



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**Plot 91, Cadastral Zone, Nnamdi Azikiwe Express Way, Jabi-Abuja**  
**Faculty of Management Sciences, Department of Financial Studies**  
**October/November Examination 2016**

**COURSE CODE: ACC 312**

**COURSE TITLE: Intermediate Accounting**

**Credit unit: 3**

**Time Allowed: 2 hours 30 minutes**

**INSTRUCTION:**

- 1. Attempt question number one (1) and any other (3) questions.**
- 2. Question number 1 carries 25 marks, while the other three (3) questions carry 15 marks each.**
- 3. Present all your points in coherent and orderly manner.**

**QUESTION 1**

SS Olokun was chartered on 1 March 2008, by Ocean View Shipping Agency Ltd from Awaye Lines Limited. It sets on a voyage on that date as follows:

Accra to Apapa with general cargo at N2,300 per ton. The charter stipulates for an address commission to the charterers of 2% on freight, payable on signing the bill of lading together with a brokerage of 5% to the charterers' agents, of which, one fifth is repayable to the vessel. Conakry to Port Harcourt is at N1,700 per ton. Address commission of 2% on freight payable to charterers and brokerage of one-third of 5% payable to charterers' agent on signing charter. The vessel was insured by Cornerstone Insurance Plc on 1 January 2008, for one year at N3 million and managing owner's Articles of Association fixed remuneration at 1.5% of gross freight charges.

The following are relevant extracts from the shipping company's account:

Freight of 15,000 tons of rice to Apapa and 17,500 tons of rubber to Port Harcourt:

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Wages for the year	9,600,000
Wharfage at Port-Harcourt	1,750,000
Captain disbursement- Port-Harcourt	325,000
Wharfage at Apapa	320,000
Agents' disbursements – Apapa	75,000
Captain's disbursements – Apapa	150,000
Stores Account	560,000
Port charges, etc. Accra	1,350,000
Captain's Accounts for Labour wages	750,000

Fuel	711,000
Stevedores at Conakry	420,000
Provisions at Conakry	164,000
Repairs on voyage	125,000
Captain's expenses- Conakry	100,000
Agents' Account for Port charges exclusive of Address commission & brokerage	175,000

The voyage terminated on 30 November 2008. You are required to prepare a voyage account (provide expenses to the nearest month). (25marks)

## QUESTION 2

- A. Mention and briefly explain five accounting concepts (10marks)
- B. Explain the two bases used in preparing financial statements? (5marks)

## QUESTION 3

Major Oil Plc is about to acquire another oil company, Peanut Oil Limited, for N700 million. The consideration includes a purchase of four years' profits. You are also given the following information:

### PEANUTS OIL LIMITED FINANCIAL SUMMARIES

	2004	2005	2006	2007	2008
	N'm	N'm	N'm	N'm	N'm
Sales	-	70	142	194	270
Expenses	(75)	(72)	(108)	(121)	(130)
Net profit/(loss)	(75)	(2)	34	73	140
Fixed Assets	270	274	302	310	300
Current Assets	35	29	35	100	220
	305	303	337	410	520

In 2004, Peanuts Ltd spent N12 million in obtaining licences to prospect for oil in Nigeria for an initial period of 20 years. In 2006, the company formulated a brand of engine oil for N24 million to lead the market. Industry analyst predicted that this brand of engine oil would remain dominant for 10 years. The licensing and brand development costs were written off in the year of expenditure.

You are required to:

- (a) advise on the treatment of licensing and development costs in the accounts and draft a

suitable accounting policy for the two items.

(b) assess the offer of N700 million for the company by Major Oil Plc. (15marks)

#### **QUESTION 4**

Mention and explain the functions of the Security and Exchange Commission? (15marks)

#### **QUESTION 5**

Differentiate between Private Limited Liability Company from Public Limited Liability Company by stating what is contained in each of their Memorandum and Articles of Association. (15marks)

#### **QUESTION 6**

Write short notes on each of the below questions

- (a) What is a share? (2marks)
- (b) What are the two major classes of shares (4marks)
- (c) What is Public issue of shares? (2marks)
- (d) What do you understand by shares issued at premium and shares issued at discount? (7marks)