FA 5.2

E 22-12

Analysis

| | 2011 | 2010 |
|---|---|---|
| AR | 33000 | 30000 |
| AFDA | (1300) | (1100) |
| AR (net) | 31700 | 28900 |

PPE

| | |
|---|---|
| 90000 | |
| Equip purch. 5000 | |
| 95000 | |

Acc Depⁿ

| | |
|---|---|
| | 25000 |
| | 1500 Depⁿ |
| | 26500 |

Depⁿ exp 1500 → 500 Selling; 1000 G+A

Basis for Indirect

Net Profit = 557400 − 253000 − 138000 − 140,000 − 15600 − 20,200

= (9400)

Deferred Taxes

| | |
|---|---|
| | 4600 |
| | 700 |
| | 5300 |

COGS

| | |
|---|---|
| $I_B$ | 47000 |
| + P | 237000 |
| − $I_E$ | 31,000 |
| | 253000 |

Operating Activities - Direct

Cash Collected from cust.  Bad Debt

557400 + 28900 - 31700 - 5000    549,600

Cash paid for Goods + Services

Depn

Purch → 237000 + 140,000 + 138000 - 1500

- 5000 + 15500 - 25000    (499,000)

Bad Debt

Taxes Pd.  20200 + 29100 - 21000    (27600)

- 700

Cash from operations    23000

OR  Indirect Method - Operating Activities

| | |
|---|---|
| Net Loss | (9400) |
| Depn | 1500 |
| Interest Exp (to Financing) | 15600 |
| Deferred Tax Exp | 700 |
| AR (net 31700 vs 28900) | (2800) |
| Inventory | 1600 |
| AP | 9500 |
| Taxes Pay | (8100) |
| | 23000 |

Investing Activities

Equip purchased (5000)

Financing Activities

| Bonds | |
|---|---|
| | 45500 |
| | 4600 |

| Int Exp | |
|---|---|
| 500 | |
| 15600 | |

Interest pd. (15100)

Shares Issued 31600

DE pd. (36500)

(20000)

Δ in Cash (2000)

Cash BOY 57000

55000

RE BOY (Open Trial Balance)

64600 + ( 778700 − 56200 − 2600 − 151300 −

172000 − 380,000 )

RE

| | |
|---|---|
| | 81200 |
| 9400 | |
| 36500 | |
| | 44700 − 9400 |
| | 35300 |

2011

E 22-17

Analysis

**Plant Assets**

| | | |
|---|---|---|
| | 1700 | |
| 130 Cash → | | |
| Shares → | 70 | |
| | 1900 | |

**Acc Dep'n**

| | | |
|---|---|---|
| | 1170 | |
| | | Dep'n 30 |
| | 1200 | |

**LTI**

| | |
|---|---|
| 1420 | |
| | 120 |
| 1300 | |

| | |
|---|---|
| Proceeds | 200 |
| NBV | 120 |
| Gain | 80 |

**Bonds Pay**

| | | |
|---|---|---|
| | | 1550 |
| 150 → | | |
| | | 1400 |

**Shares**

| | | |
|---|---|---|
| | 1700 | Cash 130 |
| | 70 | P+E |
| | 1900 | |

**RE**

| | | |
|---|---|---|
| DE | | 1900 |
| | | 810 NI |
| 260 | | |
| | | 2450 |

a+b

Operating Activities Direct

| | |
|---|---|
| Cash collected (6900 + 1300 − 1750 $)_{AR}$ | 6450 |
| Purchases + Services (4400 + 910 + $\overbrace{900 - 1200}^{AP}$) | (5030) |
| Interest paid $\underbrace{-30}_{Dep^n}$ $\underbrace{+250 \; -200}_{AL}$ | (20) |
| Taxes paid | (540) |
| | 860 |

COGS

| | |
|---|---|
| $I_B$ | 1900 |
| + P | 4400 |
| − $I_E$ | 1600 |
| COGS | 4700 |

Operating Activities Indirect

| | |
|---|---|
| Net Profit | 810 |
| Gain on Sale | (80) |
| Dep^n | 30 |
| AR | (450) |
| Inventory | 300 |
| AP | 300 |
| AL | (50) |
| | 860 |

