

## Financial Accounting & Management Reporting

*“Professional Guidance”*

VIA ...



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 Bahrain

- Graduated in Khartoum Polytechnic 1979 and got my CPA US certification in year 2000.
- Worked for Al Essa Co. & Kingdom Holding in Riyadh, Saudi Arabia
- Worked as Consultant & Compliance Officer for the Arab Investment Company, Bahrain.
- In Year 2016, established own Business & Software Consultancy “AccBest” in Bahrain.



1

1

### Statement of Profit or Loss (Income Statement)

Class 8 – Friday - 12, Feb. 2021 - 3:00 - 5:00 PM

**Cost of Sales**

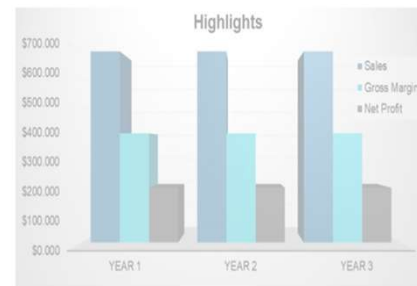
**Gross Profit**

**Other P&L Components**

تكلفة المبيعات / الإيرادات

مجمّل الأرباح

مكونات أخرى في ح الأرباح أو الخسائر



2

2

Financial Accounting & Reporting Training Programme - (1)							
Class	Day	Date	from	To	Topic Covered	Progress	
1	Thursday	28-Jan-21	8:30 PM	10:30 PM	The Double Entry System, The Chart Of Accounts	✓	
2	Friday	29-Jan-21	3:00 PM	5:00 PM	Accounting Cycle, Presentation of Basic Financial Statements	✓	
3	Saturday	30-Jan-21	8:30 PM	10:30 PM	Transactions, Accounting Entries & Trial Balance, GL	✓	
4	Thursday	4-Feb-21	8:30 PM	10:30 PM	The Adjusting Entries & The Matching Principle	✓	
5	Friday	5-Feb-21	3:00 PM	5:00 PM	Depreciations of Fixed Assets & Amortizations	✓	
6	Saturday	6-Feb-21	8:30 PM	10:30 PM	Adjusted TB, Profit or Loss - Preparation & Components	✓	
7	Thursday	11-Feb-21	8:30 PM	10:30 PM	Statement of Profit or Loss - Preparation & Components		
8	Friday	12-Feb-21	3:00 PM	5:00 PM	Statement of Profit or Loss - Preparation & Components		
9	Saturday	13-Feb-21	8:30 PM	10:30 PM	Statement of Financial Position - Preparation & Components		
10	Thursday	18-Feb-21	8:30 PM	10:30 PM	Statement of Financial Position - Preparation & Components		
11	Friday	19-Feb-21	3:00 PM	5:00 PM	Statement of Financial Position - Preparation & Components		
12	Saturday	20-Feb-21	8:30 PM	10:30 PM	Statement of Cash Flows - Preparation & Components		
13	Thursday	25-Feb-21	8:30 PM	10:30 PM	Statement of Cash Flows - Preparation & Components		
14	Friday	26-Feb-21	3:00 PM	5:00 PM	Statement of Cash Flows - Preparation & Components		
15	Saturday	27-Feb-21	8:30 PM	10:30 PM	Statement of Cash Flows - Preparation & Components		
16	Thursday	4-Mar-21	8:30 PM	10:30 PM	Notes to the Financial Statements		
17	Friday	5-Mar-21	3:00 PM	5:00 PM	Financial Ratios - Practical Applications		
18	Saturday	6-Mar-21	8:30 PM	10:30 PM	Value Added Tax "VAT" - Basics & Accounting		
19	Thursday	11-Mar-21	8:30 PM	10:30 PM	Report to Your Boss! - Sample Management Report		
20	Friday	12-Mar-21	3:00 PM	5:00 PM	Course Summary, Closing & Distribution of Certificates		

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3

3

Statement of Income		HSA Company Statement of Profit or Loss for the Month of January 2018	
Sales revenue		50,000	
Cost of sales (COS)		30,000	
Gross Profit (GP)		20,000	
Gross profit %		40%	
<b>Selling &amp; Marketing expenses</b>			
Marketing & promotions		0	
Sales commissions		0	
Samples & gifts		0	
Total Selling & Marketing expenses		0	
<b>General &amp; admin expenses (G&amp;A):</b>			
Salaries & Wages		6,000	
Rent Expense		1,500	
Electricity Expense		4,000	
Insurance Expense		2,000	
Depreciation Expense		2,000	
Amortization Expense		1,000	
Total General & admin expenses (G&A):		16,500	
Net profit or loss before interest		3,500	
Interest expense		312	
Net profit or loss after interest		3,188	

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4

4

**Cost of Sales, Gross Profit****تكلفة المبيعات، مجمل الأرباح****Cost of Goods Sold - FIFO & LIFO Example.****Purchase of Inventory:**

LIFO, last in, first out, is based on the principle that the latest inventory purchased will be the first to be sold. Let's examine how LIFO vs. FIFO first in, first out, accounting impacts a hypothetical company, Firm A. Assume Firm A purchased the following inventory during Year 1 to 5

