

FA 2.1

E6-5

Summary entry (not req)

a)

Cash 154,000

Sales 154,000

COGS xxx

Inventory 154,000

100K in layaway not recognized
as risks + rewards haven't
transferred

b) Contract Rights 254,000

Contract Obligation 254,000

Cash 154,000

Contract Rights 154,000

Contract Obligation 154,000

Sales 154,000

COGS xxx

Inventory xxx

c) a - no Δ inventory title
not passed

b) Cash 50,000
Contract Rights 50,000

E 6-11

a) For both IFRS + PE
GAAP need to allocate
sales

IFRS - Relative Sales
method

PE GAAP - Relative Sales or
Res. Dual

Relative Sales Method

| | Fair Value | | Allocated |
|----------|-------------|-------|------------|
| Equip | 2300 | 69.7% | 1882 |
| Services | <u>1000</u> | 30.3% | <u>818</u> |
| | 3300 | | 2700 |

c) Equip 2300
Services ← 400
2700

Equip ← 1700
Services 1000
2700

E 6-16

Balance Sheet entries

| | 2010 | 2011 | 2012 |
|------|------|------|------|
| WIP | 1050 | 505 | 230 |
| Cash | 1050 | 505 | 230 |
| AR | 1000 | 900 | 600 |
| BCIP | 1000 | 900 | 600 |
| Cash | 770 | 1040 | 690 |
| AR | 770 | 1040 | 690 |

E 6-16 (continued)

% of completion - 2010

$$\frac{1050}{1050 + 850} = 55\% \text{ rounded}$$

| | | |
|----------|---------------------------------------|----------------|
| Revenues | $2,500,000 \times 55\%$ | 1375000 |
| Costs | $1,900,000 \times 55\%$ (not rounded) | <u>1050000</u> |
| | | 325,000 |

CIP 325,000

Cost Exp 1050,000

Revenues 1375000

2011

$$\frac{1555}{1555 + 175} = 90\% \text{ rounded}$$

| | | | |
|----------|--|---------------------|------------|
| Revenues | $2,500,000 \times 90\% = 2,250,000$ | $- 1375000 =$ | 875000 |
| Costs | $1730000 \times 90\% =$ not rounded | $1555000 - 1050000$ | $= 505000$ |
| Profit | | | 370,000 |

CIP 370,000

Cost Exp 505,000

Revenues 875000

2012 - 100%

R. $2,500,000 - 2,250,000 = 250,000$

C $\underline{1,785,000} - \underline{1,555,000} = 230,000$

$715,000 - 695,000 = 20,000$

| | 2010 | 2011 | 2012 | Total |
|---|------|------|------|-------|
| R | 1375 | 875 | 250 | 2500 |
| C | 1050 | 505 | 230 | 1785 |
| P | 325 | 370 | 20 | 715 |

Completed Contract Method PE GAAP

| | 2010 | 2011 | 2012 |
|--------|------|------|------------|
| Rev. | 0 | 0 | 2500 |
| Costs | 0 | 0 | 1785 |
| Profit | 0 | 0 | <u>715</u> |

Cost Recovery - IFRS

| | 2010 | 2011 | 2012 | Total |
|---------|-------------|------------|------------|------------|
| Revenue | 1050 | 505 | 945 | 2500 |
| Costs | <u>1050</u> | <u>505</u> | <u>230</u> | 1785 |
| Profit | <u>0</u> | <u>0</u> | <u>715</u> | <u>715</u> |

E 6-18

2010 a) $\frac{600}{600 + 3150} = 16\%$

| | | | | |
|---|-------------|---------------|---|-----------|
| R | 4200 | $\times 16\%$ | = | 672 |
| C | <u>3750</u> | | | |
| | 450 | | | <u>72</u> |

2011 $\frac{2100}{2100 + 2100} = 50\%$

| | | | | | | | | |
|------|-------------|---------------|---|-------------|---|------------|---|-------------|
| Rev. | 4200 | $\times 50\%$ | = | 2100 | - | 672 | = | 1428 |
| Cost | <u>4200</u> | | | <u>2100</u> | - | <u>600</u> | = | <u>1500</u> |
| | 0 | | | 0 | | 72 | | <72> |