Investing Activities

| | |
|---|---|
| Purchase of PPE | (130) |
| Sale of Invest | 200 |
| | 70 |

Financing

| | |
|---|---|
| Paid Dividends | (260) |
| Issued Shares | 130 |
| Retired Bonds | (150) |
| | (280) |

| | | |
|---|---|---|
| Change in Cash (860+70−280) | | 650 |
| Cash BOY | | 1150 |
| Cash EOY | | 1800 |

c) interest pd , dividends pd.
Operating or financing under IFRS

d) not sure its alarming
Inventory ↓ 300
AP ↑ 300
Trading on your suppliers

E 22-19

**PPE**

| | | |
|---|---|---|
| | 501500 | |
| Cash | 41000 | |
| Shs | 51000 | |
| | 596500 | |

**Acc Depn**

| | | |
|---|---|---|
| | 122000 | |
| | 26000 | P+L |
| | 148000 | |

**Shares**

| | | |
|---|---|---|
| | 280000 | |
| | 4750 | Cash |
| | 51000 | PPE |
| | 335750 | |

Operating Activities Direct

| | | |
|---|---|---|
| Cash Collected | (1345800 + 55600 − 74800) | 1326600 |
| Purchases | | |
| COGS $I_B$ 199000 | | |
| + P 803700 | + 115000 − 123000 | (795700) |
| − $I_E$ 188700 | | |
| 814000 | | |
| Salaries Pd | 207800 + 72000 − 61000 | (218800) |
| Interest Pd | 66700 + 22600 − 24700 | (64600) |
| Other Pd | 24800 + 8800 − 7000 | (26600) |
| Taxes Pd | 65400 + 0 | (65400) |
| | | 155,500 |

OR

Operating Activities Indirect (next page)

Operating Activities

| | |
|---|---|
| Net earnings | 141 100 |
| Dep'n | 26 000 |
| AR | (19200) |
| Inventory | 10300 |
| Prepd | (1800) |
| AP | 8000 |
| Salaries Pay | (11000) |
| Int Pay | 2100 |
| | 155 500 |

Investing Activities

| | |
|---|---|
| Assets purchased | (44000) |

Financing activities

| | |
|---|---|
| Dividends paid | (78000) |
| Bonds paid | (25000) |
| Shares issued | 4750 |
| | (98250) |
| $\Delta$ in cash | 13250 |
| Cash BOY | 20000 |
| Cash EOY | 33250 |

E 22-20

Analysis

| PPE | |
|---|---|
| 205000 | |
| | 56000 |
| 290000 | |

141000
-50,000
91,000
cash

| Acc Dep'n | |
|---|---|
| 49200 | 40000 |
| | 58700 P+L |
| | 49500 |

Sale of equipment

| | | |
|---|---|---|
| | Proceeds | 15550 |
| 56000 - 49200 | NBV | 6800 |
| | P+L | 8750 |

(Analysis)

| Shares | |
|---|---|
| | 200,000 |
| | 50000 equip |
| | 250,000 |

Operating Activities - Direct

Cash collected (297500 + 37000 - 90800) 243700

Purchases

| | | | |
|---|---|---|---|
| $I_B$ | 102650 | | |
| + P | 118710 | + 48280 - 52700 | (114290) |
| - $I_E$ | 121900 | | |
| COGS | 99460 | | |

Op Exp 14670 + 18830 - 12100 (21400)

Interest (2940)

Taxes (3900)

66070

Operating activities - indirect

| | |
|---|---|
| Net profit | 91480 |
| Less gain | (8750) |
| Add depn | 58700 |
| AR | (53800) |
| Inventories | (19250) |
| AP | 4420 |
| AExp | (6730) |
| | 66070 |

Investing Activities

| | |
|---|---|
| Sale of land | 22500 |
| Sale of equipment | 15550 |
| Purchase of equip | (91000) |
| | (52950) |

Financing Activities

| | |
|---|---|
| Issued Notes | 70,000 |
| Pd. DE. | (37670) |
| | 32330 |

| | |
|---|---|
| Δ in cash | 45450 |
| Cash BOY | 47250 |
| Cash EOY | 92700 |

E 22 - 23

Forced to use indirect method

Analysis

| RE | |
|---|---|
| | 51500 |
| DE 1500 | |
| | 73400 |

NI plug = 36900

| Acc Depⁿ - Bldg | |
|---|---|
| | 23000 |
| | 7000 |
| | 30,000 |

| Acc Dep equip | |
|---|---|
| | 15500 |
| | 3500 |
| | 19000 |

| Acc Depⁿ del. | |
|---|---|
| | 20500 |
| | 1500 |
| | 22000 |

AR net

| | | |
|---|---|---|
| AR | 43000 | 45000 |
| AFDA | (1800) | (2000) |
| Net. | 41200 | 43000 |

