

ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD
(Department of Commerce)

FINANCIAL REPORTING-I (8567)

CHECKLIST

SEMESTER SPRING 2025

This packet comprises the following material:

1. Text Book (one)
2. Assignment No. 1, 2
3. Assignment Forms (2 sets)

In this packet, if you find anything missing from the above-mentioned material, please contact us at the address given below:

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WARNING

1. **PLAGIARISM OR HIRING OF GHOST WRITER(S) FOR SOLVING THE ASSIGNMENT(S) WILL DEBAR THE STUDENT FROM THE AWARD OF DEGREE/CERTIFICATE IF FOUND AT ANY STAGE.**
2. **SUBMITTING ASSIGNMENTS BORROWED OR STOLEN FROM OTHER(S) AS ONE'S OWN WILL BE PENALIZED AS DEFINED IN THE "AIOU PLAGIARISM POLICY".**

Course: Financial Reporting-I (8567)

Semester: Spring 2025

Level: BS (A&F)

Please read the following instructions for writing your assignments. (AD, BS, B. Ed, MA/MSc, MEd) (ODL Mode).

1. All questions are compulsory and carry equal marks but within a question the marks are distributed according to its requirements.
2. Read the question carefully and then answer it according to the requirements of the questions.
3. Avoid irrelevant discussion/information and reproducing from books, study guide or allied material.
4. Handwritten scanned assignments are not acceptable.
5. Upload your typed (in Word or PDF format) assignments on or before the due date.
6. Your own analysis and synthesis will be appreciated.
7. Late assignments can't be uploaded at LMS.
8. The students who attempt their assignments in Urdu/Arabic may upload a scanned copy of their handwritten assignments (in PDF format) on University LMS. The size of the file should not exceed 5MB.

Total Marks: 100

Pass Marks: 50

ASSIGNMENT No. 1

Q. 1

(20)

- a. What are the objectives and key components of the Conceptual Framework for Financial Reporting issued by the IASB? How does this framework guide the development of IFRS and assist preparers and users of financial statements in making informed decisions?
- b. Explain the process of setting International Financial Reporting Standards (IFRS) and the role of the International Accounting Standards Board (IASB) in this process.

Q. 2 (20)

Explain the key objectives and requirements of IAS 1 about the presentation of financial statements. Discuss the primary components that must be included in a complete set of financial statements according to IAS 1 and the importance of fair presentation and compliance with IFRS in enhancing the usefulness of financial information.

Q. 3 (20)

- a. Describe the objective and scope of IAS 2. Discuss the key measurement principles for inventories under IAS 2 and the criteria for determining the cost of inventories. How does IAS 2 ensure the reliability and relevance of inventory valuation?
- b. A company has the following inventory information for the month of January:
- Opening Inventory: 500 units at \$10 each
 - Purchases:
 - 200 units at \$12 each on January 10
 - 300 units at \$11 each on January 20
 - Sales: 400 units at \$15 each on January 25
- Calculate the value of ending inventory and cost of goods sold (COGS) using the FIFO (First-In, First-Out) method.
- c. XYZ Ltd. has inventory that Costs \$50 per unit. The company expects to sell the units for \$55 each, but the cost to complete and sell each unit is estimated at \$7. According to IAS 2, determine the **Net Realizable Value (NRV)** per unit. Should the inventory be written down, and if so, by how much?

Q. 4 (20)

- a. Differentiate between changes in accounting estimates and corrections of prior period errors under IAS 8. Provide examples of each and discuss their implications on financial reporting.
- b. For each of the following transactions/events, you are required to set out the accounting treatment with reference to IAS 8.
- a. The equipment that Indus Engineering manufactures is sold with a 5-year warranty. Because of a production breakthrough, Indus reduced its computation of warranty costs from 3% of sales value to 1% of sales value.
- b. Indus instituted a pension plan for all employees in the current year, Indus has not previously had a pension plan.
- c. As a result of production breakthrough, it has been determined that manufacturing equipment previously depreciated over 15 years should be depreciated over 20 years.
- d. Indus changed from FIFO to average cost to account for raw materials and work in process inventories.
- e. Indus changed its method of depreciation of office equipment from an accelerated method to the straight-line method to reflect cost more closely in later years.

