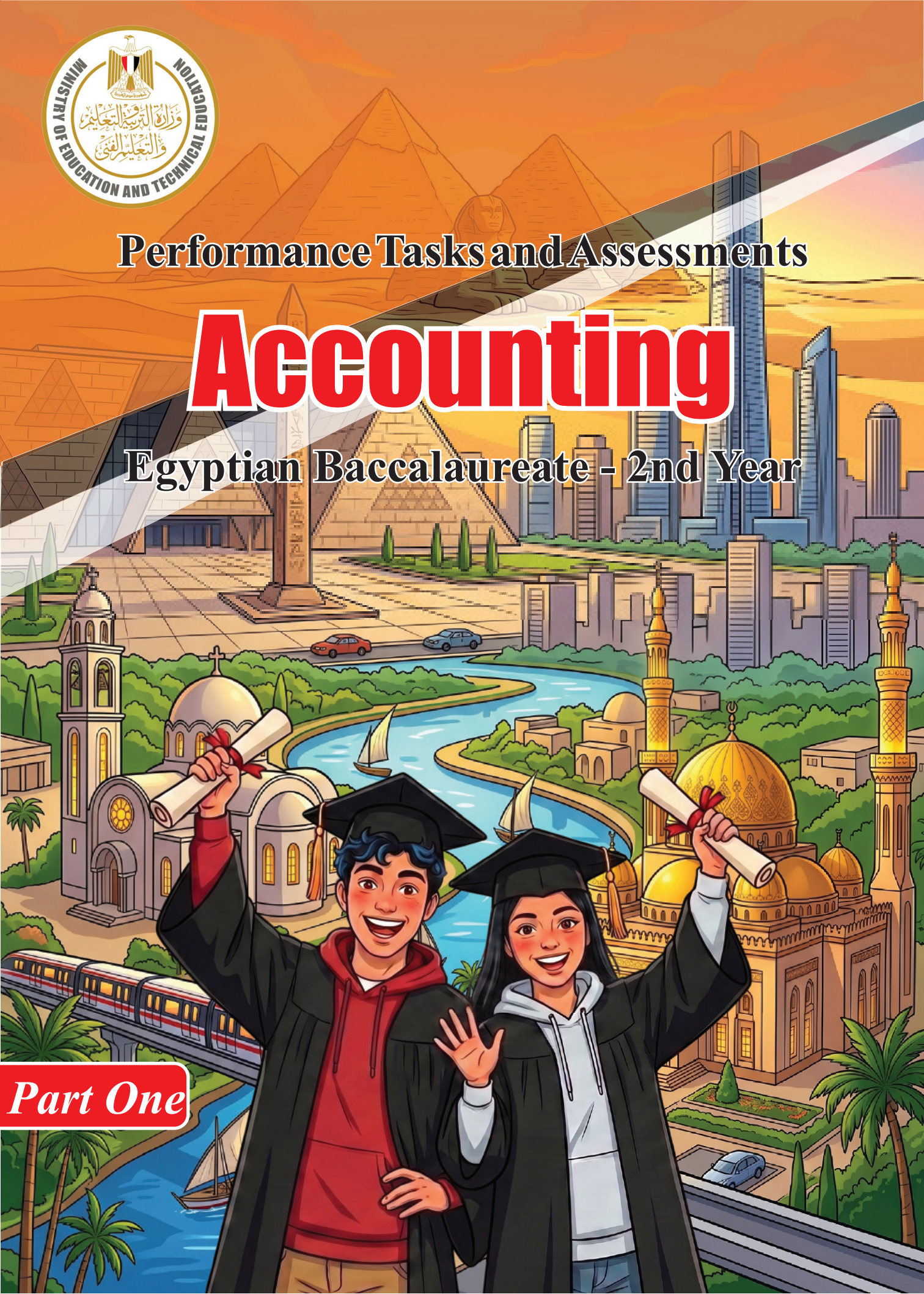
MINISTRY OF EDUCATION AND TECHNICAL EDUCATION

وزارة التربية والتعليم والتعليم الفني

Performance Tasks and Assessments

Accounting

Egyptian Baccalaureate - 2nd Year



Part One

Introduction

Driven by the firm belief of the Ministry of Education and Technical Education in the necessity of empowering teachers with effective tools that elevate classroom performance, enhance educational quality, and improve learning outcomes; in genuine response to teachers› voices and feedback gathered from the field; and to fulfill our educators› need for flexible and comprehensive instructional resources that support their noble educational mission, this book has been developed as an integrated pedagogical foundation. It supports teachers in planning and executing their instructional responsibilities with high efficiency and effectiveness while facilitating continuous assessment. Its content is designed to offer diverse models of active classroom performances and interactive learning activities grounded in a methodology that promotes active learning, driving a qualitative shift in teaching practices that firmly positions the student as the «center of the educational process.»

The book contains formative and diagnostic questions alongside purposeful learning tasks designed for homework completion. These tasks reinforce the integration between in-class instruction and home learning, fostering sustainable knowledge building. Furthermore, these tools serve to cultivate critical and creative thinking, deepen conceptual understanding, enhance student motivation, and impart a strong sense of achievement and excellence.

In addition, the book features short weekly quizzes and periodic evaluations that enable teachers to measure the attainment of learning outcomes continuously. This ensures the early identification and remediation of learning gaps while providing immediate feedback to enhance student performance. Each month›s performance tasks conclude with a series of scaffolded exercises tailored to accommodate individual student differences and target various cognitive levels, providing a rich, deep, and cohesive structure that thoroughly prepares students to perform efficiently on monthly examinations.

This book represents a tangible translation of the Ministry›s vision toward alleviating the financial and psychological burdens on parents, offering supplementary educational content that enriches the classroom environment while affording teachers greater opportunity for pedagogical innovation and fruitful student interaction. It also stands as an effective instrument advancing the Ministry›s strategic objectives toward achieving learning outcomes and effecting a genuine transformation in the learning environment—shifting from rote instruction to deep comprehension, from memorization to practical application, from passive reception to active participation, and from simple recall to rigorous analysis, constructive critique, and independent thought.

As we present this work to our esteemed teachers and students, we aspire for it to make a meaningful contribution toward elevating academic performance and advancing educational quality. We trust it will serve as an essential building block in developing a conscious, well-educated generation equipped with the skills and capabilities necessary to thrive in a world that demands creativity and innovation, thereby leaving a lasting, positive impact on achieving an ambitious educational vision for the future of education in our beloved nation.

May God guide us all toward success.

Unit One: Why Do You Learn Accounting?

Week:	Section One: What is Accounting?	Date: ..... / ..... / .....

First Period: In-Class Performance

Activity: Board of Directors of Al-Amal Commercial Entity

Imagine you are a member of a group representing the Board of Directors of Al-Amal Commercial Entity , and each student in the same group represents one of the following accounting information users: (Investor, Executive Director, Head of Trade Union, Bank Representative, Tax Authority Representative). Read the following steps and execute the requirements:

■ Step One: Identifying the Needs of Accounting Information Users

Write in front of each user the financial information they need:

Information User	Needed Financial Information
Investor	.....
Executive Director	.....
Head of Trade Union	.....
Bank Representative	*Example: Ability to repay (Ability to service debt).*
Tax Authority Representative	.....

■ Step Two: Definition of Accounting

After reading the definition of accounting provided in the textbook, write a one-line definition of accounting:

Definition of Accounting:

.....

■ Step Three: The Basic Accounting Equation: Assets = Liabilities +

.....

Homework (Home Performance):

1) Define accounting as an information system, and clarify the three elements of this system (Inputs – Processing – Outputs).

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2) If the assets of a commercial entity amount to EGP 500,000, and its liabilities to third parties (Liabilities) are EGP 200,000, calculate the value of owner's equity, explaining the accounting equation formula used.

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3) Identify the accounting principle applicable to each of the following situations, stating the reason for your choice in one sentence:

First Situation: The entity expects a potential loss, and indicators support the likelihood of its occurrence, while sufficient evidence of a potential profit is not available.

Principle: .....
Reason:.....

Second Situation: The entity earned revenues during the period and incurred expenses that contributed to achieving these revenues.

Principle: .....
Reason:.....

4) Give reasons for (Explain): The taxation authority and banks are considered external users of accounting information who are interested in the credibility and accuracy of financial statements.

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5) Explain how accounting answers the entity 's three basic financial questions: (a) What does it own? (b) What does it owe? (c) Has it achieved a profit or a loss?

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Week:	Section Two: The Accounting Equation and Structure of Financial Position	Date: ..... / ..... / .....

Second Period: In-Class Performance

Activity: Simulating the Effect of Financial Transactions on the Accounting Equation

Divide students into groups of 5 students each.

Each group receives a card containing financial transactions for a newly established startup Entity , and determines the effect of each transaction on the accounting equation: **«Assets = Liabilities + Owner's Equity»**

First Transaction (Solved): The owner invested EGP 100,000 in cash to start the business activity.

Account	Type	Increases / Decreases	Equation Side	Value
Cash	Asset	Increases	Assets	EGP 100,000
Capital	Owner's Equity	Increases	Owner's Equity	EGP 100,000

Verification:

Assets = EGP 100,000

Liabilities + Owner's Equity = 0 + 100,000 = EGP 100,000

Therefore, the accounting equation remains balanced.

Apply the same template to the following two transactions:

Second Transaction: The Entity borrowed EGP 50,000 from the bank and received the amount in cash.

Third Transaction: The Entity purchased equipment in cash for EGP 20,000.

Account	Type	Increases / Decreases	Equation Side	Value
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....

For Verification: *Ensure that: «Total Assets = Total Liabilities + Total Owner's Equity» after each transaction.*

Discussion Question for Each Group: How does the accounting equation remain balanced after recording each transaction?

Home Performance (Homework)

1) If the assets of an entity amount to EGP 500,000, and its liabilities amount to EGP 320,000; calculate the value of owner's equity, then explain the economic meaning of this value in light of the basic accounting equation.

2) Complete the following table, illustrating the effect of each transaction on the elements of the basic accounting equation:

Accounting Equation: Assets = Liabilities + Owner's Equity

Transaction	Assets	Liabilities	Owner's Equity
Obtaining a bank loan in cash amounting to EGP 100,000	.....	.....	.....
Purchasing equipment in cash amounting to EGP 40,000	.....	.....	.....

3) The assets of an entity amounted to EGP 750,000, and its liabilities amounted to EGP 280,000. If the value of owner's equity is unknown, what is its value? Then verify the balance of the accounting equation.

Assets = Liabilities + Owner's Equity

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.....

Period Three: Weekly Assessment (Week .....)

Model (A)

Select the correct answer:

1. An entity purchased equipment in cash amounting to EGP 50,000. What is the accounting effect on the basic accounting equation?

a) An increase in assets by EGP 50,000 and an increase in liabilities by the same amount.

b) An increase in assets by EGP 50,000 and an increase in owner's equity by the same amount.

c) An increase in one asset by EGP 50,000 and a decrease in another asset by the same amount.

d) A decrease in assets by EGP 50,000 and a decrease in liabilities by the same amount.

2. An entity sold goods in cash for EGP 80,000, and their cost was EGP 50,000. What is the accounting effect of this transaction on the basic accounting equation?

a) An increase in net assets by EGP 80,000 and an increase in owner's equity by EGP 30,000.

b) An increase in assets by EGP 80,000 and a decrease in assets by EGP 50,000, along with an increase in owner's equity by EGP 30,000.

c) An increase in assets by EGP 50,000 and an increase in owner's equity by EGP 50,000.

d) A decrease in assets by EGP 50,000 and a decrease in owner's equity by EGP 30,000.

Answer the following questions:

1. Explain how an additional cash investment by the owner in his business leads to a simultaneous increase in both assets and owner's equity.

2. There are five different patterns for the effect of financial transactions on the basic accounting equation; mention three of these patterns, providing a simple practical example for one of them.

Model (B)

Select the correct answer:

1. When an entity pays a portion of the amount due to suppliers in cash, the accounting effect realized on the basic accounting equation is:

a) An increase in assets and a decrease in liabilities.

b) A decrease in assets and a decrease in liabilities by the same amount.

c) An increase in one asset and a decrease in another asset.

d) A decrease in assets and a decrease in owner's equity.

2. When an entity collects EGP 30,000 from a customer in cash, the accounting effect of this transaction on the basic accounting equation is:

a) An increase in assets by EGP 30,000 and a decrease in liabilities by the same amount

b) A decrease in one asset by EGP 30,000 and an increase in another asset by the same amount.

c) An increase in one asset by EGP 30,000 and a increase in liabilities by the same amount.

d) A decrease in assets by EGP 30,000 and a decrease in owner's equity by the same amount.

Answer the following questions:

3. What is the fundamental difference between "Current Assets" and "Non-Current (Fixed) Assets" in terms of acquisition objective and convertibility into cash within the entity's financial structure?

4. Explain how the owner's withdrawal of cash for personal use (personal withdrawals) leads to a simultaneous decrease in both assets and owner's equity.

Model (C)

Select the correct answer:

1. When an entity obtains a bank loan and deposits the full amount into its bank current account, the accounting effect realized on the basic accounting equation is:

a) An increase in assets and an increase in liabilities by the same amount.

b) An increase in assets and an increase in owner's equity.

c) An increase in one asset and a decrease in another asset.

d) A decrease in liabilities and an increase in owner's equity.

2) When an entity settles an amount of EGP 40,000 of an outstanding bank loan in cash, the accounting effect of this transaction on the basic accounting equation is:

a) An increase in Assets by EGP 40,000 and an increase in Liabilities by the same amount.

b) A decrease in Assets by EGP 40,000 and a decrease in Liabilities by the same amount.

c) An increase in one Asset by EGP 40,000 and a decrease in another Asset by the same amount.

d) A decrease in Liabilities by EGP 40,000 and an increase in Owner's Equity by the same amount.

Answer the following questions:

1) Financial transactions vary in the way they impact the items of the basic accounting equation. Analyze the effect of each of the following two transactions, and determine the pattern of change in the elements of the accounting equation (Assets = Liabilities + Owner's Equity):

a) The entity purchased equipment in cash for EGP 50,000.

b) The entity converted an amount of EGP 30,000 from a creditor's payable into a long-term loan.

2) Explain how analyzing financial transactions into (affected parties by increase or decrease) helps in understanding the two sides of an accounting entry (Debit and Credit) and avoiding errors in the trial balance equality later on.

Week:	Section Three: Double-Entry Rule & Recording Rules	Date: ..... / ..... / .....

Period One: In-Class Performance

Activity: Applying the Double-Entry Rule and Balancing Ledger T-Accounts

• Divide students into groups, each consisting of 4 students, to act as 'Financial Auditors' in analyzing financial transactions and recording their effects using T-accounts, fostering conceptual understanding of the double-entry mechanism and account balancing rather than rote memorization.

First Transaction: The entity purchased equipment in cash for EGP 15,000.

Requirement: Analyze the transaction, identify the affected accounts, specify the Debit side and Credit side for each account, record the amount on the appropriate side of each T-account, and verify the equality of the two sides of the entry.

Account	Debit Side (Dr.)	Credit Side (Cr.)	Amount (EGP)
			15,000
			15,000

Second Transaction: The entity obtained a bank loan of EGP 40,000, and the amount was deposited into the bank account.

Requirement: Analyze the transaction, identify the affected accounts, specify the Debit side and Credit side for each account, record the amount on the appropriate side of each T-account, and verify the equality of the two sides of the entry.

Account	Debit Side (Dr.)	Credit Side (Cr.)	Amount (EGP)
			40,000
			40,000

Balancing and Extracting the Net Effect:

Balance the preceding accounts by calculating the difference between total debit and total credit for each account, determine the final ending balance for each account, and use the results to verify accounting recording consistency and detect any errors prior to preparing the trial balance.

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Home Performance (Homework)

1) "While the accounting equation illustrates structure, the double-entry rule illustrates movement." Discuss this statement, explaining why the double-entry rule is a logical necessity rather than an arbitrary rule imposed on accountants.

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2) Complete the following table by identifying the side on which an increase is recorded for each type of account:

Type of Account	Side of Increase (Debit / Credit)
Assets	.....
Liabilities	.....
Owner's Equity	.....
Revenues	.....
Expenses	.....
Owner's Drawings	.....

Then explain briefly: Why does 'Debit' not always mean an increase, and 'Credit' does not always mean a decrease? Use one type of account to illustrate your answer.

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3) Explain the purpose of using T-accounts in recording financial transactions, clarifying how the Debit side and Credit side of the account represent movements, and how it helps visualize the flow of funds

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4) Define the concept of 'Account Balancing' at the end of the financial period, explain how the net ending balance is calculated, and why balancing is an essential verification step before preparing the trial balance and financial statements.

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5) Systemic documentation of the double-entry system appeared in the book published by the Italian mathematician Luca Pacioli in 1494 AD. Explain the three main objectives achieved by this system in enforcing accounting discipline and internal control.

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Period Two: In-Class Performance

Activity: Preparing Trial Balance, Error Detection, and Correction

■ Divide students into groups, each comprising 4 students, to act as a **"Financial Audit Team"**, to prepare, examine, and audit the Trial Balance to detect and correct errors based on the attached data.

• On December 31, 2026, the following ledger account balances appeared for **"Al-Nour Commercial Entity"** after recording financial transactions during the period:

Account Title	Balance (EGP)	Nature / Side
Cash	75,000	Debit
Bank	125,000	Debit
Accounts Receivable (Debtors)	90,000	Debit
Merchandise Inventory	180,000	Debit
Equipment	250,000	Debit
Accounts Payable (Creditors)	110,000	Credit
Capital	475,000	Credit
Sales	650,000	Credit
Purchases	350,000	Debit
Salaries Expense	80,000	Debit
Rent Expense	50,000	Debit
Owner's Drawings	40,000	Debit

The balances below already reflect the four errors described in the additional information."

1. A cash purchase of equipment for EGP 20,000 was recorded in the Purchases account instead of the Equipment account.

2. Collection of EGP 15,000 from a debtor was recorded in the Bank account, but was not recorded in the Accounts Receivable account.

3. Rent expense of EGP 5,000 was listed on the Credit side of the Rent Expense account instead of the Debit side.

4. Payment of EGP 8,000 to a creditor was omitted completely from the entity's books.

Important Student Task Guidelines:

Each group functions as a "Financial Audit Team" and executes the activity across three structured stages:

■ Stage One: Trial Balance Preparation & Equilibrium Verification (15 Minutes)

- Task: Prepare the Trial Balance from the provided balances, calculate total Debit and Credit balances, and determine the difference, if any.
- Deliverable: A Trial Balance showing total debit, total credit, and the difference.
- Success Criteria: Accurate classification of balances and correct calculation of totals and differences.

■ Stage Two: Error Examination & Impact Analysis (20 Minutes)

- Task: Examine the additional data, identify the intentional errors and the accounts affected by each error, and analyze the impact of each error on Trial Balance equilibrium.
- Deliverable: A structured table showing each error, affected accounts, and its impact on equilibrium.
- Success Criteria: Precise identification of errors and correct accounting interpretation of their impact.

■ Stage Three: Error Correction & Conclusions (25 Minutes)

- Task: Prepare the appropriate correcting journal entries, prepare an Adjusted Trial Balance after corrections, and evaluate whether Trial Balance equality guarantees error-free books, with proper justification.
- Deliverable: Correcting journal entries, an Adjusted Trial Balance, and a justified conclusion.
- Success Criteria: Correctness of adjusting entries, balance of the Adjusted Trial Balance, and validity of conclusion.

Total Duration of Activity: 60 Minutes

Requirements:

1. Preparing the Trial Balance: Classify the account balances into debit and credit balances, calculate the total for each side, and determine the amount of difference between them, if any.

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2. Examining the Imbalance Case: If the total debit and credit balances are not equal, determine the amount of the difference, then examine the additional data to identify the errors that may have caused this difference. If an error cannot be identified or corrected immediately, the Suspense Account may be used to temporarily record the difference until its cause is determined and the appropriate correcting entry is made.

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3. Analyzing Errors That Do Not Affect Trial Balance Equilibrium: Identify errors that do not cause an imbalance in the Trial Balance, and explain why they are not discovered through the equality of the two sides of the Trial Balance.

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4. Correcting Errors: Determine the appropriate correcting journal entry for each error, then re-prepare the Trial Balance after making the necessary corrections.

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5. Conclusion: Does the equality of the two sides of the Trial Balance necessarily mean that the accounting books are completely free from errors? Explain your answer based on the errors presented in the activity.

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Home Performance

1) Case Analysis: "The trial balance is a control tool used to verify the proper application of the double-entry accounting system; however, it does not guarantee the complete accuracy of all accounting recordings." In light of the preceding statement, analyze the following two cases:

Case One: The entity purchased equipment for EGP 20,000 in cash, and the transaction was entirely unrecorded in the accounting books.

Case Two: The entity paid rent expense in cash amounting to EGP 5,000, but the transaction was recorded as EGP 8,000 in both the debit side and the credit side.

Required:

Indicate the impact of each case on the equilibrium of the trial balance.

Explain why the trial balance fails to detect the error in each case.

Deduce what the trial balance equilibrium guarantees, and what it does not guarantee.

Deduce the types of errors that may not be detected by the equilibrium of the trial balance, providing an illustrative example for each type.

2) Explain the basic logical steps required for preparing a trial balance by balances, clarifying the normal balance nature of Assets, Liabilities, Owner's Equity, Revenues, and Expenses accounts.

3) State three types of accounting errors that directly lead to an imbalanced trial balance (discrepancy between total debit and total credit balances).

4) Comparative Analysis: Compare Errors in Accounting Principle (Errors of Principle) and Compensating (Balanced) Errors in terms of concept, manner of occurrence, impact on trial balance equilibrium, whether detected by trial balance, illustrative example, and method of correction, using the structured table below:

Comparison Basis	Error in Accounting Principle	Compensating / Balanced Error
Concept	.....	.....
Manner of Occurrence	.....	.....
Impact on Equilibrium	.....	.....
Detected by Trial Balance?	.....	.....
Illustrative Example	.....	.....
Method of Correction	.....	.....

5) Define the "Suspense Account", explain why it is classified as a temporary account rather than a final solution to accounting discrepancies, and state the required procedures to be executed after discovering the original error.

Weekly Assessment - Period Three

Week:.....

Model (A)

I. Choose the Correct Answer:

1. An entity paid EGP 12,000 in cash to a supplier (creditor); the debit side of the journal entry was correctly posted, but the credit side was omitted entirely. What is the impact of this error on the trial balance equilibrium?

A) It does not affect the equilibrium of the trial balance.
B) Total debit balances exceed total credit balances by EGP 12,000.
C) Total credit balances exceed total debit balances by EGP 12,000.
D) Total debit balances exceed total credit balances by EGP 24,000.

2. An entity purchased equipment for EGP 20,000 in cash, but the transaction was entirely unrecorded in the accounting records. What is the impact of this omission on the trial balance equilibrium?

A) It leads to an increase in total debit balances by EGP 20,000.
B) It leads to an increase in total credit balances by EGP 20,000.
C) It does not affect the equilibrium of the trial balance.
D) It leads to a trial balance imbalance of EGP 40,000.

II. Answer the Following Questions:

3. Upon preparing the trial balance, total debit balances amounted to EGP 620,000, while total credit balances reached EGP 615,000. Pending the identification of the discrepancy's root cause, a Suspense Account was opened. In light of this:

a. Calculate the amount of discrepancy to be recorded in the Suspense Account.
b. Explain the accounting purpose of utilizing a Suspense Account in this scenario.
c. Specify what must happen to the balance of the Suspense Account after discovering and correcting the errors.

