
Financial Accounting II

Addendum to Subject Manual
(Detailing critical errors and corrections)

December 2009



Chapter 2 Accounting Concepts, conventions and fundamentals

pg 36 (3rd paragraph) beginning 'Information that has.....'. This sentence should read "*Information that has a deliberate or systematic bias is information that is not neutral and is not reliable*"

Pg 42 (2nd bullet point) should read "The amount of the adjustment recognized in the current year/period."

Chapter 3 Internal and external audit and ethical issues

Pg 63 Section 3.9 (2nd paragraph) beginning 'Further members of the' Word 'not' should be inserted between 'do' and 'have'. So the line should read: "Further, members of the general public do not have a detailed understanding of accounting and accounting issues".

Chapter 6 Partnerships

Pg 189 Step 3 line beginning 'For assets that are' may be confusing. This sentence should read: "The double entry to record the proceeds from assets that are sold and sums received from Trade and other receivables is as follows:"

Pg 202 Question 3 third line beginning 'January 2010 before....' the word 'buy' should be deleted and the word 'and' inserted. So the line should read: "The balance sheet of Charlie and Les at 31 January 2010 before the admittance of Walsh and after sharing the profit to 31 January 2010 was as follows:"

Chapter 7 Ratio analysis

Pg 211 (third bullet point) beginning 'The overarching point here.....' This is not a separate bullet point but instead is a paragraph summing up the section, accordingly the bullet point and indentation should be removed. No change to the text is required.

Pg 220 second line beginning '1 – 2 is to 1' may be confusing. This would be clearer if read as follows: "a ratio of between 1:1 and 2:1 is normally considered prudent."

Pg 221 Paragraph beginning 'The major problem....' The word 'most' on the second line should be deleted and the word 'least' inserted. Thus the line should read: "Closing inventories are the least liquid current asset, taking a long time to convert into cash."

Chapter 8 Incomplete records

Pg 270 The Formula at top of page contains an error and may be confusing. The following formula should be used:

$$\boxed{\text{Profit for the year}} = \boxed{\text{Change in Net Assets}} + \boxed{\text{Proprietor Drawings}} - \boxed{\text{Capital Introduced}}$$

Pg 275. In the Bank T Account, the figure for "Cash from credit customers" should read 280,000. The remaining figures are correct.

Chapter 9 IAS 16 property, plant and equipment

Pg 287 (Last paragraph) second last line: the word 'not' should be inserted between 'would' and 'reflect'. So the line should read: "If the expenses were all written off to the income statement in the year in which they were incurred, then it would not reflect the economic substance of the transaction"

Pg 294. In the Reservation Revaluation A/C, the sum on the DR side should read 100,000 instead of 60,000. The figures are correct otherwise.

Pg 310, Question 5. The Accumulated Depreciation for Office Buildings should read "5 years at 4% p.a. straight line". This has also been noted in the solution posted on our website.