Purchase Year	Units Purchased	Cost Per Unit	Cost of Inventory
Year 1	1,000	1.00	1,000
Year 2	1,000	1.15	1,150
Year 3	1,000	1.20	1,200
Year 4	1,000	1.25	1,250
Year 5	1,000	1.30	1,300

**Cost of Sales, Gross Profit****تكلفة المبيعات، مجمل الأرباح****Cost of Goods Sold - FIFO & LIFO Example.****مشتريات المخزون**

تعتمد طريقة ما يرد أولاً بصرف أولاً (LIFO)، على مبدأ أن آخر مخزون تم شراؤه سيكون أول مخزون يتم بيعه. دعونا نفحص كيفية تأثير طريقة LIFO على تكلفة البضاعة المباعة ومجمل الأرباح، مقارنة بطريقة ما يرد أولاً بصرف أولاً (FIFO) على شركة افتراضية، اشترت المخزون التالي خلال خمس سنوات:

سنة الشراء	عدد الوحدات	تكلفة الوحدة	تكلفة المخزون
Year 1	1,000	1.00	1,000
Year 2	1,000	1.15	1,150
Year 3	1,000	1.20	1,200
Year 4	1,000	1.25	1,250
Year 5	1,000	1.30	1,300

## Cost of Sales, Gross Profit

## تكلفة المبيعات، مجمل الأرباح

### Cost of Goods Sold - FIFO & LIFO Example.

#### Under FIFO

Now assume Firm A sells 3,500 units in Year 5 at 2.00 per unit. This gives the company 7,000 in revenue. Under **FIFO**, the total cost of goods sold (COGS) would be calculated as follows:

Purchase Year	Units Sold	Cost Per Unit	Cost of Sales
Year 1	1,000	x 1.00	1,000
Year 2	1,000	x 1.15	1,150
Year 3	1,000	x 1.20	1,200
Year 4	500	x 1.25	625
<b>Total Cost of Goods Sold</b>			<b>3,975</b>

Total gross profit would be \$3,025, or \$7,000 in revenue – \$3,975 cost of goods sold. The value of the remaining inventory is \$1,925. That's 500 units from Year 4 (\$625), plus 1,000 units from Year 5 (\$1,300).

## Cost of Sales, Gross Profit

## تكلفة المبيعات، مجمل الأرباح

### Cost of Goods Sold - FIFO & LIFO Example.

#### Under FIFO

لنفترض أن الشركة باعت 3,500 وحدة في السنة الخامسة بسعر 2.00 للوحدة. هذه العملية سينتج عنها مبيعات بقيمة 7,000. بموجب الوارد أولاً **FIFO** صادر أولاً، يمكن احتساب تكلفة البضاعة المباعة كالتالي:

سنة الشراء	الوحدات المباعة	تكلفة الوحدة	تكلفة المبيعات
Year 1	1,000	x 1.00	1,000
Year 2	1,000	x 1.15	1,150
Year 3	1,000	x 1.20	1,200
Year 4	500	x 1.25	625
<b>إجمالي تكلفة البضاعة المباعة</b>			<b>3,975</b>

وعليه سيبلغ مجمل الأرباح 3,025، أي 7,000 ناقصاً 3,975 تكلفة المبيعات. أما قيمة المخزون المتبقي فستكون 1,925، أي 500 وحدة من السنة الرابعة (625) و 1,000 وحدة من السنة الخامسة (1,300).

## Cost of Sales, Gross Profit

## تكلفة المبيعات، مجمل الأرباح

### Cost of Goods Sold - FIFO & LIFO Example.

#### Under LIFO

Now assume Firm A sells 3,500 units in Year 5 at 2.00 per unit. This gives the company 7,000 in revenue. Under **LIFO**, the total cost of goods sold (COGS) would be calculated as follows:

Purchase Year	Units Sold	Cost Per Unit	Cost of Sales
Year 5	1,000	x 1.30	1,300
Year 4	1,000	x 1.25	1,250
Year 3	1,000	x 1.20	1,200
Year 2	500	x 1.15	575
<b>Total Cost of Goods Sold</b>			<b>4,325</b>

Total gross profit would be 2,675, or \$7,000 in revenue – 4,325 cost of goods sold. The value of the remaining inventory would be 1,575. That's 1,000 units from Year 1 (1,000), plus 500 units from Year 2 (575).

## Cost of Sales, Gross Profit

## تكلفة المبيعات، مجمل الأرباح

### Cost of Goods Sold - FIFO & LIFO Example.

#### Under LIFO

لنفترض أن الشركة باعت 3,500 وحدة في السنة الخامسة بسعر 2.00 للوحدة. هذه العملية سينتج عنها مبيعات بقيمة 7,000. بموجب الوارد أخيراً صادر أولاً **LIFO**، يمكن احتساب تكلفة البضاعة المباعة كالتالي:

سنة الشراء	الوحدات المباعة	تكلفة الوحدة	تكلفة المبيعات
Year 5	1,000	x 1.30	1,300
Year 4	1,000	x 1.25	1,250
Year 3	1,000	x 1.20	1,200
Year 2	500	x 1.15	575
<b>إجمالي تكلفة البضاعة المباعة</b>			<b>4,325</b>

وعليه سيبلغ مجمل الأرباح 3,025، أي 7,000 ناقصاً 2,675 تكلفة المبيعات. أما قيمة المخزون المتبقي فسكون 1,575، أي 1,000 وحدة من السنة الأولى (1,000) و 500 وحدة من السنة الثانية (575).