4. The discrepancy between total debit and credit balances in an entity's trial balance stood at EGP 8,000 in favor of the debit side. Following an audit, the cause was identified and rectified by posting an appropriate correcting entry through the Suspense Account. In light of this:

a. What is the impact of the correcting entry on the equilibrium of the trial balance?
b. What is the resulting balance of the Suspense Account after posting the correcting entry?
c. Why must the balance of the Suspense Account be closed (zeroed out) after error correction?

Model (B)

I. Choose the Correct Answer:

1. An entity purchased machinery for EGP 18,000 in cash, and recorded the journal entry as follows:

Dr. Equipment Account EGP	18,000	
Cr. Expenses Account EGP		18,000

What is the impact of this recording error on the equilibrium of the trial balance?

A) It increases total debit balances by EGP 18,000.
B) It increases total credit balances by EGP 18,000.
C) It does not affect the equilibrium of the trial balance.
D) It causes a trial balance discrepancy of EGP 36,000.

2. An entity paid EGP 10,000 to a creditor; EGP 10,000 was posted to the debit side of the Accounts Payable account, but posting to the credit side of the Cash account was omitted. What is the amount of discrepancy that will appear in the trial balance?

A) No discrepancy appears.
B) EGP 10,000 in favor of the debit side.
C) EGP 10,000 in favor of the credit side.
D) EGP 20,000 in favor of the debit side.

Answer the following

3) Upon auditing an entity's accounts, it was discovered that a debit account was recorded EGP 6,000 higher than its correct value, while a credit account was recorded EGP 6,000 lower than its correct value by the exact same amount. In light of this:

Required: Indicate the impact of these two errors on the trial balance equilibrium, explaining the underlying accounting reasoning.

4) Upon preparing the trial balance, total debit balances amounted to EGP 735,000, while total credit balances reached EGP 728,000. A Suspense Account was temporarily opened pending error detection. In light of this:

Required: Calculate the exact discrepancy between both sides, and explain the accounting objective of opening the Suspense Account.

(Model C)

(Select the Correct Answer)

1. Upon preparing the trial balance for an entity, total debit balances totaled EGP 723,000, while total credit balances totaled EGP 735,000. Upon examination, it was revealed that a financial transaction of EGP 12,000 was recorded correctly in the General Journal, but during posting to the Ledger, the credit side was posted while the debit side was omitted. What is the correct explanation for the discrepancy appearing in the trial balance?

A) There is a deficit in total debit balances of EGP 12,000 due to omitting the debit side posting.

B) There is a deficit in total credit balances of EGP 12,000 due to omitting the credit side posting.

C) There is no impact on trial balance equilibrium because the transaction was correctly journalized.

D) There is a deficit in total debit balances of EGP 24,000 because one side was omitted.

2. Prior to finalizing financial statements, an entity uncovered an accounting error where an expense was recorded at a lower value than actual, impacting net income. What is the most appropriate accounting procedure to preserve fair and faithful presentation?

A) Leave the error uncorrected as long as the trial balance is in equilibrium.

B) Delete the original entry from the books and re-record it at the correct amount.

C) Execute an appropriate correcting journal entry to present the expense accurately.

D) Open a new account for the difference and include it under general revenues.

Answer the following

3) Why is an Error of Principle — such as misclassifying a revenue expense as a capital expense — categorized among errors that do not disrupt the mathematical equilibrium of the trial balance?

4) Upon preparing an entity's trial balance, total debit balances stood at EGP 850,000, while total credit balances stood at EGP 842,000. To achieve temporary equilibrium, EGP 8,000 was placed on the credit side of a Suspense Account. Subsequent investigation revealed that a journal entry had its debit side posted at EGP 8,000 while its credit side was omitted. In light of this:

a. Determine the initial balance of the Suspense Account opened to achieve temporary equilibrium.

b. Indicate the impact of discovering and correcting the error on the Suspense Account balance.

c. Explain the required accounting procedure to close out the Suspense Account after error correction.

Week ..... Section Five: From the Trial Balance to the Preparation of Final Accounts

Week:	First Session:	Date: ..... / ..... / .....

Classroom Performance:

Activity: Transition from Trial Balance to Final Accounts and Statement of Financial Position

Divide students into groups of 6 members each, acting as 'Financial Accountants,' to convert trial balance account balances into comprehensive financial statements.

1. Foundational Case Study: Al-Ansari Commercial Entity

Activity Data: The following selected account balances were extracted from the trial balance of Al-Ansari Commercial Entity as of December 31, 2026:

Account Title	Balance (EGP)	Account Title	Balance (EGP)
Cash	100,000	Capital	150,000
Accounts Receivable	100,000	Sales Revenue	500,000
Equipment	150,000	Cost of Sales	320,000
Accounts Payable	100,000	Operating Expenses	80,000

Group Mission & Requirements:

1) Prepare the Income Statement by determining Gross Profit and deducting Operating Expenses to arrive at Net Profit.

2) Prepare the Statement of Financial Position as of December 31, 2026, by properly classifying Assets, Liabilities, and Owner's Equity (adding Net Profit to Capital).

3) Verify the equilibrium of the Statement of Financial Position according to the Accounting Equation: Assets = Liabilities + Owner's Equity.

2. Applied Practical Exercise

Following the completion of the foundational example, the teacher provides students with more detailed data, including various line items for revenues, expenses, assets, and liabilities.

Students are then asked to prepare an income statement and a statement of financial position, applying the steps practiced during the foundational example.

Financial Statements

Home Performance

1. Sales of a commercial entity reached EGP 500,000, and its cost of sales amounted to EGP 320,000.

a. Calculate gross profit.

b. Calculate gross profit margin.

c. Explain what an increase or decrease in gross profit margin reflects regarding the efficiency of the entity's core activity.

2. Compare the concept of the Trading Account and the Profit and Loss Account in terms of the nature of elements included in each, and the final financial result that each account aims to determine.

3. Owner's equity of an entity at the beginning of the period was EGP 300,000. During the period, it achieved a net profit of EGP 80,000, and personal withdrawals by the owner reached EGP 20,000.

a. Calculate owner's equity at the end of the period.

b. Explain the impact of both net profit and personal withdrawals on owner's equity.

4. Explain the importance of classifying assets into current assets and non-current assets, and liabilities into current liabilities and non-current liabilities in the Statement of Financial Position, providing an example for each classification.

5. "Financial statements are not separate from the accounting equation; rather, they reflect the changes that occur in its elements." Discuss this statement, explaining the logical interrelation connecting the trial balance, trading account, profit and loss account, and statement of financial position leading up to the preparation of a balanced statement of financial position.

Week:	Section Six: Evidence-Based Interpretation (JRE)	Date: ..... / ..... / .....

Second Period:

Class Performance — Activity: Evidence-Based Analysis

1. Assets of an entity at the end of the period reached EGP 1,200,000, its liabilities reached EGP 450,000, while its owner's equity reached EGP 800,000. In light of this:

- Verify the balance of the statement of financial position according to the accounting equation: Assets = Liabilities + Owner's Equity.
- Justify your answer with numerical calculations.
- Mention potential reasons for the existence of the discrepancy (note that identifying the actual cause requires examining accounts, journal entries, and the trial balance).

- State the appropriate accounting procedures required to investigate its source and correct it.

2. Upon preparing the trial balance for an entity, total debit balances reached EGP 920,000, while total credit balances reached EGP 905,000. A Suspense Account was opened with the difference. In light of this:

- Determine the value and nature of the Suspense Account balance.
- Provide mathematical evidence supporting your answer.
- Logically explain the cause for a balance appearing in the Suspense Account.
- State the accounting procedures to be followed after identifying the cause of the discrepancy to correct the error and close out the Suspense Account.

3. Net profit of an entity according to the Income Statement reached EGP 80,000, while capital balance increased during the period by EGP 60,000. In light of this:

a. Calculate the difference between net profit and the increase in capital balance.

b. Provide accounting evidence for the value of the difference.

c. Explain the probable reason for the non-matching of the two amounts, then determine the accounting conclusion that can be reached regarding this discrepancy.

Home Performance

1. Sales of a commercial entity reached EGP 750,000, and its cost of goods sold (cost of sales) reached EGP 450,000.

a. Calculate gross profit.

b. Calculate gross profit margin (ratio of gross profit to sales).

c. Explain what an increase or decrease in gross profit margin reflects regarding pricing policy and purchase cost management in the entity.

2. Compare the Trading Account and Profit and Loss Account in terms of:

- Nature of revenues and expenses transferred to each account.
- Final result each account aims to measure and transfer.

3. Owner's equity of an entity at the beginning of the financial period was EGP 450,000. During the period, the entity incurred a net loss of EGP 30,000, personal withdrawals by the owner reached EGP 15,000, and capital was increased by an additional investment of EGP 50,000.

a. Calculate owner's equity at the end of the financial period.

b. Explain how net loss, personal withdrawals, and additional investments affect changes in owner's equity.

4. Explain the importance of categorizing items within the Statement of Financial Position into: (current assets and non-current assets) and (current liabilities and non-current liabilities), providing two examples for each classification.

5. "The accounting cycle is an integrated series; the outputs of each phase form inputs for the subsequent phase leading up to the financial statements." Discuss this statement, explaining the logical interrelation connecting the trial balance, performance accounts (trading and profit & loss), and statement of financial position to achieve financial equilibrium at the end of the period.

Third Period:

Weekly Assessment (Week .....)

Model (A)

I. Choose the Correct Answer:

1. If sales revenue of a commercial entity reaches EGP 200,000, cost of goods sold is EGP 130,000, and operating expenses (salaries, rent, utilities) reach EGP 40,000; gross profit and net profit respectively are:

A) Gross profit EGP 70,000, net profit EGP 30,000.

B) Gross profit EGP 130,000, net profit EGP 90,000.

C) Gross profit EGP 70,000, net profit EGP 40,000.

D) Gross profit EGP 160,000, net profit EGP 30,000.

2. If the sales revenue of a commercial entity is EGP 250,000, gross profit is EGP 90,000, and operating expenses are EGP 50,000; then the cost of goods sold and net profit, respectively, are:

A) Cost of goods sold EGP 160,000, Net profit EGP 40,000.

B) Cost of goods sold EGP 160,000, Net profit EGP 90,000.

C) Cost of goods sold EGP 200,000, Net profit EGP 40,000.

D) Cost of goods sold EGP 90,000, Net profit EGP 40,000.

Answer the following:

3. Sales of a commercial entity reached EGP 800,000, cost of goods sold was EGP 560,000, while operating expenses reached EGP 180,000. In light of this:
a. Calculate gross profit and net profit.
b. Calculate gross profit margin and net profit margin.
c. Explain what the results indicate regarding the entity's profitability.

4. Explain the nature of financial information provided by the Statement of Financial Position to beneficiaries that is not shown by the Income Statement alone.

Model (B)

I. Choose the Correct Answer:

1. If sales revenue of a commercial entity reaches EGP 300,000, cost of goods sold is EGP 180,000, and operating expenses reach EGP 70,000; gross profit and net profit respectively are:
A) Gross profit EGP 120,000, net profit EGP 50,000.
B) Gross profit EGP 180,000, net profit EGP 110,000.
C) Gross profit EGP 120,000, net profit EGP 70,000.
D) Gross profit EGP 230,000, net profit EGP 50,000.

2. If gross profit of a commercial entity reaches EGP 120,000, net profit reaches EGP 50,000, while operating expenses reach EGP 70,000; sales revenue and cost of goods sold respectively are:
A) EGP 300,000 sales revenue, EGP 180,000 cost of goods sold.
B) EGP 300,000 sales revenue, EGP 120,000 cost of goods sold.
C) EGP 230,000 sales revenue, EGP 180,000 cost of goods sold.
D) EGP 250,000 sales revenue, EGP 180,000 cost of goods sold.

II. Answer the Following Questions:

3. During the current period, a commercial entity generated sales of EGP 800,000, cost of goods sold was EGP 500,000, and operating expenses were EGP 260,000. In the previous period, sales were EGP 700,000, cost of goods sold was EGP 450,000, and operating expenses were EGP 180,000. In light of this:
a. Calculate gross profit and net profit in both periods.
b. Show how net profit can decrease despite an increase in gross profit.
c. Explain the financial and operational significance of this result.

4. Sales revenue of an entity during the period reached EGP 400,000, cost of goods sold was EGP 460,000, and operating expenses were EGP 50,000. In light of this:
a. Calculate gross loss and net loss.
b. Explain the impact of net loss on owner's equity.
c. Explain what this result means regarding the relationship between sales revenue and cost of goods sold.

Model (C)

I. Choose the Correct Answer:

1. If sales revenue of a commercial entity reaches EGP 250,000, cost of goods sold is EGP 150,000, and operating expenses reach EGP 60,000; gross profit and net profit respectively are:
A) Gross profit EGP 100,000, net profit EGP 40,000.
B) Gross profit EGP 150,000, net profit EGP 90,000.
C) Gross profit EGP 100,000, net profit EGP 60,000.
D) Gross profit EGP 190,000, net profit EGP 40,000.

2. If sales revenue of a commercial entity reaches EGP 300,000, cost of goods sold is EGP 180,000, and operating expenses are EGP 75,000; net profit equals:

A) EGP 45,000.

B) EGP 120,000.

C) EGP 75,000.

D) EGP 105,000.

II. Answer the Following Questions:

3. Sales of a commercial entity reached EGP 800,000 and cost of goods sold was EGP 480,000 in the previous period, while sales reached EGP 900,000 and cost of goods sold reached EGP 585,000 in the current period. In light of this:

a. Calculate the ratio of cost of goods sold to sales in each period.

b. Compare both ratios and explain what an increase in this ratio from one period to another indicates operationally and marketing-wise.

4. Explain how incurring a net loss at the end of the financial period directly impacts owner's equity in the Statement of Financial Position.

Unit Two: The Double-Entry Rule and Ledger Accounts

Week:	Section One: The Double-Entry Rule	Date: ..... / ..... / .....

First Period

Class Performance

Activity: Analyzing Financial Impact and Equation Balance

Divide students into groups, each comprising 3 to 4 students.

Distribute to each group a real-world scenario for a startup entity that executed the following transactions during its first week:

1) Purchasing machinery valued at EGP 15,000, half of which was paid in cash, and the remainder on account (credit).

2) Paying headquarters rent expense in cash amounting to EGP 2,000.

3) Providing advisory services to a client valued at EGP 5,000 and collecting the amount in cash.

Execution Mechanism:

One student answers the three guiding questions for each transaction.

Another student classifies accounts according to the five categories (Assets, Liabilities, Owner's Equity, Revenues, Expenses), identifies the two sides of the entry (Debit and Credit), and justifies the increase/decrease.

A third student demonstrates the continuous balance of the accounting equation: **"Assets = Liabilities + Owner's Equity"**, after each transaction.

A fourth student presents the group's conclusion, explaining why paying the expense did not lead to the collapse of the equation balance.

Homework

1) Why is the double-entry rule considered a mirror reflecting the economic reality of commercial activity rather than a mere formal procedure or accounting trick?

2) Explain with logical and accounting evidence the error in the common belief that "debit always means an increase, and credit always means a decrease".

3) Both "Expenses" and "Assets" appear on the debit side upon an increase; explain the relationship between an increase in expenses and its inverse effect on owner's equity within the accounting equation.

4) An entity purchased a goods transport truck for cash, and the accountant recorded the transaction by increasing an asset (Trucks) and omitted recording the other side. Evaluate the

impact of this error on the balance of the accounting equation and the accuracy of financial statements.

5) How do the three guiding questions ("What did the activity receive? What did it give? What accounts are affected?") contribute to avoiding conceptual confusion between liability accounts and owner's equity accounts when purchasing goods on credit?

Week:	Section One: The Double-Entry Rule	Date: ..... / ..... / .....

Second Period: Class Performance

JRE Activity: Evidence-Based Interpretation

1. Total assets of an entity amounted to EGP 500,000, total liabilities EGP 200,000, and owner's equity EGP 300,000. The entity purchased equipment for cash amounting to EGP 50,000, but the transaction was recorded without proper analysis of account natures. In light of this:

a. Determine the correct impact of the transaction on assets, liabilities, and owner's equity.

b. Provide accounting evidence for total assets after correctly recording the transaction.

c. Logically explain how failing to analyze the transaction prior to recording can lead to recording it in incorrect accounts, and what is the impact of this on the credibility of information presented in the statement of financial position.

2. The equipment account balance in the ledger of an entity stood at EGP 200,000. The entity purchased additional equipment for cash amounting to EGP 50,000, but the amount was recorded in the expenses account instead of the equipment account. In light of this:

a. Determine the impact of this erroneous recording on trial balance equilibrium, providing justification.

b. Calculate the value of equipment that must appear in the books after correctly recording the transaction.

c. Explain the impact of recording the transaction in the wrong account on the fairness and credibility of information presented in the financial statements.

3. An entity recorded a transaction of purchasing goods for cash amounting to EGP 40,000, but only the debit side of the entry was posted, while the credit side was not posted to the Cash account. Thereafter, total debit balances in the trial balance reached EGP 600,000, while total credit balances reached EGP 560,000, and a Suspense Account was opened for the difference. In light of this:

a. Calculate the discrepancy in the trial balance, and determine the nature of the Suspense Account balance.

b. Provide accounting evidence for the effect of omitting the posting of the credit side on trial balance equilibrium.

c. Explain the required accounting procedure to correct the error and close out the Suspense Account.

Homework (Home Performance)

1) Explain why accounting balance in the double-entry system is a reflection of the reciprocal nature of financial transactions (give and take), rather than a mere formal numerical equality between the two sides.

2) Demonstrate with accounting and logical evidence the misconception that "the debit side always represents a gain or benefit to the entity, while the credit side always represents a loss or negative liability".

3) Both "Liabilities" and "Revenues" appear on the credit side upon an increase; explain the relationship between an increase in revenues and its direct impact on increasing owner's equity within the accounting equation.

4) An entity paid headquarters rent in cash, and the accountant recorded the transaction by debiting the "Rent" account while omitting the recording of the credit side (Cash account). Evaluate the impact of this error on the balance of the accounting equation, the accuracy of the trial balance, and the reliability of the related financial statements.

5) How do the analytical questions of a financial event ("Which account increased/received? Which account decreased/gave? What are the affected account types?") contribute to preventing conceptual confusion between the "Purchases Account" and "Suppliers Accounts (Accounts Payable)" when purchasing goods on credit?

- Period Three

Weekly Assessment week:…….

Model (A)

I. Choose the Correct Answer:

1. An entity settled an outstanding obligation due to one of its suppliers (creditors) in cash. Which of the following alternatives expresses the dual effect of this transaction on the nature of accounts and the balance of the accounting equation?

A) Increase in an asset (Debit) and decrease in a liability (Credit), leaving total assets constant.

B) Decrease in a liability (Debit) and decrease in an asset (Credit), reducing both sides of the accounting equation equally.

C) Decrease in a liability (Credit) and decrease in an asset (Debit), reducing both sides of the accounting equation equally.

D) Decrease in owner's equity (Debit) and decrease in an asset (Credit), reducing the left-hand side only.

2. An entity collected an amount due from one of its customers (Accounts Receivable) in cash. Which of the following alternatives expresses the dual effect of this transaction on the nature of accounts and the balance of the accounting equation?

A) Increase in an asset (Debit) and decrease in an asset (Credit), maintaining total assets and equation balance unchanged.

B) Increase in an asset (Debit) and increase in a liability (Credit), increasing both sides of the accounting equation equally.

C) Decrease in an asset (Debit) and increase in owner's equity (Credit), increasing the right-hand side only.

D) Decrease in a liability (Debit) and decrease in an asset (Credit), decreasing both sides of the accounting equation.

II. Answer the Following Questions:

3. An entity purchased furniture for cash amounting to EGP 40,000. In light of this:

a. Identify the account that increases and the account that decreases as a result of this transaction.

b. Show the impact of the transaction on total assets, liabilities, and owner's equity.

c. Explain why total assets do not change as a result of this transaction.

4. An entity generated cash service revenues amounting to EGP 60,000, assuming no expenses or profit distributions occurred during the period. In light of this:

a. Identify the impact of the transaction on assets and owner's equity.

b. State the exact increase in owner's equity.

c. Explain the reason for recording revenue on the credit side.

Model (B)

I. Choose the Correct Answer:

1. An entity borrowed from a bank under a short-term loan agreement and deposited the funds into its bank current account. Which of the following alternatives expresses the dual effect of this transaction on the nature of accounts and the balance of the accounting equation?

A) Increase in an asset (Debit) and increase in a liability (Credit), increasing both sides of the accounting equation equally.

B) Increase in an asset (Credit) and increase in a liability (Debit), increasing both sides of the accounting equation equally.

C) Increase in an asset (Debit) and decrease in a liability (Credit), leaving total assets constant.

D) Increase in owner's equity (Credit) and increase in an asset (Debit), increases the left-hand side only.

2. An entity granted a cash loan to a third party amounting to EGP 100,000. Which of the following alternatives expresses the dual effect of this transaction on the nature of accounts and the balance of the accounting equation?

A) Increase in an asset (Loans to Others) Debit by EGP 100,000, and decrease in an asset (Cash) Credit by the same amount, keeping total assets constant.

B) Increase in an asset (Cash) Debit by EGP 100,000, and increase in a liability Credit by the same amount.

C) Decrease in an asset (Loans to Others) Credit by EGP 100,000, and increase in an asset (Cash) Debit by the same amount.

D) Increase in an asset (Loans to Others) Debit by EGP 100,000, and increase in owner's equity Credit by the same amount.

II. Answer the Following Questions:

3. An entity converted a short-term liability due to a supplier, amounting to EGP 50,000, into a long-term liability under a new agreement. In light of this:

a. Identify the account that decreases and the account that increases as a result of this transaction.

b. Show the impact of the transaction on total assets and owner's equity.

c. Explain why total liabilities remain unchanged as a result of this transaction.

4. An entity paid operational expenses in cash amounting to EGP 70,000. Owner's equity prior to paying these expenses stood at EGP 400,000, assuming no revenues, personal withdrawals, or other transactions affecting owner's equity occurred. In light of this:

a. Calculate owner's equity after paying the expenses.

b. Indicate the impact of operational expenses on owner's equity and net income.

c. Explain the reason for recording operational expenses on the debit side.

Model (C)

I. Choose the Correct Answer:

1. The owner of an entity withdrew cash from the entity's treasury for personal expenses (personal withdrawals). Which of the following alternatives correctly expresses the dual impact of this transaction on account natures and the balance of the accounting equation?

A) Decrease in an asset (Debit) and increase in owner's equity (Credit), increasing both sides of the equation equally.

B) Increase in withdrawals (Debit) and decrease in an asset (Credit), decreasing both sides of the accounting equation equally.

C) Decrease in a liability (Debit) and decrease in an asset (Credit), decreasing the right-hand side only.

D) Increase in an asset (Debit) and decrease in another asset (Credit), keeping totals on both sides constant.

2. The owner of an entity deposited EGP 75,000 in cash into the entity's treasury as an additional capital investment in the entity. Which of the following alternatives correctly expresses the dual impact of this transaction on account natures and the balance of the accounting equation?
A) Increase in an asset (Cash) Debit by EGP 75,000, and increase in owner's equity Credit by the same amount, increasing both sides of the accounting equation equally.
B) Increase in an asset (Cash) Debit by EGP 75,000, and decrease in owner's equity Credit by the same amount.
C) Decrease in an asset (Cash) Credit by EGP 75,000, and increase in owner's equity Credit by the same amount.
D) Increase in an asset (Cash) Debit by EGP 75,000, and increase in a liability Credit by the same amount.