2012

| | | | | | |
|------|-------------|---|-------------|---|-------------|
| Rev | 4200 | - | 2100 | = | 2100 |
| Cost | <u>4100</u> | - | <u>2100</u> | = | <u>2000</u> |
| | 100 | | 0 | | 100 |

b)

| | 2010 | 2011 | 2012 |
|-----------|------|------|------|
| CIP | 72 | 72 | 100 |
| Const Exp | 600 | 1500 | 2000 |
| Rev. | 672 | 1428 | 2100 |

C Completed Contract

2012

CIP 100

Const Exp 4100

Rev 4200

| | 2010 | 2011 | 2012 | Total |
|---|------|------|------------|------------|
| R | 0 | 0 | 4200 | 4200 |
| C | 0 | 0 | 4100 | 4100 |
| P | 0 | 0 | <u>100</u> | <u>100</u> |

To Close

BCIP 4200

CIP 4200

Cost Recovery additional

| | 2010 | 2011 | 2012 | Total |
|---|------------|-------------|-------------|-------|
| R | 600 | 1500 | 2100 | 4200 |
| C | <u>600</u> | <u>1500</u> | <u>2100</u> | 2100 |
| P | 0 | 0 | 100 | 100 |

E G-12

| AR | | BCIP | |
|---------|--|------|---------|
| 1236500 | | | 1236500 |
| 996500 | | | |

cash collected = 240,000

| CIP | | GP% | |
|-----------|--|--------|---------|
| C 1151371 | | | 863629 |
| P 863629 | | | 2015000 |
| 2015000 | | 42.86% | |

c) No relation between CIP and billings

E 7-26

| | | |
|-------------------|-------------|---------------|
| Bank Stmt Balance | | 8089 |
| O/S cheques | (1050) | |
| O/S deposits | 3800 | |
| - | <u>2750</u> | <u>2750</u> |
| | | 10839 |
| Cash on Hand | | <u>310</u> |
| | | <u>11,149</u> |
| | | = |

| | | |
|-------------------|---------------------------------------|---------------|
| Per Books (T A/C) | | 10147 |
| Note collected | | 1040 |
| Bank S/C | | (20) |
| Error on cheque | 164 ⁵⁰ - 146 ⁵⁰ | <u>(18)</u> |
| | | <u>11,149</u> |
| | | = |

AJE.

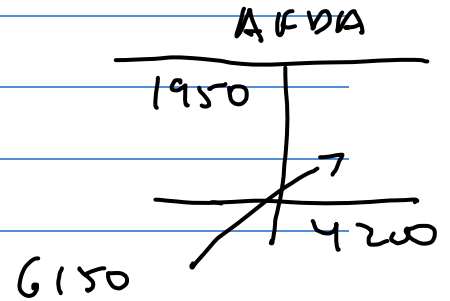
| | | |
|------------------|------|------|
| Cash | 1040 | |
| Interest revenue | | 40 |
| Note Receivable | | 1000 |
| Bank Chgs | 20 | |
| Supplies Exp | 18 | |
| Cash. | | 38 |

c) 11,149

=

E7-12

a) $AFDA = AN \times 4\%$
 $4200 = 105000 \times 4\%$



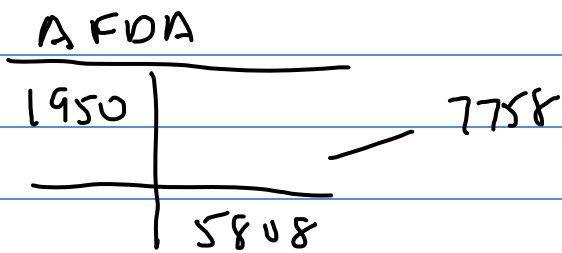
Bad Debt Exp 6150

AFDA

6150

b) Also B/S method.

| | |
|---------------------|----------|
| $36000 \times 1\%$ | $= 360$ |
| $48000 \times 5\%$ | $= 2400$ |
| $12200 \times 12\%$ | $= 1464$ |
| $8800 \times 18\%$ | 1584 |
| <hr/> | <hr/> |
| 105000 | 5808 |

