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**NATIONAL OPEN UNIVERSITY OF NIGERIA**

**PLOT 91, CADASTRAL ZONE, NNAMDI AZIKIWE EXPRESSWAY, JABI, ABUJA**

**FACULTY OF MANAGEMENT SCIENCES**

 **NOVEMBER 2018EXAMINATIONS**

**COURSE CODE: ACC 311 CREDIT UNIT: 3**

**COURSE TITLE: FINANCIAL ACCOUNTING**

**TIME ALLOWED: 21/2 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 other questions carry 15 marks each**

 **3. Present all your points in coherent and orderly manner**

**Question one**

1a. In the absence of agreement to the contrary, the Partnership Act 1890 provides certain provisions for the dissolution of partnership. Briefly state any four of those provisions.

b. Obinna, Andrew and Okoro entered a partnership business sharing profit and losses in the ratio 4:3:3. The trial balance extracted from the financial transactions of the partnership as at 30th September 2017 is as follows:

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 Capital Accounts

Obinna 22,500

 Andrew 15,000

 Okoro 7,500

 Current Accounts

 Obinna 875

 Andrew 625

 Okoro 375

 Bad debt 750

 Account Receivables 28,000

 Account payable 43,750

 Provision for doubtful debts 1,250

 Bank 8,125

 Land and building at cost 75,000

 Office expenses 3,000

 General expenses 2,000

 Motor vehicle at cost 25,000

 Sales 187,500

 Purchases 106,250

 Rent and rate 2,250

 Wages and salaries 2,750

Selling expenses 15,000

Insurance 2,500

Inventory at beginning 20,000

Accumulated depreciation:

Land & building 15,000

Motor van 10,000

Drawing:

Obinna 5,000

 Andrew 3,750

Okoro 3,750

Bills payable 20,000

Bills receivable 1,250

Equipment 18,750

**Additional Information** 323,750323,750

1. Closing inventory was N37,500
2. Expenses owing: selling expenses N350, wages and salaries N325 and insurance N200.
3. Expenses paid in advance: Rent and rates N325.
4. Non-current assets are written off as follows:

Land and building 5% per on cost annum, motor vehicle 20% on cost per annum.

1. Provision for bad debts is to be made equal to 5% of outstanding receivables as at 30th September 2017.
2. The partnership agreement covers the following information:
3. Andrew is to be allowed a salary of N7,500 per annum.
4. Interest on capital to be 10%.
5. Interest on drawing 5%.

**You are required to prepare:**

1. Statement of profit or loss for the year ended 30th September 2017.
2. Partnership appropriation accounts.
3. Partners current accounts.
4. Statement of financial position as at that date.

**25 marks**

**Question two**

2a. List any **four** features of a dependent branch.

b. Deluxe Plc sent goods to its branch at cost plus mark up of 33⅓%. The company has its head office in Lagos and one of its branches in Kano, Nigeria. The following are details of the Kano branch transaction for the year ended 31st December 2017.

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Opening inventory at branch selling price 60,000

Goods sent to branch at selling price 600,000

Goods returned to head office by branch at selling price 45,000

Goods returned to head office by branch customer 15,000

Credit sales 435,000

Cash sales 145,500

Authorized allowance off selling price 4,500

Goods returned to branch by branch customer at selling price 22,500

Cheques/cash received from branch customer 285,000

Cash discount allowed to branch customer 16,500

Branch bad debt 11,250

Branch sundry expenses paid by head office 22,500

Cash stolen at branch 15,000

Goods stolen at branch at selling price 6,000

Closing inventory at branch selling price 90,000

Goods invoiced to the branch at N12,000 on 20th December was not received by the branch until January 4th and had not been included in the figures.