II. Answer the Following Questions:

3. An entity obtained a short-term bank loan amounting to EGP 100,000, and the loan proceeds were deposited into its bank account. In light of this:
a. Identify the asset account that increased and the liability account that increased by the exact same amount.
b. Indicate the impact of the transaction on total assets, total liabilities, and owner's equity.
c. Calculate total assets and total liabilities after the transaction, if total assets were EGP 500,000 and total liabilities were EGP 200,000 prior to obtaining the loan.
4. Net income of an entity at the end of the financial period reached EGP 90,000, and the capital balance at the beginning of the period was EGP 250,000, with no profit distributions during the period. In light of this:
a. Calculate the capital balance at the end of the period.
b. Indicate the impact of net income on owner's equity.
c. Explain the relationship between closing revenue accounts into the Profit and Loss Account and the resulting increase in owner's equity.

Week:	Section Three: Ledger Accounts and Transaction Posting | Section Four: Trial Balance and Error Detection	Date: ..... / ..... / .....

First Period:

Class Performance

Activity: Financial Auditing and Error Correction

• Divide students into groups, each comprising 3 to 4 students.

• Distribute to each group an unbalanced draft trial balance with a discrepancy of EGP 15,000 (Debit EGP 135,000, Credit EGP 150,000), resulting from three potential posting errors from the General Journal to Ledger accounts:

1) Posting Rent Expense of EGP 5,000 on the Credit side instead of the Debit side.

2) Settling EGP 3,000 to suppliers in cash while posting the Cash account and omitting the posting of the Accounts Payable (Suppliers) account.

3) It was determined that the equipment account recorded EGP 38,000 on the debit side, while the credit side recorded EGP 40,000..

Execution Mechanism:

■ One student tests the divisibility of the discrepancy by 2 and identifies the error causing the reversal of account nature.

■ Another student extracts single-entry posting errors that disrupted trial balance equilibrium.

■ A third student prepares correcting/adjusting entries and updates T-account ledger balances.

■ A fourth student presents the adjusted trial balance and proves the restoration of internal mathematical equilibrium between both sides.

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Homework (Home Performance)

1) The General Journal focuses on chronological recording of financial transactions, whereas the Ledger focuses on classifying them by accounts; discuss how the Ledger complements the Journal's function by grouping similar transactions within their respective accounts to facilitate tracking balances and preparing financial statements.

2) Upon preparing an entity's trial balance, total debit balances stood at EGP 495,000, while total credit balances reached EGP 505,000. Upon auditing journal entries, it was revealed that a cash expense of EGP 5,000, which should have been recorded on the Debit side, was posted to the Credit side instead. In light of this:

a. Calculate the value of the discrepancy appearing in the trial balance.

b. Calculate half of the discrepancy, and show its relationship to the value posted on the reverse side.

c. Explain mathematically and accountingly why a discrepancy of EGP 10,000 arises from posting EGP 5,000 on the reverse side.

d. Indicate the impact of correcting this error on trial balance equilibrium.

3) An entity purchased operating machinery for EGP 50,000 in cash. The accountant incorrectly posted the transaction to the "Maintenance Expenses" account (accounting classification/misposting error). Evaluate the technical impact of this error on:

- The mathematical equilibrium of the Trial Balance.
- Gross profit and Net profit of the financial period.

4) Consider the following two independent scenarios:

Case One: An entity purchased merchandise for cash amounting to EGP 20,000. The debit side was posted to the Purchases account, but the credit side was omitted and not posted to the Cash account.

Case Two: An entity purchased merchandise for cash amounting to EGP 20,000, but the transaction was entirely omitted and not recorded in the accounting records.

Requirements:

a. Determine which of the two cases leads to a disruption in the mathematical equilibrium of the Trial Balance.

b. Write the correct journal entry for Case One, and indicate the specific side that was omitted during posting.

c. Explain in a concise sentence why the complete omission of the transaction in Case Two does not affect Trial Balance equilibrium.

5) Explain the underlying accounting basis that an accountant relies upon to determine whether the final balance of a T-ledger account represents an Asset, Liability, Revenue, or Expense when transferring it to the Trial Balance.

II. Second Period: In-Class Performance

JRE Activity: Evidence-Based Interpretation

1. If an entity continues its business operations relying solely on the General Journal without posting transactions and determining balances in the General Ledger:

Explain how this practice impacts the ability to determine account balances, prepare closing accounts, and compile final financial statements, stating the accounting reasoning behind your answer.

2. What happens to internal control effectiveness and the ability to extract financial statements (such as the Income Statement and Statement of Financial Position) if posting to the General Ledger is performed randomly without periodically extracting and reconciling account balances through a Trial Balance?

Explain your answer detailing the underlying causes and accounting consequences.

3. What happens to the efficiency of economic decision-making by management if reliance is placed exclusively on bank account statements and daily cash register movements, without completing the accounting cycle that culminates in a balanced Trial Balance?

Explain your answer detailing the effects on financial information quality, reliability, and accuracy.

III. Homework (Home Performance)

Question One: The Trial Balance focuses on proving the mathematical equilibrium of account balances, whereas financial statements represent the final product of the accounting cycle.

- **Discussion Task:** Explain how the Trial Balance serves as an essential intermediary step between the General Ledger and the preparation of Financial Statements, clarifying the limitations and types of accounting errors that the Trial Balance cannot detect.

Question Two: Upon preparing an entity's Trial Balance, total debit balances amounted to EGP 636,000, while total credit balances reached EGP 620,000. Upon auditing journal entries and postings, it was discovered that a cash service revenue transaction of EGP 8,000, which should have been recorded on the credit side, was incorrectly posted to the debit side of the account.

In light of this scenario, answer the following:

a. Calculate the discrepancy (difference) appearing in the Trial Balance.

b. Calculate half of the discrepancy, and show its relationship to the value of the amount posted to the reverse side.

c. Explain mathematically and from an accounting perspective why posting an amount to the reverse side generates a discrepancy equal to double the transaction value.

d. Indicate the impact of correcting this error on Trial Balance equilibrium and final account balances.

Question Three: An entity paid EGP 30,000 in cash for a comprehensive overhaul and major upgrade of its transport trucks, which extends their useful economic life. The accountant incorrectly posted the transaction to the "Fuel and Oil Expenses" account (accounting classification/misposting error).

- Evaluate the technical impact of this accounting error on:

1. The mathematical equilibrium of the Trial Balance.
2. Net profit for the financial period.
3. The Statement of Financial Position (Non-Current Assets / Fixed Assets).

Question Four: Examine the following two independent cases:

Case One: An entity settled a Notes Payable of EGP 15,000 in cash. The credit side (Cash Account) was posted, but the debit side was omitted and not posted to the Notes Payable account.

Case Two: An entity paid maintenance expenses of EGP 15,000 in cash, but the transaction was completely omitted and not recorded in the accounting books.

Requirements:

a. Determine which of the two cases leads to a disruption in the mathematical equilibrium of the Trial Balance.

b. Write the correct journal entry for Case One, and specify the unposted side.

c. Explain in a concise sentence why complete omission in Case Two does not disrupt Trial Balance equilibrium.

Question Five:

A trial balance includes a variety of financial accounts posted from the ledger.

• Explain the accounting basis relied upon to determine whether the final balance of a T-account is debit or credit in nature, and state how the following balances are classified when transferred to financial statements (Assets – Liabilities – Expenses – Revenues):

1) Notes Payable Account.
2) Wages and Salaries Expense Account.
3) Land and Buildings Account.
4) Investment Revenue Account.

Period Three: Weekly Assessment (Week .....)

Model (A)

I. Choose the Correct Answer:

1. An entity settled an amount of EGP 8,000 in cash due to one of its suppliers. The transaction was correctly recorded in the General Journal, but upon posting to ledger accounts, the amount was posted to the Credit side of the Cash account, and its posting to the Creditors account was completely omitted. What is the resulting impact on the trial balance?

A) The trial balance remains fully in equilibrium due to the presence of a compensating technical error.

B) The Credit side appears larger than the Debit side by a discrepancy of EGP 8,000.

C) The Debit side appears larger than the Credit side by a discrepancy of EGP 8,000.

D) The Debit side appears larger than the Credit side by a discrepancy of EGP 16,000.

2. An entity collected an amount of EGP 8,000 in cash from one of its customers. The transaction was correctly recorded in the General Journal, but upon posting to ledger accounts, the amount was posted to the Debit side of the Cash account, and its posting to the Customers (Accounts Receivable) account was completely omitted. What is the resulting impact on the trial balance?

A) The trial balance remains fully in equilibrium due to the presence of a compensating technical error.

B) The Credit side appears larger than the Debit side by a discrepancy of EGP 8,000.

C) The Debit side appears larger than the Credit side by a discrepancy of EGP 8,000.

D) The Debit side appears larger than the Credit side by a discrepancy of EGP 16,000.

II. Answer the Following Questions:

3. State the detailed steps for balancing a T-shaped ledger account leading up to determining whether the carried-forward balance is Debit or Credit in nature.

4. The following is the trial balance for "Nour" Commercial Entity as of December 31, 2026 (Amounts in EGP, balances after posting to the ledger):

Account Name	Debit Balance (EGP)	Credit Balance (EGP)
Cash	75,000	—
Equipment	40,000	—
Merchandise Inventory	25,000	—
Rent Expense	5,000	—
Creditors	—	15,000
Capital	—	100,000
Sales	—	30,000
Total	**145,000**	**145,000**

Requirements:

a. Verify the mathematical equilibrium of the trial balance.

b. Explain what the equality of total Debit and Credit balances indicates, and state what this equality does NOT guarantee regarding freedom of accounting books from errors.

Model (B)

I. Choose the Correct Answer:

1. An entity collected an amount of EGP 6,000 in cash from one of its customers (debtors). The transaction was correctly recorded in the General Journal, but upon posting to ledger accounts, the amount was posted to the Debit side of the Cash account, and its posting to the Customers (Debtors) account was completely omitted. What is the resulting impact on the trial balance?

A) The trial balance remains in equilibrium due to the presence of a compensating error.

B) The Credit balances side appears larger than the Debit side by a discrepancy of EGP 6,000.

C) The Debit balances side appears larger than the Credit side by a discrepancy of EGP 6,000.

D) The Debit balances side appears larger than the Credit side by a discrepancy of EGP 12,000.

2. An entity settled an amount of EGP 6,000 in cash due to one of its suppliers (creditors). The transaction was correctly recorded in the General Journal, but upon posting to ledger accounts, the amount was posted to the Credit side of the Cash account, and its posting to the Suppliers (Creditors) account was completely omitted. What is the resulting impact on the trial balance?

A) The trial balance remains in equilibrium due to the presence of a compensating error.

B) The Credit balances side appears larger than the Debit side by a discrepancy of EGP 6,000.

C) The Debit balances side appears larger than the Credit side by a discrepancy of EGP 6,000.

D) The Credit balances side appears larger than the Debit side by a discrepancy of EGP 12,000.

II. Answer the Following Questions:

3. State the detailed steps for transferring and closing balances moved from the ledger to the Trial Balance by Balances, explaining when an account is classified as a closed account (with a zero balance).

4. You are provided with the following account balances for a project: Cash EGP 45,000, Motor Vehicles EGP 80,000, Salaries Expense EGP 15,000, (Creditors) EGP 20,000, Capital EGP 90,000, and Service Revenue EGP 30,000. Verify the mathematical equilibrium of the Trial Balance, and explain the accounting conclusion reached.

Model (C)

I. Choose the Correct Answer:

1. An entity purchased furniture valued at EGP 12,000 on account from a trading entity . The entry was correctly recorded in the General Journal, but during posting to the Ledger, the amount was erroneously posted to the Credit side of the Suppliers (Accounts Payable) account twice, while the Furniture account was posted correctly once. What is the impact on the Trial Balance?

A) The Trial Balance remains completely in equilibrium.

B) The Credit balances side appears larger than the Debit side by a discrepancy of EGP 12,000.

C) The Debit balances side appears larger than the Credit side by a discrepancy of EGP 12,000.

D) The Credit balances side appears larger than the Debit side by a discrepancy of EGP 24,000.

2. An entity sold goods valued at EGP 12,000 on account to a customer. The entry was correctly recorded in the General Journal, but during posting to the Ledger, the amount was erroneously posted to the Debit side of the Customers (Accounts Receivable) account twice, while the Sales account was posted correctly once. What is the impact on the Trial Balance?

- A) The Trial Balance remains completely in equilibrium.
- B) The Credit balances side appears larger than the Debit side by a discrepancy of EGP 12,000.
- C) The Debit balances side appears larger than the Credit side by a discrepancy of EGP 12,000.
- D) The Debit balances side appears larger than the Credit side by a discrepancy of EGP 24,000.

II. Answer the Following Questions:

3. Explain the fundamental difference between the Trial Balance by Totals and the Trial Balance by Balances in terms of preparation methodology and practical application in detecting accounting errors.

4. You are provided with the following account balances for an entity: Bank EGP 50,000, (Accounts Receivable) EGP 25,000, Supplies and General Expenses EGP 10,000, Bank Loan EGP 35,000, Capital EGP 40,000, and Sales Revenue EGP 10,000. Verify the mathematical equilibrium of the Trial Balance and explain the accounting result.

Week:	Section Five: Integrated Practical Application | JRE Section Six: Evidence-Based Interpretation	Date: ..... / ..... / .....

Period One:

Class Performance

Activity: Consulting Accounting Team for "Amal" Entity

(Ask students to use the Student Book, Practical Application Section 5, then distribute roles within each group of 4 students):
• Financial Registrar: Responsible for analyzing the 8 financial transactions, identifying Debit and Credit sides along with respective amounts.
• General Journal Official: Enters transactions into the General Journal, precisely documenting dates and descriptions.
• Ledger Official: Posts journal entries to T-shaped ledger accounts and extracts ending balances.
• Financial Auditor: Prepares the Trial Balance, verifies the mathematical equilibrium of total Debit and Credit balances, and confirms agreement before approval.

Execution Steps:
1. Stage One (10 minutes): Group members agree on analyzing the 8 transactions to ensure accurate financial classification from the start.
2. Stage Two (20 minutes): Students work in parallel to journalize and post entries to ledger accounts (Cash, Equipment, Inventory, Creditors, Accounts Receivable, Capital, Sales, Salaries / Wages).
3. Stage Three (10 minutes): Prepare a joint Trial Balance and verify the equilibrium of both sides.
4. Stage Four (5 minutes - Peer Evaluation): Every two groups exchange Trial Balances for cross-auditing and immediate constructive feedback.

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Homework (Home Performance):

Question One: Explain, based on the double-entry rule, how the transaction "Purchasing goods on credit for EGP 40,000" affects both sides of the accounting equation for "Amal" Entity (Assets, Liabilities, and Owner's Equity).

Question Two: While the accountant was posting a payment of EGP 15,000 to a supplier, an error occurred where the amount was recorded on the Debit side of the Cash account. Discuss the resulting impact on the ending Cash balance, and explain how the Trial Balance detects such an error.

Question Three: Explain why the " (Accounts Receivable)" account is classified as a current asset while the "Creditors " account is classified as a current liability, indicating the movement of each upon collection or settlement.

Question Four: "Amal" Entity generated total sales of EGP 80,000 (EGP 50,000 in cash and EGP 30,000 on credit). Explain the importance of applying the accrual basis in recording credit sales rather than relying solely on cash receipts.

Question Five: If both sides of the Trial Balance are equal (total Debit equals total Credit), does this necessarily mean that the books are completely free of any accounting errors? Justify your answer with an example of an error that might not appear in the Trial Balance.

Second Period:

Class Performance

Activity: Financial Audit

Ask students to use the (Student Book) practical case (Al-Nour Commercial Entity), then distribute roles and groups (4 students in each team):

1. First Financial Team (Defending the Sufficiency of Internal Consistency): Focuses on trial balance equilibrium (EGP 160,000) proving the validity of applying the double-entry system, the accuracy of posting and balancing, and the absence of unilateral mathematical errors, forming the entity's first line of control defense.

2. Second Financial Team (Skeptical of Consistency Sufficiency and Demanding Faithful Representation): Argues that trial balance equilibrium is merely a "necessary but insufficient condition", as it does not uncover material errors (such as complete entry omission, or recording an account in place of another like an asset instead of an expense, or estimation errors).

3. Audit and Arbitration Committee (Rapporteur and Auditor): Manages the debate and measures each team's adherence to the criteria of the attached evaluation rubric (conceptual framework, deep analysis, use of Al-Nour Entity case evidence, organization, and coherence).

Execution Steps:

- **Stage 1 (10 Minutes):** Each team studies the trial balance and books of Al-Nour Entity in the pictures, extracting numerical evidence supporting its stance.

- **Stage 2 (20 Minutes) — Debate Round and Presentation of Arguments:** The First Team presents how entries and posting are controlled. The Second Team counters with potential scenarios (for example: what if the EGP 30,000 of purchased merchandise was damaged or recorded as an asset while it is an expense? Equilibrium will remain intact, but faithful representation will collapse).
- **Stage 3 (10 Minutes):** Formulating a joint ruling that reconciles both views according to the Justified Reasoning & Evidence (JRE) writing structure: "Introduction - Argument 1 - Argument 2 - Rebuttal to Opposing Argument - Conclusion".
- **Stage 4 (5 Minutes):** Self-assessment using the evaluation rubric shown in the picture out of 20 marks.

Home Performance (Homework)

Question One: "Internal consistency is a necessary condition, but it is not sufficient to achieve faithful representation of financial statements."

- **Requirements: Clarify what is meant by "Internal Consistency" and "Faithful Representation of Accounting Information", highlighting the primary difference between them.**

Question Two: Referring to the textbook case "Al-Nour Commercial Entity ": Furniture was purchased for cash amounting to EGP 20,000, and EGP 10,000 was paid to creditors in cash.

- **Requirements: Explain how the double-entry system and trial balance contribute to enforcing internal control that prevents mathematical errors when recording and posting such transactions.**

Question Three: Assume that the accountant in Al-Nour Entity completely omitted recording transaction No. (4): "Selling merchandise for cash amounting to EGP 40,000."

- **Requirements: Discuss the impact of this complete omission on each of:**

1. Trial balance equilibrium.
2. Reliability and representation of financial statements regarding the entity 's economic reality.

Question Four: If the accountant, when recording transaction No. (2), recorded "Furniture Expense Account" as debit instead of "Asset (Furniture) Account" amounting to EGP 20,000:

- **Requirements: Analyze how this error affects the credibility of the profit report (Income Statement) and Statement of Financial Position, and will the trial balance detect this error? Justify your answer.**

Question Five: Some novice entrepreneurs believe that the mere equality of trial balance sides gives a complete guarantee of entity success and freedom from financial problems.

- **Requirements: In light of the Justified Reasoning & Evidence (JRE) writing framework, refute this opinion and conclude with a justified judgment regarding the sufficiency of accounting equilibrium for making sound investment and managerial decisions.**

Period Three: Weekly Assessment (Week .....)

Model (A)

I. Choose the Correct Answer:

1. An accountant recorded the payment of shop rent in cash amounting to EGP 5,000 by debiting the Cash account and crediting the Rent Expense account. What is the impact of this error on the trial balance?

A) Trial balance equilibrium is disrupted, and the debit side exceeds the credit side by EGP 5,000.

B) Trial balance equilibrium is disrupted, and the credit side exceeds the debit side by EGP 10,000.

C) Trial balance remains numerically in equilibrium despite the presence of a reversal error in recording.

D) No balance appears for Cash and Rent Expense accounts in the trial balance.

II. Answer the Following Questions:

2. Referring to the recording of financial transactions: The owner invested EGP 100,000 in cash as a startup capital for a commercial activity. Explain the impact of this transaction on both sides of the balance sheet equation (Assets = Liabilities + Owner's Equity), indicating the nature of each affected account (Debit/Credit).

3) Briefly explain the sequential relationship between the General Journal, Ledger Accounts, and Trial Balance, indicating how this sequence helps reduce unintentional errors during data transfer.

4) Explain how the trial balance achieves the concept of "Internal Consistency" for the accounting system, stating one case of an accounting error that prevents the trial balance from balancing and immediately reveals the flaw.

5) "If the accountant completely omits recording a cash sales invoice, the trial balance remains in equilibrium." In light of this scenario, discuss why internal equilibrium is not conclusive evidence of achieving "Faithful Representation" in financial statements.

Model (B)

I. Choose the Correct Answer:

1. An entity purchased merchandise on account amounting to EGP 30,000, and it was recorded and posted as a debit to Inventory and a credit to Creditors at EGP 3,000. How does this impact the trial balance?

- A) Equilibrium is disrupted and the Debit side increases by EGP 27,000.
- B) The trial balance remains in equilibrium, but with figures lower than their true value.
- C) The Credit side becomes larger than the Debit side by EGP 27,000.
- D) The trial balance rejects inserting Inventory and Creditors accounts.

II. Answer the Following Questions:

2. An entity settled an amount of EGP 15,000 in cash due to a supplier against a prior credit account. Analyze the impact of this transaction on both Cash and the entity's Liabilities, and identify the debit and credit sides of the entry.

3. Indicate the importance of the "Balancing Accounts" step in the Ledger before transferring figures to the Trial Balance, explaining the difference between a debit balance and a credit balance.

4. Discuss the following statement: "Trial balance equilibrium is a necessary condition, but it is not a sufficient condition for the accuracy of accounts," supporting your answer with one economic or procedural reason.

5. An accountant recorded the purchase of production equipment valued at EGP 20,000 in the "Maintenance Expenses" account instead of the "Equipment (Assets)" account. Explain how this error preserves internal consistency and how it threatens the faithful representation of the entity's profits and assets.

Model (C)

I. Choose the Correct Answer:

1. Which of the following accounting errors will directly cause a disruption in trial balance equilibrium?

- A) Completely deleting the entry for purchasing furniture for cash from the General Journal.
- B) Recording a cash merchandise sales transaction in the Other Revenues account instead of Sales.
- C) Posting only the debit side of the salary payment entry and omitting the credit cash movement.
- D) Duplicating the entry for purchasing merchandise on account twice with the same amounts in both journal and ledger.

II. Answer the Following Questions:

2. An entity sold merchandise valued at EGP 30,000 on account to a customer. Explain the impact on Assets and Revenues, identifying the debit account and credit account.

3. Briefly compare the function of the "General Journal" and the function of the "Trial Balance" in terms of objective and the type of information presented in each.

4. Explain how the mathematical "Double-Entry" rule contributes to preventing individual manipulation of financial records and facilitating the work of the financial auditor within the entity.

5. A merchant possesses a perfectly balanced trial balance; however, the entity faced a severe liquidity crisis leading to an inability to settle its urgent obligations. Discuss why the trial balance alone does not provide sufficient indication regarding the quality of financial position and the entity's going concern capability.

First Month Exercises

First: Choose the Correct Answer from the Following:

1. According to the accrual basis, if an entity provides advisory services to a customer in October and receives cash payment in the following November, revenue is recognized:

- A) In November upon receiving actual cash.
- B) In October upon rendering the service and earning the revenue.
- C) Distributed equally between October and November.
- D) Recorded only after preparing financial statements at year-end.

2. An entity established an "Allowance for Doubtful Accounts" to meet the potential default of certain customers; this procedure is a direct application of which accounting principle or basis?

- A) Consistency principle.
- B) Matching principle.
- C) Prudence / Conservatism principle.
- D) Cash basis.

3. An entity purchased new machinery valued at EGP 60,000, paying EGP 20,000 in cash and the remainder on account (credit). What is the net impact of this transaction on the accounting equation?

A) Increase in total assets by EGP 60,000 and increase in liabilities by EGP 60,000.

B) Increase in total assets by EGP 40,000 and increase in liabilities by EGP 40,000.

