



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi, Abuja**  
**FACULTY OF MANAGEMENT SCIENCES**  
**DEPARTMENT OF FINANCIAL STUDIES**  
**2021\_1 EXAMINATION**

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**COURSE CODE: ACC 311**

**CREDIT UNIT: 3**

**COURSE TITLE: FINANCIAL ACCOUNTING**

**TIME ALLOWED: TWO AND HALF 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.**

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**1(a)** Okon and Joe share profit in the ratio of 3:2. Before admitting Johnson to the partnership, the goodwill was value at ₦25,000. Each partner had contributed ₦9000 as his fixed capital. The statement of Financial Position of the firm before goodwill was introduced as follows:

Statement of Financial Position

	₦
Non-Current Asset	12,800
Current Assets (cash)	<u>3,200</u>
	<u>16,000</u>
Capital Accounts: Okon	10,000
Joe	<u>10,000</u>
	<u>20,000</u>

Prepare the necessary entries to record the goodwill and the amended statement of financial position. (15 marks)

**1(b)** List and explain five types of partners (5 marks)

**1(c)** Outline the Differences between Private and Public Companies (5 marks)

**2(a)** The balance sheet of Mandy Ltd as at 31<sup>st</sup> December 2020 is given below:

Net Assets	10,000
Bank	<u>3000</u>
	<u>13000</u>
<u>Financed by:</u>	
Ordinary Shares	6000
Preference share capital	2000
Retained profit	<u>3000</u>
	<u>11000</u>

₦2000 preference shares were redeemed at par by partly issuing ₦1200 from ordinary share at par and partly using retained profit.

- Show the journal entry of the above transaction. (3 marks)
- Show the ledger entry (3 marks)
- Show the balance sheet after the transaction happened (4 marks)

**2(b)** Outline items that must be shown either on the face of the Balance sheet or by additional notes attached to it. (5 marks)

**3(a)** Sunday, Kojo and Dora are in partnership sharing profit and loss in a proportion 3: 2: 1. By the terms of the partnership agreement, interest on capital is 5% per annum and Dora entitles to a salary of ₦300 per annum. On 31<sup>st</sup> Dec 1970, the following credit balances appear in partnership books.

Sunday's capita account	₦6,000
Kojo's " "	₦5,000
Dora's " "	₦3,000
Sunday's current account	₦900
Kojo's " " " "	₦500
Dora's " " " "	₦200
Kojo's loan account	₦500

The net profit for the year before changing interest on capital, interest on Kojo's loan and Dora's salary amounted to ₦2075.

Drawing for the year amounted to:

Sunday - ₦2,000

Kojo - ₦1,500 and Dora ₦900

You are required to show the entry in the appropriation account and balance up the current Account of the partners. (10 marks)

**3(b)** Outline Reasons for Goodwill (5 marks)

**4(a)** Casmir, Amanda and Chizzy were in partnership sharing profit and loss in ratio: Casmir  $\frac{1}{2}$ , Amanda  $\frac{1}{3}$ , and Chizzy  $\frac{1}{6}$ . The draft statement of financial position as at 31<sup>st</sup> December, 2020 was as follows:

**Statement of Financial Position as at 31<sup>st</sup> December 2020**

<b>Assets:</b>		<b>₦</b>	
Non-Current Assets: Freehold Land & Building			50,000
	Plant and Machinery		53,000
	Motor Car		<u>20,000</u>
			123,000
Current Assets:			
	Inventory	32,000	
	Receivables	36,250	
	Cash	<u>10,500</u>	<u>78,750</u>
			<u>216,250</u>
<b>Capital &amp; Liabilities</b>			
Capital Accounts:			
	Casmir		75,000
	Amanda		40,000
	Chizzy		<u>16,250</u>
			131,250
Non-Current Liability:			
	Loan – Casmir	15,000	
	Provisions: Deferred repairs	25,000	
	Staff Pension	<u>20,000</u>	60,000
Current Liability – Payable			<u>25,000</u>
			<u>216,250</u>

Casmir retired on 31st December, 2020 and Amanda and Chizzy continued in partnership, sharing profits in the same ratio as before. It was agreed that Casmir should take over one of the firm's cars at the book value of ₦20,000 and should leave the balance due to him on loan. It was further agreed that, for the purpose of both the dissolution and the controlling partnership, the following adjustments should be made in the statement of financial position as at 31<sup>st</sup> December 2020.

- i. Freehold land & Building should be revalued at ₦75,000 and Plant & Machinery at ₦50,000.
- ii. The provision for deferred repairs was no longer required and the staff pensions provision should be increased by ₦20,000.

The partnership agreement provided that on the retirement of a partner, goodwill should be revalued at an amount equal to the average annual profit of the three years expiring on the date of retirement. The relevant profits were:

Year ended 31 <sup>st</sup> December 2018	₦42,000
Year ended 31 <sup>st</sup> December 2019	₦45,000
Year ended 31 <sup>st</sup> December 2020	₦35,000

It was agreed that, for the purpose of valuing goodwill, the revaluation of the Non-current assets, the adjustments to the provision for deferred repairs and staff pensions should not be regarded as affecting the profit. Amanda and Chizzy decided that goodwill should not be carried in the books as an asset.

**Required:**

- i. Prepare the revaluation Account (5 marks)
- ii. Prepare capital accounts showing the balance due to Casmir on retirement ( 5 marks)

**4(b)** List and explain characteristics of limited company (5marks)

**5(a)** On 31<sup>st</sup> December, 2020, the outline statement of Financial Position of John, Shehu and Garba in partnership sharing profit and losses equally was

**Statement of Financial Position as at 31<sup>st</sup> December 2020**

	₦	₦
Assets: Non-Current Assets		
Freehold Building & Land		120,000
Plant & Machinery		50,000
Motor vehicles		<u>38,000</u>
		208,000
Current Assets:		
Inventory	50,000	
Receivables	40,000	
Bank	<u>7,000</u>	<u>97,000</u>
		305,000
Capital Accounts:		
Bank		80,000
White		70,000
Green		<u>40,000</u>
		190,000
Current Accounts:		
Black	1,750	
White	3,000	
Green	<u>(2,250)</u>	2,500
Current Liabilities:		
Payables	40,000	
Bank Overdraft	<u>37,500</u>	<u>77,500</u>
		270,000

On that date, the partnership was converted into a limited company, Ibeku Ltd. The agreed consideration was ₦232,500 to be discharged by a payment to the partners of ₦70,000 and by the issue of 125,000 Ordinary shares of ₦1 per share at a premium of 30k fully paid. The shares were taken on by John 50,000 shares, Shehu 50,000 shares and Garba 25,000 shares.

**Required**

Prepare the Realisation, Ibeku Ltd and Capital Account of the partnership to record the Conversion (10 marks)

**5(b)** Outline five (5) contents of Articles of Association. (5 marks)