**EX. 5-1**

Select the *best* answer.

Assume that Nolanville’s fiscal year ends on December 31.

1. Nolanville starts fiscal 2018 with $25,000 in supplies. During the year it orders $180,000 in supplies, receives $170,000, and uses $190,000. It accounts for inventories on the purchases basis. In its 2018 governmental fund financial statements it should report

|  |  |
| --- | --- |
| **Expenditure** | **Nonspendable Fund Balance** |
| **a.** $180,000 | $ 0 |
| **b.** $170,000 | $ 5,000 |
| **c.** $190,000 | $ 0 |
| **d.** $190,000 | $15,000 |

1. Assume the same facts as in the previous question. In its 2018 government‐wide financial statements it should report

|  |  |
| --- | --- |
| **Expense** | **Inventory** |
| **a.** $170,000 | $ 0 |
| **b.** $170,000 | $15,000 |
| **c.** $190,000 | $ 5,000 |
| **d.** $190,000 | $15,000 |

**EX. 5-4**

*The purchases method differs from the consumption method*.

The Boyd School District began a recent fiscal year with $3,000 of supplies in stock. During its fiscal year, it engaged in the following transactions relating to supplies:

* It purchased supplies at a cost of $22,000.
* It paid for $19,000 of the supplies.
* It used $20,000 of the supplies and therefore had $5,000 in supplies inventory at year‐end.
1. Record the transactions assuming that the district uses the purchases method.
2. Record the transactions assuming that the district uses the consumption method.
3. Comment on any differences between the two as they would affect:
	1. The district’s general fund balance sheet
	2. Its general fund statement of revenues and expenditures

|  |  |  |
| --- | --- | --- |
|  | the purchases method | consumption method |
| When purchased | Expenditure 22000 AP 22000  | S. inventory 22000 AP 22000  |
| When paid  | AP 19000 Cash 19000  | Same j.e |
| When used | No j.e | Expenditure 20000 S. inventory 20000 |
| 31\12 |  To adjust supplies inventory balance from debit 3000 to 5000:S. inventory 2000 FB nonspendable 2000 | To adjust balance in FB nonspendable from credit 3000 to 5000:FB unassigned 2000 FB nonspendable 2000 |

Under MAB :

 الرصيد الموجود في حساب المخزون يجب ان يقابله رصيد دائن في حساب

FB nonspendable

UNDER FAB (GWS): PURCHASE METHOD IS NOT ACCEPTABLE

|  |  |
| --- | --- |
|  | FAB |
| When purchased | S. inventory 22000 AP 22000  |
| When paid  | AP 19000 Cash 19000  |
| When used | Expense 20000 S. inventory 20000 |
| 31\12 | No need to reclassify net assets, the classification of fund balances applies just only to governmental funds |

**EX. 5-5** مهم

*Inventory transactions can be derived from a limited amount of data*.

The following schedule shows the amounts related to supplies that a city debited and credited to the indicated accounts during a year (not necessarily the year‐end balances), excluding closing entries. The organization records its budget, encumbers all its expenditures, and initially vouchers all payments. It accounts for supplies on a purchases basis.

(in thousands)

|  |  |  |
| --- | --- | --- |
|  | **Debits** | **Credits** |
| Cash | $ 0 | 70 |
| Inventory | A | 0 |
| Vouchers payable | B | C |
| (Appropriations) | 0 | 115 |
| Encumbrances | D | E |
| Expenditures | 58 | 0 |
| Reserve for encumbrances | 58 | 93 |
| Unassigned fund balance | F | 0 |
| Nonspendable fund balance | 0 | G |

1. Some information is missing. By reconstructing the entries that the organization made during the year, you are to determine the missing data. The city began the year with **$5** of supplies in inventory and ended the year **with $6.**

|  |  |  |
| --- | --- | --- |
| 1\fb unass appropriation | 2\enc R.F.Enc | 3\ R.F.Enc enc |
| 4\expenditure AP | 5\ AP CASH | 6\s.inventory 1 Fb non spen1 |

**Missing amounts:**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| A | B | C | D | E | F | G |
| 1 | 70 | 58 | 93 | 58 | 115 | 1 |

1. Assume instead that the city accounts for supplies on a consumption basis. Which of the preceding amounts (assuming that appropriations remained unchanged) would be different? What would be the new value(s)?

|  |  |  |
| --- | --- | --- |
| Cash | $ 0 | 70 |
| Inventory | A58 | B |
| Vouchers payable | C | D |
| (Appropriations) | 0 | 115 |
| Encumbrances | E | F |
| Expenditures | 57 | 0 |
| Reserve for encumbrances | 58 | 93 |
| Unassigned fund balance | G | 0 |
| Nonspendable fund balance | 0 | H |

|  |  |  |
| --- | --- | --- |
| 1\fb unass appropriation | 2\enc R.F.Enc | 3\ R.F.Enc enc |
| 4\s.inventory AP | 5\ AP CASH | 6\ expenditure s.inventory |
| s.inventory 1000 Fb non spen1000 |  |  |

Supplies used =beg balance+ purchased - inventory 31\12

 =5 +58 -6 =57

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| A | B | C | D | E | F | G | H |
| 58 | 57 | 70 | 58 | 93 | 58 | 115+1=116 | 1 |