

### SS 3 FINANCIAL ACCOUNTING

1. The concept which establishes the rule for the periodic recognition of revenue as soon as it is capable of objective measurement is
  - A. Going concern
  - B. Entity
  - C. Consistency
  - D. Realization
  - E. Conservatism
2. Partners whose liabilities are restricted to their financial contribution to the partnership in the event of winding up are
  - A. Ordinary partner
  - B. Limited partners
  - C. Dormant partners
  - D. Sleeping partners
  - E. Active partners
3. The equivalent of income and Expenditure account in a trading concern is
  - A. Trading account
  - B. Profit and loss account
  - C. Cashbook
  - D. Circulating capital
  - E. Balance sheet
4. The portion of authorized capital that has been allotted to subscribers is
  - A. Called up capital
  - B. Paid up capital
  - C. Nominal capital
  - D. Working capital
  - E. Issued capital
5. If creditor at 1/1/10 were N3,000, creditors at 31/12/2010 were N5,500 and payments to creditors were N29,000. The purchases figure for 2010 is
  - A. N34,500
  - B. N32,000
  - C. N31,500
  - D. N26,500
  - E. N30,000

6. The sales ledger control account is also referred to as
  - A. Bought ledger control account
  - B. Purchases account
  - C. The debtors account
  - D. Total creditors account
  - E. Selling account

Use the following information to answer question 7 and 8.

The healthcare department of Zango Local Government incurred the following expenditure in 2010

Construction of hospital ward	300,000
Purchases of hospital bed	40,000
Salaries and wages	80,000
Purchases of drugs	55,000
Purchases of X-ray machine	150,000

7. Capital expenditure for the year was
  - A. N545,000
  - B. N490,000
  - C. N 450,000
  - D. N300,000
  - E. 500,000
8. The amount of recurrent expenditure was
  - A. N245,000
  - B. N175,000
  - C. N135,000
  - D. N80,000
  - E. N111,000
9. Administrative, selling and distribution expenses in a manufacturing firm are recorded in
  - A. Trading account
  - B. Manufacturing account
  - C. Profit and loss account
  - D. Balance sheet
  - E. Appropriation account
10. Which of the following is not a revenue to a Local government
  - A. Fines
  - B. Licenses

- C. Personal income tax
  - D. Tenement rates
  - E. Grants
11. Which of the following books of original entry is used to record all payments and receipts by cash or cheque?
- A. Sales day book
  - B. Cashbook
  - C. Purchases day book
  - D. General journal
  - E. Balance sheet
12. In the absence of an agreement, partners share profits
- A. Based on activeness of a partner
  - B. Based on capital contributed
  - C. On patronage basis
  - D. Based on assets of a partner
  - E. On equal basis
13. Rent is apportioned to each department on the basis of
- A. Area of space occupied
  - B. Equality
  - C. Turnover
  - D. Purchases
  - E. Sales
14. A document which acknowledges that a company owes a person a stated sum of money with an agreement to pay a fixed rate of interest periodically is
- A. Share certificate
  - B. Allotment certificate
  - C. Preference certificate
  - D. Debenture certificate
  - E. Certificate of incorporation

Use the following information to answer question 15 to 17

Purchases of raw materials 236,500  
 Returns of raw materials 4,750  
 Carriage inward of raw materials 34,000  
 Stock of raw materials at close 39,500  
 Factory fuel 150,000  
 Direct wages 205,000

- Indirect wages 31,250
  - Factory power 105,000
  - Work in progress at start 32,500
15. What is the value of raw materials used?
- A. N270,500
  - B. N286,250
  - C. N255,000
  - D. N 231,000
  - E. 270,000
16. What is the prime cost?
- A. N 717,500
  - B. N231,250
  - C. N286,250
  - D. N270,500
  - E. 436,000
17. The total factory overhead is
- A. N318,750
  - B. N286,250
  - C. N255,000
  - D. N 236,250
  - E. N236,700
18. Financial statements do not disclose all information users need to know about a firm. This is the concepts of
- A. consistency
  - B. money measurement
  - C. dual aspect
  - D. materialism
  - E. conservatism
19. A difference between the debit and credit totals in a trial balance is placed in
- A. Bank reconciliation statement
  - B. Profit and loss account
  - C. Suspense account
  - D. Appropriation account
  - E. Manufacturing account
20. A credit sale was debited to A. Akpan instead of B.Akpan. This is an error of
- A. Principle
  - B. Original entry
  - C. Omission
  - D. Complete reversal
  - E. Commission

