(2) \quad \underline{-200,000} + \underline{200,000}$$

New balance

$$\begin{array}{r} \underline{1,000,000} + \underline{200,000} \\ 1,200,000 \end{array} = \begin{array}{r} \underline{\quad\quad\quad} \\ 1,200,000 \end{array}$$

## Debits and Credits

The terms debit and credit mean left and right, respectively, the abbreviation of these two words as follows:

\* Debit Dr.

\* Credit Cr.

\* These abbreviations come from the Latin words debere (Dr.) and credere (Cr.).

A T Account has a left side and a right side, thus, an account is debited when an amount is entered on the left side and credited when an amount is entered on the right side. Whether a debit or credit is an increase or decrease to the account balance depends on the account classification as illustrated below:

<b>Assets</b>	
Example: <b>Cash</b>	
Dr.	Cr.
Debit to	Credit to
increase	decrease
+	-

<b>Liabilities</b>	
Example: <b>Accounts payable</b>	
Dr.	Cr.
Debit to	Credit to
decrease	increase
-	+

<b>Expenses</b>	
Example: <b>Salaries</b>	
Dr.	Cr.
Debit to	Credit to
increase	decrease
+	-

<b>Revenues</b>	
Example: <b>Sales of goods</b>	
Dr.	Cr.
Debit to	Credit to
decrease	increase
-	+

<b>Owner's equity</b>	
Example: <b>Capital</b>	
Dr.	Cr.
Debit to	Credit to
decrease	increase
-	+

## General Journal

### Double Entry System

As you have learned, every recorded transaction affects at least two accounts. This dual effect is known as double-entry accounting. Note, however, that the term “double entry” does not mean that a transaction must affect each side of the transaction, it may effects one.

#### Example:

**Transaction (٢) – illustrated earlier – purchase of equipment for cheque – Saleh** purchased a computer for ٢٠,٠٠٠ SR paid by cheque. This transaction results in an equal increase and decrease in total assets, though the composition of assets is changed: Bank is decreased by ٢٠,٠٠٠ SR and the assets Equipment is increased by ٢٠,٠٠٠ SR

### Before You Go on

#### Review it

١. What are the classifications of accounts?
٢. Give an example for each classified account?
٣. What are the accounts that belong to the income statement, and what are those belong to the Balance sheet?
٤. What do the term debit and credit mean?
٥. What are the debit and credit effects on assets, liabilities, owner's equity, expenses and revenues?
٦. What does double entry mean?

#### Do it

## I. Place the missing items in the following statements:

١. the accounting equation is \_\_\_\_\_ = \_\_\_\_\_ + \_\_\_\_\_
٢. the accounting elements are documents \_\_\_\_\_ , \_\_\_\_\_
٣. Items required by an entity that have monetary value are known as \_\_\_\_\_.
٤. \_\_\_\_\_ is the interest of the owners in Business.
٥. Financial events that occur in an entity are termed \_\_\_\_\_.
٦. An investment in the entity increase \_\_\_\_\_ and \_\_\_\_\_.
٧. To purchase "on account" is to create a \_\_\_\_\_.
٨. When the words "paid on account" occur, it means a reduction of the assets \_\_\_\_\_ and reduction of the liability \_\_\_\_\_.
٩. The left side of the account is known as the \_\_\_\_\_, where as the right side is the \_\_\_\_\_.
١٠. The balance sheet contains \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.

Answers: ١. assets, liabilities, owner's equity; ٢. accounting records, financial report; ٣. assets; ٤. owner's equity; ٥. transactions; ٦. assets, owner's equity; ٧. liability; ٨. cash or bank, accounts payable; ٩. the debit side, the credit side; ١٠. assets, liabilities and owner's equity.

**II. Transactions completed by Saleh work shop, appear below. Indicate increase (+), decrease (—), or no change (•) in.**

		Expenses	Revenues	Assets	Liabilities	Owner's Equity
a.	Invested ١٠٠,٠٠٠ SR, and deposit it in a bank					
b.	Paid rent expense for the month					
c.	Transfer money from the bank to the cash					
d.	Cash collected for the week revenue					
e.	Bought mechanic equipment paying cash					
f.	Bought equipment on account					
g.	Paid a creditor (liability) money owned					

**Solution**

		Expenses	Revenues	Assets	Liabilities	Owner's Equity
a.	Increase of bank and capital	•	•	+	•	+
b.	Reduction of bank and increase expenses	+	•	—	•	•
c.	Increase of cash and decrease of bank	•	•	±	•	•
d.	Increase of cash and revenues	•	+	+	•	•
e.	Increase of equipment and decrease of cash	•	•	±	•	•
f.	Increase of equipment and in accounts payable	•	•	+	+	•
g.	Decrease in cash and accounts payable	•	•	—	—	•

## Part Two

### General Journal

- It is the first book to record financial transaction in chronological order.
- It has spaces for date, accounts titles & explanations, references, and two money columns, as illustrated below:

		General Journal			J١
		Title & explanation	Ref.	Debit	Credit
٢٠٠٢					
Dec	١				
	٠				
	١				
	٥				
	١				
	٦				

### Journalizing

Entering transaction data into Journal is known as Journalizing.

Steps for journalizing a transaction

- Analyze the transaction to determine which accounts are affected.
- Analyze the accounts to determine which account is the debit part and which one is the credit part.
- Record the transaction following the example illustrated below.

		General Journal			J١
Date		Title & Explanation	Ref.	Debit	Credit
٢٠٠٢					
Nov.	٢٥	Bank Capital Investment in workshop business		١٠٠٠٠٠٠	١٠٠٠٠٠٠
Dec.	٠١	Rent expense		١٠٠٠٠٠٠	
		Bank			١٠٠٠٠٠٠
		Payment of office rent cheque No. ٢			

Note: The date should be entered in the date column.