C) Decrease in assets by EGP 20,000 and increase in owner's equity by EGP 40,000.

D) Increase in assets by EGP 60,000 and decrease in owner's equity by EGP 40,000.

4. Which of the following transactions leads to an increase in one asset and a decrease in another asset without changing total assets?

- A) Collecting an amount due from a customer in cash.
- B) Settling a bank loan by check.
- C) Purchasing merchandise on account from suppliers.
- D) Paying workers' wages in cash.

5) If an entity purchases furniture for its headquarters amounting to EGP 15,000 in cash, and the transaction is mistakenly recorded as a "maintenance expense" instead of being recognized as a capital asset, this error is categorized as:

A) A complete error of omission.

B) An error of accounting principle that does not affect trial balance equilibrium.

C) A posting error leading to trial balance imbalance.

D) A compensating error increasing total assets.

6) What temporary clearing account does an accountant open when both sides of the trial balance do not balance, pending error detection and correction?

A) Profit and Loss Account.
B) Suspense Account.
C) Working Capital Account.
D) Owner's Current Account.

7) Which of the following external parties is interested in reviewing an entity's financial statements to assess its creditworthiness and ability to repay loan principal and interest on time?

A) Banks and lenders.
B) Tax Authority.
C) Entity employees.
D) Suppliers only.

8) Gross profit is calculated in the Trading Account by:

A) Sales revenue minus operating and general expenses.
B) Sales revenue minus cost of goods sold.
C) Net profit plus personal withdrawals.
D) Total current assets minus current liabilities.

9) The double-entry bookkeeping system continues to be used today primarily because:

A) It is restricted to cash transactions only.
B) It achieves recording discipline and reflects the dual impact of every financial transaction.
C) It completely prevents errors of omission.
D) It eliminates the need to prepare a trial balance.

10) If total assets of an entity amount to EGP 450,000, and total owner's equity amounts to EGP 270,000, then total liabilities (obligations to third parties) equal:

A) EGP 720,000.
B) EGP 270,000.
C) EGP 180,000.
D) EGP 150,000.

Second: Short Applications and Problems

11) "Al-Wafa" Entity executed the following transactions:

- The owner deposited capital of EGP 200,000 into the treasury.
- The entity purchased merchandise valued at EGP 40,000 on account from "Al-Nour Outlets".
- The entity paid showroom rent amounting to EGP 6,000 in cash.

Required: Analyze each transaction into its two sides (Debit and Credit), stating the classification and reasoning.

12) Sales of a commercial entity reached EGP 500,000, cost of goods sold was EGP 320,000, and operating expenses reached EGP 80,000. In light of this:

a. Calculate gross profit.
b. Calculate net profit.
c. Explain the relationship between gross profit and net profit in this case.

13) Upon preparing the trial balance, total debit balances amounted to EGP 600,000, while total credit balances reached EGP 590,000; a Suspense Account was opened for the difference. In light of this:

a. Calculate the Suspense Account balance and state its nature.
b. If the discrepancy was found to be caused by omitting the credit side posting of a journal entry by EGP 10,000, state the required accounting procedure to correct the error and close the Suspense Account.

14) An entity purchased equipment for cash amounting to EGP 25,000, but the amount was recorded in the expenses account instead of the equipment account. In light of this:

a. Determine the impact of this error on trial balance equilibrium.
b. Provide accounting evidence supporting your answer.
c. Explain the impact of the error on information presented in financial statements.

15) An entity sold merchandise on account for EGP 40,000, and indicators emerged regarding the difficulty of collecting a portion of the amount. In light of this:

State how to apply the concept of prudence when evaluating this account receivable, stating the potential impact on financial statements.

16) An entity purchased merchandise on account for EGP 30,000 and did not settle its value by the end of the financial period.

Identify the accounting basis that requires recording the transaction in the period it occurred, explaining the underlying reasoning.

17) If the Statement of Financial Position shows total assets of EGP 100,000, while total liabilities and owner's equity amount to EGP 95,000;

Analyze the potential causes of this imbalance and how this indicator guides the accountant to verify missing data.

Third: Interpretation and Reasoning Questions (JRE)

18) Under the accrual basis of accounting, why is revenue recognized when services are rendered and earned, even if cash is collected in a subsequent period?

19. Why does the equality of the trial balance not necessarily mean that the accounting books are completely free from errors?

20. "Some managers believe that the balance of journal entries and the trial balance is sufficient to guarantee the accuracy and integrity of financial statements."
Evaluate this opinion in light of the limitations of the double-entry rule in detecting errors, and the role of accounting principles in achieving faithful representation of financial information.

21. Why is accounting considered a system for measuring and interpreting economic reality, rather than a mere arithmetic process for recording numbers?

22. Identify the side (Debit or Credit) on which each account is recorded in the following transactions, briefly stating the accounting reason for each:
a) Increase in Cash as a result of collecting an amount due from a customer (debtor / Accounts Receivable).
b) Increase in Revenues as a result of rendering a service for cash.
c) Increase in Expenses as a result of paying rent expense in cash.

23. Arrange the following steps in the correct order to illustrate the flow of accounting data from the occurrence of a financial transaction up to the preparation of financial statements:
[Preparation of Financial Statements | Analysis of Financial Transaction | Preparation of Journal Entries | Posting Entries to General Ledger | Preparation of Trial Balance]

24. An entity completely omitted recording a financial transaction, so neither side of the journal entry was recorded in the books:
a. Determine the impact of this error on the balance of the trial balance.
b. Explain why the discrepancy does not appear in the trial balance.
c. State why the equilibrium of the trial balance does not necessarily mean the books are free from errors.

25. Explain how the final result of an entity's operations (Net Profit or Net Loss) transfers to directly affect the Statement of Changes in Equity and the Statement of Financial Position.

26. Explain the accounting importance of classifying assets into (Current Assets and Non-Current Assets) and liabilities into (Current Liabilities and Non-Current Liabilities) for investors and lending agencies.

27. "Some corporate managers view the balance of journal entries and the trial balance as sufficient proof of the accuracy and integrity of financial statements."
In light of this: Write a structured financial reasoning (Judgment – Explanation – Evidence) to evaluate this claim, explaining the limitations of the double-entry rule in detecting errors, and the role of accounting and ethical principles in achieving faithful representation of information in financial reports.

Fourth: Complete the Following Tables: (3 Questions × 2 Marks = 6 Marks)

28. Complete the following table illustrating the impact of each transaction on the elements of the accounting equation:

Transaction	Assets	Liabilities	Owner's Equity
Borrowing EGP 50,000 and depositing it into the entity's bank account	....	....	..... .
The owner withdrew EGP 5,000 in cash for personal use	....	....	..... .

Complete the following table comparing the Accrual Basis and the Cash Basis:

Basis of Comparison	Accrual Basis	Cash Basis
Timing of recognizing revenues and expenses	....	....
Impact on measuring period profitability	....	....
Cases in which its use is appropriate	....	....

Complete the following table comparing Error of Complete Omission and Posting Error:

Basis of Comparison	Error of Complete Omission	Posting Error
Nature of the error	....	....
Potential impact on trial balance	....	....
Possibility of detection through trial balance equilibrium	....	....

Unit Three: Subsidiary Journals

Week:	Section One: Introduction to Subsidiary Journals | Section Two: Sales Journal and Purchases Journal	Date: ..... / ..... / .....

First Period:

Class Performance

Activity: Simulation of Initial Record Auditing and Internal Control

Divide students into groups of 3 to 4 students.
A medium-sized commercial entity performed the following transactions during a single business day:

1. Selling merchandise on credit to customer "Ahmed" for EGP 12,000 under sales invoice No. (101).
2. Selling merchandise for cash to customer (Gabriel) for EGP 5,000 under cash receipt voucher.
3. Selling an old computer (used fixed asset) on credit to customer "Mahmoud" for EGP 3,000.
4. Purchasing merchandise for resale on credit from supplier "Nile Entity" for EGP 20,000 under purchase invoice No. (505).

Students examine the supporting document for each transaction, then:

1. Identify the transaction type.
2. Identify the supporting document.
3. Identify the appropriate initial journal.
4. Explain the reason for not recording the transaction in other subsidiary journals.
5. Explain how the transaction is posted to relevant ledger accounts.

Guidance Solution

Transaction	Transaction Type	Supporting Document	Book of Prime Entry
1	Selling merchandise on credit	Sales invoice	Sales Journal
2	Selling merchandise for cash	Cash receipt voucher	Cash Receipts Journal
3	Selling fixed asset on credit	Asset sale document	General Journal
4	Purchasing merchandise on credit	Purchase invoice	Purchases Journal

Note: *Transaction (2) is not recorded in the Sales Journal because it is a cash transaction, whereas Transaction (3) is not recorded in the Sales Journal because it relates to selling a fixed asset rather than merchandise for resale. As for Transaction (4), it is recorded in the Purchases Journal because it represents purchasing merchandise for resale on credit.*

Homework (Home Performance):

Question One: Subsidiary journals are an organizational tool for dividing accounting work and facilitating internal control.

- **Required:** Discuss the difference between the concepts of "merchandise for resale" and "fixed assets", explaining how this distinction determines the appropriate initial journal type upon purchase or credit sale.

Question Two: Consider the following financial transactions for a commercial entity during the month of March:

1. Purchasing merchandise for resale on credit from "Al-Salam Entity " for EGP 35,000 under invoice No. (201).

2. Selling old office furniture (fixed asset) on credit to customer "Sameh" for EGP 8,000.

3. Collecting EGP 12,000 in cash from a customer against immediate merchandise sales under cash receipt voucher.

- **Required:** Design a table illustrating for each transaction: (Transaction Type - Supporting Document - Appropriate Initial Journal).

Question Three: A commercial entity purchased a transport truck for entity operations for EGP 150,000 on credit from "United Motors Entity ".

- **Required:**

a. Identify the initial journal in which this transaction is recorded.

b. Explain why this transaction is not recorded in the "Purchases Journal".

c. Write the correct general journal entry to record this transaction.

Question Four: The following two transactions took place on the same day:

Transaction (A): Paying EGP 5,000 by check to supplier "Ahmed" in settlement of the amount due under payment voucher.

Transaction (B): Collecting EGP 10,000 in cash from customer "Mahmoud" against merchandise sales under receipt voucher.

- **Required:**

a. Identify the Books of Prime Entry for each transaction.

b. Show the impact of each transaction on relevant subsidiary ledgers (Accounts Payables and Accounts Receivable)

Question Five: You have the following transactions for "Al-Amal Commercial Entity":

1. Purchasing machinery and equipment on installment (credit) for use in production for EGP 45,000.

2. Selling merchandise for cash valued at EGP 18,000 under receipt voucher.

3. Purchasing merchandise for resale on credit from "Al-Huda Entity " for EGP 22,000 under purchase invoice.

- **Required:**

a. Identify the appropriate Books of Prime Entry for each of the three transactions.

b. Explain in one sentence why transactions No. (1) and No. (2) are excluded from recording in the "Purchases Journal".

Second Period:

Class Performance

Activity: Try to Solve

Question One: Analysis and Classification of Accounting Transactions

For each transaction below, identify the following:

Transaction Type → Supporting Document → Appropriate Initial Journal

1. Selling merchandise on credit under a sales invoice.
2. Purchasing merchandise for resale on credit under a purchase invoice.
3. Collecting a cash amount from a customer.
4. Purchasing office furniture on credit.
5. Selling merchandise for cash.

Question Two: Application on Sales Journal

"Al-Amal" Entity executed the following transactions during September (All sales are on credit):

Date	Customer	Invoice No.	Sale Value (EGP)
5/9	Ahmed	(101)	8,000
10/9	Mahmoud	(102)	12,000
18/9	Ali	(103)	10,000

Required:

1. Identify the appropriate journal for these transactions.
2. Calculate total credit sales.
3. Identify the debit account and credit account for each transaction.

Question Three: Application on Purchases Journal

"Al-Amal" Entity executed the following transactions during September (All purchases are merchandise for resale on credit):

Date	Supplier	Invoice No.	Purchase Value (EGP)
6/9	Nile Entity	(501)	15,000
11/9	Al-Salam Entity	(502)	9,000
20/9	Al-Nour Entity	(503)	16,000

Required:

1. Identify the appropriate journal.
2. Calculate total credit purchases.
3. Identify the debit account and credit account for each transaction.

Evidence-Based Interpretation Question (JRE):

A student noticed that the entity recorded purchasing office furniture on credit in the Purchases Journal. Do you agree with this recording? Justify your answer based on transaction type, nature of purchases, and appropriate initial journal.

Home Performance (Homework)

1. Why is relying solely on the "General Journal" inefficient and fraught with accounting risks in entities experiencing noticeable growth in daily transaction volume?

2. What is the specific criterion for including a financial transaction in the "Sales Journal", and why are credit sales of fixed assets or cash sales excluded from it?

3. Explain how linking "supporting source documents" with the "initial journal" contributes to establishing a strong and reliable internal control system that protects the entity against financial manipulation attempts.

4. Explain the accounting basis that makes subsidiary journals an organizational tool serving the double-entry system and paving the way for its application, without being a substitute for it or canceling its basic rules.

5. Explain the dual-posting mechanism of the credit sales journal at the end of the period, indicating how the "total amount" is posted compared to "individual customer amounts", and its impact on trial balance equilibrium.

Third Period: Weekly Assessment (Week .....)

Model (A)

Choose the Correct Answer:

1. A commercial entity executed the following transactions; which of them must be included exclusively in the Sales Subsidiary Journal?

A) Selling commercial merchandise to a customer and collecting cash upon delivery under a cash receipt.

B) Selling an old used transport truck owned by the entity on credit under a sales contract.

C) Selling commercial merchandise to customer "Al-Amal Entity" on credit under a tax invoice.

D) Receiving cash from a debtor in settlement of a prior debt due.

2. A commercial entity executed the following transactions; which of them must be included exclusively in the Purchases Subsidiary Journal?

A) Purchasing commercial merchandise for cash from a supplier under a cash payment receipt.

B) Purchasing a production machine on credit from a entity under a purchase invoice.

C) Purchasing commercial merchandise from supplier "Al-Nour Entity " on credit under a purchase invoice.

D) Paying cash to a supplier in settlement of a prior obligation due.

II. Answer the Following Questions:

3. State four common types of specialized subsidiary journals, indicating the type of original supporting document approved as recording evidence for each.

4. Why does the reliability and professional credibility of accounting records weaken when entries are recorded directly in ledger accounts without relying on original supporting documents?

5. Evidence-Based Interpretation (JRE): If a large commercial entity abolishes subsidiary journals and decides to record all daily purchase and sales invoices directly in the General Journal, how would this affect the speed of preparing final accounts and the accuracy of the trial balance? Explain your answer illustrating the accounting reasons and consequences.

Model (B)

I. Choose the Correct Answer:

1. A commercial entity performed the following transactions; which of them must be exclusively recorded and recognized in the Subsidiary Purchases Journal?

- A) Purchasing merchandise for resale in cash from a supplier under a payment receipt.
- B) Purchasing office furniture and administrative desks for the entity on credit under a purchase contract.
- C) Purchasing merchandise for resale from "Al-Nour Entity " on credit under a tax purchase invoice.
- D) Paying a cash installment to a creditor for a previous outstanding debt.

2. A commercial entity performed the following transactions; which of them must be exclusively recorded and recognized in the Cash Receipts Journal?

- A) Collecting the value of merchandise sales in cash from a customer under a cash receipt voucher.
- B) Selling merchandise for resale to a customer on credit under a sales invoice.
- C) Purchasing a vehicle for transporting goods and paying its value by check.
- D) Purchasing merchandise for resale from a supplier on credit under a purchase invoice.

II. Answer the Following Questions:

3. State four types of subsidiary ledgers and subsidiary control registers (e.g., Customers Subsidiary Ledger, Suppliers Subsidiary Ledger...), indicating the corresponding general control account in the General Ledger for each.

4. Compare the accounting treatment of the total amount of the Credit Purchases Journal at the end of the month and the accounting treatment of individual suppliers' accounts listed in the same journal.

5. Evidence-Based Interpretation (JRE): What happens to the efficiency of accounting work, the effectiveness of the internal control system, and fraud prevention if an entity eliminates the segregation of duties between recording transactions in subsidiary journals, posting, and cash collection? Explain your answer illustrating the control and accounting reasons and consequences.

Model (C)

I. Choose the Correct Answer:

1. A commercial entity performed the following transactions; which of them must be exclusively recorded and recognized in the Sales Returns Journal?

- A) Returning merchandise for resale not matching specifications purchased by a customer in cash, with its value refunded immediately from the cash box.
- B) Receiving merchandise previously sold on credit from customer "Al-Amana" due to non-conformity with specifications under a credit note.
- C) Granting a cash discount to a customer for early payment of debt (sales discount / discount allowed).
- D) Returning an old unusable fixed asset sold to a third party on credit under a special settlement.

2. A commercial entity performed the following transactions; which of them must be exclusively recorded and recognized in the Purchases Returns Journal?

- A) Returning merchandise purchased in cash to a supplier and recovering its value in cash.
- B) Returning merchandise previously purchased on credit to supplier "Al-Nour Entity " due to non-conformity with specifications under a debit note.
- C) Obtaining a cash discount from a supplier for settling debt prior to due date (purchases discount / discount earned).
- D) Returning a production machine purchased on credit to the supplier due to a technical defect under a special agreement.

II. Answer the Following Questions:

3. State four common accounting supporting documents (e.g., Invoice, Debit Note, Credit Note, Cash Receipt / Check Voucher), indicating the appropriate subsidiary journal for recording each document.

4. Compare the accounting treatment of the total Cash Receipts Journal at the end of the financial period and the accounting treatment of individual customers' accounts settled during the month.

5. Evidence-Based Interpretation (JRE): What happens to the proper application of the double-entry system and the accuracy of inventory movement balances if sales returns and purchases returns transactions are recorded directly in the General Journal without using subsidiary journals, debit/credit notes, and official documents designated for these operations? Explain your answer illustrating the accounting and control reasons and consequences.

Week:	Section Three: Returns Journals & Trade Discount | Section Four: Cash Book & Petty Cash Book	Date: ..... / ..... / .....

First Period:

Class Performance

Activity: Simulation of Document Cycle

- Divide students into groups, each comprising 3 to 4 students.
- A commercial entity possesses a variety of operations including: sales returns, purchases returns, trade discount, cash discount, and petty cash expenses.

Requirement: Designing a simplified control system for subsidiary journals.

Execution Mechanism:

First: Classification of Transactions:
Classify each transaction according to the following sequence:
Transaction Type → Supporting Document → Appropriate Primary Journal

Second: Recording Transactions:
- One student records sales returns and purchases returns, specifying the appropriate note (Credit Note / Debit Note) for each transaction.
- Another student calculates the net value of the transaction after deducting the trade discount, and determines its impact on the recorded value.
- A third student prepares the three-column cash book, recording cash receipts, payments, and cash discount.
- A fourth student prepares the analytical petty cash book, and reviews the accuracy of the Accounting Classification for transactions.

Third: Review and Control:
The group reviews the accuracy of recording and accounting treatment, then presents a brief presentation explaining how separating subsidiary journals contributes to enhancing internal control and reducing errors.

Homework (Home Performance):

1. Discuss the reason why sales returns transactions must be supported by a "Credit Note" and purchases returns by a "Debit Note", explaining the impact of each on customers' and suppliers' accounts.

2. Compare "Trade Discount" and "Cash Discount" in terms of: purpose of granting, eligibility condition, and accounting treatment method in the accounting records of both the seller and the buyer.

3. Explain: "The three-column cash book is considered a journal of a dual nature (a primary journal and a ledger account at the same time)."

4. Explain how using the "analytical petty cash book" protects the main cash book from confusion and facilitates the posting of expense totals to ledger accounts.

5. Explain how recording returns in specialized journals, instead of deducting them directly from sales and purchases accounts, contributes to providing more accurate and clear information for decision-makers.

Second Period:

Class Performance

JRE Activity: Evidence-Based Interpretation

1. Explain: Trade discount is not recorded in a separate account; rather, the transaction is recorded at the net value after the trade discount.

2. Explain: Trade discount differs from cash discount in accounting treatment.

3. An entity settled an amount due to a supplier during the discount period specified in the payment terms, thereby benefiting from an earned cash discount due to early payment. In light of this:

a. Explain and justify the impact of the earned cash discount on:

Cash balance in hand or at bank. Supplier balance. Net profit.

b. Prepare the necessary journal entry to record the settlement of the supplier's balance and the utilization of the earned cash discount.

Homework (Home Performance):

Question One: Why do we designate a separate journal for returns instead of deleting them directly from sales?

Question Two: What is the difference between a "Credit Note" and a "Debit Note" when returning goods?

Question Three: What is the simple difference between "Trade Discount" and "Cash Discount" in recording?

Question Four: On which side of the cash book do we write money received, and on which side do we write money paid?

Question Five: An entity purchased merchandise for EGP 1,000 and obtained a cash discount of EGP 100 due to immediate cash payment; calculate the amount paid, and name the type of discount in the buyer's books.

Period Three: Weekly Assessment (Week .....) Model (A)

I. Choose the Correct Answer:

1. An entity purchased merchandise with a nominal value of EGP 10,000 at a trade discount of 10% and payment terms (5% cash discount if settled within a week). The value recorded in the purchases journal and posted to the supplier's account at the time of credit purchase is:

• A) EGP 10,000 • B) EGP 9,000 • C) EGP 8,550 • D) EGP 9,500

2. Upon collecting receivables from a customer amounting to EGP 6,000 during the 5% cash discount period, the value of the allowed discount equals:

• A) EGP 300 • B) EGP 250 • C) EGP 5,700 • D) EGP 6,000

II. Answer the Following Questions:

3. Customer "Salim" returned damaged merchandise valued at EGP 1,500 previously purchased on credit. Identify:
• The subsidiary journal in which the transaction is recorded.
• The debit account value.
• The credit account value.

4. The cash balance in the cash book was EGP 12,000, then receipts reached EGP 8,000 and payments EGP 5,000. Calculate the ending cash balance for the period.

Model (B)

I. Choose the Correct Answer:

1. An entity sold merchandise with a nominal value (list price) of EGP 20,000 at a trade discount of 10% and payment terms (4% cash discount if paid within 10 days). The value recorded in the sales journal and debited to the customer's account at the time of credit sale is:

• A) EGP 20,000 • B) EGP 18,000 • C) EGP 17,280 • D) EGP 19,200

2. An entity settled an accounts payable balance of EGP 8,000 within the 5% cash-discount period The value of the earned discount equals:

• A) EGP 400 • B) EGP 500 • C) EGP 7,600 • D) EGP 8,000

II. Answer the Following Questions:

3. Assuming the entity returned non-conforming merchandise valued at EGP 2,000 to supplier "Al-Amal Entity "; identify the name of the subsidiary journal to be used, the posted entry sides (debit and credit), and the type of debit note sent to the supplier.

4. The imprest fund balance for the petty cash book reached EGP 5,000, and total petty expenses during the period amounted to EGP 3,200. Calculate the fund replenishment amount at the end of the period.

Model (C)

I. Choose the Correct Answer:

1. An entity purchased merchandise with an invoice nominal value of EGP 15,000 at a trade discount of 20% and payment terms (5% cash discount for immediate payment within a week). The value recorded as a liability in the supplier's account upon recording the credit purchase is:

• A) EGP 15,000 • B) EGP 12,000 • C) EGP 11,400 • D) EGP 14,250

2. One of the petty expenses amounted to EGP 750, while the imprest fund balance was EGP 4,000. What is the remaining balance of the fund after paying this expense only?

