**ALLAMA IQBAL OPEN UNIVERSITY ISLAMABAD**

**(Department of Business Administration)**

**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: Advance Accounting (8404) Semester: Spring, 2025**

**Level: BBA (4 years)**

## 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**

***Note: All questions carry equal marks.***

**Q.1** ABC Corporation’s finance department is unsure how to classify certain elements of the financial statements, particularly in terms of the **balance sheet** and **income statement** under IFRS. Explain the classification requirements for **assets, liabilities,** and **equity** in the **balance sheet** (IAS 1). What criteria should ABC Corporation use to classify its financial items under IFRS, such as distinguishing between current and non-current assets? Discuss the classification of income and expenses in the **income statement.** How should ABC Corporation report operating income versus non-operating income, and what role does the **classification of expenses by nature** vs. **function** play in the preparation of the income statement? **(20)**

**Q. 2** **LMN Ltd.** purchased equipment on January 1, 2022, for $120,000. The equipment has an estimated useful life of 8 years and a residual value of $10,000. The company applies both straight-line and declining balance depreciation methods for different assets. Calculate the following: **(20)**

* The annual depreciation expense under the straight-line method.
* The depreciation expense under the declining balance method, assuming the company applies a 25% depreciation rate on the declining balance.
* The accumulated depreciation at the end of the third year under both methods.

**Q. 3** **XYZ Ltd.** operates using a perpetual inventory system. During March 2024, the following transactions occurred: **(20)**

* On March 1, purchased 1,000 units at $25 per unit, with a 5% trade discount.
* On March 5, returned 100 units due to quality issues (the return price is after the discount).
* On March 15, sold 600 units at $45 each.
* On March 20, purchased an additional 500 units at $30 each, with a 10% cash discount.

Calculate the cost of goods sold (COGS), the ending inventory, and the gross profit for March. Assume the company follows FIFO for inventory valuation.

**Q. 4** Shown below is the information needed to prepare a bank reconciliation for Warren Electric on December 31: **(20)**

1. On December 31, cash per the bank statement was $15,200; cash per the company’s records was $17,500.
2. Two debit memoranda accompanied the bank statement: service charges for December of $25, and a $775 check drawn by Jane Jones marked “NSF.”
3. Cash receipts of $10,000 on December 31 were not deposited until January 4
4. The following checks had been issued in December but were not included among the paid checks returned by the bank: no. 620 for $1,000, no. 630 for $3,000, and no. 641 for $4,500.

**Required:**

1. Prepare a bank reconciliation on December 31.
2. Prepare the necessary journal entries or entries to update the accounting records.

**Q. 5**: **STU Ltd.** is acquiring **VWX Ltd..** The following details are provided: **(20)**

* The fair value of VWX Ltd.'s assets is $1,000,000 and its liabilities are $400,000.
* The consideration paid by STU Ltd. is $650,000 in cash.

**Required:** Calculate:

1. The goodwill arising on the amalgamation.
2. The impact on STU Ltd.'s consolidated financial statements.

**Total Marks: 100 Pass Marks: 50**

### ASSIGNMENT No. 2

This assignment is a research-oriented activity. You are required to select one of the following topics according to the last digit of your roll number. For example, if your roll number is D-3427185 then you will select topic number 5 (the last digit). Visit any business/commercial organization and write a paper of about 1000 words on the topic allotted to you.

1. Key differences between IAS, IFRS, and GAAP
2. Internal Control in Transaction Processing Systems
3. Accounting for Purchases and Inventory in Merchandising Organizations
4. **Effective Cash Management and Internal Controls**
5. Amalgamation vs Absorption vs Reconstruction in Accounting
6. Corporations: Advantages, Disadvantages, and Stockholder Equity
7. Accounting for Bonds: Par, Discount, and Premium
8. Depreciation Methods for Property, Plant, and Equipment
9. Operating vs Financial Leases: Accounting Differences
10. Reporting Requirements for Financial Leases under IAS 17

**The report should follow the following format:**

1. Title page
2. Acknowledgements
3. An abstract (one-page summary of the paper)
4. Table of contents
5. Introduction to the issue (brief history & significance of issue assigned)
6. Practical study of the organization (for the issue)
7. Data collection methods
8. SWOT analysis (strengths, weaknesses, opportunities & threats) relevant to the issue assigned
9. Conclusion (one-page brief covering important aspects of your report)
10. Recommendations (specific recommendations relevant to the issue assigned)
11. References (as per APA format)
12. Annexes (if any)

**GUIDELINES FOR ASSIGNMENT # 2:**

* 1.5 line spacing
* Use headers and subheads throughout all sections
* Organization of ideas
* Writing skills (spelling, grammar, punctuation)
* Professionalism (readability and general appearance)
* Do more than repeat the text
* Express a point of view and defend it.