- The year and the month are not repeated until the start of a new page or a new month.



- The title of the account to be debited is entered against the left margin of the title & explanation column.
- The amount to be debited to each account is entered in the debit column on the same line as the account title.
- The account to be credited follows the same steps except being in the credit side.
- An explanation of the transaction may be entered on the next line below the journal entry.
- The posting reference column is left blank till the transaction is being posted.

### Example:

#### During the month of January, Mr. Al-rashed, lawyer.

١. Invested SR٥٠,٠٠٠ to open his law practice.
٢. Bought supplies (stationery, forms, pencils, etc) for cash, SR٣,٠٠٠.
٣. Bought office equipment from Al-aamer Furniture Company on account, SR٢٥,٠٠٠.
٤. Received SR٢٠,٠٠٠ in fees earned during the month.
٥. Paid office rent for January, SR٥,٠٠٠.
٦. Paid salary for part-time help, SR٢,٠٠٠.
٧. Completed a consultation to one of his friends for SR١٥,٠٠٠ cash.
٨. Paid SR١٠,٠٠٠ to Al-aamer Furniture Company on account.

**These transactions might be analyzed and recorded as follows in next pages:**

**Transaction (١) Mr. AL-rashed invested SR ٥٠,٠٠٠ to open his law practice.** There are two accounts that are affected: the asset Cash is increased, and the capital of the firm is increased by the same amount.

Assets	&	Expenses	=	Liabilities	&	Revenues	&	Owner's Equity
Cash	+	.	=	.	+	.	+	Capital
+ SR٥٠,٠٠٠								+SR٥٠,٠٠٠

**Transaction (٢) Bought supplies for cash, SR٣,٠٠٠.** In this case, Mr. AL-rashed is substituting one asset for another: He is receiving (+) the asset Supplies and paying out (–) the asset Cash. Note that the capital of SR٥٠,٠٠٠ remains unchanged, but there is still equality.

Assets	&	Expenses	=	Liabilities	&	Revenues	&	Owner's Equity
Cash	+	Supplies		.	+	.	+	Capital
SR٥٠,٠٠٠								SR٥٠,٠٠٠
<u>– ٣,٠٠٠</u>	+	<u>+SR٣,٠٠٠</u>	=					<u>SR٥٠,٠٠٠</u>
<u>SR٤٧,٠٠٠</u>		<u>SR٣,٠٠٠</u>						<u>SR٥٠,٠٠٠</u>

**Transaction (٣) Bought office equipment from Al-aamer Furniture Company on account, SR٢٥,٠٠٠.** He is receiving the asset Equipment but is not paying for it with the asset Cash. Instead, he will *owe* the money to the Al-aamer Furniture Company. Therefore, he is *liable* for this amount in the future, thus creating the liability Accounts Payable.

Assets	&	Expenses	=	Liabilities	&	Revenues	&	Owner's Equity
Cash	+	Supplies	+	Equipment		Accounts Payable		AL-rashed, Capital
SR٤٧,٠٠٠		SR٣,٠٠٠						SR٥٠,٠٠٠
<u>SR٤٧,٠٠٠</u>	+	<u>SR٣,٠٠٠</u>	+	<u>+SR٢٥,٠٠٠</u>	=		+	<u>SR٥٠,٠٠٠</u>
				<u>SR٢٥,٠٠٠</u>				
				<u>+SR٢٥,٠٠٠</u>				
				<u>SR٢٥,٠٠٠</u>				

**Transaction (٤) Received SR٢٠,٠٠٠ in fees earned during the month.** Because he received SR٢٠,٠٠٠, the asset Cash increased and also his capital increased. It is important to note that he labels the SR٢٠,٠٠٠ *Fees Income* to show its origin. This is known as Revenue or Income.

Assets	&	Expenses	=	Liabilities	&	Revenues	&	Owner's Equity
Cash	+	Supplies	+	Equipment		Accounts Payable		Capital
SR٤٧,٠٠٠		SR٣,٠٠٠		SR٢٥,٠٠٠		SR٢٥,٠٠٠		SR٥٠,٠٠٠
<u>+ ٢٠,٠٠٠</u>	+	<u>SR٣,٠٠٠</u>	+	<u>SR٢٥,٠٠٠</u>	=	<u>SR٢٥,٠٠٠</u>	+	<u>SR٥٠,٠٠٠</u>
<u>SR٦٧,٠٠٠</u>								
						<u>SR٢٠,٠٠٠</u>		
						<u>SR٢٠,٠٠٠</u>		

**Transaction (٥) Paid office rent for January, SR٥,٠٠٠.** When the word “paid” is stated, you know that it means a deduction from Cash, since he is paying out his asset Cash. Payment of expense is a reduction of capital. It is termed *Rent Expense*.

Assets	&	Expenses	=	Liabilities	&	Revenues	&	Owner's Equity						
Cash	+	Supplies	+	Equipment	+	Office rent	=	Accounts Payable		Fees Income		Fees Income		Capital
+SR٦٧,٠٠٠		SR٣,٠٠٠		SR٢٥,٠٠٠		SR٥,٠٠٠		SR٢٥,٠٠٠		SR٢٠,٠٠٠		SR٢٠,٠٠٠		SR٥٠,٠٠٠
<u>SR ٦٢,٠٠٠</u>	+	<u>SR٣,٠٠٠</u>	+	<u>SR٢٥,٠٠٠</u>	+	<u>SR ٥,٠٠٠</u>	=	<u>SR٢٥,٠٠٠</u>	+	<u>SR ٢٠,٠٠٠</u>	+	<u>SR ٢٠,٠٠٠</u>	+	<u>SR ٥٠,٠٠٠</u>

**Transaction (٦) Paid salary for part-time help, SR٢,٠٠٠.** Again the word “paid” means a deduction of cash and a reduction in capital. This time it refers to *Salaries Expense*.

