

2009e

Advanced Accounting

volume

Maria Violeta V. Vicente

TABLE OF CONTENTS

Chapter	Part One: Partnerships	Page
1	PARTNERSHIPS - Formation And Operations Nature of partnerships; Partnership as an association of individuals and as separate entity; Choosing between partnership and corporate form; Kinds of partnerships; Articles of co-partnership; Interest in capital and share in profits; Recording partner's investment; Change from sole proprietorship to partnership; Consolidation of businesses; Partners' accounts; Distribution of profits and losses; Statement of changes in partners capital balances; Correction of profits of prior periods	1
2	PARTNERSHIPS - Dissolution Upon Ownership Changes Conditions resulting in dissolution; Accounting for dissolution; Admission of a new partner; Acquisition of interest by purchase; Acquisition of interest by investment; Settlement with a withdrawing partner; Settlement with an estate, Incorporation of a Partnership	57
3	PARTNERSHIPS - Liquidation Liquidation defined; Procedure in liquidation; Payments to partners after realization is completed; Loss on realization fully absorbed by partners' capital balances; Loss on realization requiring transfer from partner's loan to capital; Loss on realization resulting in capital deficiency for one partner; Loss on realization resulting in capital deficiencies for more than one partner; Realization resulting in cash insufficient to pay creditors	103
4	PARTNERSHIPS - Installment Liquidation And Joint Arrangements Procedures for determining installment distributions; Profit and loss ratio achieved with first installment, Statement of liquidation; Profit and loss ratio achieved subsequent to first installment, Statement of liquidation; Program for distribution of cash; Development of priority payment program illustrated; Installment distribution based on payment program; Receiver in equity; Receiver's report; Statement of realization and liquidation in conventional form and in worksheet format; Supplementary schedules to accompany statement of realization and liquidation; Certain transactions alternative treatment in statement of realization and liquidation; Joint arrangements – joint operations, joint assets, joint ventures; Accounting for joint arrangements – separate set of books, no separate set of books; Use of worksheet to record joint arrangement transactions illustrated	138
Part Two: Corporations		
5	CORPORATIONS – Formation And Operation Corporation defined; Types of corporation; Stock certificates; Articles of	201

incorporation; By-laws; Authorized capital stock; Subscriptions to shares; Components of shareholders' equity; Memo method of recording capital stock; Treasury stocks and dividends; Presentation of corporate financial statements; Earnings per share: basic and diluted; Book value per share; Special topic on troubled debt restructuring

6 REVENUE RECOGNITION ON INSTALLMENT SALES 247

PAS 28: Revenue; Installment sales; Protection for the seller; Installment method; Sale of real estate on installment basis; Sale of merchandise on installment basis; Preparation of financial statements when installment method is used; Recording repossessions and trade-ins; Interest on installment contracts

7 REVENUE RECOGNITION: Long-Term Construction Contracts, Consignments And Franchising 301

Percentage of completion (PAS 11) illustrated; Presentation of accounts in financial statements; Nature and operation of consignments; Accounting for completed consignment transactions illustrated; Accounting for uncompleted consignments; Consignment reshipments; Alternative accounting procedures for consignments; Franchising; Accounting for initial franchise fees illustrated

8 HOME OFFICE AND BRANCH RELATIONSHIPS 354

General procedures; Agency and branch distinguished; Operations of an agency; Accounting for an agency; Operations of a branch; Accounting systems for branches; Preparation of branch and home office financial statements; Preparation of combined statements for home office and branch; Reconciliation of home office current account and branch current account

9 HOME OFFICE AND BRANCH RELATIONSHIPS – Special Problems 397

Interbranch transfers of cash; Interbranch transfers of merchandise; Branch billings at amounts other than cost; Combined home office and branch statements when billings are other than at cost; Working papers for combined statements illustrated

10 FOREIGN BRANCHES – Transactions In Foreign Currency, Financial Statements In Foreign Currency 438

Rates of exchange; Quotations of rates of exchange; Sales and purchases in foreign currency; BSP reference exchange rate bulletin; Calculations of monetary translations; The effects of changes in foreign exchange rates applied to a foreign branch; Translation of branch account balances; Combined statements of home office and foreign branch

	FINANCIAL STATEMENTS IN FOREIGN CURRENCY	438
	Rates of exchange; Quotations of rates of exchange; Sales and purchases in foreign currency; BSP reference exchange rate bulletin; Calculations of monetary translations; The effects of changes in foreign exchange rates applied to a foreign	
	branch; Translation of branch account balances; Combined statements of home office and foreign branch	
	Bibliography, References, and Index	

INDEX

A

- Account sales, 314
- Accounting standards, distinction between realized and unrealized exchange gains and losses, 451-453; exchange difference arising from translation of foreign operations statements such as a branch, 462; foreign entity's translation adjustment, 452; position on adoption of installment method, 253; rules on translation of foreign accounts, 449
- Admission of a new partner, 59; by investment, 62; by purchase of interest, 61
- Agency, 354; accounting for, 355; accounting illustrated, 356; operation of an, 355; working fund, 355, see also branch
- Agency funds, 355; accounting for, 356
- Allowance for mark-up on branch merchandise, 408
- Analysis of gross profit, installment sales, schedule illustrated, 266
- Asset adjustment/revaluation when not specifically stated, 68; when used on partner's admission, 63, 69; when used partner's withdrawal, 72