**Required:** Using cost plus mark up method, Prepare the following accounts:

1. Branch inventory account
2. Good sent to branch account
3. Branch inventory adjustment account
4. Branch receivables accounts
5. Branch statement of profit or loss **15 marks**

**Question three**

3a. List and explain any **four** methods of issuing new share.

b. Frances Ltd was registered with a share capital consisting of 1,000,000 ordinary shares of N1 each and 250,000 6% preference share of N1 each. It offered 600,000 ordinary shares for public subscription as follows:

 On application 20k

 On allotment 30k

 On first call & final call 25k

All shares were applied for and allotted. However, a shareholder who had been allotted 40,000 shares failed to pay the first call. The second and last call have not been made.

**You are required to calculate the following:**

1. Authorized share capital
2. Issued share capital
3. Unissued share capital
4. Called up share capital
5. Uncalled up share capital
6. Calls in arrears
7. Paid up share capital

**15 marks**

**Question four**

4a. Describe the **two** methods of preparing a statement of cash flow.

b. State any **three** advantages of cash flow statement.

c. From the cash book of TundePlc shown below for the year ended 31st December 2016, prepare a statement of cash flow for the year ended 31stDecember 2016 using direct method.

**TundePlc**

Cash book for the year ended 31st December 2016

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Bal b/d |  | 100,000 |  |  |
| Receipt: |  |  | Payment: |  |
| Customers (goods)  |  | 980,500 | Suppliers (goods) | 480,000 |
| Interests |  | 140,000 | Salaries  | 240,000 |
| Dividends  |  | 82,000 | Rent  | 50,000 |
| Commission  |  | 25,000 | Taxation  | 62,000 |
| Equity share  |  | 120,000 | 10% debenture  | 45,000 |
| Investments  |  | 238,000 | Interest | 20,000 |
| Equipment  |  | 345,000 | Plant  | 490,000 |
| 10% loan |  | 100,000 | Dividend  | 120,000 |
| 8% debenture  |  | 50,000 | 6% redeemable Pref share  | 80,000 |
| Debtor  |  | 42,000 | Properties  | 210,000 |
|  |  |  | Other operating expenses  | 78,000 |
|  |  | \_\_\_\_\_\_\_\_\_ | Bal b/d |  \_\_\_347,500 |
|  |  | N2,222,500 |  | N2,222,500 |

  **15 marks**

**Question five**

a. State any **four** classifications of financial ratio.

b. The following are the final account of Suzzy Fashion Venture Ltd for the year ended 2017.

Statement of Profit and loss for the year ended 31st December, 2017.

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 Sales 233,000

Cost of goods sold (170,000)

Gross profit 63,000

Distribution cost (15,000)

Administrative expenses (16,800)

Other overhead expenses (6,200)

Net profit 25,000

**Statement of financial position as at 31st December, 2017**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|   | N | N |  | N | N |
| Equity of N1 per share |  | 80,000 | Non-current assets |  |  111,000 |
| Retained profit |  | 16,900 | Currents assets |  |  |
|  |  | 96,900 | Inventory | 18,100 |  |
| Noncurrent liabilities:  |  |  | Account Receivables  | 6,000 |  |
| Loan  |  | 25,000 | Cash | 6,800 |  |
| Current liabilities:  |  |  | Prepayment  | 2,000 | 32,900 |
| Trade payables  | 14,000 |  |  |  |  |
| Accruals  | 8,000 | 22,000 |  |  | \_\_\_\_\_\_\_ |
|  |  | 143,900 |  |  | 143,900 |

**Additional Information:**

1. Credit sales amount to 75% of total sales while credit purchases amount to N120,000.
2. Opening balances of the following items are as follows:

Account receivable N8,500, Account payable N19,200, Inventory N22,400

iii Market price per share is N5.20

iv Dividend per share of 25k was paid.

**Compute the following:**

1. Account Receivable turnover
2. Inventory turnover
3. Quick ratio
4. Cash ratio
5. Debt equity ratio
6. Dividend yield ratio
7. Price earnings ratio

**15 marks**

**Question six**

a. Accounting can be seen as an important part of the total information system within a business. Enumerate **five** purposes of accounting information.

b. Mention **five** users of accounting information together with their information needs.

c. State **five** limitations of financial statements. **15 marks**