

**NATIONAL OPEN UNIVERSITY OF NIGERIA**

**Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi-Abuja**

**FACULTY OF MANAGEMENT SCIENCES**

**DEPARTMENT OF FINANCIAL STUDIES**

**NOVEMBER 2018\_2 EXAMINATIONS**

**Course Code: ACC812 Credit Unit: 3**

**Course Title: INTRODUCTION TO ACCOUNTING**

**Time Allowed: 3 HOURS**

**Instructions:**

**1. Attempt Question 1 and any other three (3) Questions.**

**2. Question 1 is compulsory and carries 25 marks while the other 3 Questions carry 15 marks each.**

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

**QUESTION 1**

1. i) Explain the entity concept (2 marks)

ii) Define and distinguish between assets and liabilities (3 marks)

1. The following Trial Balance was extracted from the books of Elizabeth a sole proprietor, whose business is known as Lizzy Enterprise as at 31st December, 2011.

|  |  |  |
| --- | --- | --- |
|  | DR | CR |
|  | N’000 | N’000 |
| Capital |  | 112,000 |
| Motor Van | 40,000 |  |

|  |  |  |  |
| --- | --- | --- | --- |
| Inventories | | 32,800 |  |
| Balance at bank | | 24,800 |  |
| Purchases | | 320,000 |  |
| Sales | |  | 446,000 |
| Trade receivables | | 58,000 |  |
| Trade payables | |  | 33,120 |
| Rent and rates | | 11,216 |  |
| Salaries | | 70,080 |  |
| General expenses | | 8,944 |  |
| Motor expenses | | 5,120 |  |
| Discount allowed | | 8,080 |  |
| Discount received | | 7,920 |  |
| Insurance | | 3,920 |  |
| Bad debts | | 6,080 |  |
| Drawings |  | 10,000 |  |
|  | | 599,040 | 599,040 |

The following matters are to be taken into account:

a) Inventories in trade as at 31st December 2011 was N40,320,000

b) Salaries and wages outstanding as at 31/12/11 amounted to N24,000,000.

c) Insurance paid in advance was N1,400,000

One fourth of the general expenses was for private purposes.

**Required:**

Prepare an Income statement for the year ended 31st December, 2011 and a Statement of financial position as at that date. (20 marks).

**QUESTION 2**

1. Define a cash book and differentiate stating its purpose (5 marks)
2. Using the following transactions, prepare a 2-column cash book and balance the cash book at the end of the month.

|  |  |
| --- | --- |
| 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 |
| March 9 | Paid cash into bank, N 100,000 |
| March 11 | Paid E. Faith cheque N156,000 |
| March 12 | Received from A. Osarobo , cash N 98000 |
| March 13 | Received from E. Oluwaseun , N 97,000 |
| 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 |
| 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 (20 marks) |
|  |  |
|  |  |