B

- Bonus as partner's compensation, 27; to new partner upon admission, 67; to old partners upon admission of a new partner, 63; to remaining partners upon withdrawal of a partner, 74; to withdrawing partner, 72;
- Bonus determination when not specifically stated, 68
- Bonus and asset adjustment/revaluation compared, 65; when used on partner's admission, 63, 69; when used on partner's withdrawal, 72
- Branch, 358, accounting for illustrated 361; accounting systems for, 359, adjustment of reciprocal accounts for home office and branch, 375; billed for goods from home office at retail sales price, 402; charged for interest and rent by home office, 362; charges made by home office against, 366; depreciable assets of carried by home office, 365; distinguished from agency, 354; expense of, paid by home office, 366; operations of, 358; preparation of combined statements for home office and, 372; preparation of financial statements for, 367; reciprocal accounts for home office and 372; records maintained at, 359; see also Foreign branch

C

- Capital accounts for partners, 13
- Combined statements; for home office and branch, 371; for home office and branch

- illustrated, 368; preparation of, 403; when billed at amounts other than cost, 403; working papers for, 409; for home office and foreign branch in working papers, 466
- Consignee, 310; duties of, 310-311; rights of, 310
- Consignment, 307; accounting for, 312; advantages of, 308-309; alternative accounting procedures, 329; defined, 307; nature of, 308; profits separately determined, 314; reshipments, 329; uncompleted, 322
- Consignor, defined, 308; benefits to, 308-309
- Construction contracts, 301; accounts, 302; stage of completion basis, 303; computation of percentage of completion, illustrated, 304; statement presentation, 306
- Conversion, 451; see Monetary translation Corporations, 201; accounting for dividends, 217; accounting for stock issues, 214; articles of incorporation, 204; authorized capital stock issues, 210; book value per share, 225; by-laws, 210; defined, 201; earnings per share, 224; financial statements, 216; formation, 201; organizational chart, 202; pre-operating costs, 210; stock certificate, 203; shareholders' equity, 205, 213; subscription to shares, 215; treasury stock, 216, 217, 218; types of, 203
- Current rate method of translation, 450

D

- Defaults and repossessions, installment sales, 269
- Del credere agent, 311
- Direct rate of exchange, 440
- Disclosure requirements for foreign operations, 454

E

- Effective rate, 278
- Exchange adjustment, nature of, 448; reporting of, 451
- Exchange rates, 441; see also Rates of exchange

F

- Factor, 308
- Foreign branch accounting for, 455-457; combined statements for home office and, working papers, 466; translation of pre-closing trial balance of, 462
- Foreign operations illustrated, 455-457
- Foreign exchange, 441; quotation, 441; special problems in, 445, also see Rates of exchange
- Foreign exchange rates, listed, 441
- Foreign sales and purchases, 442; entries for, 443
- Franchising arrangements, 330; accounting for

- initial franchising fees, illustrated, 332-334; types, 330
- Free market rate of exchange, 439
- Free interest in partnership liquidation, 109
- Freight charges on interbranch transfers, 398

G

- Gross profit on installment sales, alternative procedures for in calculating amount realized, 262; recognition of, 255; recognized in period of sale, 251; recognized in period of cash collections, 252; reporting unrealized amounts, 266

H

- Home office, 371; adjustment of reciprocal accounts for branch and, 375; billing branch for goods at cost, 364; above cost, 400; at retail sales price, 411; charges against branch made by, 363-367; combined statements for foreign branch and, 466; preparation of combined statements for branch and, preparation of financial statements for, 371; reciprocal account for branch and, 372-375; recording interoffice shipments of merchandise on books of, 398; recording transfers of merchandise on books of, 399; recording interoffice transfers of cash on books of, 397; recording transfers of merchandise on books of, 399; records centralized at, 359; see also Branch

I

- Imprest system for agency working fund, 366
- Income, defined, 247; distinguished from gain, 247; distinguished from revenue, 247
- Income statement, translation of accounts; foreign branch, 462
- Income tax, taxability of partners under, 4; treatment of partnership for, 4; realization and liquidation, 168
- Indirect rate of exchange, 440
- Input approach, construction contracts, 303
- Installment method of accounting, 253; income tax requirements for use, 251; for installment sales, circumstances supporting use of, 252; see also Installment sales
- Installment payments, 273; calculation of, 273
- Installment sales, 249; aging accounts in installment method of, 263; alternative procedures in calculating gross profit realized on collections of, 262; circumstances supporting use of installment method of, 254; controls calling for interests on real estate, 255; financial statements summarizing, 266-267; income tax requirement relative to, 254; installment method of accounting for, 253, inter period tax allocations for differences in financial

and tax accounting for, 271; methods of gross profit recognition, 251; protection of seller on, 249; special journals for, 263; trade-ins, 267