• A) EGP 3,250 • B) EGP 3,750 • C) EGP 4,750 • D) EGP 750

II. Answer the Following Questions:

3. Assuming the entity received a debit note from supplier "Al-Baraka" valued at EGP 800 resulting from returning damaged merchandise previously sold on credit; identify the relevant subsidiary journal and the dual impact (debit and credit) on the ledger accounts.

4. The beginning cash balance for the period was EGP 10,000, receipts amounted to EGP 6,000, and payments reached EGP 4,500. Calculate the ending cash balance for the period.

Week:	Section Five: Unsolved Comprehensive Application - Subsidiary Journals in Practice	Date: ..... / ..... / .....

First Period:

Class Performance

Activity: Simulation of Accounting Department at "Farida Establishment"

• Divide students into groups.
• Distribute roles within each group (4 students):
1. Sales and Returns Officer: Records in the credit sales journal and sales returns journal.
2. Purchases and Returns Officer: Records in the credit purchases journal and purchases returns journal.
3. Cashier and Bank Custodian: Records transactions in the three-column cash book (receipts, payments, and discounts).
4. Auditor and Team Leader: Supervises posting to personal accounts (customers and suppliers) and general accounts, and calculates final cash and bank balances.

Execution Plan:

1. First Stage (10 minutes): Sorting the 11 transactions and identifying the designated subsidiary journal for each transaction, paying close attention to complete segregation between cash and credit transactions.
2. Second Stage (15 minutes): Each student records their assigned subsidiary journals and calculates total journal figures.
3. Third Stage (15 minutes): Executing joint posting; posting individual customer accounts (Rami, Salma) and supplier accounts (Delta, Nile), then posting journal totals to non-personal nominal accounts, and calculating ending cash and bank balances non-personal nominal accounts in the general ledger
4. Fourth Stage (5 minutes): Verifying the match of final cash and bank balances according to the "Final Review" paragraph at the bottom of the card.

Homework (Home Performance):

Question One: On June 12, Farida Entity sold merchandise for cash amounting to EGP 8,000. Explain why this transaction is recorded in the Cash Book only and completely excluded from the Sales Journal.

Question Two: Compare the document used in the June 7 transaction (Credit Note No. 301 with Rami) and the document used in the June 25 transaction (Debit Note No. 401 with Nile Entity) in terms of: the issuing party of the document, and its impact on the personal account balance of the other party.

Question Three: Briefly explain the difference in the mechanism of posting the "Sales Journal" to the General Ledger between:

1. Individual amounts for each customer (such as Rami and Salma).
2. The grand total of the journal at the end of the month.

Question 4: On June 10, payables of EGP 22,000 due to "Delta" Entity were settled via a cheque of EGP 20,000, along with receiving a discount (discount received / earned) of EGP 2,000;, whereas on June 28, the entity received a check from Salma for EGP 11,500 while granting her a Discount Allowed of EGP 500:

- State the type of discount and its accounting nature (Debit or Credit) in both transactions, and explain how each affects the entity's profitability.

Question Five: Farida Entity started the month with a bank balance of EGP 40,000 and a cash balance of EGP 15,000:

- Calculate the final cash balance and bank balance at the end of June based on the cash transactions presented in the case study, showing your computational steps.

Week ..... Section Six: Evidence-Based Interpretation (JRE) Date: / / Second Period

JRE Activity: Debate and Audit Chamber

- Divide students into groups.
- Assign roles within each team (4 students):
  - **Internal Control Analyst (Voice of Efficiency):** Extracts evidence demonstrating that subsidiary journals enhance internal control (segregation of similar transactions, dual control via matching total subsidiary journal entries with personal accounts Subsidiary ledgers).
  - **Risk Auditor (Voice of Challenges):** Extracts challenges and weaknesses (fragmentation of supporting documents, formatting errors, phased posting, and potential mismatch between subsidiary ledgers and total accounts).
  - **Financial Accountant (Numbers Expert):** Utilizes the figures of the " Belal Shops" case study as realistic evidence (comparing the cluttered single entry with total sum of EGP 137,500 in the General Journal versus categorized summary entries: Purchases EGP 70,000, Sales EGP 55,000, Purchase Returns EGP 7,000, Sales Returns EGP 5,500).
  - **Rapporteur (JRE Essay Writer):** Drafts a balanced evaluation in accordance with the approved writing framework: "Introduction - Efficiency Argument - Challenges Argument - Refutation of Counter-Argument - Justified Conclusion".

Execution Plan:

1. **Phase One (10 minutes):** The team examines the two solved models for " Belal Shops" (Single General Journal versus Four Subsidiary Journals) and compares them in terms of: clarity of final balance for each customer and supplier, and control effort expended.
2. **Phase Two (15 minutes):** Internal debate circle where the "Internal Control Analyst" and "Risk Auditor" exchange arguments supported by numerical evidence, preparing to construct a response to the opposing argument.
3. **Phase Three (15 minutes):** Drafting a concise, intensive joint JRE report following the structural guidelines to ensure meeting excellent grade criteria (18–20 marks).
4. **Phase Four (5 minutes):** Mutual peer review between teams using the evaluation rubric.

Homework (Home Performance):

Question One: Explain how using specialized subsidiary journals creates "dual control" over customer and supplier accounts compared to using a single general journal.

Question Two: With reference to the " Belal Shops" case study, explain how independent returns journals provided immediate and accurate information regarding net indebtedness for both Mansour Shops and Customer Jalil compared to the general journal.

Question Three: Discuss the view stating that "the proliferation of subsidiary journals may open the door to new accounting errors", providing an example of a challenge resulting from an excessive number of accounting records.

Question Four: Explain how separate classification of transactions in specialized subsidiary journals serves the principle of "Faithful Representation of Financial Statements" compared to consolidating all transactions in a single journal.

Question Five: "Is dividing journals into subsidiary journals considered an ideal and required solution for all entities without exception?" Provide a justified accounting judgment balancing business volume and system implementation costs.

Period Three: Weekly Assessment (Week .....) Model (A)

I. Choose the Correct Answer:

1. Cash sales are recorded in:

• A) Sales Journal • B) Cash Book • C) Sales Returns Journal • D) Purchases Journal

II. Answer the Following Questions:

Question One: State the name of the subsidiary journal in which the transaction of "purchasing merchandise on credit from a supplier" is recorded.

Question Two: What type of accounting document does the entity send to the customer upon receiving returned merchandise from them to reduce their account balance?

Question Three: Referring to Farida Establishment's transactions, explain why paying salaries in cash is excluded from recording in the Purchases Journal or Sales Journal.

Question Four: Explain how using specialized subsidiary journals helps reduce accounting errors and facilitates the auditing process compared to recording all transactions in a single General Journal.

Model (B)

I. Choose the Correct Answer:

Which of the following transactions is recorded in the "Purchases Returns Journal"?

• A) Returning damaged merchandise to a supplier after purchasing on credit.
• B) Returning merchandise from a customer due to a manufacturing defect.
• C) Selling merchandise for cash to a customer.
• D) Settling due amounts to a supplier by check with taking a cash discount.

II. Answer the Following Questions:

Question One: Which account do we debit when recording credit purchases in the monthly total journal entry of the Purchases Journal?

Question Two: Determine whether the " Discount Received" upon settling with a supplier is considered revenue for the entity or an expense incurred by it.

Question Three: If customer "Rami" returns part of merchandise previously purchased on credit, show the impact of this return on both Sales Revenue and the customer's account balance.

Question Four: Some believe that having multiple subsidiary journals may lead to transaction dispersion and coordination errors; discuss this view, illustrating how an entity can avoid this issue through an organized posting system.

Model (C)

I. Choose the Correct Answer:

The grand total of the Credit Sales Journal at the end of the month is posted to the debit side of which account"?

Options:

A) Accounts Receivable

B) Sales Account

C) Accounts Payable Account

D) Cash Account

II. Answer the Following Questions:

Question One: What are the two main financial accounts included in the "Three-Column Cash Book"?

Question Two: What is the accounting document that the entity sends to the supplier when returning part of defective merchandise to them?

Question Three: Explain the difference between how individual customer amounts and the grand total of the Sales Journal are posted at the end of the period.

Question Four: Based on the case study of " Belal Stores", explain how recording returned merchandise in a separate journal achieved clearer control over the indebtedness of both "Mansour" and "Jalil" compared to a single General Journal.

Unit Four: Trial Balance and Error Correction

Week:	Section One: Preparing the Trial Balance	Date: ..... / ..... / .....

First Period:

Class Performance

Activity: Financial Auditing and Error Detection

• Divide students into groups, each comprising 3 to 4 students.
• Each group is provided with an unbalanced trial balance for a commercial entity suffering from discrepancies in totals resulting from posting and summation errors.

■ **Execution Mechanism:**

1. One student examines and classifies accounts with debit and credit balances, ensuring they are transferred to the correct column.
2. Another student applies methodical steps (re-summing the ledger and trial balance, and checking the possibility of transferring a debit balance to the credit side or vice versa; "and dividing the discrepancy by 2 can be used as an auxiliary test in this case.")
3. A third student matches transactions with journal entries to verify the double-entry rule and discover the posting of one side of an entry without the other side.
4. A fourth student prepares the final adjusted trial balance and explains the control impact of the trial balance and its limitations to the class.

Homework (Home Performance):

1. Explain the three main objectives of preparing a trial balance, and justify why it is prepared as an essential step prior to preparing financial statements.

2. "Equality of total debit balances with total credit balances confirms internal mathematical consistency, but it does not guarantee correct accounting classification"; discuss this statement giving an illustrative example.

3. Compare the impact of "recording an entry on one side only" versus "recording an amount on the credit side instead of the debit side" on trial balance equilibrium and the resulting discrepancy amount.

4. Explain why dividing the trial-balance difference by two may help identify a balance posted to the wrong side

5. Summarize the sequential professional steps that an accountant should follow upon discovering a discrepancy between total debit balances and total credit balances in the trial balance, aiming to identify the source of the error and correct it.

Second Period:

Class Performance

Activity: Evidence-Based Interpretation (JRE)

1. A Salaries Expense account in the general ledger showed a debit balance of EGP 48,000, while the correct balance was EGP 53,000 due to an addition error on the debit side of the account.

Determine the correct balance that should be posted to the trial balance and the amount of error in the transferred balance, then justify the impact of this error on trial balance equilibrium and on business performance (net result).

2. One side of a correct journal entry was posted to the opposite side of the account in the general ledger. Determine the impact of this error on trial balance equilibrium and on business performance in the income statement, then justify your answer from an accounting perspective (assuming the account posted in reverse is an expense account).

3. An amount of EGP 20,000 was posted correctly in terms of value and side (debit/credit), but it was recorded in an incorrect account instead of the correct account in the general ledger.

Determine the impact of this error on trial balance equilibrium and on the financial statements, then justify your answer from an accounting perspective.

Homework (Home Performance):

Question One: Discuss: How is the trial balance considered an intermediate step between the general ledger and financial statements, stating errors that the trial balance cannot detect?

Question Two: "A trial balance may appear balanced on the surface despite the presence of technical errors."

- Explain this statement with an illustrative example of a transaction misdirected to another account (such as charging an asset as an expense), showing its impact on equilibrium.

Question Three: Compare in bullet points: Between the impact of "omitting the posting of one side of an entry" and the impact of "posting the amount to the opposite side", in terms of their effect on trial balance equilibrium and the value of the resulting discrepancy.

Question Four: Explain from an accounting perspective and mathematically: Why do we divide the discrepancy by 2 to detect certain arithmetic errors, and how does this assist the accountant in auditing accounts and verifying the accuracy of results?

Question Five: Summarize: The sequential professional steps that an accountant follows when a discrepancy exists between debit and credit balances to reach and correct the error.

Period Three: Weekly Assessment (Week .....)

Model (A)

I. Choose the Correct Answer:

1. If a trial balance shows total debit balances of EGP 185,000 and total credit balances of EGP 200,000, and the reason for the discrepancy was posting a debit account balance of EGP 7,500 to the credit side instead of the debit side in the trial balance, then the account causing this error is:

- A) Rent Expense account with EGP 15,000 placed on the credit side.
- B) Accounts Receivable account with EGP 7,500 placed on the credit side.
- C) Accounts Payable account with EGP 15,000 placed on the debit side.
- D) Sales account with EGP 7,500 placed on the credit side.

2. If a trial balance shows total debit balances of EGP 270,000 and total credit balances of EGP 250,000, and the reason for the discrepancy was posting a credit account balance of EGP 10,000 to the debit side instead of the credit side in the trial balance, then the account causing this error is:

- A) Notes Payable account with EGP 10,000 placed on the debit side.
- B) Purchases account with EGP 20,000 placed on the credit side.
- C) Sales account with EGP 8,000 placed on the debit side.
- D) Buildings account with EGP 15,000 placed on the credit side.

II. Answer the Following Questions:

3. Assuming furniture was purchased for cash for EGP 12,000, and the accountant recorded Furniture as debit for EGP 12,000 correctly, but recorded Cash as credit for EGP 21,000 instead of EGP 12,000.

Use the following table to analyze the error, then determine its impact on trial balance equilibrium and the resulting discrepancy amount, and state whether dividing by 2 applies to this example or not?

Item / Description	Correct Amount	Recorded Amount	Impact of Error
Furniture – Debit	12,000	12,000	.....
Cash – Credit	12,000	21,000	.....

4. A trial balance showed total debit balances of EGP 212,000 and total credit balances of EGP 200,000. It turned out that a credit account balance of EGP 12,000 was omitted from the trial balance.

Determine the impact of this error on trial balance equilibrium, and explain why the equality of the discrepancy value with the value of this balance alone is not sufficient to conclude that this is the sole error causing the discrepancy.

Model (B)

I. Choose the Correct Answer:

1. If the trial balance shows total Credit balances of EGP 138,000 and total Debit balances of EGP 150,000, and the reason for the discrepancy is posting a Credit account balance of EGP 6,000 to the Debit side instead of the Credit side in the trial balance, then the account causing this error is:

- A) Bank Loan account of EGP 12,000 placed on the Debit side.
- B) Accounts Payable account of EGP 6,000 placed on the Debit side.
- C) Notes Receivable account of EGP 6,000 placed on the Credit side.
- D) Rent Expense account of EGP 12,000 placed on the Debit side.

2. If the trial balance shows total Debit balances of EGP 190,000 and total Credit balances of EGP 175,000, and the reason for the discrepancy is posting a Credit account balance of EGP 7,500 to the Debit side instead of the Credit side in the trial balance, then the account causing this error is:

- A) Accounts Payable account of EGP 7,500 placed on the Debit side.
- B) Equipment account of EGP 15,000 placed on the Credit side.
- C) Capital account of EGP 5,000 placed on the Debit side.
- D) Rent Expense account of EGP 7,500 placed on the Debit side.

II. Answer the Following Questions:

3. Assuming the payment of salaries expense of EGP 15,000 in cash, and the accountant recorded the Cash account as Credit for EGP 51,000 (a transposition error); determine the impact of this on the equilibrium of the trial balance and the amount of the resulting discrepancy, assuming the Salaries Expense account was correctly recorded as Debit for EGP 15,000.

4. If the difference between the two sides of the trial balance equals double one of the balances likely posted to the reverse side, what is the probable error? Explain how this can be used as a supporting test.

Model (C)

I. Choose the Correct Answer:

1. If the trial balance shows total Debit balances of EGP 180,000 and total Credit balances of EGP 160,000, and the reason for the discrepancy is the complete omission of posting a Credit account balance to the trial balance; then the account and error causing this is:

- A) Accounts Payable account with a balance of EGP 20,000 omitted from the Credit balances side.
- B) Accounts Receivable account with a balance of EGP 20,000 posted twice to the Debit balances side.
- C) Service Revenue account with a balance of EGP 10,000 posted to the Debit side by mistake.
- D) Capital account with a balance of EGP 40,000 posted at half its value to the Credit side.

2. If the trial balance shows total Debit balances of EGP 300,000 and total Credit balances of EGP 320,000, and the reason for the discrepancy is posting a Debit account balance of EGP 10,000 to the Credit side instead of the Debit side in the trial balance, then the account causing this error is:

- A) Electricity Expense account of EGP 20,000 placed on the Credit side.
- B) Accounts Receivable account of EGP 10,000 placed on the Credit side.
- C) Accounts Payable account of EGP 8,000 placed on the Debit side.
- D) Sales account of EGP 15,000 placed on the Credit side.

II. Answer the Following Questions:

3. Assuming the collection of service revenue of EGP 18,000 by check, and the accountant recorded the Bank account as Debit for EGP 81,000; determine the impact of this on the trial balance equilibrium and the amount of the resulting discrepancy, assuming the Revenue account was correctly recorded as Credit for EGP 18,000.

4. What can be inferred if the difference between the two sides of the trial balance equals double the amount of one of the potential balances? What type of error is likely to have occurred?

Week:	Section Three: Errors That Do Not Affect Trial Balance Equilibrium / Section Four: Suspense Accounts	Date: ..... / ..... / .....

First Period:

Class Performance

Activity: Auditing and Correcting Accounting Errors

- **Group Organization:** Divide students into groups, each comprising 3 to 4 students.
- **Case Scenario:** An entity faces a trial balance disequilibrium represented by a discrepancy in favor of the Credit side, in addition to hidden balanced errors such as omission, Errors of Principle / Accounting Classification Errors, and an error in one of the personal accounts.

Execution Mechanism:

1. Error Identification: One student examines and identifies hidden errors, such as omission errors and technical misdirection errors between Revenue expenditures and capital expenditures.

2. Suspense Account Setup: Another student calculates the difference between both sides of the trial balance and establishes the Suspense Account on the side with the lower total balance to achieve temporary equilibrium.

3. Correcting Entries: A third student drafts the necessary correcting journal entries and performs the suspense account adjustment to close and zero it out.

4. Financial Audit & Reporting: A fourth student evaluates the impact of the corrected errors on the financial statements and provides a final report explaining the difference between mathematical balance and accounting information reliability.

Solved Example (Illustration)

A trial balance for a commercial entity showed total Debit balances of EGP 240,000 and total Credit balances of EGP 250,000. Due to temporary inability to determine the cause of discrepancy, a suspense account was opened with its balance placed on the Debit side to achieve temporary trial balance equilibrium.
Upon audit and examination, it was revealed that an expense of EGP 5,000 was posted to the Credit side of the expense account instead of the Debit side, while the Cash account was correctly recorded as Credit for the same amount.

Solution:

a. Determining Trial Balance Discrepancy:
• Discrepancy = 250,000 − 240,000 = EGP 10,000
• Since total Credit balances exceed total Debit balances, the Suspense Account balance is recorded as Debit for EGP 10,000, bringing both trial balance sides temporarily to EGP 250,000.

b. Correcting the Discovered Error:
• The EGP 5,000 expense was posted to the Credit side instead of Debit. Correcting this error requires debiting the Expense account by EGP 10,000 (double the amount) to offset the credit entry and establish the true debit balance.

Correcting Journal Entry:

Debit (EGP)	Credit (EGP)	Account Title & Description
10,000	—	Dr. Expense Account
—	10,000	Cr. Suspense Account (Correcting the posting error of expense to Credit side)

c. Closing the Suspense Account:
• The Suspense Account had an initial Debit balance of EGP 10,000. After posting the correcting entry (crediting Suspense Account by EGP 10,000), its balance becomes ZERO, successfully closing the account.

d. Impact of Correction on Trial Balance:

- Total Debit Balances (before Suspense Account): 240,000 + 10,000 (Expense Adjustment) = 250,000
- Total Credit Balances: 250,000 (unchanged)
- Suspense Account Balance: 0 (Closed)

Conclusion: The trial balance achieves true equilibrium at EGP 250,000 based on actual correct account balances without relying on a Suspense Account.

Second: Practical Exercise

A trial balance for a commercial entity showed total Debit balances of EGP 350,000 and total Credit balances of EGP 360,000. Due to temporary inability to determine the cause of discrepancy, a suspense account was opened with its balance placed on the Debit side to achieve temporary trial balance equilibrium.
Upon audit and examination, it was revealed that an expense of EGP 5,000 was posted to the Credit side of the expense account instead of the Debit side, while the Cash account was correctly recorded as Credit for the same amount.

Requirements:

a. Calculate the difference between both sides of the trial balance, and determine how the suspense account is opened.

b. Prepare the correcting entry and show how it closes the Suspense Account

c. Determine the balance of the suspense account after correction, and show the impact of correction on trial balance equilibrium.

Homework (Home Performance — Section One)

1. Explain through accounting analysis why neither 'Error of Complete Omission' nor 'Error in Personal Account Name' leads to a trial balance disequilibrium, and state the impact of each on accounting control efficiency.

2. Explain the financial consequences of recording the purchase of a fixed asset (equipment) in the Purchases account on both the Income Statement and Balance Sheet, stating why this error does not appear in the trial balance.

3. Explain the reasons an accountant resorts to opening a 'Suspense Account', clarifying why it is considered a temporary organizational procedure and not a final solution to the problem.

4. Discuss the danger of compensating (offsetting) errors in accounting, explaining how trial balance equilibrium might give a false impression of the integrity of accounting books and records.

5. Explain the necessary accounting steps to clear (zero out) the suspense account balance after identifying the causes of trial balance disequilibrium.

Second Period:

Class Performance

JRE Activity: Evidence-Based Interpretation

1. Explain why: 'Equality of both sides of the trial balance is evidence of mathematical correctness of recorded transactions, but it does not prove the correctness of accounting classification or completeness of entries.'

2. Explain why: 'The fact that trial balance equilibrium is unaffected by compensating (offsetting) errors makes relying exclusively on it misleading for judging the soundness of the accounting system.'

3. Explain why: 'The balance of the suspense account must be cleared and excluded from final financial statements after identifying and correcting the causes of discrepancy.'

Homework (Home Performance — Section Two)

Question One: Explain why trial balance totals remain equal despite the occurrence of an 'Error of Complete Omission', stating the true impact of this omission on the reliability of numbers reported in financial statements.

Question Two: Credit sales to a customer were erroneously recorded in another customer's account for the same amount. Explain why the general trial balance fails to detect this error, and state the technical control procedure that detects it.

Question Three: An accountant recorded the purchase of production equipment as an item under the 'Purchases' account. Analyze the impact of this technical error (in accounting classification) on each of: trial balance equilibrium, net profit for the period, and total assets in the balance sheet.

Question Four: "Opening a suspense account achieves temporary equilibrium in the trial balance, but it does not solve the accounting problem." Discuss this statement, indicating when it is used and how it is closed permanently.

Question Five: If the trial balance shows total Debit balances of EGP 250,000 and total Credit balances of EGP 240,000:

1. Determine the side on which the suspense account is placed and the value of its temporary balance.

2. If it is later discovered that the difference resulted from the omission of posting a credit transaction to a supplier's account amounting to EGP 10,000, explain the necessary correcting entry to close the suspense account.

Period Three: Weekly Assessment (Week .....)

Model (A)

I. Choose the Correct Answer:

1. The trial balance of a commercial entity showed total Debit balances of EGP 250,000 and total Credit balances of EGP 240,000; to achieve temporary mathematical equilibrium in the trial balance until the reasons for the discrepancy are identified and corrected for reporting purposes, the treatment is:

- A) Deduct EGP 10,000 from asset accounts.
- B) Crediting a "Suspense Account" for EGP 10,000.
- C) Debiting a "Suspense Account" for EGP 10,000.
- D) Adjust the Capital account by an increase of EGP 10,000.

2. The trial balance of a commercial entity showed total Debit balances of EGP 625,000 and total Credit balances of EGP 610,000. Upon examination, the cause of the discrepancy was not yet determined, and it was decided to use a "Suspense Account" temporarily. Which of the following treatments achieves trial balance equilibrium?

