



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: ACC812

Credit Units: 3

Course Title: INTRODUCTION TO ACCOUNTING

Time Allowed: 2 ½ Hrs

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.**

QUESTION 1

a. Explain each of the following:

- Entity concept
- Historical cost concept
- Accounting equation
- The Trial Balance
- The Statement of Financial Position **(15 marks)**

d) Blessed Day is a big merchant in Lagos who sells frozen foods and dairy products in large quantities to retailers. His sales for the first week of June 2020 are as follows;

- April 11. 4 bags of beef at N2,500 a carton to Onyia
 7 bags of chicken to Amadi at N8,200 per carton
 2 bags of beef at N2,490 each to Amadi and he received 10% trade discount
- June 12. Okonkwo bought 15 bags of turkey at N1,760 per crate and 3 ½ bags of pork at N14,400 a packet. A discount of 5% was given to him.
- June 13. 6 bags of beef was sold to Onyebu for N14,880. He also bought 2 bags of pork at N14,450 per bag and 5 bags of chicken at N8,300 a bag. Being an old customer, Blessed Day gave him 15% discount and this encourage him to buy a bag of turkey for N1,760, but this do not qualify for discount.
- June 14. Chinyere bought a bag each of beef, pork, turkey and chicken at same price with Onyia, Okonkwo, Onyebu and Amadi respectively. Being a woman with the ability to negotiate, she received 10% trade discount.

Prepare the sales day book for Blessed Day. **(10 marks)**

QUESTION 2

- a. Accountants are advised to be prudent/conservative by always providing for all possible losses. Explain allowance for bad or doubtful debts and state the accounting treatment. **(7 marks)**
- b. Marvel Enterprises just heard about allowance for bad debt and he decided to provide 7% for this on his Trade receivables figure of N88, 200. Show this in form of a journal, ledger and statement of financial position extract. **(8 marks)**

QUESTION 3

- a. Define depreciation and explain three major causes. **(5 marks)**
- b. Maple Tee Limited acquired N150, 000 worth of furniture by cash in 2018. Calculate the depreciation and prepare the Statement of Financial Position (extract) for year 2018, 2019 and 2020 using reducing balance method of 10%. **(5 marks)**
- c. Differentiate between a statement of financial position and a trial balance. **(5 marks)**

QUESTION 4

The following trial balance was extracted from the Books of Chukwuma as at 31st December 2020.

	DR	CR
	N	N
Capital		148,106
Purchases and revenue	146,260	210,920
Returns	1,236	870
Trade receivable and payables	25,284	31,480
Inventory	43,200	
Carriage inwards	580	
Motor vehicles at cost	54, 000	
Freehold property at cost	104, 000	
Office equipment at cost	21, 000	
Salaries	19,500	
Electricity	760	
Accumulated depreciation:		
Motor vehicles		20, 600
Office equipment		5,300
Allowance for bad debts		1,400
Insurance	580	
Rate	800	
Motor vehicle expenses	1,850	
Advertisements	640	
Rental income		1,640
Bad debt	494	
Discounts	388	<u>256</u>
	<u>420,572</u>	<u>420,572</u>

Additional information:

- a. Inventory N51,560
- b. Rental income owed by tenant N760
- c. Accrued Salaries N1,128

- d. Allowance for bad debts is to be increased to N1,660
- e. Prepaid expenses: insurance N108; Rate N192
- f. Allowance for depreciation:
 - Motor vehicle – 10% on cost
 - Office equipment – 10% on reducing balances

You are required to prepare a Statement of Profit or Loss for the year ended 31st December 2020; and statement of financial position as at that date. **(15 marks)**

QUESTION 5

- a. For the purpose of assisting your client, Mr Damenta, a fast food merchant, you are required to classify the following between capital and revenue expenditure

Expenditure

- I. Repair of roof
- II. Wages of shop assistant
- III. Repair of meat slicer
- IV. New tyre to van
- V. Additional shop counter
- VI. Renewing sign writing on shop
- VII. Fitting partitions to shop
- VIII. Installing security equipment
- IX. Carriage on returns outwards
- X. New cash register
- XI. Repair to office safe
- XII. Installing extra toilet
- XIII. Fire insurance premium
- XIV. Purchase of a new van

(7.5 marks)

b) Joy & Co. decided to write off N2, 000 and N1, 500 as bad debts for two customers namely Ololade and Dupe respectively for year 2020. The balances on these accounts for year 2019 are Ololade N24,200 and Dupe N5,750. Show the journal and ledgers to record the above. **(7.5 marks)**