



**NATIONAL OPEN UNIVERSITY OF NIGERIA PLOT 91, CADASTRAL  
ZONE, NNAMDI AZIKIWE EXPRESSWAY, JABI, ABUJA  
FACULTY OF MANAGEMENT SCIENCES  
2025\_1 EXAMINATION**

**COURSE CODE: ACC 812 CREDIT UNIT: 3 Units**

**COURSE TITLE: Introduction to Accounting**

**TIME ALLOWED: 2 ½ HOURS**

**Instructions:**

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

**QUESTION 1**

Jotim has the following financial statements

**Jotim Plc**

Statement of Financial Position as at 30<sup>th</sup> April

2019

2018

<b>Non-current Asset</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Freehold Premises	287,50 0		225,00 0	
Vehicles	300,00 0		200,00 0	
Equipment	150,00 0			
Furniture	<u>50,000</u>	787,500	<u>75,000</u>	500,000
Current Assets:				
Inventory	21,200		16,500	
Trade Receivables	27,300		8,900	
Salaries	2,000		-	
Rent Receivables	-		1,300	
Bank	-		53,300	
Cash	<u>97,500</u>	<u>148,000</u>	<u>28,400</u>	<u>108,400</u>
		935,500		608,400
<b>Equity:</b>				
Authorized capital:				
Ord. Shares of N1 each	500,00 0		500,00 0	
Pref. Shares of N1.2 each	<u>300,00</u> 0	<u>800,000</u>	<u>300,00</u> 0	<u>800,000</u>
Issued and paid up Capital:				
Ord. Shares of N1 each		400,000		300,000
Reserves:	75,000		-	
Share Premium	30,000		18,000	
General Reserves	<u>15,000</u>	<u>120,000</u>	<u>27,000</u>	<u>45,000</u>
Retained Profits		520,000		345,000
<b>Non-current Liabilities:</b>				
15% Debentures	75,000		-	
20% Pref. Shares of N1.2 each	<u>300,00</u>	375,000	<u>225,00</u>	225,000

	<u>0</u>		<u>0</u>	
Current Liabilities:				
Trade Payables	34,400		29,800	
Salaries	-		1,250	
Rent Receivable	1,800		2,100	
Electricity	-		1,750	
Debenture Interest Payable	1,500		3,500	
Bank	<u>2,800</u>	<u>40,500</u>	-	<u>38,400</u>
		<u>935,500</u>		<u>608,400</u>

Year Ended 30 <sup>th</sup> April	2019 N'000	2018 N'000
Cost of goods Sold	211,200	198,000
Credit Sales	207,300	185,600
Credit Purchases	134,500	122,400

**Required:**

a) for each of the two financial years, compute the following ratios:

- Current ratio and acid test ratio
- Inventory turnover and inventory holding period
- Trade receivables` turnover and trade receivables` collection period.
- The trade payables` turnover and trade payables` payment period.

**(12 Marks)**

b) Explain briefly the following accounting ratios;

- Profitability Ratios
- Short Term Solvency Ratios
- Long term Solvency Ratios (gearing ratio **(3 marks)**)

c) What is working capital, and why is it significant for the long-term survival of a business? **(10 Marks)**

**QUESTION 2.**

a. You are an auditor reviewing the financial statements of Pembo Ltd, a mid-sized manufacturing company. During your audit, you noticed that the company has been consistently applying certain accounting concepts over the years. However, this year, the financial director has decided to change some of these concepts due to perceived business advantages. Below are some of the practices observed:

- Going Concern: Pembo Ltd has been suffering continuous losses for the past three years. Despite this, the company has reported its assets at historical cost and not their net realizable value.
- Accruals Concept: The company has recorded revenues in the current year even though the goods have not yet been delivered to the customers. Similarly, it has delayed recording some expenses until the next accounting period.
- Matching Concept: Pembo Ltd has recorded the cost of goods sold in the current year but has deferred the related revenue to the next accounting period.
- Prudence Concept: The company has made a provision for bad debts, which appears to be significantly understated considering the aging of receivables.
- Consistency Concept: The company has changed its method of inventory valuation from FIFO (First-In, First-Out) to LIFO (Last-In, First-Out) during the current year to report a lower profit due to increasing prices of raw materials.

**Required:**

(a) Explain each of the accounting concepts mentioned above and their implication as it applies to Pembo Ltd's financial statements. **(10 Marks)**  
(b) Describe the accounting equation and explain items that make up the equation. **(5 Marks)**

### QUESTION 3.

a) Kempus Enterprises is a small business that keeps a three-column cash book to record its financial transactions. Below are the transactions for the month of November 2015:

1. Nov 1: Balance brought forward from October - Cash N100,000, Bank N500,000.
2. Nov 2: Paid rent by cheque N70,000.
3. Nov 4: Received cash from sales N200,000.
4. Nov 7: Paid wages in cash N50,000.
5. Nov 10: Paid electricity bill by cheque N30,000.
6. Nov 12: Purchased office supplies, paid by cheque N15,000.
7. Nov 15: Cash sales N250,000.
8. Nov 18: Received cheque from a debtor, N300,000.
9. Nov 20: Paid insurance premium by cheque N40,000.
10. Nov 22: Received Cash donation N100,000 for office use.
11. Nov 25: Paid salaries by cheque N120,000.
12. Nov 28: Paid transportation expenses in cash N10,000.
13. Nov 30: Bank charges debited by the bank N5,000.

Requirement: Prepare a three-column cash book for Adebola Enterprises for the month of November 2015.

**(10 Marks)**

b. Explain the key differences between a cash transaction and a credit transaction in the context of accounting. Include relevant examples to illustrate your points. **(5 Marks)**

### QUESTION 4

- a. Define cost accounting and explain its importance in managerial decision-making. **(10 Marks)**
- b. Distinguish between cost accounting and financial accounting, highlighting their primary objectives and the types of information they provide. **(5 Marks)**

### QUESTION 5

- a) Discuss the concept of Activity-Based Costing (ABC) and compare and contrast it with traditional costing methods. **(10 Marks)**
- b) Outline the steps involved in implementing an Activity-Based Costing (ABC) system. **(5 Mark)**