

OLABISI ONABANJO UNIVERSITY
AGO-IWOYE
FACULTY OF ADMINISTRATION AND MANAGEMENT SCIENCES
DEPARTMENT OF ACCOUNTING
2017/2018 HARMATTAN SEMESTER EXAMINATIONS
ACC 301: ADVANCED FINANCIAL ACCOUNTING 1

INSTRUCTION: ANSWER QUESTION ONE (1) AND ANY TWO OTHERS
TIME ALLOWED: Two and a half (2 $\frac{1}{2}$) Hours

QUESTION 1A

- i. What is a Conceptual Framework? What are its advantages and disadvantages? 3 Marks
 - ii. List and discuss two underlying Accounting Assumptions for preparing financial statements 3 Marks
 - iii. Who are the users of Financial Statements and what are their information needs? 3 Marks
 - iv. What does fair presentation of Financial Statements connotes? 3 Marks
 - v. What are the common measurement basis of elements in the Financial Statements? 3 Marks
- 111) Investors 3 Marks
15 Marks

QUESTION 1B

The following **TRIAL BALANCE** was extracted from the books of **FADEYI Plc.** as at 31st December, 2012

	N	N
Revenue		
Purchases		855,000
Distribution Costs	503,600	
Administrative Expenses	31,950	
Finance Costs	104,400	
Investment Income	1,020	
		18,250
Leased Property at cost		
Plant and Equipment at cost	125,000	
		98,800
Accumulated Depreciation at 01/10/2012:		
Leased Property		35,000
Plant and Equipment		28,000
Financial Instrument		
Inventory at 01/01/2012	40,500	
Trade Receivable	85,075	
		72,400
Trade Payable		
Bank		62,550
Share Premium		5,175
Equity Share of N2.00		8,400
Retainable Earnings 01/01/2012		115,000
		55,600

Investment in Subsidiary	131,030	
6% Convertible Loan Notes		10,000
	<u>1,193,775</u>	<u>1,193,775</u>

The following notes are relevant:

- a) Revenue includes goods sold and despatched from 15th December, 2012, on a 30-day right of return basis. Their selling price was N3.6 million and they were sold at a gross profit margin of 20%. FADEYI Plc. is uncertain as to whether any of these goods will be returned within the 30-day period.
- b) The Directors decided to revalue the Leased property in line with recent increases in Market Values. On 1st September, 2012, an Independent Surveyor valued the Leased property at N99 million, which the Directors have accepted. The Leased property was amortized over an original life of 25 years which has not changed. FADEYI Plc does not make a transfer to retain earning in respect of excess amortization.
- c) The plant and equipment is depreciated at 15% per annum using the reducing balance method and all depreciation and amortization are charged to cost of Sales. No depreciation or amortization has yet been charged on any non-current asset for the year ended 31st December, 2012.
- d) The Financial Instruments are investments in equity of public companies and had a fair value of N39.7 million on 31st December, 2012. There were no purchases or disposals of any of these investments during the year. FADEYI Plc has not made the election in accordance with IFRS 9 on Financial Instruments. The company adopts this standard when accounting for its Financial Assets.
- e) On 20th November, 2012, FADEYI Plc's share price stood at N2.20 per share. On this date, a dividend that was calculated to give a dividend yield of 5% was paid by the Company. The dividend paid was included as part of administrative expenses figure shown in the Trial Balance.
- f) The Inventory on FADEYI Plc's premises at 31st December, 2012, after Stock taking was valued at cost of N106 million and a provision for Income tax for the year then ended of N86,75 million is required.
- g) During the year, the company issued Twenty (20) million Shares at a premium of 10 kobo per share. The conversion rate for the loan note is N100 loan notes for three (3) Ordinary Shares of N2.00 each. The current market price per Share is N2.54. At the Christmas party organized by the company, the Chairman of the company, Alhaji Danjuma reminded the Accountant on the need to present IFRS Compliant Financial Statement at the forthcoming Annual General Meeting fixed for March, 2013.

