

FA 1

E 3-9

Income Summary / RE 12800
c) Interest Exp 12800
Service Revenue 110000
Income Summary 110,000

b) Service Revenue 9700
AR 9700
Int Payable 6400
Interest Exp 6400

	AR	Service Rev	Int Pay	Int Exp
close	9700	110,000	6400	12800
Rv	9700	9700	6400	6400
	0	-		

d Jan 10 Cash 9700
 Service Revenue 9700
 Interest Exp 6400
 Cash 6400

CA 1-4

Additional Choices under IFRS

eg PPE - Revaluation Model

affects reported results

debt equity

ROI

⇒ covenants

Additional disclosure under IFRS

~ 200 pages of notes

Finally there is some academic analysis warning of weaknesses in IFRS

E 2-3

- a matching
- b historical cost
- c full disclosure
- d going concern
- e control
- f economic entity
- g periodicity
- h fair value
- i revenue recognition
- j monetary unit

E 2-5

a) Common understanding for the basic forms, concepts, principles upon which financial reporting is based

- b 1 periodicity
- 2 monetary unit
- 3 historical cost
- 4 matching
- 5 revenue recognition
- 6 full disclosure
- 7 Economic entity
- 8 Economic entity
- 9 Matching
- 10 Neutrality

E 2-10

a) Revenue is recorded when

- Risks + rewards have transferred
- Revenue is measurable
- Collectability is reasonably assured

b) Entry recorded when contract is signed

Contract rights

Contract obligation

Revenue is recognized when

Control passes (risks + rewards)

Sellers obligations are settled

(collectability) and the risks measurable

Hardly revolutionary

E 4-6 Single Step - Functional
 Multi Step - Object

b) Single step

Revenues (930 - 15) 915,000

Gain on equip 5500

Dividend revenue 20,000

940,500

Expenses

COGS (120 + (600 + 14 - 10) - 137) 587,000

Admin (39 + 28.5 + 9.5) 77,000

Selling (71 + 18 + 9) 98,000

Interest Exp 9,000

Loss from flood 50,000

821,000

Profit before tax 119,500

Tax Exp 40,630

Net Profit 78,870

=

a) Multi-Step (object)

Sales	915,000
COGS	<u>587,000</u>
Gross Profit	<u>328,000</u>
Selling + Admin Exp	
Salaries (39 + 71)	110,000
Amortization (28.5 + 18)	46,500
Office and stores supplies (9 + 9.5)	<u>18,500</u>
	<u>175,000</u>
Interest expense	<u>9,000</u>
Other (income) and expenses	
Gain on equipment (5500)	
Loss from flood	50,000
Dividend revenue	<u>(20,000)</u>
	<u>24,500</u>
Total Expenses	<u>208,500</u>
Profit before tax	119,500
Tax	<u>40,630</u>
Net Profit	<u>78,870</u>

c Multi Step - Retailer, Wholesaler

Single Step - Service Provider

Functional vs Objective =>

info of most use to user.

E 4-11

a+b

Profit before tax	xxx
Tax	<u>- xxx</u>
Net profit before DO	xxx
Discontinued Operations	
Loss from operations	(260000)
Write-down of assets	<u>(150000)</u>
	(275000) (275000)
Net Profit	<u>xxx</u>

c) Change in estimate
Prospective application
Would be presented as DO
in 2011

E 4 - 16

Net Sales	1,200,000
COGS	<u>750,000</u>
Gross Profit	450,000
Selling + Admin exp	(320,000)
Gain on property	<u>250,000</u>
Net Profit	<u>380,000</u>

Statement of Comprehensive Income

Net Profit	380,000
OCI	
Unrealized holding gains	18,000
Comprehensive income	<u>398,000</u>

E 5-3

	Classification	Monetary	Financial Instrument
a	1		
b	2		✓
c	6		
d	1		
e	6		
f	4		
g	1	✓	✓
h	6	✓	
i	1	✓	✓
j	6	✓	✓
k	5		
l	3		
m	2	✓	✓
n	6	✓	✓
o	X		
p	3		
q	11		
r	6	✓	✓
s	2		

E 5-7

Cash		50,000	
Short term investments (FV)		29,000	
AR (161-12)		149,000	
Note Rec.		40,000	
Interest Rec	$40,000 \times 6\% \times 8/12$	1,600	
Inventories			
Finished Goods	52,000		
WIP	34,000		
Raw Materials	187,000	273,000	
		<u>542,600</u>	

E5-13

Cash from operations

Net Profit 129,000

Dep'n 27,000

Change in non cash w/c

AR (50,000)

Inventories (31,000)

AP (7,000)

68,000

Investing Activities

Purch of equip (60,000)

Sale of land 39,000

(21,000) (21,000)

Financing Activities

Dividends pd (6,000)

Δ in Cash (13,000)

Cash BOY 34,000

Cash EOY 21,000
=

#3 is a non cash transaction

