



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**Plot 91, Cadastral Zone, Nnamdi Azikiwe Expressway, Jabi, Abuja**  
**FACULTY OF MANAGEMENT SCIENCES**  
**2019\_2 EXAMINATION**

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**COURSE CODE: ACC757** **CREDIT UNIT: 2**

**COURSE TITLE: PRINCIPLES OF ACCOUNTING**

**TIME ALLOWED: 2 Hours**

**INSTRUCTIONS:**

- 1. Attempt question Number one (1) and any other two (2).**
- 2. Question number 1 is compulsory and carries 30 marks, while the other questions carry 20 marks each.**
- 3. Present all in coherent and orderly manner.**

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1(a). Klaf Enterprises, a manufacturer, extracted the following trial balance as at 31 December 2018:

	Dr	Cr
	N'000	N'000
Capital		1,700
Plant & Machinery (cost)	2,000	
Motor vehicle (cost)	900	
Inventories – 1 January 2018:		
Raw materials	350	
Finished goods	410	
Purchases of raw materials	1,405	
Returns outwards		35
Turnover	3,605	
Trade receivables and payables	221	144
Wages	438	
Bank overdraft		500
Direct expenses	13	
Factory electricity	124	
Salaries	285	
Sales commission	60	
Motor vehicle expenses	59	
Accumulated depreciation – 1 January		
Plant & machinery		283
Motor vehicle		278
Allowance for doubtful debts		29
Cash in hand	48	
Insurance	161	
Repair – Plant & Machinery	100	
	<b><u>6,574</u></b>	<b><u>6,574</u></b>

**Additional information**

- (1) Closing inventories as at 31 December 2018
- (i) Raw materials ₦480,000
  - (ii) Finished goods ₦495,000
- (2) Insurance:  $\frac{3}{4}$  of the insurance was for plant & machinery.
- (3) Wages in arrears was ₦62,000
- (4) Provision for depreciation for the year is as follows:
- (i) Plant & machinery 10% on cost
  - (ii) Motor vehicle 15% on cost
- (5) Provision for doubtful debts is to be made up to 10% of trade receivables.

**You are required to prepare:**

- a. Manufacturing Account in vertical format.
- b. Statement of profit or loss for the year ended 31 December 2018 in vertical format. **(15marks)**

1(b) Oluwapelumi does not keep proper books of account presented the following information for the year ended 31st December 2018:

	<b>2018</b>	<b>2017</b>
	<b>₦</b>	<b>₦</b>
Inventories	200,000	185,000
Cash at Bank	98,500	56,000
Trade receivables	100,000	90,000
Office Equipment	450,000	400,000
Cash in hand	25,000	29,000
Trade payables	250,000	158,500
Motor vehicles	740,000	955,000

**You are required to compute the profit or loss of:** Oluwapelumi for the year ended 31st December 2018, after taking into consideration the following:

- a) Oluwapelumi makes monthly withdrawal of cash and goods valued at ₦50 and ₦15 respectively.
- b) Customer with an outstanding bill to the tune of ₦5,400 was declared bankrupt by a court in Nigeria.
- c) Rent prepaid and electricity owing amounted to ₦16,000 and ₦8,500 respectively. **(15marks)**

2) Yaro, Amaechi, and Shola had been trading as partners for many years sharing profits and losses in ratio 7:5:2. Their partnership agreement provided as follows:-

- i. That interest should be paid on capital at 7.5 % per annum.
- ii. No salary shall be paid to the partners
- iii. Interest on drawings shall be at 12.5 % per annum
- iv. Shola is guaranteed a minimum share of profits (excluding interest on capital) of ₦32,000 per annum.

The trial balance of the partnership as at 31 March 2009 was as follows:

	DR	CR
	₦	₦
Freehold property (at cost)	300,000	
Furniture and fittings (at cost)	156,000	

Cumm. Depreciation on furniture & fittings at 1/4/08		30,000
Capital: Yaro	240,000	
Amaechi	160,000	
Shola	80,000	
Stock at 1/4/08	128,000	
Purchases	440,000	
Sales		700,000
Discount received		9,500
Discount allowed	14,400	
General Expenses	26,000	
Salaries	40,000	
Rates	4,000	
Trade debtors and creditors	263,000	120,000
Provision for bad debts		26,300
Drawings: Yaro	50,000	
Shola	36,000	
Current account balance		91,600
	1,457,400	1,457,400

