



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**PLOT 91, CADASTRAL ZONE, NNAMDI AZIKIWE EXPRESS WAY, JABI – ABUJA**  
**FACULTY OF MANAGEMENT SCIENCES**  
**DEPARTMENT OF FINANCIAL STUDIES**  
**2019\_1 EXAMINATION**

**COURSE CODE: ACC311**

**CREDIT UNITS: 3**

**COURSE TITLE: FINANCIAL ACCOUNTING**

**TIME ALLOWED: 2½ HRS**

**INSTRUCTIONS:**

- 1. Attempt Question One (1) and any other three (3) questions**
- 2. Question 1 carries 25 marks, while the other questions carry 15 marks each.**
- 3. Present all points in coherent and orderly manner**

**QUESTION 1**

The following is the trial balance of ROWEN Plc. as at 31<sup>st</sup> August, 2018.

	Dr N'000	Cr N'000
Ordinary shares of 50k each		400,000
Share premium		520,000
Revaluation surplus		180,000
Retain earnings		700,000
Sales		5,780,000
Purchases	2,900,000	
Inventory at 1 <sup>st</sup> September 2017	900,000	
Returns inwards	440,000	
Returns outwards		760,000
Salaries and wages	520,000	
Directors remunerations	410,000	
Insurance and rates	320,000	
Land	600,000	
Building at cost	1,000,000	
Accumulated depreciation on building		530,000
Plant and equipment at cost	1,800,000	
Accumulated depreciation on plant & equipment		420,000
Motor vehicle at cost	1,200,000	
Accumulated depreciation on motor vehicles		320,000
Furniture and fitting at cost	1,500,000	
Accumulated depreciation on furniture & fitting		300,000

Trade receivables	500,000	
Trade payable		800,000
Long term investment	800,000	
Short term investment	500,000	
Cash in hand	700,000	
Long term loan		600,000
Investment income		710,000
Commission received		620,000
Other income		920,000
Short term loan		440,000
Loan interest	120,000	
Sundry expenses	250,000	
Bank overdraft		460,000
	<u>14,460,000</u>	<u>14,460,000</u>

Additional information

1. Inventory at 31<sup>st</sup> August 2018, valued at cost was ₦900 million. Its net realizable value is estimated at ₦640 million as a result of obsolescence;
2. At 31<sup>st</sup> August, insurance and rates outstanding amounted to ₦120 million;
3. At 31<sup>st</sup> August, prepaid wages amounted to ₦320 million;
4. Provision for corporation tax of ₦480 million is to be made on the profit for the year;
5. The company depreciates non-current assets as follows:
  - Building 10% on cost
  - Plant and equipment 20% on cost
  - Motor vehicles 25% on reducing balance
  - Furniture and fittings 15% on reducing balance

You are required to prepare the following statements for internal use:

- a. Statement of profit or loss account and other comprehensive income for the year ended 31<sup>st</sup> August, 2018. **(14 marks)**
  - b. Statement of financial position as at 31<sup>st</sup> August, 2018. **(11 marks)**
- (Total: 25 marks)**

## QUESTION 2

On 31<sup>st</sup> December 2018, the statement of financial position of Grace, Peace, and Mercy in partnership sharing profits and losses equally are as follows:

Statement of Financial Position as at 31<sup>st</sup> December, 2018

	₦	₦
ASSET: Non-current assets		
Freehold buildings & land		4,000,000
Plant & Machinery		1,200,000
Motor vehicles		900,000
		6,100,000
Current assets		
Inventory	900,000	
Receivable	800,000	
Bank	300,000	2,000,000
		8,100,000
Capital accounts:		
Grace		1,900,000
Peace		1,800,000
Mercy		1,500,000
Current accounts:		
Grace	255,000	
Peace	180,000	
Mercy	175,000	610,000
Current liabilities:		
Payables	990,000	
Bank overdraft	<u>1,300,000</u>	<u>2,290,000</u>
	<u>8,100,000</u>	<u>8,100,000</u>

On 31<sup>st</sup> December 2018, the partnership was dissolved and the asset sold publicly as follows:

Freehold Land and Building	8,000,000
Plant & machinery	800,000
Motor vehicles	400,000
Inventory	700,000

Receivables realized ₦650,000. Payables were settled in full and the bank overdraft was repaid. Grace personally took over a vehicle at the valuation of N150,000 while Peace took the other vehicle at the valuation of N80,000. Dissolution expenses amounting to N130,000 were paid.