**Staff Cost: Payroll, Housing, etc****تكاليف الموظفين والعمال: رواتب وأجور، بدلات إلخ**

- Staff Cost includes, but it is not limited to:
  - Basic salary
  - Housing allowance
  - Transportation allowance
  - Overtime
  - Vacation pay
  - Air fare (Air Tickets)
  - Medical Insurance
  - Residence & Social Insurance
  - End-of-service Benefits
- It is always advised that you (accrue) for the staff cost on a monthly basis
- Do not wait until the cost is paid to book it.
- See the Excel File – a sample company

11

**Staff Cost: Payroll, Housing, etc****تكاليف الموظفين والعمال: رواتب وأجور، بدلات إلخ**

- تشمل تكلفة الموظفين، البنود الأساسية التالية:
  - راتب اساسي
  - بدل سكن
  - بدل مواصلات
  - متأخر، بعد فوات الوقت
  - مدفوعات الإجازة
  - أجره الطيران (تذاكر الطيران)
  - تأمين طبي
  - الإقامة والتأمينات الاجتماعية
  - مكافأة نهاية الخدمة
- يُنصح دائماً بتسجيل تكاليف الموظفين في النظام المحاسبي على أساس شهري.
- لا تنتظر حتى يتم دفع التكلفة حتى تقوم بقيدها في الدفاتر.
- انظر ملف إكسل - مثال

12

**Staff Cost: Payroll, Housing, etc****تكاليف الموظفين والعمال: رواتب وأجور، بدلات إلخ**

- Monthly accrual entry for the salaries:

Dr. Basic salaries	84,200	
Dr. Housing allowance	21,050	
Dr. transportation Allowance	8,420	
Cr. Accrued Payroll, Salaries		113,670

- When paid:

Dr. Accrued Payroll, Salaries	113,670	
Cr. Bank		113,670

- Monthly provision entries for other costs, e.g. vacation pay:

Dr. Vacation pay	9,313	
Cr. Accrued vacation pay		9,313

13

**Cost of Sales, Gross Profit – Q & A****Q. 35**

Which of the following is an indirect cost?

- (A) carriage (freight) inwards
- (B) production wages
- (C) production materials
- (D) factory rent

Answer (d) is correct

**Q. 36**

A machine price was 1,000 and was carried through a truck. The truck's fares were 500. The engineers charged 500 for the installation. The cost of the machine is?

- (A) 1,000
- (B) 1,500
- (C) 2,000
- (D) 2,500

Answer (c) is correct

14

### Cost of Sales, Gross Profit – Q & A

#### Q. 37

An item of equipment cost 300,000 and has a residual value of 50,000 at the end of its expected useful life of four years. What is the depreciable amount?

- (A) 50,000
- (B) 250,000
- (C) 300,000
- (D) 350,000

Answer (b) is correct

#### Q. 38

A company purchases a non-current asset in Year 1 for 90,000. The annual depreciation charge is 15,000. What net book value would be recorded in financial position statement (or balance sheet) at the end of Year 2 ?

- (A) 75,000
- (B) 60,000
- (C) 30,000
- (D) 15,000

Answer (b) is correct

15

### Cost of Sales, Gross Profit - MCQs

#### Q. (39)

A company had opening inventory of 200,000. Sales 400,000, purchases 80,000.

What is the gross profit for the period if the closing inventory was worth 100,000 ?

- (A) \$20,000
- (B) \$120,000
- (C) \$220,000
- (D) \$320,000

Sales	400,000
Opening inventory	200,000
+ Purchases	80,000
Goods available for sale	280,000
Less Closing inventory	100,000
= Cost of Goods Sold	180,000
<b>Gross Profit</b>	<b>220,000</b>

Answer (C) is correct

16



## Statement of Profit or Loss – Q & A

### Q. 40

HSA Company has the following numbers in its Statement of Profit or Loss (Income Statement):

Sales: 920,000

Cost of Goods Sold: 450,000

Other income: 50,000

Salaries & wages: 220,000

Advertising: 50,000

Rent: 40,000

Other expenses: 30,000

**What are the Gross Profit and Net Profit for that period, respectively?**

A) 520,000 and 180,000

B) 490,000 and 210,000

C) 470,000 and 180,000

D) 470,000 and 230,000

Sales	920,000
Cost of Sales (COS)	(450,000)
Gross Profit (GP)	470,000
Other revenue	50,000
Total	520,000
salaries	(220,000)
Advertising	(50,000)
Rent	(40,000)
Other expenses	(30,000)
Net Profit (NP)	180,000



**Answer (C) is Correct**

17

# Thank You!

18