



NATIONAL OPEN UNIVERSITY OF NIGERIA
PLOT 91, CADASTRAL ZONE, NNAMDI AZIKIWE EXPRESSWAY, JABI, ABUJA
FACULTY OF MANAGEMENT SCIENCES
2020_1 EXAMINATIONS

COURSE CODE: ACC757 **CREDIT UNIT:** 2
COURSE TITLE: PRINCIPLES OF ACCOUNTING
TIME ALLOWED: 2 Hours
INSTRUCTIONS: 1. Attempt question Number one (1) and any other two (2).
2. Question number 1 is compulsory and carries 30 marks, while the other questions carry 20 marks each
3. Present all in coherent and orderly manner

QUESTION 1

Jummy Limited has presented you the following list of balances on its transactions for the year ended 30/06/2019.

	N-	N
Inventories as at 1/07/18		
Raw Materials	205,560	
Finished Goods	707,520	
Purchases: Raw Materials	937,296	
Salaries	150,840	
Rent: Factory	115,200	
:Office	52,800	
Van Expenses	60,000	
Lighting :Factory	68,616	
Office	26,640	
Factory Wages	1,091,280	
General Expenses:		
Factory	135,360	
Office	91,584	
Sales Commission	188,640	
Property, Plant&		
Equipment(@cost N1,200,000)	780,000	
Furniture (@cost N360,000)	264,000	
Sales		3,276,000
Trade Receivables	680,880	
Trade Payables		466,800
Bank Balance	320,088	
Buildings@ cost N1,200,000	960,000	
Capital		3,298,944
Drawings	205,440	
	<u>7,041,744</u>	<u>7,041,744</u>

Additional Information:

1. Closing inventories as at 30/6/2019: Raw Materials N217,200.00 and finished goods N748,800.00.
2. Property, Plant and Machinery to be depreciated N48,000.00, Furniture N36,000.00 and Building N24,000.00
3. Manufacturing Wages of N7,320.00 has accrued. Office rent of N2,592.00 was paid in advance.

Required: Prepare the following for the year ended 30/6/2019

1. Manufacturing account (10 marks)
2. Income statement (10 marks)
3. Statement of Financial Position (10 marks)

QUESTION 2

OCHUKO and OGAGA are partners in a firm sharing profits in the ratio 3:2. The balance in their capital and current accounts as on Jan 1, 2019 were as follows:

	OCHUKO (N'000)	OGAGA
(N'000)		
Capital account	30,000	20,000
Current account	10,000	8,000

The partnership deed provided that OCHUKO is to be paid salary at N500,000 per month whereas OGAGA is to get commission of N4,000,000 for the year. Interest on capital is to be allowed at 6% per annum. The drawings of OCHUKO and OGAGA for the year were N3,000,000 and N1,000,000 respectively. Interest on drawings for OCHUKO and OGAGA works out at N75,000 and N25,000 respectively. The net profit of the firm before making these adjustments was N24,900,000.

Required: Prepare the Profit & Loss appropriation account and the Partner's capital and current account. (20 marks)

QUESTION 3

a) Explain in details 5 differences between Receipts and Payments Account and Income and expenditure account. (5 marks)

b) For many business transactions and relationships to hold, they often extend one form of credit or the other to the customer. This is often applicable to high profile businesses which buy in bulk. This is often done to encourage the customers so that it could pay up at a later agreed date. However, to formalize this credit relationship, the parties use some instruments so that the terms of transactions are clear to all concerned.

Some of these instruments include: i) Bills of Exchange. ii) Promissory Notes.

Explain each of these instruments stating the features. (15 marks)

QUESTION 4

(a) Osi & Co is a firm selling children books in the neighborhood. On January 1, 2014, the provision for discount allowed account had a balance of N500.00. During the year, the total discount allowed amounted to N390.00. On December 31, the balance of the debtors account stood at 15,000.00 and on the date, a provision for discount allowed was decided to be created at 2%.

As the accountant recently employed in Osi & Co., write up from the above:

- i) Provision for discount allowed account
- ii) Discount allowed account
- iii) Profit and Loss Account (extract)
- iv) Balance sheet (extract)

(15 marks)

(b) Distinguish between discount allowed and discount received.

(5 marks)

QUESTION 5

The accountant has found the following details of transactions for J.Frank's shop for the year ended 31/12/2015.

- a) The sales are mostly on credit. No record of sales has been kept, but N61,500,000 has been received from persons to whom goods have been sold – N48,000,000 by cheque and N13,500,000 in cash.
- b) Amount paid by cheque to suppliers during the year – N31,600,000
- c) Expenses paid during the year:
by cheque: rent N3,800,000; General expenses N310,000
by cash: Rent N400,000
- d) J Frank took N250,000 cash per week (for 52 weeks) as drawings
- e) Other information is available:

	31/12/2014	31/12/2015
	N'000	N'000
Accounts receivable	5,500	6,600
Accounts payable for goods	1,600	2,600
Rent owing	-	350
Bank balance	5,650	17,940
Cash balance	320	420
Inventory	6,360	6,800

- f) The only non-current asset consists of fixtures which were valued at 31/12/2014 at N3,300,000. These are to be depreciated at 10% per annum.

Required:

- Draw up a Statement of Affairs as at 31/12/2014
- Prepare the Final accounts

(20 marks)