Q. 5

(20)

- A.** Discuss the importance of the statement of cash flows in financial reporting. How does IAS 7 enhance the comparability and decision-making utility of financial statements for users?
- B.** You are asked to identify operating, investing and financing activities from the following:
- a) Cash received from debtors.
 - b) Cash received from the sale of goods.
 - c) Cash received from the sale of old equipment.
 - d) Cash received from the issue of debentures.
 - e) Loan payments.
 - f) Received dividend.
 - g) Dividend paid.
 - h) Salaries and wages paid to employees.
 - i) Cash paid as interest.
 - j) Amount of interest received.
 - k) Bought a vehicle.
 - l) Issued shares against the acquisition of a plant
 - m) Advanced made to suppliers.
 - n) Amount of taxes paid.
 - o) Charged depreciation on the plant for the year.
 - p) Bought goods in cash.
 - q) Amount of loan granted to the subsidiary company by the parent company.

Total Marks: 100

Pass Marks: 50

ASSIGNMENT No. 2

Q. 1 (20)

A company has purchased a large item of plant. The following costs were incurred.

The list price of the machine	Rs. 1,000,000	Cost of site preparation	Rs. 200,000
Trade discount given	50,000	Architect's fees	15,000
Delivery cost	100,000	Administration expense	150,000
Installation cost	125,000	Redeployment Cost	35,000

Local government officials have granted the company a license to operate the asset on condition that the company will remove the asset and return the site to its former condition at the end of the asset's life. The company has recognized a liability of Rs. 350,000 in respect of the expected clearance cost. You are required to calculate the cost of the plant and prepare necessary journal entries and relevant ledger accounts throughout the useful life of the machine that is expected 4 years with zero residual value.

Q. 2 (20)

(a) Describe the revenue recognition criteria in case of (a) Sales of goods, (b) rendering Services (c) interest, royalties and dividends in the light of IAS-18.

(b) Calculate the amount of Revenue to be recognized in the following cases:

i.	Cost incurred Rs. 40,000 Work completed 50% Total Revenue Rs. 200,000	iii.	Cost incurred Rs. 75,000 Estimated total cost Rs. 300,000 Total Revenue Rs. 500,000
ii.	Cost incurred Rs. 25,000 Total revenue Rs. 100,000 Work certified Rs. 24,000	iv.	Cost incurred Rs. 25,000 Total Revenue Rs. 700,000 Stage of completion Not known

Q. 3 (20)

Differentiate between adjusting and non-adjusting events with some examples. Further, you are required to explain whether the matters are adjusting or non-adjusting events.

- Trade debts as of June 30, 2020, included a debt of Rs. 100,000 recoverable from M&P, who was declared insolvent on August 10, 2020.
- Dock Ltd. Being sued for Rs. 6 million for reliance on a report issued in January 2020 to a T.U Company. Based on these reports, T.U Co. invested in a venture that is now in liquidation. Dock's handling of the whole affair has been terrible and this news came before Dock's management issued its financial statements for the year ended 31st December 2019.

- c. Alisia Ltd. Has disposed of its pen business. The major subsidiary was disposed of for Rs. 100 million, just a month after the December year-end. The authorization for issuance of the 2020 financial statement is expected next week.
- d. Bend Co. had imported a production plant before year-end. After the reporting period when the time had come to pay the price, there was a great rise in foreign exchange rates. The financial statements are yet to be authorized.
- e. The professional valuation of a property one month after the reporting period is Rs. 500,000 below the current book value. The diminution in value is considered to be permanent. The purpose of the valuation is to show assets using the revaluation model of IAS-16.

Q. 4

(20)

The balance sheet of Raza Corporation at year-end of December 2021 reflects the following status:

	<i>Rs.000</i>	<i>Loan</i>	<i>Rs. 000</i>
Plant under installation	2,500	Bank loan 18%	2,000
Other assets	7,500	Bank loan 20%	2,500
		Bank loan 22%	<u>1,500</u>
			6,000
		Shareholders' equity	<u>4,000</u>
	<u>10,000</u>		<u>10,000</u>

All Loans were brought forward from the year 2020. Expenditure (in Rs. 000) incurred on Plant as: 1st May, 1,200/-; 1st July, 800/- 1st November, 500. You are required to: (i) calculate the capitalization rate and total borrowing Cost (ii) find the cost of qualifying asset

Q. 5

(20)

- a. Explain the recognition criteria for property, plant, and equipment (PPE) under IAS 16. How should an entity determine the cost of an item of PPE at the time of initial recognition?
- b. What is the revaluation model under IAS 16? Discuss the impact of revaluation on financial statements, including the treatment of revaluation surplus and deficit.