Interbranch transactions, transfer of cash, 397; transfer of merchandise, 398

Interest on installment sales contract, 273; equal periodic payments, 276; periodic interest on original principal, 277; periodic interest on balance of principal owed between installments, 273; periodic interest on individual installments due, 275

Inter-period tax allocation when installment sales are reported differently for financial and tax purposes, 272

Investment in a partnership, 9

J

Joint Arrangements, 167; accounting for the three types when separate books are not used, 171; when separate books are used, 171; interest in investor books, 178; defined, 167; illustrated, 172; joint assets, 166; joint operations, 165; joint ventures, 167; alternative accounting using working papers, 179

L

Limitations of conventional form, statement of liquidation, 161

Limited partner, 5

Limited partnership, 5

Liquidation of partnership, 107; see also Partnership liquidation

Long-end interest, 273

M

Marshalling of assets in partnership liquidation, 116

Mint par rate of exchange, 438

Monetary translation, exchange adjustment arising from, 451; of account balances of foreign branch, 462; of branch reciprocal accounts, 466; of monetary items, 451; of non-monetary items, 451; of revenue and expense accounts, 460; rules for, 449

O

Official rates of exchange, 438

Overallowance on trade-ins, 268

P

Partners' accounts, capital accounts, 7, as separate entity, 4; as an association of persons, 4; change from sole proprietorship to, 10; choosing between corporate form and, 4; continuation of original books for new firm defined, 1; distribution of profits and losses of, 1; information, 1; general, 5; income tax treatment of, 4; incorporation, 7

interest in, 7; joint ventures as, 168; kinds of, 5; limited, 5; limited life of, 2; mutual agency in, 2; Nature of, 2; new books for, 10; non-trading, 5; ownership interest in, 3; participation in profits of, 3; recording investment in, 9; share of profits in, 7; through consolidation of business, 13; Trading, 5; unlimited liability in, 3

Partnership admissions, asset revaluation for, 64; upon investment, 63; upon investment with allowance of bonus and asset revaluation to new partner, 63; upon investment with allowance for Bonus and asset revaluation to old partners, 69; upon purchase of interest, 61

Partnership dissolution, 58; accounting for, 59; upon admission of a new partner, 59; upon incorporation of partnership, 76; with payment to withdrawing partner of amount that exceeds capital balance, 72; with payment to withdrawing partner of amount that is less than capital balance, 74; settlement of an estate, 75

Partnership law, Philippines, 1

Partnership liquidation, 103; defined, 106; entries for, 109; marshalling of assets in, 116; procedures in, 104; recognition of loan balances in, 114; under Philippine Partnership Law, 116; with loss on realization fully absorbed by partners capital Balances, 106; with loss on realization resulting to capital deficiency of one partner, 108; with deficiencies for more than one partner, 115; with partnership and separate property distributions under common law, 119; with realization completed before payments are made to partners, 104; with realization resulting in cash insufficiency to creditors, 116

Partnership liquidation by installments, 143; installment distributions under payment program for, 149; procedures for determining installment distributions for, 138; profit and loss ratio achieved subsequent to first installment of, 142; profit and loss achieved with first installment of, 139; program for distribution of cash throughout course of, 148

Partnership profit and loss, 15; arrangements for division of, 15; corrections in profits of prior Periods, 30; division of, in an arbitrary ratio, 17; Division of in ratio of partner's capital, 18; division of, with allowance for interest, 21; division of, with allowance for salaries, 25; division of, With allowance for bonus, 27; division of, with allowance for interest and salaries, 28, equal division of,

16; reported on income statement, 29, when allowances for interest and salaries treated as expense, 29

Program for distribution of cash in partnership Liquidation of, 146

Q

Quotations of rates of exchange, 440

R

Rates of exchange, 438; choice of, in restating Foreign transactions, 440; free market, 439; mint par, 438; official, 441; quotations, 440; quoted directly, 440; quoted indirectly, 4480; spot, 440

Realization, defined, 103

Realized gross profit on installment sales, 262

Receiver in equity, 151

Receiver's reports, 152

Reciprocal accounts for home office and branch, 372; adjustments of, 372-375

Repossessions on installment sales, 269

Revenues, defined, 247; recognized, 247-249

Revenue and expense translation, 460

S

Salaries, partner's, 25; treated as partnership expense, 29

Short-end interest, 273

Statement of realization and liquidation in conventional form, 156; in worksheet format, 163

T

Trade-ins on installment sales, 267

Translation, methods, 450-451; foreign transactions; foreign operations, 451-459; see also Monetary Translation

Troubled-debt restructuring, 238; alternative Methods of recording loss, 242; loss on impairment, illustrated, 241; settling debt at lower than carrying amount, with transfer of non-cash assets, 242; with shares of stock, 242; reduced interest Rate, amount of debt, extension of maturity date, 243

U

Unrealized gross profit on installment sales, 253

V

Ventures, joint, defined, 167-171, illustrated, 171-179, see also Joint Arrangements

W

Working papers for combined statements for home Office and branch, 369; home office and foreign Branch, illustrated, 466