Operating Activities - Indirect

| | |
|---|---|
| Net profit | 36900 |
| Depⁿ (7000 + 3500 + 1500) | 12000 |
| AR (net) | 1800 |
| Prepd | (1700) |
| Inventories | (16500) |
| AP | 10,000 |
| ST notes (trade) | (2000) |
| Accd payables | (1600) |
| | 38900 |

Investing Activities

| | |
|---|---|
| Purch of Bldg | (51500) |
| Purch of equip | (7000) |
| Purch of temp investments | (6000) |
| Purch of patents | (15000) |
| | (79500) |

Financing Activities

| | |
|---|---|
| Proceeds from mortgage | 19600 |
| Repaid bonds | (12500) |
| Issued shares | 44000 |
| Pd. dividends | (15000) |
| | 36100 |

| | |
|---|---|
| Δ in cash | (4500) |
| Cash BOY | 21000 |
| Cash EOY | 16500 |

## Not For Profit Organizations

1. The CC Association is a not-for-profit organization that provides counselling services to children. It is a small community organization with annual revenues of $200,000. Which of the following accounting practices followed by CC Association is **NOT** in accordance with generally accepted accounting principles?
   a) Transfers between funds are reported in the statement of changes in net assets, but not in the statement of operations.
   b) Pledges and bequests are recorded as receivables in the statement of financial position when they are made and are written off only after they have been proven to be uncollectible.
   c) Restricted contributions to the general fund are accounted for in accordance with the deferral method.
   d) Furniture and equipment are expensed when acquired; this policy is disclosed in the notes.
   e) Services donated by professional child counsellors are not recorded in the statement of operations; this policy and the estimated fair value of these services are disclosed in the notes.

2. The XYZ Society (XYZ) has been growing and now has annual net revenues in excess of $800,000. During the past year, XYZ moved to larger offices and one of its members donated some of his own business office furniture which had a market value of $3,000 and a book value of $5,000. To expand the useful life of the furniture, XYZ had it refurbished at a cost of $1,000. According to generally accepted accounting principles, how should XYZ report the furniture on its financial statements?
   a) It should be recorded as a capital asset on the statement of financial position at a value of $1,000.
   b) It should be recorded as a capital asset on the statement of financial position at a value of $4,000.
   c) Because the furniture was donated, it should not be recorded as an asset and the $1,000 refurbishment cost should be expensed.
   d) It should be recorded as a capital asset on the statement of financial position at a value of $6,000.
   e) It should be recorded as a capital asset on the statement of financial position at a value of $3,000 and the $1,000 refurbishment cost should be expensed.

3. CLC is a not-for-profit organization that helps children improve their literacy and uses fund accounting to report its activities. Mr. Donovan donated $250,000 to CLC to be used to finance a specific event to promote children's literacy. In which of the following funds would CLC record the donation?
   a) General fund.
   b) Special (reserve) fund.
   c) Capital fund.
   d) Fiduciary fund.
   e) Endowment fund.

4. Which of the following best describes the purpose of encumbrance accounting?
   a) Keep track of restricted resources.
   b) Highlight variances from the planned use of unrestricted funds.
   c) Prevent the issuing of purchase orders when there are no uncommitted budgeted amounts.
   d) Match revenues with related expenses.
   e) Convey information through the financial statements about the restrictions placed on the organization's resources.

5. Which of the following describes a difference between accounting for not-for-profit organizations (NPOs) and governments?
   a) NPOs should comply with the accounting recommendations specified for NPOs in the *CICA Handbook*, whereas governments should comply with those issued by the Public Sector Accounting Board.
   b) NPOs use fund accounting, whereas governments use program accounting.
   c) NPOs may have funds that are restricted for specific purposes, but governments do not have specific restricted funds.
   d) NPOs may use different accounting policies for different funds, but governments must use the same accounting policies.
   e) None of the above.