



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi, Abuja
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
2021_2 EXAMINATION

COURSE CODE: ACC 311 **CREDIT UNIT: 3**
COURSE TITLE: FINANCIAL 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.

QUESTIONS

1(a) The following trial balance is extracted from the books of Ajala Ltd as an 31st December, 2020.

PARTICULARS	Dr	Cr
	₦	₦
Inventory 1/1/2020	20,000	
Sales		90,500
Purchases	60,000	
Carriage Inwards	440	
Carriage outwards	160	
Debtors and Creditors	21,000	21,000
Ordinary share capital		100,000
7% Preference share capital		30,000
6% Debentures		24,000
Goodwill	25,000	
Preliminary expenses	3,210	
Land and Building	45,000	
Equipment	35,000	
Motor vehicle	55,000	
Bank	24,000	
Cash in hand	24,000	
Provision for depreciation: Equipment		3,050
Motor vehicle		4,300
General reserve		13,200
Share premium		5,000
Interim ordinary dividend	4,050	
Profit and loss		90,450
Motor expenses	780	
General expenses	480	
Debenture interest	740	
Rates	1,520	
Salaries & Wages	4,370	
Directors remuneration		2,000
Auditors remuneration		1,000
		<u>327,750</u> <u>327,750</u>

Additional Information:

- i. Inventory at 31/12/2020 was ₦40,000.
- ii. Accrued debenture interest and salary are ₦700 and ₦250 respectively.
- iii. Transfer ₦4100 to general reserve
- iv. Authorized share capital is ₦40,000 in Preference shares and ₦300,000 in ordinary shares.
- v. Provision for depreciation: Motor vehicle – ₦4,5000
Equipment - ₦2,300
- vi. Write off goodwill ₦1,500; Preliminary expenses ₦3,210
- vii. Corporation Tax – ₦2,500
- viii. Provide for preference dividend ₦2,100 and final ordinary dividend of 5%. You are required to prepare the final accounts of Ajala Ltd for the year ended 31st December, 2020.

(20 marks)

1(b) Outline five examples of cash flow from investing activities (5 marks)

2(a) Omega Limited and Alpha Limited have agreed to amalgamate with effect from January 1 2020, Omega & Alpha Limited was established to take over the business and has issued 200,000 ₦1 Ordinary shares and ₦100,000 7½ Debentures, in each case for cash by 31 December, 2019.

Below are the Statement of Financial Positions of Omega Limited and Alpha Limited on 31 December, 2019.

Statement of financial position as at 31st December, 2019

	Omega Ltd	Alpha Ltd
₦	₦	₦
Ordinary Share Capital of N1 each	100,000	200,000
Reserves	<u>50,000</u>	<u>100,000</u>
	<u>150,000</u>	<u>300,000</u>
Non-current Assets (Book value)		
Land and Building	80,000	100,000
Plant and machinery	-	100,000
Furniture and Fittings	50,000	-
Motor vehicle	<u>30,000</u>	<u>50,000</u>
	160,000	250,000
Current Assets		
Inventories	60,000	150,000
Receivables	30,000	70,000
Bank	<u>25,000</u>	<u>10,000</u>
	115,000	230,000
Current Liabilities		
Account Payables	(45,000)	(60,000)
Proposed Dividend	-	(20,000)
Bank Overdraft	<u>70,000</u>	<u>(20,000)</u>
	<u>230,000</u>	<u>380,000</u>

Assets of Omega Limited and Alpha Limited were taken over by Omega & Alpha Limited as follows:

	Omega Limited	Alpha ltd
Land and Building	80,000	100,000
Plant and Machinery	---	120,000
Motor Vehicle	18,000	50,000
Inventories	75,000	100,000
Receivables	30,000	70,000
Payables	---	70,000
Goodwill	64,500	100,000

Omega & Alpha Limited acquired all the assets of Omega Limited except for bank balance which was retained by the latter to discharge some of the Account Payables. The agreed purchase consideration consisted of ₦27,500 in cash and 300,000 ordinary share of ₦1 in Omega & Alpha Limited at a premium of 10k. The liquidator of Omega Limited agreed to discharge the remaining payables.

Omega & Alpha Limited acquired all assets in Alpha Limited and also assumed responsibility for discharging all payables. The purchase consideration of ₦500,000 was discharged by the issue of 400,000 ordinary share of ₦1 each in Omega & Alpha Limited and the payment of ₦75,000 to settle outstanding debts including proposed dividend and ₦7,500 liquidation expenses.

You are required to prepare the necessary account to liquidate Omega Limited and Alpha Limited (10 marks)

2(b) Outline five advantages of cash flow statement (5 marks)

3(a) Ojogwo Ltd issued 200000 ordinary shares of ₦1 each payable in installment as follows:

- Application 85k
- Allotment 60k
- First call 15k
- Second call 25k

Applications were received for 400000 shares and it was decided to deal with them as follows:

- i. To accept in full 50000 shares.
- ii. To return cheque for 150000 shares
- iii. To allot the remaining shares on the basis of 3 for every 4 applied for. All applicants

paid on due date.

Required: Post into all necessary books. **(10 marks)**

3(b) Explain how the following should be treated in Cashflow statement (i) Dividend Receivable (ii) Interest Received (iii) Interest Paid (iv) Dividends Paid (v) Tax Paid **(5 Marks)**

4(a) Write notes on the following: (i) Authorized share capital (ii) Paid up capital (iii) Calls in arrears (iv) Reserve Capital (v) Allotment of Share (10 marks)

4(b) List and explain two major types of business combination (5 marks)

5(a) Distinguish between Fixed Capital Accounts and Floating Capital Account (10 marks)

5(b) Outline five rules which partnership Act lays down to be observed in the absence of agreement. (5 marks)