You are required to:

Prepare the statement of Profit or Loss and other Comprehensive Income for the year, ended 31st December 2012. 15 Marks

Total 30 Marks

Revenue 3.6 million

Issue Share 20m at Premium of 10 kobo
Rate loan N100 for 3 yrs of N2
Market Share N2.54

Gross Profit of margin 20%

ScP, 2012 Leased Propriety 99 m

Interest on equity is ScP 15% per annum from C.O.S

Investment in equity 39.7 m

In Nov, 2012 Faderi Plc Share Price stood at N2.20 p.s

Dividend yield 5% of Admin CYP

Dec, 2012 Stock taking 106 m

Provision for Income Tax N86.75 m

QUESTION 2

ENPEE INSURANCE COMPANY LIMITED had the following balance in its books after making necessary end of year adjustments as at 31st December, 2015.

Balance of the Revenue Account	N
Federal Government Securities	1,500,000
Deposit with CBN	1,500,000
Profit on Sale of Assets	250,000
Investment fluctuation reserves	1,500
Claims Met under policies by Death	7,500
Claims Met under policies after Maturity	45,000
Mortgage loans granted by the company	75,000
Loans on (Policies granted)	420,000
Freehold Property & Furniture	325,000
Foreclosed Properties	71,250
Agents' balance owing	15,000
Sundry payables	2,700
Outstanding Premiums	1,500
Commission paid	18,000
Interest due to the company	18,000
Premium Income – Non-single	2,250
Policy surrenders	150,000
Claims admitted yet unpaid	4,500
Outstanding claims	122,000
Premium Income – Single	15,000
Consideration for Annuities	60,000
Interest, Dividend and Rent received	37,500
Depreciation of Furniture	52,500
Share capital	250
Management Expenses:	1,000,000
• Salaries	27,000
• Auditors' fees	2,250
• Directors' fees	1,125
• Legal fees	225
• Advertisement	750
• Printing and Stationery	1,050
• Other Expenses	8,100
Cash at Bank	126,300
Provision for Depreciation on Furniture	11,250

REQUIRED:

Prepare the Revenue Account, Statement of Profit or Loss Account and other Comprehensive Income for the year. 10 Marks

Prepare Statement of Financial Position as at 31st December, 2015 10 Marks

Total

20 Marks

QUESTION 3

3 (a)

ASERO Bank Plc published Annual Report for the year ended 31st December, 2014. An extract of the Loan and Advances Account is presented thus:

ANALYSIS BY PERFORMANCE

Analysis by performance: Performing Loan

Analysis by performance: Performing Loan		2013		2014	
			N		N
Non-performing					
• Sub-standard				5,492,480	
• Doubtful	20			4,378,720	1,892,770
• Lost	50			1,121,330	115,420
				<u>4,937,250</u>	<u>1,809,750</u>
				<u>10,437,300</u>	<u>3,817,530</u>
				<u>15,929,780</u>	<u>11,917,530</u>

As the Bank inspector having been engaged to verify the accuracy of the data presented above,
You are required to

You are required to:

(b) The following balances have been extracted from the books of CORPORATE BANK PLC as at 31st December, 2015.

	N'000
Other Assets	
Statutory Reserve	288,810
Dividend Payable	6,302,708
Non-Current Assets	250,000
Deposit	411,623
Other Liabilities	4,000,000
Property, Plant and Equipment	4,182,989
Loan and Advances	90,045
Intangible Assets	7,649,238
Capital Reserve	6,820,370
Contingency Reserve	170,000
	522,070

Investment Security:

- | | |
|---------------------------------|-----------|
| ■ Available for Sale Investment | 1,119,457 |
| ■ Held to Maturity Investment | 62,111 |
| ■ Loan and Receivables | 50,000 |
| Cash and Balances with CBN | 6,844,450 |
| Current Income Tax | 61,590 |
| Share Capital | 7,846,747 |

You are required to prepare the Bank's Statement of Financial position as at 31st December, 2015.

