



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**PLOT 91, CADASTRAL ZONE, NNAMDI AZIKIWE EXPRESSWAY, JABI, ABUJA**  
**FACULTY OF MANAGEMENT SCIENCES**  
**2024\_2 EXAMINATION**

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**COURSE CODE:** ACC 757 **CREDIT UNIT:** 2  
**COURSE TITLE:** PRINCIPLES OF ACCOUNTING  
**TIME ALLOWED:** 2 Hours  
**INSTRUCTIONS:** 1. Attempt question Number one (1) and any other two (2).  
2. Question number 1 is compulsory and carries 30 marks, while the other questions carry 20 marks each  
3. Present all your points in a coherent and orderly manner

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**QUESTION ONE**

- (a) There are several reasons for the establishment of partnership business. State five of these reasons **5marks**
- (b) Wahala company limited manufactured shoes at a cost of N240 a pair. On 1<sup>st</sup> March, 2011, the company send 1,200 pairs of shoes on consignment to its agent Poverty incorporated Demonies in Virginia, USA. The consignor paid freight charges of N2,800, Insurance N340 and export charges of N460.

On receiving the consignment, the consignee paid handling charges of \$1,150, Import tax \$4,500, Carriage inwards \$120, Fire insurance \$800 and advertisement expenses \$960. The consignee is entitled to a commission of 10% sale.

Five months later, Wahala company limited received the following account sales:

360 pairs of shoes sold at \$25 each	\$9,000
140 pairs of shoes sold at \$28 each	\$3,920
240 pairs of shoes sold at \$30 each	\$7,200
100 pairs of shoes sold at \$35 each	\$3,500
	<u>\$23,620</u>

Less expenses:

Handling charges	\$1,150	
Import tax	4,500	
Carriage inwards	120	
Fire insurance	800	
Advertisement	960	
Selling expenses	840	
Carriage outward	170	
10% Commission	2,362	<u>10,902</u>
Amount of sight draft		<u>12,718</u>

The foreign exchange rate is N60 to the dollar (\$).

**REQUIRED:**

- (i). Prepare the necessary accounts to record the above transactions in the books of Wahala company limited and the books of Poverty incorporation **10marks**
- (ii) Assume that the consignee is allowed to make credit sale and  $\frac{1}{3}$  of the sales was on credit basis. If the consignee were entitled to Del-credere commission of 7%. Show the entries in both consignor and consignee's books **10marks**
- (iii) Assume that the exchange rate at the time the sight draft was received had change to N65 to the dollar (\$). Show the effect in the consignor books **5 marks (Total 30marks)**

**QUESTION TWO**

- (a) In the course of running the association, certain expenses are inevitable that they must be incurred if the organization must exist. State the ways through which an organization can incur expenditure **10marks**
- (b) Write a short note on the following:
  - (i) Honorarium **2marks**
  - (ii) Special funds **2marks**
  - (iii) Income receive in advance **2marks**
  - (iv) Bad debt **2marks**
  - (v) Bad debt recovered **2marks (Total 20marks)**

**QUESTION THREE**

- (a) There are two ways in which accounting equation could help in the determining the components of financial statement when the records are incomplete. State these two ways/forms **4marks**
- (b) The following is the receipt and payments accounts of Super Eagle Football Club for the year ended 31<sup>st</sup> December, 2012

Super Eagle Football Club  
Receipts and Payments Account for the year ended 31 December, 2012

Receipts:	N	Payments:	N
Bank balances at 1/1/2012		payments for bar supplies	100,000
22,500		Bar expenses	35,000
Subscriptions received for:		Repairs to stands	12,000
2011(arrears)		Grounds upkeep	10,000
15,500		Secretary`s expenses	22,000
2012		Transport costs	8,000
25,000		Wages:	
2013 (in advance)	10,000	Grounds man & Assistant	50,000
Bar sales	500,000	Barman	80,000
Donations received	9,000	Bank balance at 30/12/2012	<u>265,000</u>
	<u>582,000</u>		<u>582,000</u>

Additional information

- i. Subscriptions arrears equal to N8,000 as at 31<sup>st</sup> December, 2011, and N9,000 as at 31<sup>st</sup> December, 2012.
- ii.
- |                                | 31/12/2011 | 31/12/2012 |
|--------------------------------|------------|------------|
|                                | N          | N          |
| Inventory in the bar (at cost) | 40,500     | 55,500     |
| Arrears for bar supplies       | 12,000     | 15,000     |
| Bar expenses in arrears        | 5,000      | 8,000      |
| Transport cost                 | ---        | 2,500      |
- iii. Equipment at 31<sup>st</sup> December, 2011 was valued at N500,000; depreciate equipment at 10% per annum.
- iv. The value of land and football stands as at 31<sup>st</sup> December 2011 were N150,000 and N110,000 respectively; depreciate football stands at 12% per annum.

From the above receipts and payments and the additional information, you are required to prepare:

- i. Statement of affairs as at 31<sup>st</sup> December 2011 **4 marks**
- ii. Bar trading account for the year ended 31<sup>st</sup> December 2012 **4 marks**
- iii. Income and expenditure account for the year ended 31<sup>st</sup> December 2012 **4 marks**
- iv. Statement of financial position as at 31<sup>st</sup> December 2012 **4 marks** (**Total 20marks**)

**QUESTION FOUR**

- (a) What are the differences between the joint venture and partnership business **8marks**
- (b) Define the following terms:
- (i) Bill of exchange **4marks**
- (ii) Partnership business **4marks**
- (iii) Joint venture business **4marks** (**Total 20marks**)