



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91, Cadastral Zone, Nnamdi Azikiwe Express Way, Jabi-Abuja
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
2019_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

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

The following relates to Delta Plc for the year ended 31st December 2018

Cash Account for 2018

	₦'000		₦'000
Balance c/d	130,000	Supplied (goods)	1,374,760
Receipts:		Wages and salaries	161,000
Customers (goods)	1,779,080	Other operating expenses	210,460
Commissioners	100,000	Interests	92,000
Investments	56,000	Dividends	54,000
Equity shares	190,000	Plants	73,540
Equipment	50,000	Properties	42,000
8% loans	44,000	10% Debentures	20,000
Dividends	79,000	6% redeemable pref. shares	55,000
Interests	45,600	Taxation	97,520
		Balance c/d	293,400
	<u>2,473,680</u>		<u>2,473,680</u>

Statement of Profit or Loss for the year ended 31st December 2018

	₦'000
Revenue	1,400,000
Cost of sales	(781,960)
Gross profit	618,040
Other income	116,000
Dividends and interest received	124,600
Distribution costs	(192,700)
Administrative expenses	(256,960)

Finance cost	(92,000)
Profit before tax	316,980
Income tax expense	(104,820)
Profit for the year	212,160

Statement of Financial Position as at 31st December,

	2018	2017
	₦'000	₦'000
Non-Current Assets		
Freehold properties	307,320	280,320
Plant and equipment	213,440	219,500
Investments	117,000	157,000
	<u>637,760</u>	<u>656,820</u>
Current Assets:		
Inventories	581,000	500,200
Trade receivables	535,800	914,880
Prepaid expenses	27,000	56,000
Cash	293,400	130,000
	<u>1,437,200</u>	<u>1,601,080</u>
Total Assets	<u>2,074,960</u>	<u>2,257,900</u>
Equity and Liabilities		
Equity:		
Ordinary shares of N1 each	400,000	280,000
Share premium	192,000	120,000
Retained earnings	617,360	459,200
	<u>1,209,360</u>	<u>859,200</u>
Non-Current Liabilities:		
6% redeemable preference shares	-	55,000
10% debentures stock	90,000	110,000
Loan notes	164,000	120,000
	<u>254,000</u>	<u>285,000</u>
Current Liabilities:		
Trade payable	468,000	980,000
Accrued expenses	21,000	16,400
Income tax payable	124,600	117,300
	<u>613,600</u>	<u>1,113,700</u>
Total liabilities	<u>867,600</u>	<u>1,398,700</u>
Total equity & Liabilities	<u>2,074,960</u>	<u>2,257,900</u>

Relevant Notes:

- i. During the year, the directors disposed equipment that cost ₦76m for ₦50m. The accumulated depreciation on the equipment as at the date of disposal was ₦26m.
- ii. The administrative expenses includes the following depreciation charges:

	₦'000
Freehold properties	15,000

- | | |
|--|--------|
| | 29,600 |
| iii. Dividends paid during the year to equity shareholders amounted to N54m | |
| iv. During the year investments with a carrying amount of N40m were sold for N56m, the other income includes profit from sale of investment. | |

Required to:

Prepare a statement of cash flow for the year ended 31st December 2018 using the direct method

(25 Marks)

Question Two

The nominal value of the Ordinary Shares Capital of Sunshine Limited is ₦1 per share. The company issued 200,000 of this ordinary share on 1st January 2019 payable as follows: Application 25k, Allotment 40k, 1st Call 35k and Final Call 20k.

When application register were closed 250,000 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:

- i. Bank Account
- ii. Ordinary share capital account
- iii. Application account
- iv. Allotment Account
- v. 1st call account
- vi. Final Call account

(12 Marks)

(b) Prepare the abridged Statement of Financial Position after the above transactions were completed.

(3 Mark)

Question Three

On 31st March, 2019, the outline statement of Financial Position of Blue, White and Red in partnership sharing profit and losses equally was:

Statement of Financial Position as at 31 March, 2019

	₦	₦
Assets: Non-Current Assets		
Freehold Building & Land		100,000
Plant & Machinery		45,000
Motor vehicles		<u>37,500</u>
		182,500
Current Assets:		
Inventory	47,500	
Receivables	35,000	
Bank	<u>5,000</u>	<u>87,500</u>
		<u>270,000</u>
Capital Accounts:		
Blue		80,000
White		70,000

Red		<u>40,000</u>
		190,000
Current Accounts:		
Blue	1,750	
White	3,000	
Red	<u>(2,250)</u>	2,500
Current Liabilities:		
Payables	40,000	
Bank Overdraft	<u>37,500</u>	<u>77,500</u>
		<u>270,000</u>

On that date, the partnership was converted into a limited company, Glitters Ltd. The agreed consideration was ₦207,500 to be discharged by a payment to the partners of ₦45,000 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 Blue 50,000 shares, White 50,000 shares and Red 25,000 shares

Required to:

Prepare the Realisation, Glitters Ltd account and Capital Account of the partnership to record the conversion.