**QUESTION 3**

1. Define a cash flow statement stating the different classification (5 Marks)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. **From the following information in the books of Kate Ltd, prepare a cash flow statement for the year ended 31st December 2009. (10marks)** | | | | | | | | |
| **Balance Sheet as at 31st December** | | | | | | | | |
|  | | **2008** | | | **2009** | | | |
|  | | **N`000** | **N`000** | | **N`000** | | **N`000** | |
| Fixed Asset at cost | |  | 8,300 | |  | | 5,600 | |
| Less Depreciation | |  | 3,150 | |  | | 2,300 | |
|  | |  | 5,150 | |  | | 3,300 | |
|  | |  |  | |  | |  | |
| Current Assets: | |  |  | |  | |  | |
| Stock | |  | 5,516 | |  | | 7,204 | |
|  | |  | 3,994 | |  | | 3,120 | |
|  | | 180 | 3,814 | | 210 | | 2,910 | |
|  | |  | 90 | |  | | 60 | |
| Cash | |  | 9,420 | |  | | 10,174 | |
|  | |  |  | |  | |  | |
| Current Liabilities due within one year: | |  |  | |  | |  | |
| Creditors | |  | 1,416 | |  | | 1,520 | |
| Taxation | |  | 735 | |  | | 580 | |
| Proposed Dividend | |  | 1,200 | |  | | 800 | |
| Bank Overdraft | | 629 | 3,980 | | 105 | | 3,005 | |
|  | |  |  | | 5,400 | | 7,169 | |
|  | |  |  | | 10,590 | | 10,489 | |
| Working Capital | |  |  | |  | |  | |
| Less: Creditors Failing | |  |  | |  | |  | |
| Due after one year | |  | 500 | |  | | 3,000 | |
| Loan Capital | |  | 10,090 | |  | | 7,469 | |
| Financed By: | | | |  | |  | |
| Capital and Reserves: | | | | **N`000** | | **N`000** | |
| Share Capital | | | | 5,000 | | 4,000 | |
| Share Premium | | | | 1,000 | | - | |
|  | | | |  | |  | |
| Profit and Loss Account | | | | 4,090 | | 3,469 | |
|  | | | | 10,090 | | 7,469 | |
|  | | | |  | |  | |
| Profit for the year | | | |  | |  | |
| Less Taxation for the accounting year | | | |  | | 2,556 | |
|  | | | | 735 | | 1,821 | |
| Undistributed profit b/f | | | | 3,469 | | 5,290 | |
| Less: Proposed dividend | | | | 1,200 | | 4,090 | |
| **Notes:** |  | | |  | |  | |
| 1. | An item of fixed asset which has cost of N1,1200,000 and having been depreciated at N740,000 was sold during the year for N465,000. The profit thereof had been included in the net profit for the year. | | | | | | |
| 2 | 1,000,000 shares of N1.00 had been issued at a par of 1 per share. | | | | | | |

**QUESTION 4**

1. To ensure the usefulness of cost accounting information, what are the relevant questions that should be considered? ` (7 ½ marks)
2. Define Prime cost and explain its components. (7 ½ marks)

**QUESTION 5**

Draw a diagram by Eilifsen, Messier, Glover & Prawitt (2010) showing the principal-agent relationship and explain why an independent opinion on the financial statement is necessary. (15marks)

**QUESTION 6**

Big Sparkle is an electrical goods wholesaler. The transactions during June 20X3, which are all on credit, were as follows:

**1 June** Bought on credit from Lightings Ltd various bulbs with a retail price of N1,000,000 and received 20 per cent trade discount

**4 June** Sold goods on credit to Electric Reserves Ltd for N500,000 and allowed them 10 per cent trade discount on this amount

**8 June** Sent Electric Reserves Ltd a credit note for goods returned that had a retail value of N300,000

**10 June** Sold goods on credit to Swiggle Ltd for N600,000 after deducting 40 per cent trade discount

**12 June** Purchased goods with a retail value of N1,000,000 from Swatch Ltd who allowed 30 percent trade discount.

**15June** Purchases on credit from Cables Ltd goods costing N550,000.

**16 June** Sent Swiggles Ltd a credit note' for goods returned that had a retail value of N100,000.

**18 June** Swatch Ltd sent us a credit note for N300,000·in respect of goods returned

**19 June** Received a credit note for goods returned to Lightings Ltd that had a retail value of N250,000

**25 June** Sold goods to Gross Retails Ltd on credit for N250,000

**27 June** Sent Gross Retails Ltd a credit note for N50,000 to rectify an overcharge on their invoice

**28 June** Sold goods on credit to Electric Reserves Ltd at a price of N569,000.

**29 June** Purchased on credit a motor van from BabaLtd that cost N800,000.

**30 June** Sold on credit to Lagos Trading Co. some fixtures and fittings no longer required in the shop for 350,000. (Prior. to this the business owned fixtures costing N1,000,000.)

**Required**

Make the necessary entries in the books of prime entry indicating the dates, names of customer/suppliers and the amount. (15marks).