

ACC2120-Financial Accounting

Notes-Week 1

30-07-2014

Chapter 2&3 Financing Company Operations

1. Financing Company Operations

-Public companies can raise funds by issuing securities to the public

a. Ordinary share b. Preference Share c. Debentures

2. Issue of Securities can be

-Fully subscribed

-**Oversubscribed:** (Application > Issue)
the company should refund the excess money to the applicants or held to future amounts payable

-**Undersubscribed:** There are not many investors interested in our companyL
-Offering of securities is less than the no. of share issued
 ⇒ Company may enter into an agreement with an underwriter(insurance company) to purchase excess shares(sell at a reduced price)

3. Share issue accounts

	Dr.	Cr.
Application account 1. Receipt of money -A liability of the company to the applicants -If shares are not issued, the money must be returned to the applicants	Cash Trust	Application
Share Capital Account 2. Allot the shares to applicants 3. Refunds to unsuccessful applicants 4. Transfer into general funds	Application Applicant Cash	Share Capital Cash Trust Cash Trust
Allotment Account 5. the amount owing to the company 6. Cash received on allotment	Allotment Cash	Share Capital Allotment
Call Account (Additional Amounts) -require further amounts to be paid in on shares if undescribed. 7. Call on shares issued	Call	Share Capital
8. Receipt of the call money	Cash	Call
Forfeiture (Cancel) of Shares 9. cancel shares when calls are not paid -Amount paid refunded back (Liability)	Share Capital	Call (Unpaid Call) Forfeited Shares (amt paid up)
10. Reissue to new shareholders (less than the fully paid value of the share)	Cash (Cash received) Forfeited Shares (discount allowed on reissued shares)	Share Capital

Notes-Week 10

Ch. 20 Equity Accounting and Joint Arrangement

1. Accounting for Investment

-No control but significant influence (on investee's operation and decision making)

- I. Representation on board of directors
- II. Participation in policy-making processes
- III. Material transactions between investor and investee
- IV. Interchange of managerial personnel
- V. Provision of essential technical information

	Cost Method	Fair Value Method	Equity Method
Advantages J	-Simplicity -Reliable measure	-Relevant: up-to-date value -Revenue recognized as value changes rather than waiting dividend	-Reliance based on investee's information: carrying amount related to wealth of the investee -Revenue recognized prior to dividend receipt
Disadvantage L	-Not relevant: No indication of changes in value since acquisition -Revenue recognized only on dividend receipt	-Not reliable -Cost associated with regular updating extra cost	-Not based on market value (not reliable) -Recognize declared dividend but no transaction has yet occurred
	Investor (not a parent) Dr. Cash Cr. Investment in associate		Investor (Parent) Dr. Cash Cr. Dividend revenue Dr. Dividend Revenue Cr. Investment in associate

Ch. 29 Joint Arrangement

	Joint Operation	Joint Venture
1. Structure of the arrangement	Not Separate (NOT structure) A+B=C	Separate (Structure) A+B+C
2. The legal form of the separate vehicle (However? <u>not sufficient</u> : Not separate? Does not mean it is ????? O???? ? at other factors)	Must not establish a separation between the parties and the separate vehicle -Asset and liabilities of the vehicle must be the parties' asset and liabilities (NOT those of the separate vehicle itself)	
3. The terms of the contractual arrangement -Rights obligation of the parties to the arrangement)		being an incorporate entity (e.g. corporation, partnership) -the entity is separate from the those of the owners of the entity
4. Any other relevant and		

circumstances		
	<p>Look at the individual operating shares of the asset and liabilities in the organization</p> <p><u>Recognize:</u></p> <ol style="list-style-type: none">1. the share of jointly held assets and liabilities2. Its revenue from the sale of any output received from the joint operation3. its share of revenue from the sale of any product that is jointly constructed by the joint operators4. its share of expenses incurred by the joint operation	