



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi-Abuja
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
JANUARY/FEBRUARY 2018 EXAMINATION

COURSE CODE: ACC 311

CREDIT UNIT: 3

COURSE TITLE: FINANCIAL ACCOUNTING

TIME ALLOWED: 2 1/2 HOURS

Instructions:

- 1. Attempt question number one (1) and any other three (3).**
 - 2. Question number 1 is compulsory and carries 25 marks while the others carry 15 marks each.**
 - 3. Present all your points in coherent and orderly manner.**
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Question One

Abuja Plc is an established merchandising business making accounts annually to 30th September. The following is the trial balance of the company as at 30th September, 2017

	Dr	Cr
	₦'000	₦'000
Ordinary shares of 50k each		300,000
Share premium		460,000
Revaluation surplus		160,000
Retained earnings		621,000
Sales		3,600,000
Purchases	1,900,000	
Inventory at 1 st October 2016	600,000	
Returns inwards	240,000	
Returns outwards		200,000
Salaries and wages	400,000	
Directors remunerations	320,000	
Insurance and rates	280,000	
Land	500,000	
Building at cost	800,000	

Accumulated depreciation on building		220,000
Plant and equipment at cost	1,700,000	
Accumulated depreciation on plant and equipment		440,000
Motor vehicles at cost	700,000	
Accumulated depreciation on motor vehicles		260,000
Furniture and fitting at cost	1,100,000	
Accumulated depreciation on F&F		400,000
Trade receivables	500,000	
Trade payables		620,000
Long term investment	800,000	
Short term investment	400,000	
Cash in hand	300,000	
Long term loan		500,000
Investment income		240,000
Commission received		300,000
Other income		1,020,000
Short term loan		560,000
Loan interest	112,000	
Sundry expenses	200,000	
Bank overdraft	-	951,000
	10,852,000	10,852,000

Relevant notes

- Inventory at 30th September 20x7, valued at cost was ₦1000 millions. Its net realizable value is estimated at ₦840 million as a result of obsolescence.
- At 30th September, insurance and rates outstanding amounted to ₦120 million.
- At 30th September, prepaid wages amounted to ₦360 million.
- Provision for corporation tax of ₦360 million is to be made on the profit for the year.
- The company depreciates non-current assets as follows:

Land	0% on cost
Building	10% on cost
Plant and equipment	20% on cost
Motor vehicles	25% on reducing balance
Furniture and fittings	15% on reducing balance

Required: Prepare the following statements for internal use:

- Statement of Profit or Loss account and other comprehensive income for the year ended 30th September, 2017. **(14 Marks)**
- Statement of Financial Position as at 30th September, 2017. **(11 Marks)**

(Total 25 Marks)

Question Two

On 31st December, 2017, the outline statement of financial position of Diamond, Gold and Silver in partnership sharing profits and losses equally, was

Statement of Financial Position as at 31 December, 2017

		₦	₦
ASSETS:	Non-Current Assets		
	Freehold building & land		2,000,000
	Plant and Machinery		900,000
	Motor vehicles		<u>750,000</u>
			3,650,000
Current Assets:	Inventory	950,000	
	Receivables	700,000	
	Bank	<u>100,000</u>	<u>1,750,000</u>
			<u>5,400,000</u>
Capital Accounts:			
	Diamond		1,600,000
	Gold		1,400,000
	Silver		<u>800,000</u>
			3,800,000
Current accounts:	Diamond	35,000	
	Gold	60,000	
	Silver	<u>(45,000)</u>	50,000
Current Liabilities:	Payables	800,000	
	Bank overdraft	<u>750,000</u>	<u>1,550,000</u>
			<u>5,400,000</u>

On 31st December, 2017, the Partnership was dissolved and the asset sold publicly as follows:

	₦
Freehold building and land	3,000,000
Plant and Equipment	650,000
Motor vehicles	250,000
Inventory	725,000

Receivables realized ₦680,000. Payables were settled in full and the Bank overdraft was repaid. Black personally took over a vehicle at a valuation of ₦350,000 and white a vehicle at a valuation of ₦8,750. Dissolution expenses amounting to ₦50,000 were paid.

Required:

Prepare the Realisation Account, Bank account and Capital accounts to record the dissolution

(15 Marks)

Question Three

- 3a) Discuss the two methods of preparing cash flow statements **(3 marks)**
- 3b) 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)

Question Four

The following balances were extracted from the books of Best Nig. Ltd for the year ended 31st December, 2017:

	₦	₦
Sales: Department A		6,000,000
Department B		4,000,000
Opening Inventory: Department A	100,000	
Department B	80,000	
Purchases: Department A	4,700,200	
Department B	3,200,800	
Commission	100,400	
General Office Salaries	200,000	
Insurance	50,000	
Rates	60,000	
Repairs	48,000	
Lighting	120,000	
Cleaning	4,000	
Internal telephone	24,000	
Discount received	10,000	
Discount allowed	12,000	
Sundry expenses	14,000	
Stationery	30,000	
Advertising	46,000	
Electricity	164,000	
Closing inventory: Department A	100,200	
Department B	60,000	

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:

- a. Commission, Advertising, Discounts Allowed – Proportionate to sales

- b. Discount received – Proportionate of purchases
 - c. Cleaning, electricity, internal telephone, insurance – Total floor rate
- All other expenses should be apportioned equally between the departments

Required:

- a) To prepare the departmental statement of profit or loss account and other comprehensive income for the year ended 31st December, 2017 **(12 Marks)**
- b) Give three (3) advantages of departmental accounts **(3 Marks)**

(Total 15 Marks)

Question Five

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 30th 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

- a) You are required to prepare the necessary accounts in the books of the head office using memorandum method **(9 Marks)**
- b) State and explain three (3) types of branches **(6 Marks)**

(Total 15 Marks)

Question Six

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

Statement of Financial Position as at 30th September

	2017	2016
	₦'000	₦'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 th 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 30th September, 2017.

You are required:

a. Calculate from the statement of financial position and operating results:

- Two (2) ratios of interest to payables **(4 Marks)**
- Two (2) ratios of interest to management **(4 Marks)**
- Two (2) ratios of interest to shareholders **(4 Marks)**

b. Comment briefly upon the changes between 2016 and 2017 **(3 Marks)**

(Total 15 Marks)