Assets		&		Expenses		=	Liabilities	&	Revenues	&	Owner's Equity			
Cash	+	Supplies	+	Equipment	+	Office rent	+	Part-time Salary	=	Accounts Payable	+	Fees Income	+	Capital
SR٦٢,٠٠٠		SR٢,٠٠٠		SR٢٥,٠٠٠		SR ٥,٠٠٠		SR٢,٠٠٠		SR٢٥,٠٠٠		SR ٢,٠٠٠		SR ٥,٠٠٠
<u>- ٢,٠٠٠</u>										<u>SR٢٥,٠٠٠</u>		<u>SR ٢,٠٠٠</u>		<u>SR ٥,٠٠٠</u>
SR٦٠,٠٠٠		<u>SR٢,٠٠٠</u>		<u>SR٢٥,٠٠٠</u>		<u>SR ٥,٠٠٠</u>		<u>SR٢,٠٠٠</u>				<u>SR ٢,٠٠٠</u>		<u>SR ٥,٠٠٠</u>

**Transaction (٧) Completed a consultation to one of his friends for SR ١٥,٠٠٠. He received cash.**

Assets		&		Expenses		=	Liabilities	&	Revenues	&	Owner's Equity			
Cash	+	Supplies	+	Equipment	+	Office rent	+	Part-time Salary	=	Accounts Payable	+	Fees Income	+	Capital
SR٦٢,٠٠٠		SR٢,٠٠٠		SR٢٥,٠٠٠		SR ٥,٠٠٠		SR٢,٠٠٠		SR٢٥,٠٠٠		SR ٢,٠٠٠		SR ٥,٠٠٠
<u>- ٢,٠٠٠</u>												+	Consultation fees	
SR٦٠,٠٠٠		<u>SR٢,٠٠٠</u>		<u>SR٢٥,٠٠٠</u>		<u>SR ٥,٠٠٠</u>		<u>SR٢,٠٠٠</u>				<u>SR ١٥,٠٠٠</u>		<u>SR ٥,٠٠٠</u>
												<u>SR ٣٥,٠٠٠</u>		
<u>SR١٥,٠٠٠</u>														
SR٧٥,٠٠٠														

**Transaction (٨) Paid SR١٠,٠٠٠ to Al-aamer Furniture Company on account. Here Mr. Saleh is reducing the asset Cash because he is paying SR١٠,٠٠٠, and reducing the liability Accounts Payable. He will now owe SR١٠,٠٠٠ less.**

Assets		&		Expenses		=	Liabilities	&	Revenues	&	Owner's Equity			
Cash	+	Supplies	+	Equipment	+	Office rent	+	Part-time Salary	=	Accounts Payable	+	Fees Income	+	Capital
SR٦٢,٠٠٠		SR٢,٠٠٠		SR٢٥,٠٠٠		SR ٥,٠٠٠		SR٢,٠٠٠		SR٢٥,٠٠٠		SR ٢,٠٠٠		SR ٥,٠٠٠
<u>- ٢,٠٠٠</u>												+	Consultation fees	
SR٦٠,٠٠٠		<u>SR٢,٠٠٠</u>		<u>SR٢٥,٠٠٠</u>		<u>SR ٥,٠٠٠</u>		<u>SR٢,٠٠٠</u>				<u>SR ١٥,٠٠٠</u>		<u>SR ٥,٠٠٠</u>
												<u>SR ٣٥,٠٠٠</u>		
<u>SR١٥,٠٠٠</u>														
SR٧٥,٠٠٠														
<u>-</u>														
SR١٠,٠٠٠														
SR٦٥,٠٠٠														

## Summary

١. The four phases of accounting are \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.
٢. The accounting equation is \_\_\_\_\_ = \_\_\_\_\_ + \_\_\_\_\_.
٣. Items owned by a business that have monetary value are known as \_\_\_\_\_.
٤. \_\_\_\_\_ is the interest of the owners in a business.
٥. money owed to an outsider is a(n) \_\_\_\_\_.
٦. the difference between assets and liabilities is \_\_\_\_\_.
٧. financial events that occur in a business are termed \_\_\_\_\_.
٨. an investment in the business increases \_\_\_\_\_ and \_\_\_\_\_.
٩. to purchase “on account” is to create a(n) \_\_\_\_\_.
١٠. when the words “paid on account” occur, it means a reduction of the asset \_\_\_\_\_ and reduction of the liability \_\_\_\_\_.
١١. income increases net assets and also \_\_\_\_\_.
١٢. a withdrawal of cash reduces cash and \_\_\_\_\_.

**Answers:** ١. recording, classifying, summarizing, reporting; ٢. assets, liabilities, owner's equity; ٣. assets; ٤. owner's equity; ٥. liability; ٦. owner's equity; ٧. transactions; ٨. assets, owner's equity; ٩. liability; ١٠. cash, Accounts Payable; ١١. owner's equity; ١٢. capital.

