

**NATIONAL OPEN UNIVERSITY OF NIGERIA**

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

**FACULTY OF MANAGEMENT SCIENCES**

**JANUARY 2018 EXAMINATION QUESTIONS**

**COURSE CODE: ACC 812 CREDIT UNITS: 3**

**COURSE TITLE: INTRODUCTION TO ACCOUNTING**

**TIME ALLOWED: 2 1/2Hrs**

**INSTRUCTION: 1. Indicate your Matriculation Number clearly**

 **2. Attempt question one (1) and any other three (3) questions**

 **3. Question one (1) is compulsory and carries 25 marks, while the other questions carry 15 marks each.**

 **4. Present all your points in coherent and orderly Manner**

QUESTION 1

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| **The following is the trial balance of A. Dada at 31 March 20X6** |
|  **Debit** **Credit**  **N’000 N’000**  |
| Capital 42,140Drawings 13,600Loan from S. Rikha 10,000Bank 5,800Cash 460Sales revenue 88,400Purchases 46,300Sales returns 5,700Purchases returns 3,100Inventory at 1 Apr 20X5 8,500Carriage inwards 2,400Carriage outwards 1,600Trade receivables 15,300Trade payables 7,200Motor vehicles 23,100Fixtures and fitting 12,400Wages and salaries 6,800Rent 4,100Light and heat 3,200Telephone and postage 1,700Discount allowed 830Discount received 950 151,790 151,790  |

The inventory at 31 March 20X6 was valued at N9,800,000. The loan from S. Rikha is repayable on 1 January 20X8.

**Required**

1. Prepare the Statement of Profit or Loss and Statement of Financial Position as at March 20x6 for A. Dada from the trial balance provided using the format recommended by IAS1. (20 MARKS)
2. Explain the purposes of a statement of profit and loss and a statement of financial position. (5 MARKS)

QUESTION 2

1. In a paragraph each, explain any 5 of the following: the materiality, time period, historical cost, money measurement, duality, prudence, substance over form and consistency concept. (10 marks)
2. Define and distinguish between the following:
* assets and liabilities;
* capital and revenue expenditure. (5 marks)

QUESTION 3

Using the following transactions, prepare a 2-column cash book

|  |  |
| --- | --- |
| March 2  | Cash sales, N 136,000 |
| March 3  | Received cheque from Amadin & Co N 285,000 |
| March 5  | Purchased goods for cash, N120,000 |
| March 6  | Cash sales, N184,000 |
| March 7  | Paid to E. Nelson N 65000, discount received N 300 |
| March 9  | Paid cash into bank, N 100,000 |
| March 11  | Paid E. Faith cheque N156,000, received N 4000 discount  |
| March 12 | Received from A. Osarobo , cash N 98000 discount allowed N 2,000 |
| March 13  | Received from E. Oluwaseun , N 97,000, discount allowed N3,000 |
| March 15  | Sold goods and received cheque, N330,000 |
| March 16  | Withdrew cash from bank, N 108,000 |
| March 17  | Purchased goods for cash, N 88,000 |
| March 19 | Received cheque from B. Olumide N237,000 |
| March 21 | Sold goods for cash N 119,000 |
| March 22  | Paid cash into bank N300,000 |
| March 25  | Paid Aminu cheque N86,000, received discount N2000 |
| March 26 | Paid cheque to Chinedu Obina, N216,000 |
| March 26 | Purchased goods and paid cheque, N186,000 |
| March 27 | Cheque received from B. Olumide was dishonoured by bankers  |
| March 28  | Paid vehicle insurance by cheque N46,000 (10 marks |
|  |  |
|  |  |

b) Explain the term ‘Contra Entry”. (5 marks)

QUESTION 4

a) Whichever method is used to calculate depreciation, at least three pieces of data relating to the asset in question are needed. State the information required. (3 marks)

b) D. McDonald has an accounting year ending on 31 December. On 1 January 20X5 he
purchased a machine for N1,000,000 which has an expected useful life of three years and an
estimated residual value of N343,000. (12 marks)

*Required*

a. Calculate the amount of depreciation in each year of the asset's useful life using: (i) the straight-line method; (ii) the reducing balance method; and (iii) the sum of the years' digits method.

b. Show the ledger entries relating to the depreciation expense account and the provision for depreciation in each year (using the amounts calculated from the straight-line method).

QUESTION 5

1. Define the cash flow statement and explain the major classifications (6 marks)
2. What are the advantages of preparing a cash flow statement as part of the Financial statement. (9 marks)

QUESTION 6

1. State the primary and secondary objectives of auditing. (8 marks)
2. Explain the qualities of an auditor (7 marks)