



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91, Cadastral Zone, Nnamdi Azikiwe Express Way, Jabi-Abuja
Faculty of Management Sciences, Department of Financial Studies
2020_2 Examination...

COURSE CODE: ACC 311

CREDIT UNIT: 3

COURSE TITLE: Financial Accounting

TIME ALLOWED: 2 ^{1/2} 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 others carry 15 marks each.**
- 3. Present all your points in coherent and orderly manner**

Question One

You are to study the following financial statements for Abuja Enterprises and Lagos Enterprises stores and then answer the questions which follow.

Financial Statements

	Abuja Enterprises		Lagos Enterprises	
	₦	₦	₦	₦
Income Statements				
Sales		555,000		750,000
Less Cost of goods sold				
Opening inventory	100,000		80,000	
Add Purchases	200,000		320,000	
	<u>300,000</u>		<u>400,000</u>	
Less Closing inventory	(60,000)	(240,000)	(70,000)	(330,000)
Gross profit		315,000		420,000
Less Depreciation	5,000		15,000	
Wages, salaries and commission	165,000		220,000	
Other expenses	45,000	(215,000)	35,000	(270,000)
Net profit		<u>100,000</u>		<u>150,000</u>

Statement of financial position

Non-current assets

Equipment at cost	50,000		100,000	
Less Depreciation to date	<u>(40,000)</u>	10,000	<u>(30,000)</u>	70,000
<i>Current assets</i>				
Inventory	60,000		70,000	
Accounts receivables	125,000		100,000	
Bank	25,000	210,000	12,500	182,500
Total assets		<u>220,000</u>		<u>252,500</u>
<i>Current liabilities</i>				
Accounts payable		<u>(104,000)</u>		<u>(100,500)</u>
Net assets		116,000		152,000
Financed by:				
Capitals				
Balance at start of year		76,000		72,000
Add Net profit		<u>100,000</u>		<u>150,000</u>
		176,000		222,000
Less Drawings		<u>(60,000)</u>		<u>(70,000)</u>
Total capital		<u>116,000</u>		<u>152,000</u>

Required:

(a) Calculate the following ratios for each business:

- (i) gross profit as percentage of sales;
- (ii) expenses as percentage of sales;
- (iii) inventory turnover;
- (iv) rate of return of net profit on capital employed;
- (v) acid test ratio;
- (vi) accounts receivables/sales ratio
- (vii) accounts payables/purchases ratio
- (viii) current ratio

(16 marks)

(b) State SIX purposes of Accounting information

(9 marks)

(Total 25 marks)

Question Two

- a. State FIVE advantages of the statement of cashflows
- b. Mention FOUR limitations of the Statement of Cashflows
- c. List TWO items each under the following activities: Operating activities, investing activities and financing activities.

(Total marks 15)

Question Three

Success Ltd has a nominal value of the Ordinary Shares Capital of ₦1 per share. It issued 400,000 of this ordinary share on 1st January 2018 payable as follows: Application 25k, Allotment 40k, 1st Call 35k and Final Call 20k.

When application register were closed 500,000 applications were received. The shares were allotted and excess applications fees were refunded. Allotment fees and calls fees were received when due.

You are required to prepare the following accounts:

- i. Bank Account
- ii. Application Account
- iii. Allotment account
- iv. 1st Call account
- v. Final Call account

(b) Using the above account, prepare the abridged Statement of Financial Position after the above transactions were completed.

(Total marks 15)

Question Four

(a) Wazobia is the proprietor of a shop selling paintings and ornaments. For the purposes of his financial statements he wishes the business to be divided into two departments:

Department A – Paintings

Department B – Ornaments

The following balances have been extracted from his nominal ledger at 31 August 2019:

	Dr	Cr
	₦	₦
Sales Department A		75,000
Sales Department B		50,000
Inventory Department A, 1 September 2018	1,250	
Inventory Department B, 1 September 2018	1,000	
Purchases Department A	51,000	
Purchases Department B	38,020	
Wages of sales assistants Department A		
Wages of sales assistants Department B		
Picture framing costs		
General office salaries		
Fire insurance – building		
Lighting and heating		
Repairs to premises		
Internal telephone		
Cleaning		
Accountancy charges		
General office expenses		

Inventory at 31 August 2019 was valued at:

Department A ₦1,410

Department B ₦912

The proportion of the total floor area occupied by each department was:

Department A: two-fifths

Department B: three-fifths

(a) Prepare Wazobia's departmental income statement for the year ending 31 August 2019, apportioning the costs, where necessary, to show the net profit or loss of each department. The apportionment should be made by using the methods as shown:

Area – Fire insurance, Lighting and heating, Repairs, Telephone, Cleaning; Turnover – General office salaries, Accountancy, General office expenses. **(11 marks)**

(b) Explain the following terms:

(i) Independent departmental account **(2 marks)**

(ii) Dependent departmental account **(2 marks)**

(Total 15 marks)

Question Five

(a) Explain the following terminologies under branch accounts:

i. Local branch

ii. Foreign branch

iii. Dependent branch

iv. Independent branch

v. Unrealised profit

vi. Foreign branch

2 marks each

(12 Marks)

(b) State Three (3) features of an independent branch **(3 Marks)**

(Total 15 Marks)

Question Six

The following trial balance is extracted from the books of Nigeria Ltd as at 31st December, 2018.

	Dr	Cr
	₦	₦
Inventory 1/1/2018	30,000	
Sales		285,750
Purchases	196,020	
Carriage Inwards	1,320	

Carriage outwards	480	
Debtors and Creditors	63,000	69,000
Ordinary share capital		300,000
7% Preference share capital		90,000
6% Debentures		72,000
Goodwill	60,150	
Preliminary expenses	9,630	
Land and Building	135,000	
Equipment	105,000	
Motor vehicle	165,000	
Bank	85,680	
Cash in hand	72,000	
Provision for depreciation: Equipment		9,150
Motor vehicle		12,900
General reserve		39,600
Share premium		15,000
Interim ordinary dividend	12,150	
Profit and loss		84,600
Motor expenses	2,340	
General expenses	1,440	
Debenture interest	2,220	
Rates	4,560	
Salaries & Wages	13,110	
Directors remuneration	12,750	
Auditors remuneration	<u>6,150</u>	
	<u>978,000</u>	<u>978,000</u>

Additional Information:

- i. Inventory at 31/12/2018 was ₦90,000.
- ii. Accrued debenture interest and salary are ₦2100 and ₦750 respectively.
- iii. Transfer ₦12,300 to general reserve
- iv. Authorized share capital is ₦150,000 in Preference shares and ₦900,000 in ordinary shares.
- v. Provision for depreciation: Motor vehicle – ₦13,500
Equipment - ₦6,900
- vi. Write off goodwill ₦1,500; Preliminary expenses ₦9,630
- vii. Corporation Tax – ₦7,500
- viii. Provide for preference dividend ₦6,300 and final ordinary dividend of 5%.

Required:

Prepare the final accounts of Nigeria Ltd for the year ended 31st December, 2018.

(15 marks)