

EARTHWEAR CLOTHIERS
Schedule of Proposed Adjusting Entries
31/12/13

Work Paper Ref.	Proposed Adjusting Entry	Assets	Liabilities	Equity	Revenues	Expenses
N10	Payroll expense					75,000
	Bonuses					140,000
	Provisions		215,000			
	To accrue payroll through 31/12 and recognize 2013 bonuses					
F20	Cost of sales					312,500
	Inventory	(312,500)				
	To adjust ending inventory based on sample results					
F22	Inventory	227,450				
	Accounts payable		227,450			
	To record inventory in transit at 31/12					
R15	Accounts receivable	79,850				
	Sales				79,850	
	To record sales cut-off errors at 31/12					
	Total	<u>€(5,200)</u>	<u>€442,450</u>		<u>€79,850</u>	<u>€527,500</u>

Performance Misstatement = €900,000 (50 per cent of overall materiality).

Conclusion: Based on the above analysis, the account balances for EarthWear Clothiers are fairly stated in accordance with IFRSs.