**Determine what accounts are affected, by how much, and if it is an increase (+), decrease (-), or there is no effect (•).**

- Nov. ٥ Invested SR٧, ٠٠٠ cash and SR٤٠٠ of supplies into the business  
 ٧ Received SR٤,٢٠٠ for services rendered  
 ٩ Purchased equipment on account, SR٣, ٧٠٠  
 ١١ Paid SR٧٥٠ for supplies  
 ١٤ Paid salaries, SR٢, ١٠٠  
 ١٦ Paid SR٣, ٥٠٠ for land  
 ١٧ Paid SR٢, ٠٠٠ on account from Nov. ٩ transaction  
 ١٩ Paid utilities, SR٢٠٠  
 ٢٠ Paid SR٣,٠٠٠ for supplies and SR٧٠٠ for equipment  
 ٢١ Received SR٤٧,٠٠٠ for services rendered  
 ٢٥ Withdrew SR٢,٠٠٠ cash for personal use  
 ٣٠ Inventory of supplies showed SR٦٠٠ of supplies on hand

**Record the effect of each transaction in the following table:**

	Cash	Supplies	Equipment	Land	Accounts Payable	Capital
Nov. ٥						
٧						
٩						
١١						
١٤						
١٦						
١٧						
١٩						
٢٠						
٢١						
٢٥						
٣٠						

<u>Solution</u>	Cash	Supplies	Equipment	Land	Accounts Payable	Capital
Nov. ٥	+SR٧,٠٠٠	+SR٤٠٠	.	.	.	+SR٧,٤٠٠
٧	+ ٤,٢٠٠	.	.	.	.	+ ٤,٢٠٠
٩	.	.	+SR٣,٧٠٠	.	+SR٣,٧٠٠	.
١١	- ٧٥٠	+ ٧٥٠	.	.	.	.
١٤	- ٢,١٠٠	.	.	.	.	- ٢,١٠٠
١٦	- ٣,٥٠٠	.	.	+SR٣,٥٠٠	.	.
١٧	- ٢,٠٠٠	.	.	.	- ٢,٠٠٠	.
١٩	- ٢٠٠	.	.	.	.	- ٢٠٠
٢٠	- ١,٠٠٠	+ ٣,٠٠٠	+ ٧٠٠	.	.	.
٢١	+ ٤٧,٠٠٠	.	.	.	.	+ ٤٧,٠٠٠
٢٥	- ٢,٠٠٠	.	.	.	.	- ٢,٠٠٠
٣٠	.	- ٨٥٠	.	.	.	- ٨٥٠

## THE TRIAL BALANCE

As every transaction results in an equal amount of debits and credits in the ledger, the total of all debit entries in the ledger should equal the total of all credit entries. At the end of the accounting period we check this equality by preparing a schedule called a *trial balance*, which compares the total of all *debit balances* with the total of all *credit balances*. The procedure is as follows:

١. List account titles in numerical order.
٢. Record the balance of each account, entering debit balances in the debit column and credit balances in the credit column. (Note: Asset and expense accounts are debited for increases and would normally have debit balances. Liability, capital, and income accounts are credited for increases and would normally have credit balances).
٣. Add the columns and record the totals.
٤. Compare the totals. They must both be the same.

If the totals agree, the trial balance is in balance, indicating the equality of the debits and credits for the hundreds or thousands of transactions entered in the ledger. Although the trial balance provides *arithmetic* proof of the accuracy of the records, it does not provide *theoretical* proof. For example, if the purchase of equipment was incorrectly charged to Expense, the trial balance columns may agree, but theoretically the accounts would be wrong, as Expense would be overstated and Equipment understated. In addition to providing proof of arithmetic accuracy in accounts, the trial balance facilitates the preparation of the periodic financial statements.

**To illustrate how to determine the trial balance, follow the example below:**

The summary of the transactions for Mr. AL-rashed and their effect on the accounts is shown below. The trial balance is then taken. Note that each account now has a numerical designation, in this case using a two-digit base.

Assets		Liabilities		Owner's Equity	
Cash		Accounts Payable		Capital	
(١) ٣,٠٠٠	(٢) ٥٠,٠٠٠	(أ) ١٠,٠٠٠	٢٥,٠٠٠ (٣)	٥٠,٠٠٠ (١)	
(٤) ٢٠,٠٠٠	٥,٠٠٠ (٥)				
(٧) ١٥,٠٠٠	٢,٠٠٠ (٦)	١٥,٠٠٠		٥٠,٠٠٠	
	١٠,٠٠٠ (٨)				
	٦٥,٠٠٠	٢٥,٠٠٠	٢٥,٠٠٠	٥٠,٠٠٠	٥٠,٠٠٠
٨٥,٠٠٠	٨٥,٠٠٠				
Supplies				Consultation fees	
				١٥,٠٠٠ (٤)	
				١٥,٠٠٠	
				١٥,٠٠٠	١٥,٠٠٠
				Income Fees	



(٢)	
٣,٠٠٠	
	٣,٠٠٠
٣,٠٠٠	٣,٠٠٠

(٥)	
٢٠,٠٠٠	
	٢٠,٠٠٠
٢٠,٠٠٠	٢٠,٠٠٠

Equipment	
(٣)	
٢٥,٠٠٠	
	٢٥,٠٠٠
٢٥,٠٠٠	٢٥,٠٠٠

Rent Expense	
(٥)	
٥,٠٠٠	
	٥,٠٠٠
٥,٠٠٠	٥,٠٠٠

Salaries Expense	
(٦)	
٢,٠٠٠	
	٢,٠٠٠
٢,٠٠٠	٢,٠٠٠

**Al-Rashed, Lawyer**  
**Trial Balance**  
**January ٣١, ١٩X٨**

	Dr.	Cr.
Cash	٦٥,٠٠٠	
Supplies	٣,٠٠٠	
Equipment	٢٥,٠٠٠	
Accounts Payable		١٥,٠٠٠
Capital		٥٠,٠٠٠

Consultation		١٥,٠٠٠
Income Fees		٢٠,٠٠٠
Rent Expense	٥,٠٠٠	
Salaries Expense	٢,٠٠٠	
	<u>SR ١٠٠,٠٠٠</u>	<u>SR ١٠٠,٠٠٠</u>

## JOURNALIZING

We describe the entries in the general journal according to the numbering.

