



NATIONAL OPEN UNIVERSITY OF NIGERIA
14-16 AHMADU BELLO WAY, VICTORIA ISLAND LAGOS
MARCH/APRIL 2016 EXAMINATION

SCHOOL OF MANAGEMENT SCIENCES

Course Code: ACC311

Credit Unit: 3

Course Title: Intermediate Financial Accounting I

Time Allowed: 3 hours

Instruction:

Attempt question one and any three questions of your choice. Question one carries 25 marks while others carry 15 marks each. Present your answer in coherent and orderly manner.

QUESTIONS 1

Gastric Cast Plc is a manufacturing company. Its trial balance as at 30 April, 2008, is as follows:

	Dr	Cr
	₦'000	₦'000
Goodwill	500	
Land and building	15,950	
Plant and machinery	68,880	
Furniture & fittings	44,530	
Accumulated depreciation:		
Land and building		2,700
Plant and machinery		51,350
Furniture and fittings		33,500
Investment – quoted	2,370	
Unquoted	3,020	
Ordinary share capital @ 50k/share		63,000
General reserve		500
Profit and loss account		750
Provision for deferred tax		3,040
Stocks- raw material	10,800	
Work-in-progress	9,780	
Finished goods	11,530	

Sales		73,470
Rent received		170
Investment income		800
Other interest received		600
Profit on sale of plant		3,600
Purchase of raw materials	28,620	
External charges on raw materials	180	
Wages and salaries	9,060	
Pension cost on employees	1,220	
Depreciation charge for the year:		
Land and building	410	
Plant & machinery	5,940	
Furniture and fittings	3,250	
Rent, rates and insurance	3,900	
Power and lighting	6,940	
Distribution expenses	2,660	
Audit fees	320	
Sundry expenses	400	
Interest paid on bank overdraft	200	
Bills of exchange payable		100
Trade creditors		12,850
Other creditors		2,060
Company income tax brought forward		3,080
Creditors due after one year:		
6% debenture 2004 – 2020		5,550
Others		680
Rationalization cost	2,070	
Prepayments	2,410	
Bank balance	9,210	
Trade debtors	13,560	
Other debtors	90	
	<u>257,800</u>	<u>257,800</u>

- The following additional information are also relevant: ₦'000
- Stocks at 30 April 2008 - raw materials 12,810
 - Work-in-progress 11,050
 - Finished goods 12,580
 - During the year, additions to fixed assets were as follows:
 - Plant & machinery 8,530
 - Furniture & fittings 780
- Disposals were made as follows:
- Plant & machinery- at cost (Acc. Depreciation ₦2,670,000) 3,020
 - Furniture & fittings- at cost (Acc. Depreciation ₦910,000) 1,250
- Proposed dividend is 6 kobo per share.

4. Provision in the accounts for company income tax of ₦2,400,000 and capital gains tax on sale of plant of ₦450,000 is made.
5. Under-provision for company income tax in respect of year ended 30/4/07 was ₦250,000.
6. Included in salaries and wages are directors' fees of ₦0.5 million and executive directors' salaries of ₦2.5 million.

You are required to prepare the profit and loss account for the year ended 30 April 2008 and balance sheet as at that date in a form suitable for publication in line with CAMA, 2004 for Gastric Cast Plc. Show all workings.

2. a. What are those issues that affect the information relating to financial position of an entity?
b. Mention five (5) non-banking financial institutions you know.
3. Exotic Furniture Nig. Ltd recorded the following transactions in the first week of January 2009:
 - (a) Rented an office space in Port Harcourt for ₦1 million per annum and paid ₦5 million, being rent for five years demanded by the landlord.
 - (b) Bought office equipment for ₦240,000 on credit from Modern Business machines Ltd. The expected useful life of the equipment is four years.
 - (c) Received cheque of ₦1.3 million from Rivers State Polytechnic, Bori, being final payment for sales made to the Institution in 2007.
 - (d) Sold furniture items on credit to a local government in Rivers State for ₦4 million. The local government did not pay until the following year.

You are required to prepare extracts of the income statement and balance sheet of the company for the year ended 31 December, 2009, on the assumption that financial statements are prepared under (a) the accrual basis and (b) the cash basis accounting.

4. Explain the purposes of the International Accounting Standard Board framework.
5. According to the provision of Section 359(6) of the Companies and Allied Matters Act, Cap, C20 LFN, discuss the responsibilities of the Audit Committee.
6. Describe with examples the limitations of the use of accounting ratios in making informed decisions.