- A) Debiting a "Suspense Account" for EGP 15,000.
- B) Crediting a "Suspense Account" for EGP 15,000.
- C) Crediting a "Suspense Account" for EGP 7,500.
- D) Debiting a "Suspense Account" for EGP 30,000.

II. Answer the Following Questions:

3. An entity purchased merchandise on credit for EGP 12,000, and the recording of the invoice was completely omitted. Identify the type of error, its impact on the accounts payable and purchases balances, and its impact on trial balance equilibrium.

4. The "Suspense Account" showed a Debit balance of EGP 8,000 due to undetected errors. Upon discovering one of these errors, its correction required posting an entry that credits the Suspense Account for EGP 5,000. Calculate the remaining balance in the Suspense Account after recording the correcting entry, and state its nature.

Model (B)

I. Choose the Correct Answer:

1. The trial balance of a commercial entity showed total Debit balances of EGP 180,000 and total Credit balances of EGP 195,000; to achieve temporary mathematical equilibrium in the trial balance until the reasons for the discrepancy are identified and corrected for reporting purposes, the treatment is:

- A) Deduct EGP 15,000 from liability accounts.
- B) Crediting a "Suspense Account" for EGP 15,000.
- C) Debiting a "Suspense Account" for EGP 15,000
- D) Adjust the Capital account by reducing it by EGP 15,000.

2. The trial balance of a commercial entity showed total Debit balances of EGP 365,000 and total Credit balances of EGP 372,500. To achieve temporary mathematical equilibrium in the trial balance until the cause of the discrepancy is identified and corrected, the treatment is:

- A) Debiting a "Suspense Account" for EGP 7,500.
- B) Crediting a "Suspense Account" for EGP 7,500.
- C) Debiting a "Suspense Account" for EGP 15,000
- D) Adjust the Capital account by EGP 7,500.

II. Answer the Following Questions:

3. An entity sold merchandise on credit for EGP 18,000, and the recording of the invoice was completely omitted in the books; identify the type of error, its impact on trial balance equilibrium, and its impact on asset items (Accounts Receivable) and Sales.

4. The trial balance of a commercial entity showed total Debit balances of EGP 420,000 and total Credit balances of EGP 414,000. After temporarily using the Suspense Account to achieve balance, an error was discovered that required debiting the Suspense Account for EGP 4,000. Calculate the remaining balance in the Suspense Account after correcting this error, and state its nature.

Model (C)

I. Choose the Correct Answer:

1. The trial balance of a commercial entity showed total Debit balances of EGP 320,000 and total Credit balances of EGP 305,000; to achieve temporary balance before completing adjustments and correcting errors, the accountant opens:

- A) A "Suspense Account" on the Credit side with a balance of EGP 15,000.
- B) A "Suspense Account" on the Debit side with a balance of EGP 15,000.
- C) Directly adding EGP 15,000 to the Credit Revenue account.
- D) Reducing the Debit Cash account by EGP 15,000.

2. Upon preparing the trial balance for a commercial entity, total Debit balances amounted to EGP 480,000, while total Credit balances amounted to EGP 465,000. After reviewing the accounts, the cause of the discrepancy remained undetermined as of the trial balance preparation date. What is the correct temporary treatment to achieve mathematical equilibrium?

- A) Debiting a "Suspense Account" for EGP 15,000
- B) Crediting a "Suspense Account" for EGP 15,000
- C) Crediting a "Suspense Account" for EGP 30,000.
- D) Reducing total assets by EGP 15,000.

II. Answer the Following Questions:

3. An entity settled periodic maintenance expense for machinery amounting to EGP 5,000 in cash, and it was recorded entirely in the Machinery and Equipment (fixed asset) account.

- Required: Identify the type of error, its impact on trial balance equilibrium, and its impact on both gross/net profit and the value of fixed assets.

4. Total debit balances in a commercial entity's trial balance amounted to EGP 550,000, while total credit balances amounted to EGP 560,000. Upon examination, it was revealed that an

expense amounting to EGP 5,000 was recorded as credit instead of debit, while the other side of the entry was correctly recorded.

• Required: Determine the impact of this error on total debit and credit balances, and calculate the resulting trial balance discrepancy.

Week:	Section Five: Correcting Errors Using Journal Entries | Section Six: Comprehensive Application (Trial Balance & Error Correction)	Date: ..... / ..... / .....

First Period:

Class Performance

Activity: Financial Audit and Ledger Repair Clinic

• Group Organization: Divide students into groups, each comprising 4 students.

• **Role Distribution: Assign roles within each group (4 students):**

• **Financial Diagnostician (Error Doctor):** Identifies the error type (Single-sided Error, reverse-sided entry, Error of Principle, or Error of Omission).

• **Suspense Account Controller:** Determines whether the correcting entry requires introducing the Suspense Account, its side (Debit or Credit), and its value to clear its balance to zero.

• **Executive Accountant:** Writes the correcting journal entry in its formal format (entry sides, amounts, and explanation).

• **General Auditor:** Verifies the final impact of entries on the General Ledger, the zeroing out of the Suspense Account, and the equilibrium of the adjusted trial balance.

• **Execution Steps:**

• Phase 1 (10 Minutes): Receiving a file containing 4 practical cases inspired by the lesson:
1. An expense of EGP 4,000 was debited correctly, but the credit posting to Cash was omitted
2. Recording insurance expense of EGP 8,000 on the Credit side instead of Debit.
3. Purchasing equipment of EGP 50,000 in the Purchases account.
4. Credit sale to "Kareem" valued at EGP 7,000 recorded in "Salma's" account.

• Phase 2 (20 Minutes): The team determines correcting entries, justifying doubling the correction amount to EGP 16,000 in the reverse-side error, and zeroing out the Suspense Account in transactions affecting equilibrium.

• Phase 3 (10 Minutes): Transferring corrected balances to the "Adjusted Trial Balance" schedule, verifying equality of totals and ensuring the Suspense Account balance reaches zero.

• Phase 4 (5 Minutes): Joint peer review between groups to evaluate the soundness of control treatment.

Homework (Home Performance):

Question One: How are accounting errors corrected, and why should accounting records/accounts not be rewritten?

Question Two: Referring to the example of recording insurance expense of EGP 8,000 on the Credit side instead of Debit; explain through accounting analysis why the correcting entry amount and trial balance discrepancy was EGP 16,000 rather than EGP 8,000 only.

Question Three: A entity purchased equipment in cash for EGP 50,000 and mistakenly recorded it in the Purchases account; explain why the "Suspense Account" is NOT used at all in the correcting entry, and explain the proper correcting treatment entry.

Question Four: The accountant paid rent expense of EGP 6,000 in cash, recording the Debit side in the Rent Expense account while omitting the Credit side in Cash; what is the impact on the Suspense Account? How is the necessary correcting entry written?

Question Five: "Bringing the Suspense Account balance to zero is the primary benchmark for the success of the error correction process." Discuss this statement, illustrating the significance of zeroing out the Suspense Account prior to preparing final financial statements.

Second Period:

Class Performance

Activity: "Trial Balance Audit Room and Suspense Account Zeroing"

- Group Organization: Divide students into groups, each comprising 4 students.
- **Role Distribution: Assign roles within each group (4 students):**
  - **Control Diagnostician:** Classifies the four discovered errors into (errors affecting the Suspense Account / errors corrected directly between relevant accounts).
  - **Correction Entries Controller:** Drafts correcting journal entries for the four errors in the general journal, accurately specifying Debit and Credit sides.
  - **Suspense Account Custodian:** Posts entries to the T-account for the Suspense Account, ensuring its balance is fully zeroed out (opening Credit balance of EGP 12,000 against debit correcting movements).
  - **Trial Balance Auditor:** Calculates new balances after adjustment (Cash, Equipment, Purchases, Accounts Receivable, Accounts Payable) and verifies the equilibrium of both sides of the final Adjusted Trial Balance.

• **Execution Steps:**

Phase 1 (10 Minutes): Sorting Errors:

Error 1: Recording a credit sale of EGP 5,000 in the Sales Account only (Single-sided entry, requires Suspense Account).

Error 2: Purchasing equipment valued at EGP 20,000 recorded as Purchases (Accounting classification error, does not affect Suspense Account).

Error 3: Rent expense paid in cash was credited to Accounts Payable instead of Cash.

Error 4: Complete omission of a credit purchase valued at EGP 3,000 (Complete omission error, does not affect Suspense Account).

Phase 2 (15 Minutes): Writing and posting correcting journal entries.

Phase 3 (15 Minutes): Bringing the Suspense Account balance to zero, adjusting account balances, and populating the Adjusted Trial Balance schedule.

Phase 4 (5 Minutes): Discussing answers to analytical thinking questions at the bottom of the page to ensure thorough understanding of the impact of corrections on the faithful representation of financial statements.

Homework (Home Performance):

Question One: Prior to audit, Zaid Entity's trial balance showed total Debit balances of EGP 252,000 and total Credit balances of EGP 240,000. Explain why the Suspense Account was recorded with a Credit balance of EGP 12,000, and state the temporary purpose of this step.

Question Two: Referring to Error No. (1): "A credit sale transaction valued at EGP 5,000 was recorded in the Sales Account only." Write the necessary correcting journal entry, and show its impact on both the Suspense Account and Accounts Receivable .

Question Three: Regarding Error No. (2): "A purchase of equipment valued at EGP 20,000 was recorded as Purchases." Discuss the impact of this error on trial balance equilibrium prior to discovery, and write the correcting entry without introducing the Suspense Account.

Question Four: A credit purchase transaction valued at EGP 3,000 was completely omitted (Error No. 4). Explain why this error has no effect whatsoever on the Suspense Account balance, and write the formal correcting journal entry.

Question Five: "Does correcting accounting errors and preparing an adjusted trial balance aim solely at restoring mathematical equilibrium, or at restoring reliability to financial statements?" Justify your answer based on the case of Zaid Trading.

Period Three: Weekly Assessment (Week .....)

Model (A)

I. Choose the Correct Answer:

• When a discrepancy occurs between both sides of the trial balance where the Debit side exceeds the Credit side by EGP 12,000, the Suspense Account is temporarily placed in:

• A) Debit side with EGP 12,000
• B) Credit side with EGP 12,000
• C) Both sides with EGP 6,000 on each side including it in the trial balance
• D) Income Statement directly without

II. Answer the Following Questions:

Question 1: What is the primary objective of opening a "Suspense Account" when preparing a trial balance?

Question 2: Determine whether a "Complete Omission" error of a purchase invoice affects trial balance equilibrium or not.

Question 3: A credit sale of merchandise valued at EGP 5,000 was recorded in the Sales Account only without recording it in Accounts Receivable. Write the necessary correcting journal entry to rectify this error.

Question 4: An entity purchased machinery for EGP 20,000 and mistakenly recorded it as "Purchases of Merchandise." Discuss the impact of this error on the credibility of profits and assets in the financial statements prior to correction.

Model (B)

I. Choose the Correct Answer:

• Which of the following errors does NOT appear in the Suspense Account and allows the trial balance to balance naturally?

• A) Posting a debit movement for shop rent and omitting the posting of cash movement
• B) Recording a cash sale transaction on the Credit side only
• C) Purchasing furniture and mistakenly recording it in the Purchases Account
• D) Recording an entry with a Debit side of EGP 8,000 and a Credit side of EGP 800

II. Answer the Following Questions:

Question 1: What must the balance of the "Suspense Account" become after all accounting errors are discovered and corrected?

Question 2: State the name of the journal entry used by accountants to rectify clerical errors instead of erasure or manual alteration.

Question 3: An accountant paid maintenance expense of EGP 4,000 in cash, recording the Debit side in the Expense Account while omitting the cash outlay. Write the necessary correcting journal entry.

Question 4: Explain the difference between the "Unadjusted Initial Trial Balance" and the "Adjusted Trial Balance" in terms of the Suspense Account state and data reliability.

Model (C)

I. Choose the Correct Answer:

• When purchasing equipment for EGP 15,000 is mistakenly recorded in the Purchases Account, this error is corrected by a journal entry whose Debit side is:
• A) Suspense Account • B) Purchases Account • C) Equipment Account • D) Cash Account

II. Answer the Following Questions:

Question 1: Practical Application (Question)

Scenario: "At the end of the fiscal year, a commercial enterprise discovered that a cash purchase of office furniture worth **EGP 15,000** was mistakenly recorded in the General and Administrative Expenses Account."

Requirements:

1. Prepare the necessary correcting entry in the General Journal.
2. Explain the impact of this correction on the relevant accounts in the General Ledger.
3. State the direct impact of correcting this error on:
    - **Net profit for the period** (Income Statement).
    - **Total assets** (Balance Sheet / Statement of Financial Position).

Question 2: On which side of the trial balance is the Suspense Account recorded if total Credit equals EGP 100,000 and total Debit equals EGP 95,000?

Question 3: A credit purchase of merchandise valued at EGP 3,000 was completely omitted. Draft the necessary correcting journal entry, explaining why the Suspense Account is not used.

Question 4: Explain the following accounting statement: "Trial balance equilibrium achieved through a Suspense Account represents internal numerical consistency only and does not reflect faithful representation of business operations."

Second Month Exercises

I. Choose the Correct Answer:

1. The primary purpose of using subsidiary journals in large entities is to:

- A) Replace the double-entry rule with a simplified system.
- B) Group similar financial transactions to facilitate control and reduce repetition and errors.
- C) Eliminate the need to prepare a trial balance at the end of the period.
- D) Record cash and credit transactions together in a single register.

2. When selling a fixed asset (such as old machinery) on credit, the transaction is recorded in:

- A) Credit Sales Journal.
- B) Cash Book.
- C) General Journal.
- D) Sales Returns Journal.

3. An entity purchased merchandise with a list price of EGP 40,000 at a trade discount of 10%. This entry is recorded in the Purchases Journal at an amount of:

- A) EGP 40,000, with the discount recorded as an expense.
- B) EGP 36,000 as the net purchase value without recording the discount in the books.
- C) EGP 44,000 including the discount.
- D) EGP 4,000 only in the discount account.

4. The value of a credit sales invoice amounted to EGP 30,000, and the entity granted a trade discount of 10%. The net value of recorded sales is:

- A) EGP 27,000.
- B) EGP 30,000.
- C) EGP 33,000.
- D) EGP 3,000.

5. Upon settling suppliers' dues within the cash discount period, the earned discount is treated in the buyer's books as:

- A) A debit expense.
- B) A credit account for Earned Discount.
- C) A reduction in sales.
- D) A current asset.

6. An entity owed a supplier EGP 20,000, and the supplier granted a cash discount of 2% if paid within the specified period. If settlement is made within the period, the cash paid equals:

- A) EGP 19,600.
- B) EGP 20,400.
- C) EGP 19,000.
- D) EGP 20,000.

7. The three-column cash book has a dual nature because it combines:

- A) The General Journal and the Petty Cash Book.
- B) The Primary Journal and the Ledger Account for Cash and Bank.
- C) Sales Journals and Purchases Journals.
- D) The Ledger Account and the Trial Balance.

8. If both sides of the trial balance equal EGP 150,000 for each side, this equilibrium indicates:

- A) Complete absence of any accounting errors in the records.
- B) Faithful representation of the financial statements.
- C) Internal mathematical consistency and compliance with the double-entry rule.
- D) Complete recording of all economic transactions without omission.

9. An entity recorded maintenance expense of EGP 8,000. The correct entry and the erroneous posting to the ledger accounts were as follows:

Correct Entry:

Dr. Maintenance Expense EGP 8,000

Cr. Cash EGP 8,000

Erroneous Posting: An amount of EGP 8,000 was posted to the Credit side of the Maintenance Expense account instead of the Debit side. The trial balance discrepancy resulting from this error is:

- A) No difference.
- B) An excess of the Debit side over the Credit side by EGP 8,000.
- C) An excess of the Credit side over the Debit side by EGP 16,000.
- D) An excess of the Credit side over the Debit side by EGP 8,000.

10. Equipment was purchased on credit for EGP 50,000, and the amount was recorded in the Purchases account instead of the Equipment account, while the credit side was recorded correctly. This error leads to:

- A) A trial balance disequilibrium of EGP 50,000.
- B) A trial balance disequilibrium of EGP 100,000.
- C) No effect on trial balance equilibrium.
- D) An increase in the Credit side by EGP 50,000.

11. Which of the following errors directly and visibly causes a trial balance disequilibrium?

- A) Completely omitting the recording of a credit sales invoice.
- B) Posting one side of a cash entry of EGP 6,000 while omitting the corresponding debit side.
- C) Recording a sale transaction to customer "Mazen" in customer "Ahmed's" account.
- D) Decreasing revenues by EGP 1,000 and expenses by the same amount.

12. A trial balance shows total Debit balances of EGP 320,000 and total Credit balances of EGP 312,000. To achieve temporary equilibrium, insert:

- A) A Suspense Account with a Debit balance of EGP 8,000.
- B) A Suspense Account with a Credit balance of EGP 8,000 on the Credit side.
- C) Deduct EGP 8,000 from asset balances.
- D) A Suspense Account with a Credit balance of EGP 16,000.

13. The "Suspense Account" is closed and its balance becomes zero when:

- A) Annual closing entries for profit and loss are posted.
- B) All errors causing the discrepancy are discovered and necessary correcting entries are made.
- C) Assets equal liabilities without auditing.
- D) Financial management approves the issuance of the balance sheet.

14. An entity purchased merchandise for cash of EGP 18,000, but the cash amount was posted to the Credit side of the Cash account as EGP 81,000 instead of EGP 18,000. The trial balance discrepancy resulting from this error equals:

- A) EGP 18,000.
- B) EGP 63,000.
- C) EGP 99,000.
- D) EGP 81,000.

15. If an expense amount of EGP 7,000 was posted to the Credit side instead of the Debit side, the resulting discrepancy generated by the error in the trial balance equals:

- **A)** EGP 7,000
- **B)** EGP 14,000
- **C)** Zero
- **D)** EGP 3,500

16. A trial balance shows total Debit balances of EGP 320,000 and total Credit balances of EGP 312,000. To achieve temporary equilibrium, the Suspense Account is established as:

- **A)** Debit balance of EGP 8,000
- **B)** Credit balance of EGP 8,000
- **C)** Debit balance of EGP 16,000
- **D)** Credit balance of EGP 16,000

17. A trial balance shows total Debit balances of EGP 425,000 and total Credit balances of EGP 437,000. The required Suspense Account balance to achieve temporary equilibrium is:

- **A)** Debit balance of EGP 12,000
- **B)** Credit balance of EGP 12,000
- **C)** Debit balance of EGP 24,000
- **D)** Credit balance of EGP 24,000

18. A credit sales transaction of EGP 15,000 was recorded in customer "Ahmed's" account instead of customer "Mazen's" account, with both amount and side correct in both accounts. The impact of this error on trial balance equilibrium is:

- **A)** Increases Debit side by EGP 15,000
- **B)** Increases Credit side by EGP 15,000
- **C)** Increases discrepancy by EGP 30,000
- **D)** Has no effect on trial balance equilibrium

19. The Suspense Account is closed and its balance becomes zero when:

- **A)** Financial statements are prepared only
- **B)** Errors causing discrepancy are discovered and necessary correcting entries are made
- **C)** Assets equal liabilities
- **D)** Management approves financial statements

20. Dividing the trial balance discrepancy by 2 is a suitable aid when:

- **A)** The error results from complete omission of a transaction
- **B)** An amount was posted to the reverse side instead of the correct side
- **C)** There is an error in accounting principle
- **D)** There is an error in a customer's name while side and amount remain correct

II. Short Applications and Exercises:

21. An entity purchased merchandise in cash for EGP 24,000, and the transaction was recorded correctly in the general journal. However, the cash amount of EGP 24,000 was posted to the Credit side of the Cash account as EGP 42,000. In light of this:

- **Calculate the resulting discrepancy in the trial balance:**
- **Identify the side on which the discrepancy appears:**
- **Prepare the necessary correcting entry:**
- **Explain the impact of correction on trial balance equilibrium:**

22. An entity's trial balance showed total Debit balances of EGP 420,000 and total Credit balances of EGP 414,000. Due to temporary inability to determine the cause of discrepancy, a Suspense Account was opened. Upon investigation, it turned out that the correcting entry for one error required crediting EGP 4,000 to the Suspense Account. In light of this:

- **Calculate the Suspense Account balance upon opening and specify its nature:**
- **Calculate the Suspense Account balance after recording the correcting entry:**
- **Specify the nature of the remaining balance in the Suspense Account:**
- **Indicate whether the Suspense Account has been closed or not:**

23. An entity purchased equipment for EGP 60,000 on credit, but the accountant recorded the amount in the Purchases account instead of the Equipment account, while recording the Credit side correctly. In light of this:

- **Identify the type of error:**
- **Explain its impact on trial balance equilibrium:**
- **Explain its impact on assets and profit, under the periodic inventory system:**
- **Prepare the necessary correcting entry:**

24. Total Debit balances in a trial balance amounted to EGP 548,000, while total Credit balances amounted to EGP 560,000. Upon examination, it was revealed that an expense of EGP 6,000 was posted to the Credit side instead of the Debit side. In light of this:

- **Calculate the impact of this error on the trial balance discrepancy:**
- **Determine whether this error explains the discrepancy appearing in the trial balance:**
- **Determine the side on which the Suspense Account must appear when opened temporarily:**
- **Prepare the necessary correcting entry:**

III. Evidence-Based Interpretation and Reasoning (JRE) Questions:

25. "Equality of total Debit balances with total Credit balances confirms internal mathematical consistency of the trial balance, but it does not guarantee freedom of records from errors or faithful representation of financial information." Analyze this statement, providing an accounting example illustrating the validity of its content.

Week:	Section Seven: Evidence-Based Interpretation (JRE)	Date: ..... / ..... / .....

First Period:

Class Performance

Activity: "Financial Audit Committee: Numerical Equilibrium vs. Credibility of Financial Statements"

- **Group Organization:** Divide students into groups, each comprising 4 students.
- **Role Distribution:** Assign roles within each group (4 students):
- **Entity Accountant:** Defends the validity of financial statements based on the equality of both sides of the trial balance at EGP 1,000,000.
- **External Auditor:** Extracts hidden errors (understatement of depreciation, omission of allowance for doubtful accounts, inventory overstatement, and complete omission of purchases) and proves how they distort true profits.

Credit Risk Analyst: Explains how overstatement of assets misleads banks and external investors despite internal mathematical equilibrium.

Rapporteur and Report Drafter: Writes the joint evaluation summary according to the approved Evidence-Based Interpretation (JRE) framework (Introduction – Argument 1 – Argument 2 – Refutation of Opposing View – Final Judgment).

Execution Steps:

1. Examining the four errors in the case study of “Al-Amal Commercial Entity ” and calculating the cumulative financial impact on profits (10 Minutes).

2. Accounting debate between the “Entity Accountant” and the “Independent Auditor” regarding the sufficiency of numerical equilibrium (15 Minutes).

3. Writing a joint analytical article proving that mathematical balance is a necessary but insufficient condition for faithful representation (15 Minutes).

4. Exchanging papers for peer review based on the 20-mark rubric scale (5 Minutes).

Homework (Home Performance):

Question One: Explain what is meant by “Faithful Representation / Credibility” in financial statements, and clarify how it differs completely from the concept of “Mathematical Balance of the Trial Balance.”

Question Two: Referring to the case study of “Al-Amal Entity ”, the entity calculated machinery depreciation at a rate of 5% instead of 10%. Discuss how this estimation error affected both the

Income Statement and the Statement of Financial Position despite the trial balance remaining balanced.

Question Three: Explain why accounting standards require the creation of an "Allowance for Doubtful Accounts" (Allowance for Bad Debts), clarifying the impact resulting from omitting the creation of a 5% allowance on receivables in the books of Al-Amal Entity .