- (١) **Date.** The year, month, and day of the entry are written in the date column. The year and month do not have to be repeated for additional entries until a new month occurs or a new page is needed.
- (٢) **Description.** The account title to be debited is entered on the first line, next to the date column. The name of the account to be credited is entered on the line below and indented.
- (٣) **P.R. (Posting Reference).** Nothing is entered in this column until the particular entry is posted, that is, until the amounts are transferred to the related ledger accounts. The posting process will be described in Sec. ٤,٤.
- (٤) **Debit.** The debit amount for each account is entered in this column adjacent to the left margin. Generally there is only one item, but there can be two or more separate items.
- (٥) **Credit.** The credit amount for each account is indented and entered in this column. Here again, there is generally only one account, but two or more accounts with different amounts can be involved. When there is more than one debit or credit in a single entry, the transaction is known as a compound entry.
- (٦) **Explanation.** A brief description of the transaction is usually made on the line below the credit. Some accountants feel that if the transaction is obvious, the explanation may be omitted. Generally a blank line is left between the explanation and the next entry.

### Example ١

To help in understanding the operation of the general journal, let us journalize the transactions previously described for Mr. AL-rashed lawyer

- Dec. ٤ Mr. AL-rashed invested SR٥٠,٠٠٠ in his law practice.
- ٤ Bought supplies for cash, SR٣,٠٠٠
- ٤ Bought equipment from Al-aamer Furniture Company on account, SR٢٥,٠٠٠
- ١٥ Received SR٢٠,٠٠٠ in fees earned during the month
- ٣٠ Paid office rent for January, SR٥,٠٠٠
- ٣٠ Paid salary for part-time help, SR٢,٠٠٠
- ٣٠ Completed a consultation to one of his friends for SR ١٥,٠٠٠ cash
- ٣١ Paid SR١٠,٠٠٠ to Al-aamer Furniture Company, on account.

Date	Description	P.R	Dr.	Cr.
١٩XX				
Jan. ٤	Cash		٥٠,٠٠٠	
	Capital			٥٠,٠٠٠
	Investment in law practice.			
٤	Supplies		٣,٠٠٠	
	Cash			٣,٠٠٠
	Bought supplies for cash			
٤	Equipment		٢٥,٠٠٠	
	Accounts Payable			٢٥,٠٠٠
	Bought equipment from Al-aamer			
١٥	Cash		٢٠,٠٠٠	
	Fees Income			٢٠,٠٠٠
	Received payment for services			
٣٠	Rent Expense		٥,٠٠٠	
	Cash			٥,٠٠٠
	Paid rent for month.			
٣٠	Salaries Expense		٢,٠٠٠	
	Cash			٢,٠٠٠
	Paid salaries of part-time help.			
٣٠	Cash		١٥,٠٠٠	
	Consultation fees			١٥,٠٠٠

٣١	Cash received				
	Accounts Payable			١٠,٠٠٠	
	Cash				١٠,٠٠٠
	Payment on account to Al-aamer				

## POSTING

The process of transferring information from the journal to the ledger for the purpose of summarizing is called *posting*. Primarily a clerical task, posting is ordinarily carried out in the following steps:

١. **Record the amount and date.** The date and the amounts of the debits and credits are entered in the appropriate accounts.

<i>General Journal</i>			<i>Page J-1</i>	
↑ Date	Description	P.R.	Dr.	Cr.
Jan. ٤	Cash Capital		٥,٠٠٠	٥,٠٠٠

Cash	Capital
Jan. ٤ ٥,٠٠٠	Jan. ٤ ٥,٠٠٠

٢. **Record the posting reference in the account.** The number of the journal page is entered in the account.

٣. **Record the posting in the journal.** For cross-referencing, the code number of the account is now entered in the P.R. column of the journal (solid line).

<i>General Journal</i>			<i>Page J-1</i>	
Date	Description	P.R.	Dr.	Cr.
Jan. ٤	Cash	→ ١١	٥,٠٠٠	

- ٣٩ -

Capital		٣١	٥٠,٠٠٠
Cash	١١	Capital	٣
J-١	٩٠,٠٠٠	J-١	٥٠,٠٠٠

**Example ٢**

The results of the posting from the journal of AL-rashid appear below.

Assets		Liabilities		Owner's Equity	
Cash		Accounts Payable		Capital	
(١)	٣,٠٠٠	(٨)	٢٥,٠٠٠		٥٠,٠٠٠ (١)
٥٠,٠٠٠	(٢)	١٠,٠٠٠	(٣)		
(٤)	٥,٠٠٠				
٢٠,٠٠٠	(٥)				
(٧)	٢,٠٠٠				
١٥,٠٠٠	(٦)	١٥,٠٠٠		٥,٠٠٠	
	١٠,٠٠٠				
	(٨)				
	٦٥,٠٠٠	٢٥,٠٠٠	٢٥,٠٠٠	٥,٠٠٠	٥,٠٠٠
٨٥,٠٠٠	٨٥,٠٠٠				
Supplies		Income Fees		Consultation fees	
(٢)		(٥)			١٥,٠٠٠
					(٤)
				١٥,٠٠٠	
				١٥,٠٠٠	١٥,٠٠٠