21. Which of the following is determined in the Trading account?
  - A. Factory overhead
  - B. Cost of goods sold
  - C. Prime cost
  - D. Netprofit
  - E. Closing stock
22. A business is treated as being separate from owners. This statement is emphasized by
  - A. Consistency concept
  - B. Business entity concept
  - C. Going concern concept
  - D. Realization concept
  - E. Materialism concept
23. A petty cashier received a float N120 and spent N84. The imprest is
  - A. 204
  - B. 120
  - C. 84
  - D. 36
  - E. 50
24. Which of the following is recorded on the debit side of trial balance
  - A. Bank draft
  - B. Sales
  - C. Purchases
  - D. Returns outward
  - E. Capital
25. Which of the following account has the credit balance?
  - A. Return inwards account
  - B. Machinery account
  - C. Sales account
  - D. Cash account
  - E. Purchases account
26. Which of the following is a recurrent expenditure in public sector accounting?
  - A. Purchase of vehicle
  - B. Purchase of drugs
  - C. Construction of boreholes
  - D. Construction of building
  - E. Bridge construction.

27. When a business is purchase from a sole trader, the excess of the purchase price over the net asset is
    - A. Reserve
    - B. Goodwill
    - C. Freehold
    - D. Valuation price
    - E. Capital
  28. Excess of current asset over current liabilities is
    - A. Deferred capital
    - B. Working capital
    - C. Nominal capital
    - D. Authorized capital
    - E. Capital employed
  29. A book that contains individual accounts of suppliers is the
    - A. Purchases ledger
    - B. General ledger
    - C. Nominal ledger
    - D. Sales ledger
    - E. Personal ledger
  30. An example of a credit entry in a profit and loss account is
    - A. Carriage inward
    - B. Carriage outward
    - C. Discount allowed
    - D. Discount received
    - E. Rent
- Use the following information to answer question 31 – 32
- |   |        |
|---|--------|
| Cost of Motor 1/1/2012  | 85,000 |
| Residual value  | 5000   |
| Estimated useful life of 10 years   |        |
| The business makes use of straight line method for providing depreciation |        |
31. The annual depreciation is
    - A. N9,000
    - B. N8,500
    - C. N8,000
    - D. 7,000
    - E. 6,500
  32. The accumulated depreciation as at 31/12/2013 is

- A. N18,500
- B. N17,000
- C. N16,000
- D. N8,000
- E. N7,500

33. The sum of direct cost in a manufacturing account is

- A. Production cost
- B. Prime cost
- C. Total cost
- D. Finance cost
- E. Overhead cost

Use the following information to answer question 34 and 35

The total sale of a business was N2,160,000. The average markup for the year was 50%

34. The gross profit is

- A. N2,160,000
- B. N1,440,000
- C. N1,080,000
- D. N720,000
- E. 1,445,000

35. The cost of sales is

- A. N2,160,000
- B. N1,440,000
- C. N1,080,000
- D. N720,000
- E. 1,440,000

Use the following information to answer question 36 to 38.

Capital:

Aye	20,000
Bee	30,000

Drawings:

Aye	8,000
Bee	2,000

Profit for the year	10,000
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Interest on capital 6%

Interest on drawings 10%

Profit sharing is in the ratio of capital

36. The divisible profit is

- A. N12,000
- B. N14,000

- C. N10,000
- D. N8,000
- E. N6,000

37. Aye's share of profit is

- A. N6,000
- B. N4,800
- C. N4,000
- D. N3,200
- E. N3,000

38. Bee's share of profit is

- A. N8,000
- B. N6,000
- C. N4,800
- D. N3,200
- E. N5,000

39. A trading account is prepared to disclose the

- A. Netprofit or net loss
- B. Gross profit or loss
- C. Accumulated fund
- D. Gross profit on manufacturing
- E. None of the above