Question Four: "Incorrectly overstating ending inventory valuation by EGP 20,000 is considered a material error in measuring profits." Explain the mathematical and accounting relationship between inventory value, cost of goods sold, and gross profit.

Question Five: How does forgetting to record a credit purchase invoice valued at EGP 15,000 affect financial decision-making regarding liquidity and meeting obligations?

Period Two:

Activity: "Inventory Adjustments and Fair Accounting Estimates Workshop"

Request students to use the (Student Book) practical case study ("Al-Amal Commercial Entity "), then assign roles within each group (4 students):

Fixed Assets Expert: Determines the depreciation expense to be calculated on machinery at 10% (EGP 20,000) instead of 5% (EGP 10,000) and treats the discrepancy.

Debts and Risk Expert: Calculates the allowance for doubtful accounts to be established at 5% of the receivables balance (EGP 5,000) and its impact on profits.

Goods Valuation Expert: Excludes the erroneous increase (overstatement) in ending inventory amounting to EGP 20,000, and explains its direct impact on cost of sales.

Head of Accounting Department: Records the journal entry for the omitted purchase invoice of EGP 15,000, and calculates the final net change in the profits and assets of Al-Amal Entity .

Execution Steps:

1. Each expert completes their specific mathematical calculation based on the case data (10 Minutes).

2. Consolidating accounts to determine total overstatement of profit: 10,000 (Depreciation) + 5,000 (Debts/Allowance) + 20,000 (Inventory) = EGP 35,000 (15 Minutes).

3. Drafting an inventory adjustments table that adjusts the figures of the Income Statement and Statement of Financial Position (15 Minutes).

4. Drawing the conclusion: Why faithful representation requires fair professional judgment and sound accounting policies rather than merely closing the books (5 Minutes).

Homework (Home Performance):

Question One: Reliability of financial statements comprises four pillars: "Accurate Classification, Realistic Valuation, Complete Recording, and Fair Estimation." Briefly clarify the significance of each pillar.

Question Two: “Upon closing the Suspense Account, the accounting system restores its numerical balance, but it may remain lacking in reliability.” Justify the validity of this statement citing one type of error unrelated to the Suspense Account.

Question Three: Clarify the role of applying the “Accrual Basis of Accounting” in enabling financial statements to express the true reality of entity operations during the financial period.

Question Four: Referring to the case study of Al-Amal Entity ; calculate the total unreal overstatement that affected the entity 's profits due to the first three errors (Depreciation, Allowance, Inventory), explaining the danger to capital if these profits are distributed.

Question Five: Write a cohesive concluding paragraph (justified conclusion) summarizing your response to the question: “Does correcting accounting errors restore reliability to financial statements, or does it merely restore mathematical balance?”

Period Three: Weekly Assessments (Week .....) — Model (A)

I. Choose the Correct Answer:

Trial balance equilibrium conclusively guarantees:

A) Correctness of accounting estimates for depreciation and allowances

B) Complete recording of all financial transactions without omission

C) Equality of total debit balances with total credit balances only

D) Integrity of ending inventory valuation in the financial statements

II. Answer the Following Questions:

Question 1: What is meant by “accounting estimates” in the preparation of financial statements?

Question 2: State one impact of omitting the creation of an “allowance for doubtful accounts” (allowance for bad debts) on the value of the entity 's assets.

Question Three: If depreciation was calculated at 5% instead of 10% on machinery valued at EGP 200,000; calculate the amount of the accounting error and show its impact on net profit.

Question Four: Explain why the equilibrium of the trial balance is not sufficient for the approval of financial statements by banks and investors.

Model (B)

I. Choose the Correct Answer:

Overstating inventory valuation directly results in:

A) Increasing Cost of Goods Sold and decreasing profit

B) Decreasing Cost of Goods Sold and inflating profit

C) Immediate trial balance disequilibrium

D) Decreasing total assets in the Statement of Financial Position

II. Answer the Following Questions:

Question One: Determine whether the trial balance is a sufficient means to prove that the accounting books are free from complete omission.

Question Two: What is the accounting principle that mandates charging the period with its accrued expenses regardless of payment?

Question Three: A entity 's sales reached EGP 700,000, and inventory valuation was erroneously overstated by EGP 20,000; explain the impact of this on the efficiency of operational decision-making for the entity .

Question Four: Differentiate between a procedural arithmetic error and an error of accounting judgment and estimation in terms of how each impacts trial balance equilibrium.

Model Answer: *A procedural arithmetic error (such as single-sided posting) breaks the equilibrium immediately and is corrected using the suspense account; whereas an estimation error (such as depreciation percentage) leaves the trial balance fully balanced but distorts the credibility of the financial statements (4 marks).*

Model (C)

I. Choose the Correct Answer:

Omitting the recording of a credit purchase invoice valued at EGP 15,000 leads to:

A) Trial balance disequilibrium and the appearance of a suspense account

B) Understating the entity's liabilities while keeping the trial balance balanced

C) Increasing the cash balance in the books by EGP 15,000

D) Immediate decrease in net assets and owner's equity

II. Answer the Following Questions:

Question One: What account must be established in the Statement of Financial Position to meet potential customer default in payment?

Question Two: When are financial statements considered an expression of "faithful representation" of commercial activity?

Question Three: If the receivables balance is EGP 100,000 and it is decided to establish an allowance for doubtful accounts at 5%, calculate the required allowance amount and show its impact on net owner's equity.

Question Four: "Credibility requires professional judgment and sound accounting policies more than it merely requires book discipline." Discuss this statement supporting your view with an example.

Unit Five: Financial Statements — Sole Proprietorship

Week:	Section One: Trading Account	Date: ..... / ..... / .....

First Period:

Class Performance

Activity Title: Building Final Accounts and Evaluating Financial Performance

Activity Objective: Developing students' skills in classifying trial balance account balances, preparing Trading and Profit & Loss accounts, and analyzing the reasons for variance between gross and net profit.

Execution Mechanism:

Divide students into equal groups (comprising 4 students per group).

Provide each group with a balance list extracted from the trial balance of a commercial entity at the end of the financial year.

Task Execution Steps (According to Procedural Progression):

Phase 1: Classifying Balances (Group Work):

Group members categorize trial balance account balances and determine the corresponding final account for each balance (Trading Account / Profit & Loss Account).

Phase 2: Preparing Trading Account (First and Second Student):

Calculating Cost of Sales (First Student): Calculate net purchases and cost of goods sold applying the formula:

Cost of Goods Sold = Beginning Inventory + Net Purchases - Ending Inventory

Recording and Illustrating Account (Second Student): Prepare the Trading Account, extract (Gross Profit or Loss), and present it in both formats (T-account format and modern vertical presentation format).

Phase 3: Preparing Profit and Loss Account (Third Student):

Transfer gross profit (or loss) from the Trading Account to the Profit and Loss Account.

Classify and record operating and administrative expenses (such as salaries, rent, insurance, and depreciation) and other revenues.

Extract the final result of operations (Net Profit or Net Loss).

Phase 4: Financial Analysis and Interpretation (Fourth Student):

Discuss financial statement results and answer the interpretative question.

JRE Question: "Discuss how a commercial entity can achieve a high gross profit, while simultaneously recording a very low net profit (or a loss)? Explain the difference between accounting performance and cash liquidity."

Homework (Home Performance):

1. Compare the nature of "Gross Profit" and the objective of measuring it through the Trading Account with "Net Profit" extracted from the Profit and Loss Account.

2. Explain from an accounting perspective why ending inventory is deducted when calculating the cost of goods sold (cost of sales), and how this reflects the application of the accounting matching principle.

3. Explain: "The Trading Account is restricted to the cost of obtaining merchandise and preparing it for sale, whereas selling, administrative, and general expenses are excluded from it."

4. Clarify the reason for charging fixed assets depreciation expense (charge) to Profit and Loss as an expense, despite no cash outflow being entailed by it.

5. Discuss the following statement: "An entity achieving high net profits at the end of the financial period does not necessarily mean the availability of sufficient cash liquidity in its bank accounts."

Period Two:

Class Performance

JRE Question: Activity Title: Evidence-Based Interpretation (JRE)

1. Financial statements for a commercial entity showed the following data for the financial year ended December 31, 2026,: Net Sales: EGP 2,000,000 | Cost of Goods Sold (Cost of Sales): EGP 800,000 | Selling, Administrative, and General Expenses: EGP 1,350,000.
As a financial advisor to the entity, answer the following:

Measurement and Impact: Calculate both gross profit and net business result (profit/loss).
Technical Analysis: Explain how the entity achieved a high gross profit, clarifying the factors that might explain its high level, yet its operations ended in a net loss?
Recommendation: Propose two accounting or administrative measures to address profit leakage between the trading and profit & loss stages.

2. Financial reports for a commercial entity showed the following data for two consecutive financial years:
• Year One: Sales EGP 1,000,000 | Cost of Goods Sold EGP 600,000
• Year Two: Sales EGP 1,500,000 | Cost of Goods Sold EGP 1,200,000
As a financial analyst for the entity, answer the following:

Accounting Measurement: Calculate gross profit and gross profit margin percentage (Gross Profit ÷ Sales) for both Year One and Year Two.
Technical Analysis: Explain how sales revenue increased by 50%, yet gross profit decreased in terms of value and percentage. Clarify two accounting or operational reasons that could lead to this result.
Recommendation: Propose two measures management can take to restore sales profitability without sacrificing business volume.

3. A commercial retail store achieved excellent performance in its direct activity during the past year, as its financial records showed the following:

- Gross Sales EGP 3,000,000.
- Cost of Goods Sold EGP 1,200,000.
- Advertising expenses, sales commissions, and administrative salaries EGP 2,100,000.

As a financial advisor to the entity, answer the following:

1) **Measurement in Figures:** Calculate both gross profit and net result of operating activities (profit or loss).
2) **Technical Analysis:** Explain how the heavy increase in administrative and selling expenses led to converting strong commercial activity performance (high gross profit margin) into an operating loss due to high selling, administrative, and general expenses.
3) **Administrative Recommendation:** Clarify two types of expenses that management should immediately review to restore balance between sales efficiency and final operating profitability.

Homework (Home Performance):

Question One: Compare briefly: The nature and purpose of measuring "Gross Loss" in the Trading Account with "Net Loss" extracted from the Profit and Loss Account.

Question Two: Explain from an accounting perspective: Why beginning inventory is added to the cost of purchases when calculating "Cost of Goods Available for Sale", and how this expresses the application of the accounting matching principle?

Question Three: Explain: "Carriage inwards and custom duties on purchases are included in the Trading Account, whereas carriage outwards and advertising expenses are transferred to the Profit and Loss Account."

Question Four: Clarify: The accounting purpose of including fixed assets depreciation expense within the expenses of the Profit and Loss Account, despite being a non-cash expense that does not involve an outgoing cash flow.

Question Five: Discuss the following statement: "An entity may record a high net profit at the end of the financial year despite suffering from a cash liquidity deficit and inability to settle its short-term liabilities."

Period Three: Weekly Assessment (Week .....) — Model (A)

I. Choose the Correct Answer:

1. If gross sales amounted to EGP 400,000, sales returns EGP 20,000, cost of goods sold (cost of sales) EGP 230,000, and administrative and general expenses EGP 40,000; then the value of gross profit and net profit respectively are:

A) Gross profit EGP 170,000, and net profit EGP 130,000.
B) Gross profit EGP 150,000, and net profit EGP 110,000.
C) Gross profit EGP 180,000, and net profit EGP 140,000.
D) Gross profit EGP 380,000, and net profit EGP 340,000.

2. Net profit before adjustments for an entity amounted to EGP 120,000. If it was found that there were unrecorded accrued wages of EGP 10,000, and prepaid rent for the next period of EGP 15,000 recorded as "Rent Expense" in full; then the adjusted net profit after adjustments amounts to:

- A) EGP 125,000.
- B) EGP 115,000.
- C) EGP 105,000.
- D) EGP 135,000.

II. Answer the Following Questions:

3. Write the approved accounting mathematical equation to calculate Cost of Sales (Cost of Goods Sold), explaining what is meant by "Goods Available for Sale".

4. What happens to Gross Profit and Net Profit if Ending Inventory is valued higher than the value that should be recognized according to the prescribed measurement basis?

Model (B)

I. Choose the Correct Answer:

1. The following balances appeared in the books of an entity: Cash at Bank EGP 50,000, Accounts Receivable EGP 80,000, Allowance for Doubtful Accounts EGP 10,000, Merchandise Inventory EGP 60,000, Prepaid Insurance EGP 15,000, and Accumulated Depreciation of Machinery EGP 20,000; then the total value of Current Assets amounts to:

- A) EGP 195,000.
- B) EGP 185,000.
- C) EGP 205,000.
- D) EGP 175,000.

2. An entity started the financial year with a Capital of EGP 300,000. During the year, the entity achieved a Gross Profit of EGP 150,000, General Expenses of EGP 60,000, Additional Investments from the owner of EGP 40,000, and Personal Drawings of EGP 25,000; then Ending Capital (Owner's Equity) amounts to:

- A) EGP 405,000.
- B) EGP 390,000.
- C) EGP 430,000.
- D) EGP 365,000.

II. Answer the Following Questions:

3. Write the approved accounting mathematical equation to calculate "Net Sales", explaining the components of reduction items (Sales Returns and Allowances, and Sales Discount Allowed).

4. What happens to Gross Profit and Net Profit if Ending Inventory is valued lower than the value that should be recognized accountingly?

Model (C)

I. Choose the Correct Answer:

1. If Sales amounted to EGP 450,000, Beginning Inventory EGP 50,000, Purchases EGP 260,000, Ending Inventory EGP 70,000, and Operating Expenses EGP 65,000; then the values of Gross Profit and Net Profit respectively are:

- A) Gross Profit EGP 210,000, and Net Profit EGP 145,000.
- B) Gross Profit EGP 190,000, and Net Profit EGP 125,000.
- C) Gross Profit EGP 240,000, and Net Profit EGP 175,000.
- D) Gross Profit EGP 210,000, and Net Profit EGP 65,000.

2. If Beginning Inventory was EGP 60,000, Purchases EGP 200,000, Carriage Inwards (Transport on Purchases) EGP 15,000, Purchases Returns EGP 10,000, and Ending Inventory EGP 50,000; then the value of Cost of Goods Available for Sale and Cost of Goods Sold respectively are:

- A) Cost of Goods Available for Sale EGP 265,000, and Cost of Goods Sold EGP 215,000.
- B) Cost of Goods Available for Sale EGP 275,000, and Cost of Goods Sold EGP 225,000.
- C) Cost of Goods Available for Sale EGP 250,000, and Cost of Goods Sold EGP 200,000.
- D) Cost of Goods Available for Sale EGP 265,000, and Cost of Goods Sold EGP 205,000.

II. Answer the Following Questions:

3. Write the approved accounting mathematical equation to calculate "Net Purchases", showing the impact of carriage inwards expenses (if any).

4. What happens to Gross Profit and Net Profit for the current year and the following year if part of Beginning Inventory is mistakenly omitted?

Week:	Section Three: End-of-Period Adjustments | Section Four: Statement of Financial Position	Date: ..... / ..... / .....

Period One:

Class Performance

Activity: End-of-Period Adjustments and Preparing the Statement of Financial Position

- Divide students into groups, each comprising 3 to 4 students.
- Provide each group with financial statements prior to adjustments (accrued expenses, prepaid expenses, depreciation of fixed assets, bad debts, and personal drawings) to transform raw figures into a picture that reflects true economic reality.
- Execution Mechanism:

1. One student drafts adjusting entries for accrued expenses and determines their impact on the Profit and Loss Account and Current Liabilities.
2. Another student calculates the consumed and prepaid portions of insurance, and establishes the accounting treatment for bad debts proven uncollectible.
3. A third student calculates annual depreciation expense and accumulated depreciation, determining the net carrying value of fixed assets.
4. A fourth student calculates "Ending Capital (Ending Capital = Beginning Capital + Net Profit + Capital Additions - Personal Drawings)" based on entity data, and verifies the equilibrium of the accounting equation (Balance Sheet Equation: Assets = Liabilities + Owner's Equity) while presenting results.

Home Performance (Homework)

1. Explain why end-of-period adjusting entries are a direct application of the accrual basis of accounting and the matching principle, and clarify their role in measuring profit accurately.

2. Compare Accrued Expenses with Prepaid Expenses in terms of: account nature, classification in the Statement of Financial Position, and impact on net profit for the current period.

3. Explain: "A fixed asset (such as equipment) is presented in the Statement of Financial Position at cost less accumulated depreciation, showing net book value after deducting accumulated depreciation from cost", clarifying the impact of this treatment on avoiding asset overstatement.

4. Discuss the fundamental difference between the Profit and Loss Account (as a performance statement for a financial period) and the Statement of Financial Position (as a snapshot report of financial position at a specific date), clarifying its balancing equation.

5. A commercial entity declared the bankruptcy of customer "Ahmed" and it became evident that he is unable to pay the debt due from him amounting to EGP 8,000, and it was decided to write off the debt completely. In light of this:

a. Draft the necessary journal entry to record the bad debt write-off.

b. Clarify the direct impact of recording this bad debt on: Accounts Receivable balance in the Statement of Financial Position, and Net Profit in the Income Statement.

Period Two:

Class Performance

Activity: Evidence-Based Interpretation (JRE)

1. The accountant presented to you the following balances for a commercial entity at the end of the financial year (in EGP):

Accounts Receivable: EGP 12,000	**Accrued Rent: EGP 3,000**	**Cash at Bank: EGP 20,000**
Capital: EGP 50,000	**Prepaid Insurance: EGP 6,000**	**Accumulated Depreciation - Equipment: EGP 4,000**

In light of this, answer the following:

- Classification: Classify the above items within the Statement of Financial Position.
- Calculation: Calculate total Current Assets only from the above balances.
- Interpretation: Explain why the item "Accumulated Depreciation - Equipment" is presented as a deduction from the asset rather than being included under liabilities?

2. An entity paid EGP 12,000 for a full year's rent starting July 1st, and the full amount was recorded in the "Prepaid Rent" account. At the end of the financial year on December 31st, the accountant omitted making the adjusting entry for rent. In light of this, answer the following:

- Analysis of Impact on Current Assets: Explain what happens to the "Current Assets" balance in the Statement of Financial Position (does it appear overstated or understated? In addition, what is the numerical value of the error?).
- Analysis of Impact on Income Statement: Explain how this omission affects "Net Profit for the Period" with accounting rationale.
- Corrective Action: Draft the necessary adjusting entry to rectify this error before closing the accounts.

3. During the preparation of financial statements for a commercial entity at the end of the financial year, the following accounts appeared in the General Ledger: (Motor Vehicles - Investment Revenue Received in Advance - Accounts Payable "Suppliers" - Prepaid Insurance Expense - Capital - Ending Inventory). As the financial accountant of the entity, answer the following:

- Classification: Classify the above items within the Statement of Financial Position according to their main categories (Non-Current Assets, Current Assets, Current Liabilities, Owner's Equity).
- Technical Analysis of Revenue Received in Advance: Clarify the accounting rationale for treating the item "Investment Revenue Received in Advance" as a current liability rather than including it under owner's equity or profit.
- Distinction between Expense and Prepaid Insurance: Explain the difference in impact on the financial position between "Insurance Expense" and "Prepaid Insurance Expense".

Homework (Home Performance)

Question One: Explain why adjusting entries for revenues collected in advance and accrued revenues at the end of the period are considered a direct application of the accrual basis of accounting, clarifying the impact of omitting them on the accuracy of financial statements.

Question Two: Compare briefly between "Accrued Revenue" and "Revenue Collected in Advance" in terms of: (Nature of account - Classification in the Statement of Financial Position - Impact on net profit for the current period).

Question Three: Explain: "Accounts Receivable is presented in the Statement of Financial Position less Allowance for Doubtful Accounts", clarifying the accounting objective of applying the prudence concept to avoid asset overstatement.

Question Four: Discuss the fundamental difference: Between the Income Statement (as a report on financial period performance) and the Statement of Financial Position (as a snapshot at a specific date), clarifying the accounting equation upon which the Statement of Financial Position is built.

Question Five: It was confirmed to the entity that customer "Mahmoud" went bankrupt and is unable to pay the debt due from him amounting to EGP 12,000, and it was decided to write off the debt completely directly. In light of this:

a. Draft the necessary journal entry to record the bad debt write-off.

b. Clarify the direct impact of recording this bad debt on: (Accounts Receivable balance in the Statement of Financial Position - Net profit in the Income Statement).

Period Three: Weekly Assessment (Week .....)

Model (A)

I. Choose the Correct Answer:

1. At the beginning of October, "Al-Ashraf Establishment" paid EGP 24,000 representing an annual insurance policy covering 12 months starting from the payment date The full amount was initially debited to Insurance Expense.; the adjusting entry required on December 31 of the same year to account for the prepaid portion is:

Option	Debit Side	Credit Side
A	Dr. Insurance Expense 6,000	Cr. Prepaid Insurance 6,000
B	Dr. Prepaid Insurance 18,000	Cr. Insurance Expense 18,000
C	Dr. Prepaid Insurance 6,000	Cr. Cash 6,000
D	Dr. Insurance Expense 18,000	Cr. Prepaid Insurance 18,000

2. "Al-Amal Establishment" owes monthly salaries and wages to employees amounting to EGP 5,000. Up to the end of the financial year on December 31, a total of EGP 55,000 only was paid to employees; the adjusting entry required on December 31 is:

Option	Debit Side	Credit Side
A	Dr. Salaries and Wages 5,000	Cr. Accrued Salaries and Wages 5,000
B	Dr. Accrued Salaries and Wages 5,000	Cr. Cash 5,000
C	Dr. Salaries and Wages 55,000	Cr. Cash 55,000
D	Dr. Salaries and Wages 60,000	Cr. Accrued Salaries and Wages 60,000

II. Answer the Following Questions:

3. If the monthly rent for the establishment's headquarters is EGP 4,000 and the actual amount paid until the end of the year is EGP 40,000 only; determine the value of accrued rent, write its adjusting entry, and state where it appears on the Balance Sheet.

4. Declared net profit for an entity before adjustments was EGP 60,000, and total liabilities were EGP 15,000 at the end of the financial year. It was found that the accountant ignored recording unpaid accrued electricity and water bills amounting to EGP 5,000.
In light of this:
• Calculate the correct net profit and correct total liabilities.
• Explain the impact of omitting these bills on the financial statements.

Model (B)

I. Choose the Correct Answer:

1. At the beginning of September, "Al-Nour Establishment" collected EGP 36,000 in cash representing rent for a building it owns for a full year (12 months), which was recorded in "Unearned Rent Revenue" account; the adjusting entry required on December 31 of the same year to account for the portion belonging to the period is:

Option	Debit Side	Credit Side
A	Dr. Rent Revenue 12,000	Cr. Unearned Rent Revenue 12,000
B	Dr. Unearned Rent Revenue 12,000	Cr. Rent Revenue 12,000
C	Dr. Unearned Rent Revenue 24,000	Cr. Rent Revenue 24,000
D	Dr. Cash 36,000	Cr. Rent Revenue 36,000

2. "Al-Fawz Establishment" provides consulting services to others for EGP 3,000 per month. Up to the end of the financial year on December 31, the entity collected EGP 30,000 only, which was recorded in the establishment's cash account; the adjusting entry required on December 31 is:

Option	Debit Side	Credit Side
A	Dr. Accrued Service Revenue 6,000	Cr. Service Revenue 6,000
B	Dr. Service Revenue 6,000	Cr. Accrued Service Revenue 6,000
C	Dr. Accrued Service Revenue 30,000	Cr. Cash 30,000
D	Dr. Accrued Service Revenue 36,000	Cr. Service Revenue 36,000

II. Answer the Following Questions:

3. If monthly salaries for employees at the entity amount to EGP 5,000, and the actual amount paid until the end of the year reached EGP 55,000 only; determine the value of accrued salaries, write their adjusting entry, and state where they appear in the Statement of Financial Position (Balance Sheet).