٣٠٠٠٠	
	٣٠٠٠٠
٣٠٠٠٠	٣٠٠٠٠

٢٠٠٠٠٠	
	٢٠٠٠٠٠
٢٠٠٠٠٠	٢٠٠٠٠٠

Equipment

(٣) ٢٥٠٠٠٠	
	٢٥٠٠٠٠
٢٥٠٠٠٠	٢٥٠٠٠٠

Rent Expense

(٥) ٥٠٠٠٠	
	٥٠٠٠٠
٥٠٠٠٠	٥٠٠٠٠

Salaries Expense

(٦) ٢٠٠٠٠	
	٢٠٠٠٠
٢٠٠٠٠	٢٠٠٠٠



## تقارير مالية باللغة الإنجليزية

### إعداد التقارير المالية

إعداد التقارير المالية

٢

**الجدارة:** - إعداد التقارير المالية

**الأهداف للوحدة:**

عندما تكتمل هذه الوحدة يكون المتدرب قادراً على:

١. إقفال الحسابات في حساب الأرباح والخسائر وإعداد قائمة الدخل.
٢. إعداد الميزانية العمومية (قائمة المركز المالي).
٣. إعداد قائمة التدفقات المالية.

**مستوى الأداء المطلوب:** أن يصل المتدرب إلى اتقان هذه الجدارة بنسبة %٨٠.

**الوقت المتوقع للتدريب:** ( ٨ ) ساعات.

**الوسائل المساعدة:**

المدخل	طريقة التدريب	وسيلة التدريب
أداء	حل تمرين	تمرين رقم (١)
تقديم	محاضرة	حاسب آلي
استخلاص	نقاش	سبورة وحامل ورق

**متطلبات الجدارة :**

- اجتياز حقيبة المحاسبة المالية ( ١ ).
- حفظ المصطلحات الإنجليزية المتعلقة بالوحدة الثالثة ضمن ملحق الحقيبة.



## Contents

### Part one

**Close the nominal accounts into the profit & loss account –  
preparation of income statement**

### Part two

**Preparation of Balance sheet – preparation of  
cash flow statement**

## Preparing closing Entries

At the end of the accounting fiscal year, the balances of the nominal accounts are to be transferred from the trial balance to the profit and loss account through closing entries, these entries produce a zero balance in each nominal account.

Journalizing and posting closing entries is an essential step in the accounting cycle.

Separate closing entries could be prepared for each nominal account, but the following two entries satisfy the desired result:

١. Debit each revenue account for its balance and credit profit and loss account for total revenues.
٢. Debit profit and loss account for total expenses and credit each expense account for its balance.

Below, is closing entries illustration:

To illustrate the journalizing and posting of closing entries, we will assume that Al-Rashed, lawyer closes his books monthly. The closing entries at December ٣١ are shown in the following illustration.

<b>General Journal</b>					<b>J٤</b>
<b>Date</b>		<b>Account Titles and explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
Dec.,	٣١	Income fees Profit and loss account		٢٠,٠٠٠	٢٠,٠٠٠
	٣١	Consultation fees Profit and loss account		١٥,٠٠٠	١٥,٠٠٠
	٣١	Profit and loss account Office rent Salaries expense		٧,٠٠٠	٥,٠٠٠ ٢,٠٠٠

## Posting of closing entries

The posting of the closing entries are shown in the following accounts, all the nominal accounts have zero balances.

Consultation	
Dr	Cr
١٥,٠٠٠	
	١٥,٠٠٠
١٥,٠٠٠	١٥,٠٠٠

Income Fees	
Dr	Cr
٢٠,٠٠٠	
	٢٠,٠٠٠
٢٠,٠٠٠	٢٠,٠٠٠

Office rent	
Dr	Cr
٥,٠٠٠	
	٥,٠٠٠
٥,٠٠٠	٥,٠٠٠

Salaries expense	
Dr	Cr
٢,٠٠٠	
	٢,٠٠٠
٢,٠٠٠	٢,٠٠٠

Profit and loss account			
Dr		Cr	
Office rent	٥,٠٠٠	Income fees	٢٠,٠٠٠
Salaries expense	٢,٠٠٠	Consultation fees	١٥,٠٠٠
	٢٨,٠٠٠		
	٣٥,٠٠٠		٣٥,٠٠٠

\* Note that profit and loss account is used only in closing. No entries are journalized and posted to this account during the year.

## Preparation of income statement

The income statement is designed the report the results of earning activities (operations) for a specific time period such as a month, quarter, or year.

Net income for the period is the excess of revenues over expenses for that time.

The heading of the income statement indicates the name of the business, the name of the statement, and the time period covered by the statement. Below an illustration of Al-Rashed lawyer income statement for the month of December ٢٠٠٢.

### Al-Rashed, Lawyer Income Statement For the month of December ٢٠٠٢

	Dr.	Cr.
Revenues :		
Fees revenue		٢٠,٠٠٠
Consultation fees		١٥,٠٠٠
Total revenue		٣٥,٠٠٠
Expenses :		
Rent expense	٥,٠٠٠	
Salaries expense	٢,٠٠٠	
Total expenses		٧,٠٠٠
Net Income		٢٨,٠٠٠

#### Note that :

١. Revenues are defined as in flows of assets either from the sale of goods or the performance of services.
٢. Expenses are defined as out flows or other uses of assets to produce revenue, and

٣. Net income is defined as the excess of revenues over expenses, and will be transferred to the balance sheet as either profit or loss.

## Balance Sheet

The balance sheet reports the financial position of a business at a specific point in time. Consequently, it is often called the “Statement of Financial position”. Financial position is reflected by the amount of the business’ assets (resources), the amount of its liabilities (debts owed), and the amount of its owners’ equity (assets minus liabilities). Below an illustration of Al-Rashed lawyer balance sheet for one month practice period on December ٣١, ٢٠٠٢.