40. Which of the following is not part of prime cost of production

- A. Depreciation of factory equipment
- B. Direct expenses
- C. Direct wages
- D. Carriage on raw materials
- E. Direct salaries

41. In the balance sheet of a social club, subscription owing is treated as a

- A. Current liability
- B. Current assets
- C. Tangible asset
- D. Long term liability
- E. Intangible asset

42. The process of using sales ledger balance to cancel off purchase balance is

- A. Balancing
- B. Set off
- C. Reconciliation
- D. Cancelling
- E. None of the above

43. Which of the following is not a method of depreciating fixed assets?
- Revaluation
  - Straight line
  - Diminishing balance
  - Obsolescence
  - Depletion
44. Which of the following expenses is allocated according to the floor area?
- Wages and salaries
  - Rent and rates
  - Canteen expenses
  - Discount allowed
  - Discount received
45. Nwoye buys stock and pays by cheque. The entries in the books of Nwoye is debit
- Purchases, credit cheque
  - Purchases, credit bank
  - Bank, credit purchases
  - Cheque, credit purchases
  - None of the above
46. Which of the following items is a current liability
- Stock of raw materials
  - Cash in hand
  - Bills payable
  - Bills receiveable
  - Cash at bank
47. The transfer of money from one subhead to another in public sector is
- Budgeting
  - Allocation
  - Virement
  - Vote
  - Transfer
48. The branch current account records
- Head office transactions with the branch
  - Branch transactions with the head office
  - Goods sent to branch at selling price
  - Cash received from branch as sells
  - None of the above
49. The entry for credit sells at branch where the head office keep all records are : debit
- Branch stock account, credit branch debtors account
  - Branch debtors account, credit branch stock account
  - Branch debtors account, credit branch adjustment account
  - Branch adjustment account, credit branch debtors account
  - branch stock account credit profit and lost account
50. The cost for goods return by branch to head office is debited to
- branch stock adjustment account
  - goods sent to branch account
  - branch stock account
  - branch profit and loss account
  - balance sheet
51. which of the following errors will affect the agreement of trail balance
- error of original entry
  - error of commission
  - single entry
  - error of omission
  - compensating error
52. where there is no agreement between the partners, the partnership act state that
- 5% interests is to be paid on capital
  - Profit and losses are to be share in proportion to their capital
  - 50% interests is to be charge on drawing
  - No salary is to be paid to partners
  - All of the above
53. In public sector accounting salaries of employees are classified as
- Capital expenditure
  - Capital receipt
  - Recurrent expenditure

- D. Recurrent receipt
  - E. Revenue
54. When bank charges are deducted from a customer's account, the balance on the bank statement would be
- A. More than the cash book balance
  - B. Less than the cashbook balance
  - C. Equal to the cashbook balance
  - D. Added to the cashbook balance
  - E. Subtracted from the cashbook balance
55. Companies issue shares to the public in order to
- A. Reduce the numbers of directors
  - B. Reduce the numbers of shareholders
  - C. Raise capital
  - D. Generate profit
  - E. None of the above
56. Sulah took two textiles worth N5000 from his business for his children's use. This will be treated as
- A. Loan
  - B. Stock
  - C. Drawings
  - D. Sales
  - E. Purchases
57. Investors in a business are mainly interested in the firm's
- A. Liquidity
  - B. Debt
  - C. Management
  - D. Profitability
  - E. None of the above
58. The apportionment of cost of fixed asset to the profit and loss account is termed as
- A. Expenses
  - B. Depreciation
  - C. Appreciation
  - D. Depletion
  - E. Loss
59. A fall in value of fixed asset due to technological changes is described as
- A. Superfluity
  - B. Wear and tear
  - C. Depletion
  - D. Obsolescence
  - E. Depreciation
60. The claim on the assets of a business by outsiders is
- A. Capital
  - B. Liabilities
  - C. Reserves
  - D. Provisions
  - E. Profit