**You are required to prepare:**

- (a) the realization account, (6 marks)
  - (b) bank account, and (5 marks)
  - (c) capital accounts to record the dissolution. (4 marks)
- (Total 15 marks)**

### QUESTION 3

The following balances were extracted from the books of Aisha Nig. Ltd for the year ended 31<sup>st</sup> December 2018.

	₦	₦
Sales: Department A		8,000,000
Department B		6,000,000
Opening inventory: Department A	350,000	
Department B	120,000	
Purchases: Department A	5,500,000	
Department B	4,000,000	
Commission	100,000	
General office salaries	250,000	
Insurance	80,000	
Rates	50,000	
Repairs	55,000	
Lighting	130,000	
Cleaning	5,000	
Internal telephone	20,000	
Discount received	15,000	
Discount allowed	14,000	
Sundry expenses	12,000	
Stationery	30,000	
Advertising	46,000	
Electricity	120,000	
Closing inventory: Department A	120,000	
Department B	80,000	

The total floor area occupied by each department was:

Department A: 2/5                      Department B: 3/5

The following basis of apportionment should be used for the departments:

- Commission, Advertising, Discounts Allowed – Proportionate to sales
- Discount received – Proportionate of purchases
- Cleaning, electricity, internal telephone, insurance – Total floor rate

All other expenses should be apportioned equally between the departments

Required:

a) Prepare the Departmental Statement of Profit or Loss account and other Comprehensive income for the year ended 31<sup>st</sup> December, 2017                      **(12 Marks)**

b) Discuss three (3) advantages of departmental accounts                      **(3 Marks)**

**(Total 15 Marks)**

#### QUESTION 4

Prestige Limited operates a branch at Asaba. All purchases are made by the head office in Warri and goods are invoiced at selling price, being cost plus 50%. The following information was given for the year ended 30<sup>th</sup> September 2017.

	₦
Cash sales	1,971,000
Credit sales	6,300,000
Goods sent to branch at invoiced price	11,250,000
Returns to head office at invoiced price	112,500
Inventory at close at invoiced price	2,812,500
Goods stolen at invoiced price	9,000
Cash stolen at invoiced price	27,000
Allowance off selling price	18,000

- You are required to prepare the necessary accounts in the books of the head office using Memorandum method **(9 Marks)**
  - Explain three (3) types of branches **(6 Marks)**
- (Total 15 Marks)**

#### QUESTION 5

The summarized Statement of Financial Position and operating results of BSC Limited for the two years ended 30<sup>th</sup> September, 2017 were as follows:

Statement of Financial Position as at 30<sup>th</sup> September

	2017 ₦'000	2016 ₦'000
Non-Current Asset (net)	32,444	13,882
Current Assets		
Inventory	124,588	104,392
Receivables	109,718	100,104
Bank	<u>14,468</u>	<u>29,130</u>
	248,774	233,626
Current Liabilities		
Payables	94,110	85,770
Taxation	8,308	6,438
Dividends	5,000	4,500
	107,418	96,708
Net current assets	141,356	136,918
10% Debentures 20x7-9		
Net assets	50,000	50,000

Financed by

Ordinary shares of ₦1 each	25,000	25,000
Revenue reserves	71,748	59,574
Deferred taxation	<u>27,052</u>	<u>16,226</u>
	<u>123,800</u>	<u>100,800</u>
Operating results for the year ended 30 <sup>th</sup> September		
	2017	2016
	₦'000	₦'000
Sales	1,345,888	1,118,142
Profit before interest and taxation	46,824	41,764
Interest payable	5,000	5,000
Taxation	201,012	17,494
Dividend	7,500	7,000

The shares of the company were quoted at ₦1.20 at 30<sup>th</sup> September, 2017.

**You are required:**

- a. Calculate from the statement of financial position and operating results:
  - i. Two (2) ratios of interest to payables **(4 Marks)**
  - ii. Two (2) ratios of interest to management **(4 Marks)**
  - iii. Two (2) ratios of interest to shareholders **(4 Marks)**
- b. Comment briefly upon the changes between 2016 and 2017 **(3 Marks)**

**(Total 15 Marks)**

**QUESTION 6**

- a) Discuss the two methods of preparing cash flow statements **(3 marks)**
- b) With respect to classification of cash flow statement, explain the following giving three (3) examples each:
  - i) Operating activities **(4 Marks)**
  - ii) Investing activities **(4 Marks)**
  - iii) Financing activities **(4 Marks)**

**(Total 15 Marks)**