### Al-Rashed, Lawyer Balance Sheet December ٣١, ٢٠٠٢

<u>Assets</u>		<u>Liabilities</u>	
Cash	٦٥,٠٠٠	Accounts payable	١٥,٠٠٠
Supplies	٣,٠٠٠	Owners equity	٥٠,٠٠٠
Equipment	٢٥,٠٠٠		
		Net profit	٢٨,٠٠٠
	<u>٩٣,٠٠٠</u>		<u>٩٣,٠٠٠</u>

The balance sheet heading indicates the name of business, the name of the statement, and the date of the statement. The assets of the business are listed on the left side and the liabilities and the owners' equity are listed on the right side. Note that the totals on each side of the balance sheet are equal. This equality must exist because the left side lists the assets of the business and the right side shows the sources of the assets.

$$\begin{array}{l} \text{Left side} \\ \text{Assets} \end{array} = \begin{array}{l} \text{Right side} \\ \text{Liabilities + Owners' equity} \end{array}$$

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## المصطلحات

Above.....	أعلاه.....
Accept.....	يقبل.....
Accepted.....	مقبول.....
Accompanied.....	مصاحبة.....
Accounting cycle.....	محاسبة.....
Accounting equation.....	الدورة المحاسبية.....
Accounting.....	المعادلة المحاسبية.....
Accounts payable.....	دائنون.....
Accounts receivable.....	مدينون.....
Acquire.....	يحوز أو يقتني.....
Add.....	يجمع أو يضيف.....
Additional.....	إضافة.....
Adjust.....	يسوي.....
Adjusted trial balance.....	ميزان المراجعة بعد التسويات.....
Adjusting entries.....	قيود التسويات.....
Advertise.....	يعلن.....
Advertisement.....	إعلان.....
Affect.....	يؤثر.....
Agree.....	يوافق.....
Agreement.....	إتفاق.....
Amount.....	مبلغ أو كمية.....
Annually.....	سنوي.....
Appear.....	يظهر.....



Apply.....	يطبق
Application.....	تطبيق
Arrangements.....	استعدادات
Assets.....	أصول
Auditing.....	المراجعة
Available.....	متاح
Bad debt.....	ديون معدومة
Balance.....	رصيد
Balance sheet.....	الميزانية
Bank reconciliation.....	مذكرة تسوية البنك
Bank statement.....	كشف حساب البنك
Based on.....	مُعتمد على
Beginning.....	بداية
Below.....	أدناه
Bill.....	فاتورة
Blanks.....	فراغات
Book value.....	القيمة الدفترية
Budget.....	ميزانية
Building.....	مبنى
Business.....	مشروع تجاري
Buy.....	يشترى
Buyer.....	مشتري
Calculate.....	يحسب
Capital.....	رأس المال

Capital expenditure.....	مصاريف رأسمالية.....
Cash.....	نقدية.....
Cash basis.....	الأساس النقدي.....
Cheque.....	شيك.....
Circle.....	ضع دائرة.....
Classify.....	يبوب أو يصنف.....
Closing entries.....	قيود الإقفال.....
Collect.....	يحصل.....
Collections.....	تحصيل.....
Combination.....	خليط.....
Commissions.....	عمولات.....
Complete.....	تام أو أكمل.....
Compute.....	احسب.....
Concept.....	مفهوم.....
Consist.....	يتكون.....
Continue.....	يستمر.....
Copyrights.....	حقوق النسخ.....
Correct.....	يصحح.....
Corrected balance.....	الرصيد الصحيح.....
Cost.....	التكلفة.....
Count.....	يحسب.....
Credit.....	دائن.....
Creditor.....	دائن.....
Currency.....	عملة.....

Current.....	الجاري
Current assets.....	الأصول المتداولة
Current liabilities.....	الخصوم المتداولة
Customer.....	عميل
Cycle.....	دورة
Date.....	التاريخ
Data.....	بيانات
Debit.....	مدين
Decide.....	يقرر
Decision.....	قرار
Decrease.....	ينقص أو ينخفض
Deduct.....	يخصم أو يستقطع
Delivery.....	توصيل
Deposit.....	يودع وديعة
Determine.....	يستنتج
Difference.....	يفرق
Double entry system.....	نظام القيد المزدوج
Each.....	كل
Earn.....	يكتسب
Economic entity.....	مفهوم الوحدة الاقتصادية
Effect.....	يؤثر
Elements.....	عناصر
Employ.....	يوظف
Employee.....	موظف أو مستخدم

Enclosed.....	مرفق.....
Enough.....	يكفي.....
Enterprise.....	مشروع.....
Entry.....	قيد.....
Equal.....	مساوي.....
Equation.....	معادلة.....
Equipment.....	معدات.....
Equivalent.....	معادل.....
Error.....	خطأ.....
Essential.....	ضروري.....
Estimate.....	يُقدر.....
Estimation.....	تقدير.....
Event.....	حدث.....
Exceed.....	يتجاوز.....
Expansion.....	توسع.....
Expect.....	يتوقع.....
Expense.....	مصروف.....
Expenditure.....	مصروف.....
Factors.....	عوامل.....
Fees.....	أتعاب.....
Fill.....	إملاً.....
Finance.....	تمويل.....
Financial statements.....	القوائم المالية.....
Fiscal.....	مالي.....