4. An entity started its financial year with a capital of EGP 100,000. During the year, the owner added new investments worth EGP 20,000, and the entity earned a net profit of EGP 35,000, while personal drawings reached EGP 15,000.
In light of this:
• Calculate the balance of owner's equity (capital) at the end of the year, stating the accounting equation used.
• Explain how earning a "net profit" affects owner's equity compared to the impact of "personal drawings".

Model (C) — End-of-Period Adjustments Assessment

I. Choose the Correct Answer:

1. "Al-Salam Establishment" purchased office supplies and tools during the year amounting to EGP 10,000, which was recorded in the asset account "Office Supplies". On December 31, actual physical inventory revealed remaining supplies in storehouses valued at EGP 3,000. The necessary adjusting entry to be recorded is:

Option	Debit Side (Dr.)	Credit Side (Cr.)
A)	Dr. Office Supplies Expense EGP 3,000	Cr. Office Supplies EGP 3,000
B)	Dr. Office Supplies Expense EGP 7,000	Cr. Office Supplies EGP 7,000
C)	Dr. Office Supplies EGP 7,000	Cr. Office Supplies Expense EGP 7,000
D)	Dr. Office Supplies Expense EGP 10,000	Cr. Cash EGP 10,000

2. "Al-Raid Establishment" paid EGP 18,000 on November 1 for an advertising campaign covering 6 months starting from the payment date, and the total amount was recorded on November 1 in the "Advertising Expense" account. The necessary adjusting entry to be recorded on December 31 to handle the prepaid portion is:

Option	Debit Side (Dr.)	Credit Side (Cr.)
A)	Dr. Prepaid Advertising Expense EGP 6,000	Cr. Advertising Expense EGP 6,000
B)	Dr. Prepaid Advertising Expense EGP 12,000	Cr. Advertising Expense EGP 12,000
C)	Dr. Advertising Expense EGP 6,000	Cr. Prepaid Advertising Expense EGP 6,000
D)	Dr. Advertising Expense EGP 12,000	Cr. Cash EGP 12,000

II. Answer the Following Questions:

3. The entity provided advisory services valued at EGP 3,000 per month to a client, and the actual amount collected and recorded in the accounting records up to the end of the year amounted to EGP 30,000. Determine the value of accrued service revenue, write its corresponding adjusting entry, and state its location of appearance in the Statement of Financial Position (Balance Sheet).

4. Explain how incurring a net loss by the establishment, combined with owner cash withdrawals (drawings), leads to the erosion of owner's equity, writing the mathematical formula for ending capital.

Week:	Section Five: Integrated Application and Interpretation | Section Six: JRE	Date: ..... / ..... / .....

First Period:

Class Performance

Activity: "Simulation of the Final Financial Team for Farid Trading Entity "

• Request students to use the (Student Book) practical case study ("Farid Trading Entity "), then assign tasks within each group (4 students):

• **First Member (Trading & Cost Station):** Extracts beginning inventory (EGP 50,000), purchases (EGP 220,000), sales (EGP 400,000), and Ending Inventory (Fixed Physical Count): EGP 70,000), Requirements:

Calculate the Cost of Goods Available for Sale and Cost of Goods Sold (COGS).

Prepare the Trading Account Statement and derive the Gross Profit."

• **Second Member (Profit and Loss Station):** Aggregates the five operating expenses: rent (EGP 40,000), salaries (EGP 60,000), insurance (EGP 12,000), depreciation (EGP 18,000), bad debts (EGP 5,000), and deducts them from gross profit to arrive at net profit.

• **Third Member (Financial Position & Capital Station):** Calculates ending capital: beginning capital (EGP 220,000) + net profit - drawings (EGP 30,000), and arranges assets (current and non-current after deducting accumulated depreciation of EGP 40,000) and liabilities to verify balance sheet equilibrium.

• **Fourth Member (Financial Indicators & Interpretation Station):** Applies the formulas for "Gross Profit Margin", "Net Profit Margin", and "Current Ratio", and writes the financial interpretation for liquidity quality and profitability.

Execution Plan:

1. Phase 1 (10 Minutes): Sorting trial balance items and determining the destination of each account (Trading Account / Profit and Loss Account / Statement of Financial Position).

2. Phase 2 (20 Minutes): Students work in parallel to complete tables and formulas in the visual solution cards.

3. Phase 3 (10 Minutes): Verifying the equality of total assets with total liabilities and owner's equity, and discussing the financial implications of the calculated ratios.

4. Phase 4 (5 Minutes): Peer review between groups to verify the mathematical accuracy and correct account classification.

Homework (Home Performance):

Question One: Referring to the trial balance of Farid Entity ; determine which of the following accounts goes to the "Profit and Loss Account" and which goes to the "Statement of Financial Position": (Salaries Expense, Cash, Rent Expense, Equipment).

Question Two: How do we arrive at "Net Equipment" in the Statement of Financial Position using the "Equipment" and "Accumulated Depreciation" accounts based on Farid Entity 's figures?

Question Three: What is the fundamental difference between "Gross Profit" and "Net Profit" in terms of calculation method and the types of items deducted to reach each?

Question Four: Explain using an equation how "Earned Profits" and "Personal Drawings" affect the balance of "Ending Capital".

Question Five: What is the purpose of calculating the "Current Ratio" (Current Assets ÷ Current Liabilities)? What does it signify to an investor if this ratio is greater than 1?

Second Period:

In-Class Performance

Activity: "Financial Negotiation Table"

• Assign students into groups (4 students per team):

• **Financial Director of El-Nour Entity :** Defends the preliminary figures (net profit of EGP 120,000), justifying management's low estimates for depreciation and bad debts to enhance the entity 's image before banks.

• **Independent External Auditor:** Presents evidence on the necessity of control adjustments (EGP 10,000 depreciation increase, EGP 7,000 allowance for doubtful accounts, EGP 5,000 inventory adjustment) to protect investors.

Financial Analyst: Calculates the adjusted net profit (EGP 98,000), explaining the financial impact of the EGP 22,000 profit reduction on performance indicators and owner's equity.

Rapporteur (JRE Report Drafter): Manages the dialogue and drafts the joint consensus argument according to the approved Evidence-Based Interpretation (JRE) framework: (Introduction – Management Argument – Auditor Argument – Refutation of Opposing View – Justified Conclusion).

Execution Steps:

1. Phase 1 (10 Minutes): Reviewing the adjustments schedule and extracting the three specific discrepancies concerning Al-Nour Entity .

2. Phase 2 (15 Minutes): Discussion round between the Financial Director and the External Auditor on the concept of 'Fairness of Financial Statements vs. Management's desire to present higher net profit'.

3. Phase 3 (15 Minutes): Drafting a unified JRE report proving that certain financial statement items rely on professional estimates and must be grounded in objective evidence and consistent accounting policies.

4. Phase 4 (5 Minutes): Group self-evaluation using the criteria of the 20-mark evaluation rubric.

Homework (Home Performance)

Question One: Why is depreciation expense not considered an actual cash outflow from the entity's treasury?

Question Two: Referring to the case study of Al-Nour Entity , what is the exact financial amount by which net profit decreased following the external auditor's adjustments?

Question Three: How does understating the valuation of ending inventory from EGP 50,000 to EGP 45,000 lead to reducing net profit in the Income Statement?

Question Four: Explain how creating an 'Allowance for Doubtful Accounts' contributes to complying with the principle of 'Prudence and Caution' within the entity.

Question Five: Two companies achieve the same cash flows and sales, yet declare completely different net profits at the end of the year. How do you explain this from an accounting perspective?

Weekly Assessment (Week .....)

Model (A)

I. Choose the Correct Answer:

• Upon understating the valuation of ending inventory at the end of the financial period, the direct impact on profit and cost of sales (cost of goods sold) is:

A) Decreasing cost of sales and increasing net profit

B) Increasing cost of sales and decreasing net profit

C) Increasing cost of sales and increasing net profit

D) Cost of sales and net profit remain unchanged

II. Answer the Following Questions:

Question 1: To which financial statement or closing account does the balance of the owner's 'Personal Drawings' go at the end of the financial year?

Question 2: Why is the accounting depreciation entry considered merely a cost allocation rather than an actual cash outflow from the entity's treasury?

Question 3: If sales of Farid Entity amounted to EGP 400,000 and achieved gross profit was EGP 200,000; calculate the 'Gross Profit Margin', briefly explaining its financial meaning.

Question 4: Referring to the case study of 'Al-Nour Entity '; explain how increasing the allowance for doubtful accounts from EGP 5,000 to EGP 12,000 led to adjusting net profit and achieving faithful representation of the accounts receivable account.

Model (B)

I. Choose the Correct Answer:

• The 'Current Ratio' is calculated with the objective of measuring:

A) Inventory turnover rate within stores

B) Entity's ability to settle its short-term obligations from its current assets

C) Share of one Egyptian Pound of sales in achieving net profit

D) Capital contribution percentage in funding long-term assets

II. Answer the Following Questions:

Question 1: How is 'Net Equipment' calculated in the Statement of Financial Position in light of the 'Equipment' and 'Accumulated Depreciation' accounts?

Question 2: State the accounting principle that requires the entity to recognize expected losses and establish an allowance for doubtful accounts.

Question 3: Current assets amounted to EGP 180,000 and current liabilities amounted to EGP 90,000. a. Calculate the current ratio. b. Briefly evaluate whether this ratio alone is sufficient to reassure lenders regarding short-term liquidity, stating what additional information might be needed.

Question 4: Explain why two companies possessing the same volume of sales and the same cash flows might report two completely different figures for net profit at the end of the year.

Model (C)

I. Choose the Correct Answer:

• Upon preparing the closing accounts, the balance of 'Gross Profit' achieved from the Trading Account is closed into:

A) Debit side of Statement of Financial Position

B) Credit side of Profit and Loss Account

C) Debit side of Capital Account

D) Credit side of Sales Account

II. Answer the Following Questions:

Question 1: What are the primary accounts used to arrive at 'Cost of Sales' (Cost of Goods Sold) in the Trading Account?

Question 2: In the ending Capital Account calculation; is net profit added to capital or deducted from it?

Question 3: If a entity achieved net profit of EGP 98,000 from sales amounting to EGP 500,000; calculate the 'Net Profit Margin' and explain its significance to the entity's management.

Question 4: Based on the case study of Al-Nour Entity ; explain how increasing estimated depreciation expense from EGP 10,000 to EGP 20,000 prevents misleading investors regarding the entity 's true financial performance.

General Review of the Curriculum

I. Choose the Correct Answer:

1. What is the primary function of accounting as a financial information system?

A) Recording cash transactions only without credit ones.

B) Measuring economic reality and providing reliable information to assist stakeholders in making accurate decisions.

C) Determining taxes due on the entity, without caring about owner's performance.

D) Recording sales only and ignoring future liabilities.

2. According to the concept of "Prudence and Caution", proper accounting treatment requires:

A) Recognizing expected profits before their actual realization.

B) Ignoring doubtful debts until the customer goes completely bankrupt.

C) Avoiding overstatement of assets, revenues, and profits, and recognizing losses when sufficient evidence indicates the probability of their occurrence, without intentionally understating profits or assets.

D) Changing accounting policies annually to show higher profits.

3. The accounting basis that records revenues when earned and expenses when incurred, regardless of cash movement, is:

A) Cash basis.

B) Accrual basis.

C) Historical cost basis.

D) Estimated basis.

4. If an entity's assets amount to EGP 500,000 and its liabilities amount to EGP 320,000, then owner's equity equals:

A) EGP 820,000

B) EGP 320,000

C) EGP 180,000

D) EGP 500,000

5. Italian mathematician Luca Pacioli published the scientific documentation of the double-entry system in the year:

A) 1929

B) 1494

C) 1850

D) 1776

6. The transaction involving "purchasing equipment for the entity in cash" results in the accounting equation:

A) Increase in an asset and increase in a liability.

B) Increase in an asset and decrease in another asset without changing total assets.

C) Increase in assets and increase in owner's equity.

D) Decrease in assets and decrease in liabilities.

7. If the accounts receivable balance is EGP 100,000 and the allowance for doubtful accounts is EGP 8,000, then the net accounts receivable balance shown on the Statement of Financial Position is:

A) EGP 87,000

B) EGP 95,000

C) EGP 92,000

D) EGP 82,000

8. The main purpose of balancing ledger accounts at the end of the period is:

A) Recording chronological entries for the first time.

B) Calculating the difference between total debit and credit to determine the remaining balance in preparation for transferring it to the trial balance.

C) Canceling liability and owner's equity accounts.

D) Writing off credit transactions.

9. Which of the following is recorded in the subsidiary Sales Journal:

A) All cash and credit sales transactions of merchandise and assets.

B) Cash sales of merchandise only.

C) Credit sales of merchandise only (purchased for resale).

D) Credit or installment sales of fixed assets.

10. The document issued by the entity to its customer to document and reduce their indebtedness due to returning part of the merchandise is called:

A) Debit note.

B) Credit note.

C) Cash receipt voucher.

D) Credit purchase invoice.

11. Goods were sold at a list price of EGP 20,000 with a trade discount of 10%; the amount recorded in the accounting books is:

A) EGP 20,000 with the discount recorded as an expense.

B) EGP 18,000 as the net invoice value without recording the discount in the books.

C) EGP 2,000 in the discount account only.

D) EGP 22,000.

12. "Sales discount allowed" is recorded in the seller's books upon customer payment within the conditional period as:

A) Additional revenue on the credit side.

B) Current liability on the balance sheet.

C) An expense (or loss) recognized on the debit side.

D) Direct reduction of capital.

13. The "Three-Column Cash Book" combines two functions:

A) General journal and trading account.

B) Primary journal and ledger account for cash and bank.

C) Subsidiary ledger and trial balance.

D) Petty cash book and statement of financial position.

14. The internal control objective of using the "Analytical Petty Cash Book" is:

A) Increasing cash outflows.

B) Preventing confusion in the main cash book and establishing control over small (low-value) payments.

C) Canceling small payment vouchers and receipts.

D) Recording daily cash sales.

15. Trial balance equilibrium is preliminary evidence of:

A) Complete absence of estimation and technical errors in records.

B) Equality of debit and credit balances, but it does not reveal complete omission or errors of principle.

C) Correct classification and posting of all accounting accounts.

D) Accurate determination of financial position without needing adjustments.

16. If Rent Expense account balance of EGP 5,000 was posted to the Credit side instead of the Debit side, the discrepancy in the trial balance will be:

A) EGP 5,000

B) Balanced without discrepancy

C) EGP 10,000 (double the error value)

D) EGP 2,500

17. Which of the following accounting errors remains concealed and does not cause a trial balance disequilibrium?

A) Recording only one side of the accounting entry

B) An addition error in one side of a ledger account

C) Complete omission or oversight error of recording a financial transaction

D) Posting a debit side of EGP 12,000 and a credit side of EGP 21,000

18. A "Suspense Account" is opened in accounting books for the purpose of:

A) Recording annual distributable profits

B) Achieving temporary trial balance equilibrium until errors are discovered and corrected

C) Recording unpaid employee salaries

D) Handling trade discounts granted

19. The correcting entry for recording the purchase of equipment for EGP 50,000 erroneously as "Purchases" is:

A) EGP 50,000 Dr. Purchases / Cr. Equipment

B) EGP 50,000 Dr. Equipment / Cr. Purchases

C) EGP 50,000 Dr. Equipment / Cr. Suspense Account

D) EGP 50,000 Dr. Suspense Account / Cr. Purchases

20. In the case of sales returns, "Gross Profit" is calculated in the Trading Account through the formula:

A) Sales Revenue - Operating Expenses

B) Sales Revenue - Cost of Goods Sold

C) Net Sales - Cost of Goods Sold

D) Net Sales - Operating Expenses

II. Answer the Following Questions:

Question 21: Explain how accounting contributes to enhancing trust between the entity and its stakeholders (such as banks, owners, and tax authority).

Question 22: Explain how applying the concept of prudence and caution contributes to limiting the overstatement of the entity's assets and profits.

Question 23: Clarify the logical basis or principle for matching period expenses with their revenues to achieve a fair measurement of net profit.

Question 24: Discuss the importance of the entity's commitment to consistency of accounting policies when comparing its results across consecutive time periods.

Question 25: Compare the accrual basis with the cash basis, showing the impact of each on the accuracy of measuring operational performance.

Question 26: Explain: "An entity cannot own an asset without having a source of financing for it", clarifying the equilibrium of assets with liabilities and owner's equity.

Question 27: Show the impact of the financial transaction "purchasing goods on credit" and the financial transaction "paying suppliers' debts in cash" on both sides of the accounting equation.

Question 28: Differentiate between the chronological recording of transactions in the General Journal and their classification by accounts in the General Ledger.

Question 29: Explain the technical steps for balancing a T-shaped ledger account and how to read its closing balance.

Question 30: Discuss the accounting challenges resulting from the growth in the volume of credit transactions and how subsidiary ledgers address them.

Question 31: Clarify the role of invoices and receipts as supporting documents representing the link between economic reality and accounting records.

Question 32: Explain why the Sales Journal is restricted to credit sales of merchandise within ordinary operations, excluding cash sales and sales of fixed assets.

Question 33: Clarify how individual amounts are posted to suppliers' accounts in the subsidiary ledger, and how the journal total is posted to Accounts Payable and Purchases accounts in the general ledger.

Question 34: Explain the necessity of using an independent journal for sales returns instead of directly reducing the Sales account.

Question 35: Compare in detail between the uses of a "Credit Note" in sales returns and a "Debit Note" in purchases returns.

Question 36: Explain the reason for immediately excluding trade discount from the invoice and not recording it in the books as an independent account.

Question 37: According to the prescribed curriculum treatment, explain the accounting treatment for discount received entries for the buyer and discount allowed entries for the seller when the early payment condition is met.

Question 38: Discuss how the Three-Column Cash Book performs the dual role of a primary journal and a ledger account at the same time.

39. Explain the role of the Analytical Petty Cash Book in controlling low-value (small) payments and reducing the risks of financial manipulation.

40. State the primary objectives of the Trial Balance, explaining why its mathematical equilibrium does not conclusively guarantee the accuracy of accounting operations.

41. Explain the impact of recording a financial transaction on one side only without the corresponding side on trial balance equilibrium.

42. Mathematically and from an accounting perspective, explain why posting a debit balance entirely to the credit side instead of the debit side in the trial balance generates a discrepancy equal to double the amount.

43. Summarize the sequential professional steps an accountant follows to locate the source of an error when the trial balance is out of balance, indicating the significance of dividing the discrepancy by2 .

44. Upon preparing the trial balance, an accountant discovered that the Debit side exceeded the Credit side by EGP 1,800. Dividing the difference by 2 yielded EGP 900. In light of this:

- **A)** What is the probable accounting error that led to this EGP 1,800 discrepancy, and how can the accountant verify this possibility?
- **B)** Explain how the quotient (EGP 900) guides the accountant to identify and correct the specific account where the error occurred.

45. Upon footing the trial balance, a disequilibrium was revealed showing an excess on the Credit side of EGP 54. Dividing the difference by 2 yielded an integer (54 ÷ 2 = 27). In light of this:

- **A)** What is the probable type of accounting error, and how can it be verified?
- **B)** Provide a simple numerical example illustrating how this error created an EGP 54 discrepancy.

46. Explain why the trial balance remains balanced when a credit purchase invoice is completely omitted, and clarify the impact of this omission on assets, liabilities, and net profit, distinguishing between whether the merchandise was sold or remained in inventory.

47. Analyze the impact of recording the purchase of a delivery vehicle in the Purchases account on period profits and total asset valuation.

48. Explain why compensating (offsetting) errors give a false impression of the integrity of accounting records.

49. Outline the conditions for opening a Suspense Account, specifying which side it is placed on and why it is considered a temporary accounting procedure.

50. If an expense of EGP 4,000 was recorded as Debit, but the Credit side in the Cash account was omitted, draft the required correcting journal entry.

51. Explain how Cost of Goods Sold is calculated, and the accounting rationale for deducting ending inventory and carrying it forward to the next financial period.

52. Compare Gross Profit as a return from core trading activities versus Net Profit after deducting operating and administrative expenses.

53. Clarify the reason for recognizing depreciation within the cost or expense of the appropriate period despite no immediate cash outflow occurring upon its entry.

54. An entity purchased machinery for EGP 100,000 in cash at the beginning of the year, with annual depreciation valued at EGP 20,000. At the end of the first year, revenues collected in cash amounted

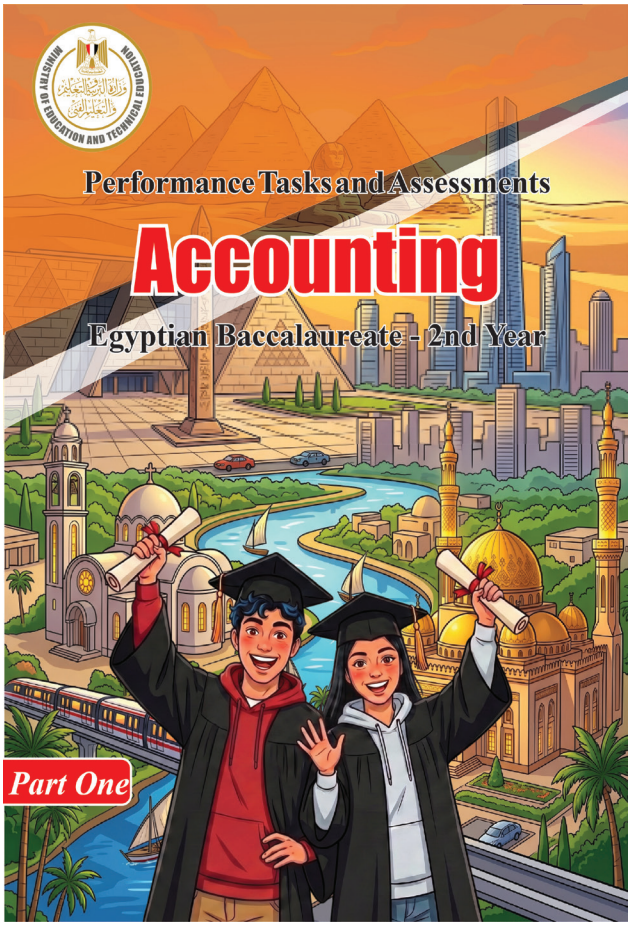
to EGP 190,000 and other expenses paid in cash totaled EGP 80,000. Required (assuming zero beginning cash balance):

- **A)** Calculate Net Profit in the Income Statement, and the remaining Cash balance in the treasury at year-end.
- **B)** Explain why EGP 20,000 is recorded as 'Depreciation Expense' reducing profit despite no immediate cash payment occurring upon its year-end entry.

55. On December 31, it was determined that December salaries amounting to EGP 15,000 had not yet been paid to workers and will be settled next January. In light of this: draft the required adjusting entry on December 31, and explain the accounting principle requiring the entity to record these salaries as an expense for the current year despite no cash outflow occurring by year-end.

56. Compare the adjusting entry for Accrued Rent with that of Prepaid Insurance, and their respective impacts on the Statement of Financial Position.

57. Explain the accounting entry for writing off a customer's uncollectible debt (bad debt), clarifying its direct impact on Accounts Receivable balance and period Net Profit.



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