



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi-Abuja
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
2020_1 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

Igbinedion Enterprises is a trading firm. The trial balance of the firm for the year ended 31st December 2015 is as follows:

PARTICULARS	DR N	CR N
Opening Inventory	61,290	
Sales		490,000
Return Inwards	400	
Purchases	322,000	
Return Outwards		9,440
Carriage Inwards	5,000	
Wages	3,000	
Rates	7,775	
Salaries	90,000	
Carriage outward	9,925	
Insurance	2,025	
Electricity	4,295	
Office expenses	5,580	
Repair of motor vehicles	17,190	

Motor vehicle	129,375	
Furniture and Fittings	55,620	
Trade receivables	100,800	
Trade payables		44,800
Cash	10,000	
Bank	2,465	
Drawings	31,050	
Capital		313,550
		857,790

Inventory at 31st December, 2015 is valued at N76,230

Required:

1. Prepare statement of profit or loss of the enterprise for the year ended 31st December, 2015. **(10 marks)**
2. Prepare statement of financial position of the enterprise as at 31st December, 2015. **(10 marks)**
3. The essence of the statement of Financial position (SOFP) is to determine what a business entity own and what it owes at a given period of time. Explain the following elements that are contained in the SOFP:
 - i. Assets (Non- current & Current)
 - ii. Liabilities (Current & Non-current)
 - iii. Owners equity **(5 marks)**

QUESTION 2

On 1st November 2016, Light ventures had N15,000 as cash in hand and a balance of N50,000 in his bank account. The following are the transactions of Light Ventures for the month of November, 2016.

November 2nd : Received the sum of N30,000 from Joy.

November 3rd : Sum of N25,000 was received in cash from James. Settled the account of Rita N20,000 by cheque

November 5th : Deposited N27,000 into the bank

November 7th : Paid rent of N38,400 by cash

November 9th : Paid Jane, N15,500

November 11th : Dean settled his account of N60,000

November 13th : Received a cheque of N75,000 from Adams. The cheque was deposited into the bank immediately

November 15th : Paid wages the sum of N57,600 by cash

November 18th : Paid electricity bill of N65,000. Received cash from Dinah N60,000

November 23rd : Laura's account of N50,000 was settled by cheque

November 25th : Clark bought goods worth N130,500 and paid cash immediately

November 29th : Paid rates by cheque N65,400 and withdrew N10,000 by cheque for private use.

- a) You are required to prepare a 2-column cash book for Light Ventures for the month of November 2016. **(10 marks)**

b) Many firms also operate their petty cash on an imprest system. What are the advantages of an imprest system. **(5 marks)**

QUESTION 3

The following is the list of balances extracted from the ledger of EGHOHGO, a sole practitioner of an audit firm as at 31/12/2016

	N
Audit fee income	500,000
Consulting fee income	1,000,000
Cash in bank	825,000
Sundry income	150,000
Owner's equity: Capital	375,000
Administrative expenses	300,000
Salaries and allowances	400,000
Subscription	5,000
Profit or Loss account brought forward	575,000
Professional license renewal fee	2,500
Rent	75,000
Stationery	125,000
Receivables	425,000
Transport and travelling	37,500
Furniture and fittings at cost	150,000
Motor vehicle at cost	275,000
Newspaper and Journal	40,000
Rates	25,000
Provision for depreciation (motor vehicle)	55,000
Provision for depreciation (furniture & fittings)	30,000

a) Prepare a Trial Balance of Eghoghoas at 31/12/2016

(10 marks)

b) IAS 16 allows non-current tangible assets to be valued using two approaches: historical cost and the alternative treatment, revalued amount. Explain in details these two approaches . **(5 marks)**

QUESTION 4

A business has a financial year end of 31 December. A computer is bought for N2,000,000 on 1st January 2015. It is to be depreciated at the rate of 20% using the reducing balance method.

Required:

a) Show the first three years accounting entry for:

- Computer a/c
- Accumulated provision for depreciation a/c
- Profit & Loss a/c
- Balance sheet

(10 marks)

b) The two main methods of calculating depreciation charges are: Straight line method and Reducing balance method. Describe these two methods giving suitable examples. **(5 marks)**

QUESTION 5

Anthony has an accounting year ending on 30 November. At 30 November 2012 his ledger contained the following accounts:

	N'000
Trade receivables	20,000
Provision for bad debts	1,000

The trade receivables at 30 November 2013 were N18,900,000. This includes an amount of N300,000 owed by Festus that was thought to be irrecoverable. It also includes amounts of N240,000 owed by Charles, N150,000 owed by Micheal and N210,000 owed by Augustine, all of which are regarded as doubtful debts.

You have been instructed to make a provision for bad debts at 30 November 2013. This should include a specific provision for debts regarded as doubtful and a general provision of 5 per cent of trade receivables.

Show the ledger entries in respect of the above and the relevant statement of financial position extract.

(10 marks)

b) What do you understand by the term 'bad debts'? In what circumstances might a debt be treated as irrecoverable? State the entries in the ledger when the debt is regarded as irrecoverable. **(5 marks)**

QUESTION 6

- a) There are some common misconceptions in relation to the role of the auditors, even among “financially aware” people, Explain these misconceptions also known as expectation gap. **(5 marks)**
- b) Describe what is meant by Auditors’ Negligence **(5 marks)**
- c) Explain the primary and secondary objectives of auditing **(5 marks)**