#### **SECTION A: ANSWER ONE QUESTION**

1. Describe the following:
  - i. Bank statement
  - ii. Bank reconciliation statement
- b. State and explain 5 reasons for disagreement between a bank statement balance and cash book.
2. Write five (5) differences between public sector accounting and private sector accounting
  - b. write five differences between Branch account and Departmental accounting

#### **SECTION B: ANSWER THREE QUESTIONS**

3. The following information were extracted from the books of Aisosa enterprises for the month of January 2007
  - 1 cash in hand N500,000; cash at bank N59,500
  - 3 bought goods for cash N2,500
  - 4 withdrew N6,700 from bank for private use

9. received from the following cheques in full settlement of their accounts in each case deducting 5% cash discount: Nana N5,000, Ngiah N7,000, Prince N13,000
15. paid N8,500 to Sarah by cheque in full settlement of a debt of N9,000
17. received N15,000 cheque from Johnson stores in full settlement of a debt of N16,000
19. paid N45,000 cash into bank
21. bought 200 shares in Mawudeka Ltd for N241,500. Payment made in cash.
22. Cash sales paid direct into bank N9,000
24. Paid the following by cheque in each case deducting 2  $\frac{1}{2}$  % cash discount: Yayra N22,000, Kekeli N37,000, Klenam N40,000
25. Withdrew N5,000 from bank for office use
29. Paid salaries in cash N115,000
30. Cash drawings N4,000

You are required to prepare a three column cash book for the month of January, 2007

4. The following balances were extracted from the books of nationwide Enterprises in respect of its branch at Kenema for the year ended 30<sup>th</sup> June, 2007

	N
Branch stock account 1/7/2006	60,000
Branch debtors account 1/7/2006	132,000
<b>During the year:</b>	
Goods sent to branch at selling price	540,000
Cash sales by branch	144,000
Credit sales by branch	360,000
Goods returned by branch debtors	18,000
Cash paid by branch debtor	274,000
Branch expenses paid by Head office	33,200

**Additional information:**

- a. Closing stock at the end of the year was valued at N111,600 at selling price
- b. Cost are invoiced to branch at cost plus 20%

**You are required to prepare:**

- I. Branch stock account
  - II. Branch profit adjustment account
  - III. Branch debtors account
  - IV. Branch profit and loss account
5. The following balances have been extracted from the books of Amansie East Local Government for the year ended 31<sup>st</sup> December, 2006

Head	particulars	N
1001	taxes	7,000,000
1002	rates	4,500,000
1003	local licences	500,000
1004	earnings from commercial undertakings	200,000
1005	rent on local government properties	1,000,000
2001	renovation of chairman's office	2,000,000
2002	construction of market stalls	1,500,000
2003	office of the Secretary	1,500,000

2004	department of personnel management	2,000,000
2005	department of finance and supplies	2,000,000
2006	agriculture and community development	1,500,000
3001	external loans	2,000,000
3002	grants	2,500,000
3003	miscellaneous receipts	1,500,000

You are required to prepare a statement of Revenue and Expenditure for the year ended 31<sup>st</sup> December, 2006

6. Zainabou ltd has an Authorized share capital of N800,000 made up of N600,000 ordinary shares of N1 each and N400,000 3% preference share of N0.50 each. During the year ended 31<sup>st</sup> December,2006, the following details were extracted from the financial records of the company.

Issued and fully paid capital	N
Ordinary share of N1 each	500,000
3% preference shares by N0.50 each	100,000
General reserve	30,000
Goodwill	20,000
5% debentures	20,000
Stock at 31 <sup>st</sup> December, 2006	25,000
Net profit	80,000
Land and building (at cost)	517,500
Fixtures and fittings(at cost)	25,000
Motor vehicle	80,000
<b>Provision for depreciation</b>	
Fixtures and fittings	2,500
Motor vehicle	16,000
Creditors	10,000
Debtors	50,000
Bank	40,000
Cash in hand	1,000

**Additional information:**

- Provision is to be made for preference shares dividend
- The directors recommended a dividend of 4% on ordinary shares
- The value of goodwill is to be written off over a period of four years

**You are required to prepare:**

- Profit and loss appropriation account for the year ended 31<sup>st</sup> December, 2006
- A balance sheet as at the date.