###### ADVANCED ACCOUNTING

**COURSE OUTLINE (8404)**

**UNIT 1 INTRODUCTION TO ACCOUNTING**

* 1. Accounting Theory & Conceptual Framework
  2. Conceptual Understanding regarding IAS, IFRS, GAAP
  3. Role of IASC, IASB
  4. Classification of IFRS Financial Statements
  5. Constraints on Relevant, Reliable Information
  6. Accounting Conventions, Concepts and Principles (IAS 1, and 16)

**UNIT 2 ACCOUNTING INFORMATION SYSTEM**

2.1 Accounting Information Systems and Business Organizations

2.1.1 Information and Decisions

2.1.2 Information Systems

2.2 Transaction Processing Cycle

2.2.1 Internal Control Process

2.2.2 Elements of Internal Control Process

2.2.3 Segregation of Accounting Functions

2.3 Accounting and Information Technology

2.4 The Accountant and Systems Development

2.5 Using AIS to add Value to Business

**UNIT 3 ACCOUNTING FOR TRADING ORGANIZATIONS**

3.1 Difference between manufacturing and merchandising organizations

3.2 Merchandizing activities

3.3 Accounting for Purchases

3.4 Accounting for sales and inventory (IAS 2)

3.4.1 Physical Inventory

3.4.2 Perpetual Inventory

3.5 Returns, Allowances, and Discounts

3.6 Merchandise Reporting

3.7 Worksheet for merchandising concern

3.8 Adjusting entries

3.9 Closing entries

**UNIT 4 WORKING CAPITAL ACCOUNTING**

4.1 Cash control

4.1.1 Cash management

4.1.2 Internal control over cash

4.1.3 Cash receipts and disbursements

4.1.4 Reconciling the bank statements

4.1.5 The Impress petty cash system

4.1.6 The statement of cash flows

4.2 Accounts receivable

4.2.1 Uncollectible accounts

4.2.1 Write-off methods

4.2.2 Estimation of Credit Losses

4.2.3 Management of accounts receivable

4.2.4 Techniques to Minimize Credit Losses

4.2.5 Evaluating the quality of accounts receivable

4.2.6 Notes receivable and interest charges

4.2.7 Credit card sales

4.2.8 Credit risk

4.3 Short-term investments

4.3.1 Purchases of marketable securities

4.3.2 Recognition of investment revenue

4.3.3 Adjusting marketable securities to market value

4.3.4 Reporting investment transaction (IAS 21,28,32)

**UNIT 5 AMALGAMATION, ABSORPTION AND RECONSTRUCTION**

5.1 Distinguishing Amalgamation, absorption and reconstruction

5.2 Definition of holding, subsidiary and associated undertaking, consolidated financial statements (IAS 27)

5.3 Determination of Purchase Consideration

5.3.1 Lump sum method

5.3.2 Net Worth Method

5.3.3 Net payment method

5.3.4 based on value of shares

5.4 Accounting for amalgamation

5.5 Accounting for Absorption

5.5.1 Intercompany Owings

5.5.2 Intercompany stocks

5.5.3 Intercompany holdings

5.6 Accounting for reconstruction

5.7 Reconstruction of share capital

5.8 Capital reduction and its legal provisions

5.9 Reorganization

**UNIT 6 ACCOUNTS FOR JOINT STOCK COMPANIES**

6.1 Corporation, advantages and disadvantages

6.2 Stockholders’ equity and dividends.

6.3 Rights of common stockholders and preferred stockholders

6.4 Issuance, face value, book value and market value of stocks

6.5 Donated capital

6.6 Continued and discontinued operations

6.7 Changes in Accounting Policies

6.8 Earnings per share (EPS)

6.9 Stock split and repurchase

6.10 Statement of stockholders' equity

6.11 Statement of Retained Earnings

6.12 Preparation of company accounts and consolidated financial statements as per International 6.13 Accounting Standard (IAS-27) and requirements of Companies Ordinance 1984

**UNIT 7 ACCOUNTS FOR LIABILITIES**

7.1. Bonds

7.2. Bond Interest

7.3. Accounting for Bonds Payable

7.3.1 Issue at Par

7.3.2 Discount

7.3.3 Premium

7.4. Year-end Adjustments for Bond Interest Expense

7.5. Bond Sinking Fund

7.6. Investment in Corporate Securities

7.7. Short-term and Long-term Investment

**UNIT 8 ACCOUNTS FOR PROPERTY, PLANT AND EQUIPMENT**

* 1. Property, Plant and Equipment
     1. Cost of Property, Plant and Equipment
     2. Subsequent Expenditure
  2. Depreciation
     1. Depreciation Methods
     2. Acquisition of Plant Assets
     3. Disposal
     4. Trade-in
     5. Improvements
     6. Intangible assets and amortization
     7. Wasting assets and depletion

**UNIT 9 ACCOUNTING FOR LEASES**

9.1 Definition of leases and importance

9.2 Operating and Financial Leases

9.3 Accounting for operating and financial leases

9.4 Reporting requirements for financial leases (IAS-17)

**Recommended Books:**

1. Financial and Managerial Accounting by Williams, Haka, Bettner, Carcello
2. Advanced Accounting by M.A Ghani
3. Advanced Accountancy by R. L. Gupta, Publisher, Sultan Chand & Sons 23,

Daryaganj, New Delhi.

**Other Reading Material**

* + - 1. Companies Ordinance 1984
      2. International Financial Reporting Standards /IAS