



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi-Abuja**  
**FACULTY OF MANAGEMENT SCIENCES**  
**DEPARTMENT OF FINANCIAL STUDIES**  
**2023\_1 POP EXAMINATION.**

**Course Code: ACC419**

**Credit Unit: 3**

**Course Title: ADVANCED FINANCIAL ACCOUNTING**

**Time Allowed: 3 HOURS**

**Instructions:**

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

### QUESTION 1

- a) On 1 January 2020 Edebo plc acquired 100% of the 10,000 N1 common shares in Chegbe plc for N1.50 per share in cash and gained control. The fair value of the net assets of Chegbe plc at that date was the same as the book value. The statements of financial position at the date of acquisition were as follows:

	Edebo plc	Chegbe plc
	N	N
Non-current assets	40,000	22,000
Investment in Chegbe	30,000	—
Net current assets	<u>16,000</u>	<u>6,000</u>
Net assets	<u>86,000</u>	<u>28,000</u>
Share capital	32,000	20,000
Retained earnings	<u>54,000</u>	<u>8,000</u>
	<u>86,000</u>	<u>28,000</u>

**Required:** Prepare the group accounts immediately after the acquisition. **15marks**

- b) Write short note on the following:

- i) Goodwill on consolidation (2marks)
  - ii) Equity share capital (2marks)
  - iii) Fair value of net assets (2marks)
  - iv) Significant Influence (2marks)
  - v) Ratio analysis (2marks)
- (10 marks)**

## QUESTION 2

Edogbanya Construction Company Plc is in financial difficulty. The following is the Trial Balance of the company as at 30 June, 2019.

	DR	CR
Land	1,160,000	
Building (Net)	272,460	
Ordinary shares of 1 each		1,000,000
5% cum-preference shares at 1 each		700,000
8% Debenture (2020)		800,000
Equipment (Net)	107,540	
Goodwill	400,000	
Investment in shares (quoted)	270,000	
Inventory and work in progress	1,002,470	
Debtors	506,920	
Profit/Loss Account	398,210	
Interest payable on debenture		128,000
Trade creditors		962,470
Loan from Directors		160,000
Bank draft	_____	<u>367,130</u>
	<u>4,117,600</u>	<u>4,117,600</u>

Authorized capital is 2,000,000 ordinary shares of N1.00 each and 1,000,000 5% cumulative preference shares of N1.00 each. During the meeting of the shareholders and directors it was decided to carry out a scheme of internal reconstruction.

The following scheme was agreed:

- (a) Each ordinary share is to be reduced to a share of 25k.
- (b) The existing 5% cumulative preference shares are to be exchanged for new issue of 350,000 8% cum preference shares of N2.00 each and 1,400,000 ordinary shares of 25k each.
- (c) Ordinary shareholders accepted a reduction in the nominal value of the shares of N1.00 for 25k, with subscription to a new issue on the basis of 1 to 1 at a price of 30k per share.
- (d) 60,000 of Directors loan is to be cancelled. The balance is to be settled by issue of 100,000 ordinary shares of 25k each.
- (e) Goodwill and loss in the profit and loss account are to be written off.
- (f) Investments in shares are to be sold at market price of N600,000.
- (g) Bank overdraft to be repaid, N200,000 is to be paid to trade creditors and the balance payable by installment.
- (h) 20% of debtors are to be written off.
- (i) Assets are revalued as follows:

Land	2,900,000
Building	800,000
Equipment	100,000
Inventory and Work-in-Progress	500,000

**Required:** Show the necessary journal entries to effect the reconstruction scheme. (15Marks)

### QUESTION 3(a)

The figures below relate to Ojoma Company Ltd Extract of Income statement for the year ended 31 December 2019:

Gross profit N7,970,000  
Net Profit N2,550,000  
Turnover N27,430,000

Extract of assets and liabilities as at 31 December 2019  
Shareholders' Fund N13,350,000

Total Assets N20,000,000

**Required:** Using the above figures, calculate each of the following ratios

- i) Net profit on Total Assets
- ii) Gross Profit to Sales
- iii) Net Profit to Sales **(5marks)**

**QUESTION 3(b)**

The elements of financial statements consist of Assets, Liabilities, Equity, Revenue and Expenses. Define them. **(10 marks)**

**QUESTION 4**

Discuss the Laws and regulations of banks in Nigeria **(15 marks)**

**QUESTION 5**

- a) Define Investments. **(3marks)**
- b) What are the purposes of maintaining Investment Accounts? **(5marks)**
- c) What are the characteristics of a Bill of Exchange? **(7marks)**