Fiscal year.....	سنة مالية.....
Fixed assets.....	أصول ثابتة.....
Future.....	المستقبل.....
Furniture.....	أثاث.....
General.....	عام.....
General journal.....	سجل اليومية العام.....
General ledger.....	سجل الأستاذ العام.....
Goodwill.....	الشهرة.....
Important.....	أهم.....
Income statement.....	قائمة الدخل.....
Include.....	يتضمن.....
Increase.....	يزداد.....
Intangible assets.....	أصول غير ملموسة.....
Interest.....	فائدة.....
Invest.....	يستثمر.....
Investments.....	استثمار.....
Invoice.....	فاتورة.....
Issue.....	يُصدر.....
Item.....	بند.....
Journal.....	يومية.....
Journalize.....	يُسجل باليومية.....
Know.....	يعرف.....
Known.....	معروف.....
Land.....	أرض.....

Legal.....	قانوني.....
Less.....	أقل أو (طرح).....
Liabilities.....	خصوم.....
List.....	قائمة.....
Loan.....	قرض.....
Long-term liabilities .....	خصوم طويلة الأجل.....
Maintenance expense.....	مصاريف صيانة.....
Minus.....	ناقص.....
Month.....	شهر.....
Necessary.....	ضروري.....
Need.....	حاجة أو يحتاج.....
Net.....	صافي.....
Net income.....	صافي الربح.....
Nominal accounts.....	حسابات اسمية.....
None.....	ولا شيء.....
Normal.....	عادي.....
Note payable.....	أوراق الدفع.....
Note receivable.....	أوراق القبض.....
Obligation.....	التزام.....
Obtain.....	يتحصل على.....
Occur.....	يحدث.....
Offer.....	يقدم أو عرض.....
Office.....	مكتب.....
Office supplies.....	تجهيزات مكتبية.....

On account.....	على الحساب.....
On credit.....	بالأجل.....
Operating expenses.....	مصاريف تشغيلية.....
Outstanding checks.....	شيكات قائمة.....
Owner's equity.....	حقوق الملكية.....
Owe.....	يدين.....
Own.....	يملك.....
Patent.....	حق اختراع.....
Pay.....	يدفع.....
Payee.....	المستفيد.....
Payments.....	مدفوعات.....
Payroll.....	رواتب.....
Per.....	على حسب أو ب.....
Percentage.....	نسبة مئوية.....
Period.....	فترة.....
Petty cash.....	صندوق المصاريف النثرية.....
Physical.....	مادي / محسوس.....
Plus.....	زائد.....
Point.....	نقطة.....
Policy.....	سياسة.....
Possible.....	ممکن.....
Post.....	يرحل.....
Prepare.....	يُعد.....
Preparation.....	إعداد.....
Present.....	يقدم.....

Previous.....	السابق.....
Price.....	سعر أو قيمة.....
Principal.....	مبدأ.....
Problem.....	مشكلة أو تمرين.....
Process.....	عملية.....
Produce.....	يُنتج.....
Production.....	إنتاج.....
Promise.....	يعطي وعداً.....
Property.....	عقار.....
Provide.....	يوفر.....
Purchases.....	يشترى.....
Real accounts.....	الحسابات الحقيقية.....
Receive.....	يستلم.....
Receipts.....	سندات إستلام.....
Record.....	يسجل.....
Records.....	سجلات.....
Related.....	له علاقة بـ.....
Rent.....	إيجار.....
Repair.....	يصلح.....
Report.....	تقرير.....
Require.....	يتطلب.....
Respectively.....	على التوالي.....
Resources.....	موارد.....
Result.....	نتيجة.....



Retained earnings.....	أرباح محتجزة.....
Return.....	عائد أو يعود.....
Revenues.....	إيرادات.....
Rights.....	حقوق.....
Salary (salaries) .....	رواتب.....
Sales.....	مبيعات.....
Schedule.....	جدول.....
Select.....	يختار.....
Selections.....	اختيارات.....
Sell.....	يبيع.....
Service.....	خدمات.....
Show.....	يُظهر.....
Space.....	فراغ.....
Specific.....	محدد.....
Spend / spent.....	يُنفق / انفق.....
Statement of cash flows.....	قائمة التدفقات النقدية.....
Statement of changes in owner's equity.....	قائمة التغيرات في حقوق الملكية.....
Steps.....	خطوات.....
Store.....	محل أو معرض.....
Subtract.....	يطرح.....
Such as.....	مثل.....
Suitable.....	مناسب.....
Sum .....	مبلغ.....
Summarize.....	يلخص.....

Supplies.....	مهمات.....
System.....	نظام.....
Table.....	جدول.....
Tangible assets.....	أصول ملموسة.....
Term .....	فترة أو مصطلح.....
Total.....	مجموع.....
Trade mark.....	علامة تجارية.....
Trade name.....	اسم تجاري.....
Transaction.....	عملية.....
Trial balance.....	ميزان المراجعة.....
True.....	صحيح.....
Types.....	أنواع.....
Understand.....	يفهم.....
Units.....	وحدات.....
Until.....	حتى.....
Use.....	يستخدم.....
Usually.....	عادةً.....
Utility expense.....	مصاريف المنافع.....
Value.....	قيمة.....
Valuation.....	تقييم.....
Wages.....	أجور.....
Wish.....	يرغب.....
Withdraw.....	يسحب.....
Year.....	سنة.....

الصفحة	الموضوع
	مقدمة
	تمهيد
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١٤	الوحدة التدريبية الثانية
٤١	الوحدة التدريبية الثالثة
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تقدر المؤسسة العامة للتعليم الفني والتدريب المهني الدعم

المالي المقدم من شركة بي آيه إي سيستمز (العمليات) المحدودة

GOTEVOT appreciates the financial support provided by BAE SYSTEMS

**BAE SYSTEMS**