



NATIONAL OPEN UNIVERSITY OF NIGERIA
14/16 AHMADU BELLO WAY, VICTORIA ISLAND, LAGOS
SCHOOL OF MANAGEMENT SCIENCES
MARCH/APRIL 2014 EXAMINATION

COURSE CODE: ACC 312

CREDIT

UNIT: 2

COURSE TITLE: INTERMEDIATE FINANCIAL ACCOUNTING II

TIME ALLOWED: 2 HRS 30 MINS

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 equal marks each

3. Present all your points in coherent and orderly manner

QUESTION 1a

Simplest Estate Development Nigeria Plc, was registered in year 2005. It purchased freehold land at Ajah for the purpose of creating a highly developed holiday centre and retirement estate. The area of land purchased consists of 4,000 plots from which a block of 20 plots was designed as sports and entertainment arena whilst the remaining land was offered for sale at ₦ 15,000 per plot, for development of luxury bungalows. As at 30th April, 2008, the position of the company was as follows:

₦'000

₦'000

Authorised share capital

50,000

Issued and fully paid:

Ordinary shares @ ₦ 1.00 per share

27,000

9% redeemable preference shares

4,500

Unappropriated profit brought forward

9,600

41,100

7% debentures

18,000

Debentures redemption fund

6,900

66,000

₦'000

Fixed Assets:

45,330

Entertainment arena including land & filling at cost
(750)

44,580

Debenture redemption fund investment, at cost
(market value ₦7,500,000)

6,900

51,480

Current Assets

₦'000

₦'000

Freehold land (2,000 plots unsold) at cost
12,000

Arena stocks
750

Arena debtors
130

Bank

4,520

17,400

Less: Current liabilities:

Trade creditors

180

Proposed ordinary dividend

2,700

2,880

Net current assets

14,520

66,000

The following transaction took place in the year ended 30th April, 2008:

- a. On 1st July 2007, to be effective 1st May 2007, the company sold the entertainment arena to complete leisure limited for ₦3 million together with arena stocks and debtors at the balance sheet figure. Cash settlement was made on 20th July, 2007.
- b. The preference shares were redeemed on 30th June, 2007, within the terms of the original issue, at a premium of 105, to be in lieu of any

accrued dividend. The premium on redemption is to be written-off to capital reserve.

- c. On 1st July 2007, the proposed ordinary dividend was paid.
- d. On 31st October 2007, the 7% debentures were redeemed at 104 together with 6 months accrued interest. The premium on redemption is to be written-off to capital reserve. The debenture redemption fund had been created out of profit.
- e. On 1st November 2007, the company made a bonus share issue to the ordinary shareholders of one for every three ordinary shares held on that date. The capital reserve arising from the realization of fixed assets was issued for this purpose.
- f. During the course of the year, 400 plots were sold at ₦15,000 a plot.
- g. Also, within the year, the creditors as at May 2007, were paid off at a discount of 5% and administrative expenses of ₦450,000 incurred, of which ₦210,000 was unpaid at 30th April, 2008.
- h. Income from investments (market value on 31st October, 2007 was ₦7,800,000) amounted to ₦270,000

You are required to prepare for Simplest Estate Development Nigeria Plc the following for year ended 30th April, 2008.

- i. Profit and loss appropriation account.
- ii. Balance sheet as at 30th April, 2008.
- iii. Bank account.

25 Marks

1b. Mention 5 (five) sources of Generally Accepted Accounting Practice (GAAP) in Nigeria.

5 Marks

QUESTION 2

- a. List and explain 5 (five) accounting concepts used in the preparation of financial statements.

10 Marks

- b.** State 5 (five) factors that determine the acceptability of an accounting practice?

10
Marks

QUESTION 3

- a.** State 5 (five) the powers of the Nigerian Accounting Standards Board (NASB) as prescribed under section 7 of the NASB Act, 2003.

10 Marks

- b.** Define the following terms used in the Statement of Accounting Standard 19 as follows:

- Deferred tax liabilities
- Input tax credit
- Capital gains
- Accounting profit/loss
- Deferred tax assets

10

Marks

QUESTION 4

- a.** Define a Capital Structure of a company. **5 Marks**

- b.** State and explain 5 (five) types of capital. **15 Marks**

QUESTION 5

- a.** Define the term 'debenture' and explain the types of debentures available. **10 Marks**

- b.** Give 5 (five) functions of the Nigerian Accounting Standard Board (NASB) according to section 6 of the NASB Act, 2003. **10 Marks**__