(15 Marks)

Question Four

Cocoa Plc send goods to its branch at cost plus mark-up of $33\frac{1}{3}\%$. The company has its head office in Ibadan, Nigeria and one of its branches in Benin City, Nigeria. The following are details of the Benin City branch transactions for the year ended 30th November, 2018

	₦
Opening inventory at branch selling price	40,000
Goods sent to branch at selling price	400,000
Goods returned to head office by branch at selling price	30,000
Goods returned to head office by branch customer	10,000
Credit Sales	290,000
Cash Sales	9,700
Authorized allowance off selling price	3,000
Goods returned to branch by branch customers at selling price	15,000
Cheques/ cash received from branch customer	190,000
Cash discount allowed to branch customer	11,000

Branch bad debts in ten off	7,500
Branch sundry expenses paid by head office	15,000
Cash stolen at branch	10,000
Goods stolen at branch at selling price	4,000
Closing inventory at branch at selling price	60,000

Goods invoiced to the branch at ₦8,000 on 19th November was not received by the branch until 3rd December and had not been included in the figures.

Required: Prepare the necessary ledger accounts using Cost method. **(15 Marks)**

Question Five

The following balances were extracted from the books of Best Nig. Ltd for the year ended 30th June, 2019:

	₦	₦
Sales: Department A		6,000,000
Department B		4,000,000
Opening Inventory: Department A	100,000	
Department B	80,000	
Purchases: Department A	4,700,200	
Department B	3,200,800	
Commission	100,400	
General Office Salaries	200,000	
Insurance	50,000	
Rates	60,000	
Repairs	48,000	
Lighting	120,000	
Cleaning	4,000	
Internal telephone	24,000	
Discount received	10,000	
Discount allowed	12,000	
Sundry expenses	14,000	
Stationery	30,000	
Advertising	46,000	
Electricity	164,000	
Closing inventory: Department A	100,200	
Department B	60,000	

The total floor area occupied by each department was:

Department A: 2/5 Department B: 3/5

The following basis of apportionment should be used for the departments:

- a. Commission, Advertising, Discounts Allowed – Proportionate to sales

- b. Discount received – Proportionate of purchases
- c. Cleaning, electricity, internal telephone, insurance – Total floor rate

All other expenses should be apportioned equally between the departments

Required to:

- a) Prepare the departmental statement of profit or loss account and other comprehensive income for the year ended 30th June, 2019. **(12 Marks)**
- b) Give three (3) advantages of departmental accounts. **(3 Marks)**

Question Six

The summarized Statement of Financial Position and operating results of Goody Limited for the two years ended 30th September, 2019 were as follows:

Statement of Financial Position as at 30th September

	2019	2018
	N'000	N'000
Non-Current Asset (net)	32,444	13,882
Current Assets		
Inventory	124,588	104,392
Receivables	109,718	100,104
Bank	<u>14,468</u>	<u>29,130</u>
	248,774	233,626
Current Liabilities		
Payables	94,110	85,770
Taxation	8,308	6,438
Dividends	5,000	4,500
	107,418	96,708
Net current assets	141,356	136,918
10% Debentures 20x7-9		
Net assets	50,000	50,000
Financed by		
Ordinary shares of N1 each	25,000	25,000
Revenue reserves	71,748	59,574
Deferred taxation	<u>27,052</u>	<u>16,226</u>
	<u>123,800</u>	<u>100,800</u>
Operating results for the year ended 30th September		
	2019	2018
	N'000	N'000
Sales	1,345,888	1,118,142

Profit before interest and taxation	46,824	41,764
Interest payable	5,000	5,000
Taxation	201,012	17,494
Dividend	7,500	7,000

The shares of the company were quoted at ₦1.20 at 30th September, 2019.

You are required to:

- a) Calculate from the statement of financial position and operating results:
- i. Two (2) ratios of interest to payables. **(4 Marks)**
 - ii. Two(2) ratios of interest to management. **(4 Marks)**
 - iii. Two (2) ratios of interest to shareholders. **(4 Marks)**
- b) Comment briefly upon the changes between 2018 and 2019. **(3 Marks)**