



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi-Abuja
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
2024_2 EXAMINATION

COURSE CODE: ACC419 **CREDIT UNIT: 3**
COURSE TITLE: ADVANCED FINANCIAL ACCOUNTING
TIME ALLOWED: TWO AND HALF 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 other 3 questions carry 15 marks each. Present all your work/point in coherent and orderly manner.**
-

Question One

Faridah Top Nigeria Plc. prepares annual financial statements to September 30. At September 30, 2022 the company list of account balances were as follows:

	DR	CR
	N**000	N**000
Revenue		185,000
Production costs	103,500	
Inventory at October 1, 2021	17,375	
Distribution costs	13,500	
Administration expenses	18,250	
Loan Interest expenses	3,000	
Land at valuation	131,250	
Building – cost	100,000	
Plant and equipment at cost	160,000	
Accumulated depreciation - building at 1/10/121		26,625
Accumulated depreciation PPE at 1/10/21		31,000
Trade receivables	51,500	-
Trade payables		28,000
Bank overdraft		1,000
Issued ord. shares at 50k each (Sept.30, 2022)		175,000
Share premium at (Sept.30, 2022)		50,000
Revaluation surplus		37,500
Retained earnings		39,250
12% Loan notes (payable 2026)		25,000
	<hr/>	
	598,375	598,375

The following are relevant to the preparation of the financial statements for the year ended September 30, 2022.

(1) Inventory at September 30, 2022 amounted to N19.5m.

(2) Depreciation is to be provided on cost of the non-current assets as follows:

Building 2% per annum
Plant & equipment 20% per annum

80% of the depreciation is to be charged to cost of sales and 10% each to distribution cost and administrative expenses.

(3) Land is to be revalued to N125m.

(4) Accrued expenses and prepayments were

	Accrued Expenses N'000	Prepayments N'000
Distribution cost	2,375	1,500
Administrative expenses	875	750

(5) During the year ended September 30, 2022, 100million ordinary shares were issued at 75k per share. The directors of Faridah Top declared an interim dividend of 2k per share in September 2022. No dividends were paid during the year.

(6) Loan interest is paid annually, on September 30 each year.

Required:

Prepare: i. Statement of profit or loss and other comprehensive income for the year ended September 30, 2022. ii. Statement of financial position as at September 30, 2022. (**25Marks**)

Question Two

(a) The basic financial ratios can be grouped into the following broad categories.

- Profitability and efficiency
- Long term solvency and stability
- Short term solvency and liquidity
- Shareholders' investment ratios

Required: Briefly explain the main aims and give TWO examples of each category of the above financial ratios. **5 Marks**

(b) The following is the financial information extracted from the records of Dange Nigeria Plc for the year ended March 31, 2022.

FINANCIAL INFORMATION EXTRACTS

	N'000
Inventories:	
Raw materials	142,500
Work in progress	57,000
Finished goods	190,000
Purchases	475,000
Revenue	855,000
Cost of goods sold	712,500
Trade receivables	218,500
Trade payables	114,000

Additional Information the directors of Dange Nigeria Plc are of the opinion that the average cash operating cycles of companies that operate in the same industry as Dange Plc is 75 days.

Required:

- i. Explain the term cash operating cycle.
- ii. Calculate the cash operating cycle of Dange Nigeria Plc.
- iii. Assess the performance of Dange Nigeria Plc's cash management relative to the industry average performance.
- iv. Suggest TWO steps that should be taken by the directors of Dange Nigeria Plc to improve the cash operating cycle of the company. **10 Marks**

Question Three

- a. For the purpose of the Act, the composition of the board of directors of a company shall be deemed to be controlled by another company if that other company has the power to remove all or a majority of the directors without the consent or concurrence of another party. IFRS 10 establishes a single control model that applies to all entities (including 'special purpose entities,' or 'structured entities' or 'variable interest entities'. The changes introduced by IFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Therefore, IFRS 10 may change which entities are within a group. These changes were made by the IASB, in part, in response to the financial crisis, when there was heavy criticism of accounting rules that permitted certain entities to remain off-balance sheet. In line with the aforementioned enumerate when control is presumed to exist? **5 Marks**

- b. Alajalola Company owns the following investments in other companies:

	Equity shares held	Non-equity shares held
Morenikeji Company	80%	Nil
Oluwapelumi Company	25%	80%
Enioriyo Company	45%	25%

Alajalola Company also has appointed five of the seven directors of Enioriyo Company. Which of the following investments are accounted for as subsidiaries in the consolidated accounts of Alajalola Co Group? **5 Marks**

- c. State the certain conditions that if prevail under IFRS 10 Consolidated Financial Statements, a parent entity is allowed not to present or prepare consolidated financial statements. **5 Marks**

Question Four

- a. Enumerate five (5) evidence of Significant Influence **5 Marks**
- b. Outline the procedure of Accounting for Associates Consolidation **10 Marks**

Question Five

The figures set out below are extracted from the books of the Life assurance Ansar Ltd and related to the 12 months ended 31 December 2022.

Share capital: Authorized and issued:	N
200,000 Ordinary share of N4 each	800,000

200,000 10% preference share of N1 each	200,000
Premiums	680,000
Mortgages on property	1,200,000
Amount of life assurance fund	4,319,000
Claims	436,000
Loans on policies with surrender values	207,000
Amount due from re-insurance	70,000
Commissions	20,700
Outstanding premiums	80,800
Premium paid in advance	350
Management expenses	391,000
Surplus on sale of investment	25,000
Investments	4,025,750
Interest, dividends and Rents	280,000
Taxation	105,000
Cash	120,000

The securities have been valued at cost.

You are required to prepare the draft trial balance, the revenue account and the Statement of Financial Position for the company as at 31 December 2022. (15Marks)