SEMESTER SPRING 2013

ADVANCED FINANCIAL ACCOUNTING (FIN711)

ASSIGNMENT NO. 02

DUE DATE: 25TH JUNE, 2013

MARKS: 20

ASSIGNMENT:

Mr. Accountant has recently joined Class Manufacturing Limited (CML) as a junior accountant in the pay scale of *Alfa-1*.These days; the company is in close of its books of accounts as the yearly audit is on. Mr. Accountant has been given an assignment to chart out the balance sheet of Small Manufacturing Limited (SML) – a group entity of CML. For this, he was provided with necessary data regarding the company's assets and liabilities along with some other information. But, upon receiving the balance sheet from him, it came to know that the balance sheet was not correct as lot many errors were therein. The balance sheet and the errors found there in as on 30th June 2011 are here as under:

Balance Sheet as on June 30, 2011

Particulars	Rupees		Particulars	Rupees	
	Assets	Liabilities		Assets	Liabilities
8% Preference Shares (Rs.100 each)	-	1,000,000	Sundry Debtors	2,837,500	-
Ordinary Shares (Rs.10 each)	-	25,500,000	Long Term Loans	-	5,000,000
Land at cost	460,000	-	Deferred Costs	1,250,000	-
Factory building (Cost Rs. 11,500,000)	4,600,000	-	Investment in Govt. Securities	750,000	-
Plant & Machinery (Cost Rs. 55,000,000)	16,500,000	-	Unquoted investments at cost	200,000	-
Office Furniture (Cost Rs. 875,000)	262,500	-	General reserve	-	6,560,000
Capital work-in-Progress	18,000,000	-	Quoted investments at cost	100,000	-
Raw Materials – June 30, 2011	1,672,500	-	Profit and Loss A/C on 30/6/2011	-	1,875,025
Finished goods – June 30, 2011	1,250,000	-	Sundry creditors	-	651,775
Work in process – June 30, 2011	625,000	-	Cash in Hand	125,000	-
Surplus on Revaluation of Fixed Assets	-	6,000,000	Other Assets	1,786,800	-
Term Finance Redemption Reserve	-	2,000,000	12% Term Finance Certificate	-	2,000,000
Preference dividends paid	40,000	-	**Total**	**50,586,800**	**50,586,800**
Interim dividend on Ordinary Shares	127,500	-			

a) The company has paid 2 interim dividends each at Rs. 0.025 per share and a final dividend at Rs. 0.050 per share for the year on its ordinary shares. But, the effect of this final ordinary and preferred dividend for the 2nd half year is not shown in the yearly profits.

b) During the year, it was decided to shift valuing work-in-process from LIFO to FIFO basis. This has resulted in an increase of Rs. 35,520 in the value of closing inventory. But same has not been accounted for in the accounts at all.

c) Owing to lower yearly profits, it was decided to transfer an amount equal to 1/10th of the TFC's from general reserves, but the accountant transferred this amount from revaluation surplus.

d) An amount of Rs. 35,460 on account of bank overdraft has been included in creditors.

e) Due to time limitation, it was decided to write off 1/3 of the deferred costs in the yearly profits, but same has not been done.

f) During the year, a plant (declared as obsolete) costing Rs. 500,000 was sold for Rs. 52,000. The plant was purchased 6 years earlier and has been depreciated on straight line basis with 10 years working life and no residual value. But this transaction has not been taken into account at all. It was decided not to charge in depreciation on this plant during the year.

g) Creditors include an amount of Rs. 60,000 payable to one of the debtors Mr. Wise and similarly debtors include an amount of Rs. 25,300 receivable from Mr. Wise. But both these items have not been adjusted in the respective accounts.

h) Long term loans payable half early have the remaining life of 8 years.

i) Other assets included an amount of Rs. 15,000 given to Mr. Director as advance against his salary. He has been died during the year and his claims against the company excluding this sum are only Rs. 8,000. This is to be adjusted in the books of accounts.

j) Provision for tax at the rate of 35% on the current year profit (untrue profit) of Rs. 952,740 has not been provided at all. The profit has been transferred to balance sheet at full.

k) The market value of quoted investment was estimated at Rs. 115,700.

l) The preferred dividend has been paid for the first half of the year, i. e. up to December 31, 2010.

Required

1) Journal entries to rectify the errors found above; & (6 Marks)
2) A new Balance Sheet as on June 30, 2011 as per IAS-1 and the 4th Schedule (8 Marks)
3) Complete working schedules where necessary (6 Marks)

IMPORTANT:

24 hours extra / grace period after the due date is usually available to overcome uploading difficulties. This extra time should only be used to meet the emergencies and above mentioned due dates should always be treated as final to avoid any inconvenience.

IMPORTANT INSTRUCTIONS/ SOLUTION GUIDELINES/ SPECIAL INSTRUCTIONS

DO YOUR WORK CLEAN & COMPLETE

OTHER IMPORTANT INSTRUCTIONS:

DEADLINE:

- Make sure to upload the solution file before the due date on VULMS.
- Any submission made via email after the due date will not be accepted.

FORMATTING GUIDELINES:

- Use the font style “Times New Roman” or “Arial” and font size “12”.

- It is advised to compose your document in MS-Word format.
- You may also compose your assignment in Open Office format.
- Use black and blue font colors only.

REFERENCING GUIDELINES:

- Use APA style for referencing and citation. For guidance search "APA reference style" in Google and read various websites containing information for better understanding or visit http://linguistics.byu.edu/faculty/henrichsenl/apa/APA01.html

RULES FOR MARKING

Please note that your assignment will not be graded or graded as Zero (0), if:

- It is submitted after the due date.
- The file you uploaded does not open or is corrupt.
- It is in any format other than MS-Word or Open Office; e.g. Excel, PowerPoint, PDF etc.
- It is cheated or copied from other students, internet, books, journals etc.

Note related to load shedding: Please be proactive

Dear students!

As you know that Post Mid-Term semester activities have started and load shedding problem is also prevailing in our country. Keeping in view the fact, you all are advised to post your activities as early as possible without waiting for the due date. For your convenience; activity schedule has already been uploaded on VULMS for the current semester, therefore no excuse will be entertained after due date of assignments, quizzes or GDBs.