The following additional information is relevant:

- i. The current account balances were as follows:  
     Yaro : ₦71,600 Credit,  
     Amaechi : ₦24,800 Debit,  
     Shola : ₦44,800 Credit
- ii. The drawings for the year were made as follows:  
     Yaro : ₦20,000 on 30 June 2018 and the Balance on 30 November 2018  
     Shola : Two equal installments on 30 September 2018 and 1 January 2019
- iii. Provision for bad debts is to be reduced to ₦15,780
- iv. Stock at 31/3/2009 was valued at ₦96,000
- v. Depreciation on furniture and fittings is to be provided at 10% on cost.

**You are required to prepare:**

- (a) Trading, Profit and Loss Appropriation Accounts for the year ended 31 March 2019; and
- (b) Balance Sheet as at that date. **(20 Marks)**

3) Ralie and Kadio entered into a joint venture to buy and sell second-hand cars. Profits and losses were to be shared: Ralie three-fifths, Kadio two-fifths. It was agreed that each party would record his own transactions only.

On 23 September 2018, Ralie purchased two cars for ₦322,000 and ₦420,000. He incurred expenditure of ₦98,000 on repairs and on 4 September 2018 sold one of the cars for ₦469,000.

On 10 September 2018 the other car was sold for ₦525,000, paying the proceeds in each case into his own bank account.

On 14 September 2018, he purchased another car for ₦560,000 and sold it on 30 September 2018 for ₦546,000 the amount he paid over to Kadio who paid it into his bank account.

On 25 September 2018, Kadio purchased a car for ₦245,000 on which he incurred expenditure of ₦56,000 and which he sold on 10 October 2018 for ₦350,000; the amount he paid into his bank account.

This car was returned by the purchaser on 20 October 2018 and Kadio paid him ₦322,000 for it. As this car was still unsold, on 30 November 2018, it was agreed that it should be taken over by Kadio at a valuation of ₦315,000. Other expenditure was incurred by the parties as follows:

	Ralie	Kadio
	₦	₦
Insurance	17,500	3,500
Garage	14,000	7,000

On 30 November 2018, the sum required in full settlement as between Ralie and Kadio was paid by the party accountable.

You are required to prepare:

- (a) The Joint Venture account as it would appear in the books of Kadio recording his transactions for the joint venture. **(10 Marks)**
- (b) The memorandum account for the joint venture showing the net profit. **(10 Marks)**

4) Mr. Akanbi based in Sokoto, Nigeria has an agent, Majib, based in Riyad Saudi Arabia. Akanbi forwarded to Majib consignment of 100 cases of goods together with a pro-forma invoice showing cost at ₦500 per case. At the same time, he paid transport charges ₦6,800 and insurance ₦5,000. In the first quarter of the year. An account sale was received from the agent showing that 50 cases had been sold for ₦1,000 each and that the agent had paid landing charges and import duty for ₦6,700 and ₦10,000 respectively.

At the last quarter of the business year, a further account sales was received showing that the balance of the consignment had been sold at ₦1,200 each. If the agent was entitled to a commission of 8% of the gross sales, show how these transactions will appear in the ledger of Akanbi showing profit or loss on the consignment. **(20Marks)**

5) The following is a summary of the Receipts and Payments for the year ended 31 December, 2018 of Shadow Social Club:

Receipts:	₦
Club subscriptions	3,825,000
Donations	337,500
Christmas dance	191,250
Bar takings	6,075,000
Payments:	
Rates	202,500
General expenses	5,895,000
Bar purchases	4,162,500
Christmas dance expenses	33,750

Other relevant information at the beginning and end of the year are as follows:

	01/01/18	31/12/18
	₦	₦
Subscriptions due	200,500	135,000
Subscriptions paid in advance	11,250	22,500
Rates owing	101,250	112,500
Bar stock	450,000	562,500
Club premises (cost ₦ 11,250,000)	4,500,000	4,050,000
Furniture (cost ₦2,250,000)	675,000	450,000
Bank and cash in hand	360,000	495,000

**You are required to prepare the Club's:**

- (a) Bar Trading Account for the year ended 31 December 2018. **(5Marks)**
- (b) Income and Expenditure Account for the year ended 31 December 2018 and a Balance Sheet as at that date. **(15Marks)**