12 Marks

Total

20 Marks

22,404,534

2~

QUESTION 4A

The summarized statement of Profit or Loss Account and other comprehensive Income of **BATMOS Nigeria Limited** as at 31st December, 2015 is as presented below:

Revenue	N'000
Cost of Sales	21,000
Gross Profit	(17,284)
Other Income	4,312
	208
	4,520
	(3,656)

Other Operating expenses:

Profit for the year

Other Comprehensive Income:

Revaluation of Non-current Assets

Total Comprehensive Income

The following additional Information were extracted from the statement of Financial Position and relevant notes;

The Equity Reserves (Extract) in the statement of Financial Position are:

- Ordinary Share Capital of 50k each fully paid N'000
- Retained Earnings as at 1/1/2014 2,800
- General Reserves as at 1/1/2014 1,936
- 7% Preference Share of N1 each 1,368
- **BATMOS Nigeria Limited** issued 800,000 Ordinary Share during the year and total proceeds from the issue amounted to N960,000 800

The Management of **BATMOS Nigeria Limited** recommends a transfer to General Reserve, an amount of N128,000.

During the year, the Company paid the following dividends:

Preference Dividend	N'000
Interim Dividend	56

The total Equity and Reserve balance of **BATMOS Nigeria Limited** in the statement of Financial Position as at 31st December, 2015 is N11,744,000 64

REQUIRED:

Prepare the statement of changes in Equity of **BATMOS Nigeria Limited** as at 31st December, 2015 in accord with IAS 1.

10 Mark

QUESTION 4B

Below is the published Annual Report of **GOLD BANK Plc.** for the year ended 31st December, 2015. An extract of Loan advances Account is hereby presented below:

ANALYSIS BY PERFORMANCE

	2014 N	2015 N
Performing		
Non-performing		
• Pass and watch	5,492,480	8,199,590
• Sub-standard	1,380,156	596,140
• Doubtful	4,378,720	1,792,770
• Lost	4,937,250	1,809,750
Total	17,309,936	29,702,276

As the Bank inspector, you have been engaged to calculate based on CBN prudential guidelines, the provisions for the above Loan Portfolio classification.

EQUIRED:

Prepare the necessary provision for two years based on prudential guidelines for licensed Banks in Nigeria.

10 Marks

Total

20 Marks

QUESTION 5

- A. List Five (5) importance of Financial ratios to a business entity 3 Marks
- B. List the ratios which are of particular importance to the following users of Financial Statement
 - i. Management
 - ii. Creditors
 - iii. Shareholders
 - iv. Investors2 Marks
5 Marks

The latest Financial Position and Profit or Loss account and other comprehensive income of **LEMONADE NIGERIA LIMITED**, a manufacturing company is as stated below:

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2015

	N	N
Non-Current Assets		
Freehold Property	240,000	
Plant and Equipment	400,000	
Office Furniture	100,000	
Motor Vehicle	<u>100,000</u>	
	<u>840,000</u>	
Current Assets		
Inventories	500,000	
Receivables	200,000	
Investments	<u>60,000</u>	<u>760,000</u>
	<u>1,600,000</u>	
Liabilities and Equity		
Liabilities		
10% Debentures	200,000	
Current Liabilities	119,200	
Trade Payables	439,200	
Bank Overdraft	88,000	
Current Taxation	<u>53,600</u>	900,000
Dividend Payable		
Equity		
Ordinary Shares of N1 each fully paid	200,000	
Capital Reserve	<u>400,000</u>	<u>700,000</u>
Revenue Reserve		

SUMMARISED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2015

Sales (all on credit)	N 2,090,000
Profit after charging all expenses	220,000
Less: Debenture Interest	(20,000)
Profit before Taxation	200,000
Less: Taxation	(88,000)
Profit after Taxation	112,000
Less: Ordinary Dividend	(53,600)
Retained Earnings	58,400

Notes

- Purchases for the year was N1,080,000
- Cost of Sales for the year was N1,500,000
- The market price of a LEMONADE NIGERIA LIMITED Ordinary share as at 31st December, 2015 was N4.00k

You are required to compute the following ratios:

Return on Capital Employed

Gross Profit Margin

Current Ratio

Acid Test Ratio

Debtors Collection Period

Proprietary Ratio

Stock Turnover

Dividend Yield

Earnings per Share

Price Earnings Ratio

15 Marks

Total

20 Marks