

37 GENERAL

37.1 Reserve fund

As per clause 39(2) of the Bye-Laws of the Society as well as of the Co-operative Societies Act, 1925, the society is required to keep 1/10th of the net profit in reserve fund which shall be indivisible. The society was not maintaining such reserve fund till the end of last year. However, the society has created this fund in accordance with the requirements of the rules mentioned above during the year 2006-07.

The society has charged 10% of its accumulated surplus amounting to Rs. 1,294,229 in the current year. It was observed that such treatment is in violation of International Accounting Standard: IAS-8 "Accounting Policies, Changes in Accounting Estimates and Errors". However, it should have been charged in financial statements of the society as follow:

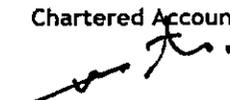
	Rupees
Balance as at 30 June 2006 and before	8,156,015
Cumulative effect due to implementation of the accounting policy	(815,602)
Balance as at 30 June 2006 - as re-stated	<u>7,340,414</u>
Net profit for the year 2007	4,786,274
Less: Transfer to general reserve (10%)	<u>(478,627)</u>
	4,307,647
Add: Accumulated surplus brought forward - as re-stated	7,340,414
Accumulated surplus carried forward to balance sheet	<u>11,648,060</u>
Total general reserve	
- Current	478,627
- Prior	815,602
	<u>1,294,229</u>

37.2 While reviewing financial statements for the year ended 30 June 2006, it was observed that the Electric Appliances in the fixed assets schedule attached to the balance sheet shows a credit balance of Rs. 72,945. It was due to wrong classification of accumulated depreciation in respect of Electric Appliances and Office Equipment in the reverse order. Same has been corrected in the financial statements of 2007.

We wish to place on record our appreciation of the cooperation extended to us by the management and staff of the Society during the course of our audit.

Yours faithfully,

For Kamran and Co.
Chartered Accountants


(KAMRAN FATAH)
FCA



C.C.

The Circle Registrar Cooperative Housing Societies Punjab, Lahore
The Secretary, Inmol Employees Cooperative Housing Society Limited.