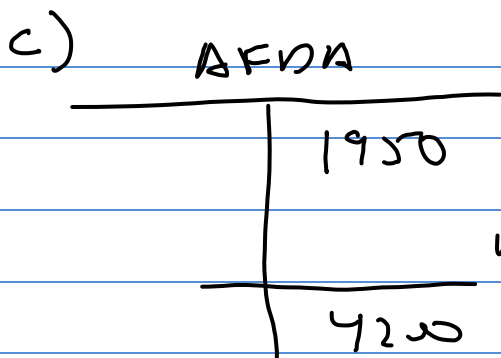


Bad Debt Exp

7758

AFDA

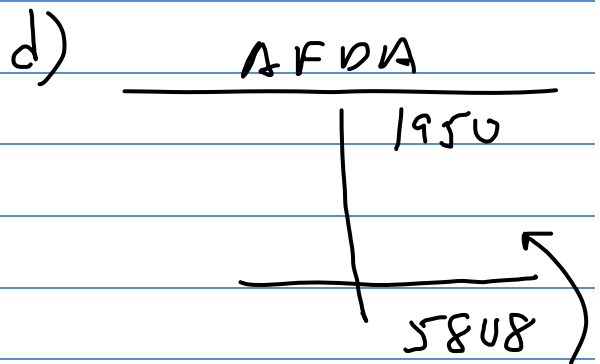
7758



2250

Bal Debt 2250

AFDA 2250



3858

Bal Debt 3858

AFDA 3858

P7-2

NET sales

$$1) \text{ Bad Debt} = 1.5\% \times (1,980,000 - 60,000 - 4400) = 28734$$

| | | |
|--------|----------------|-----------|
| 2) NRV | AR | 1790 000 |
| | AFDA should be | (160,000) |
| | | <hr/> |
| | | 1630 000 |

$$3) 4.5\% \times 3200 000 = 144,000$$

| | | | |
|-----|-------------|--------|----------------|
| | <u>AFDA</u> | | |
| | | 37000 | |
| w/o | 36000 | 18000 | re-established |
| | | 144000 | bad debt |
| | | <hr/> | |
| | | 163000 | |

4

| | | | |
|------|---------|---------|-------|
| AR | | 1018000 | |
| AFDA | (68000) | | |
| Net | 950,000 | | |
| | | | AFDA |
| | | | 0 |
| | | | 24000 |
| | | | 92000 |
| | | | 68000 |

5

$$\begin{aligned} \text{AFDA} &= \text{AR} \times 7\% \\ &= 610,000 \times 7\% \\ &= 42700 \end{aligned}$$

| | | |
|-------|------|-------|
| | AFDA | |
| 34000 | | |
| | | 76700 |
| | | 42700 |

E 7-15

| | | | |
|----|-----------------|---------|---------|
| 1) | Note Receivable | 700,000 | |
| | Land | | 590,000 |
| | Gain on Land | | 110,000 |

| | | | |
|-----------|-----|-----|---------|
| 1,101,460 | FV | | |
| 0 | pmt | CPT | PV |
| 4 | " | | 699,998 |
| 12 | " | | |

2 Fair Value of Note

| | | | |
|---------|-----|----|------------------|
| 400,000 | FV | | |
| 12000 | pmt | 3% | $\times 400,000$ |
| 8 | " | | |
| 12 | " | | |

CPT PV \Rightarrow 221165

| | | |
|------------------|--------|--------|
| Notes Receivable | 221165 | |
| Service Revenue | | 221165 |

$$\begin{array}{r}
 3. \quad 20,000 \text{ pmt} \\
 \quad \quad 4 \quad \quad h \\
 \quad \quad 0 \quad \quad FV \\
 \quad \quad 10 \quad \quad i \\
 \text{CAP} \quad \text{PV} \quad = \quad 63397
 \end{array}$$

Note Receivable 63397

AR

63397

| | 2 nd CV | Amort int | interest revenue | cash interest rec'd | CV |
|---|--------------------|-----------|-----------------------|---------------------|-------|
| 1 | 63397 | 10% | 6340 | 20,000 | 49737 |
| | | | └──────────┘ 13660 | | |
| 2 | 49737 | 10% | 4974 | 20,000 | 34710 |
| | | | └──────────┘ 15026 | | |
| 3 | 34710 | 10% | 3471 | 20,000 | 18182 |
| | | | └──────────┘ 16529 | | |
| 4 | 18182 | 10% | 1818 | 20,000 | 0 |
| | | | └──────────┘ 18182 | | |