



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

Course Code: BHM 724

Credit Unit: 3

Course Title: Financial Accounting

Time Allowed: 2 1/2 Hours

Instructions:

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

1(a) Island Sports Club was formally established on January 1, 2009, and was granted the free use of a clubhouse at Greenland. The following are its financial transactions for the year ended December 31, 2009 as recorded in the treasurer's only financial record, the cash book:

Dr		Receipts and Payments Account					
Cr							
Date	Particulars	Folio	Amount	Date	Particulars	Folio	Amount
			N				N
	Balance b/d		16,500		Wages		1,300
	Subscriptions		800		Equipment		4,000
	Admission fees		1,500		Wages		1,300
	Proceeds from journal sales		2,000		Wages		1,200
	Subscriptions		4,000				
	Donations		<u>2,300</u>		Balance c/d		<u>19,300</u>
			<u>27,100</u>				<u>27,100</u>
	Balance b/d		19,300				

You are required to prepare a statement of receipts and payments for the year ended December 31, 2009.
 (15 marks)

(b) Write short notes on the following:

- (i) Manufacturing costs (5 marks)
- (ii) Basic principles in valuing closing stock of manufacture (5 marks)

2(a) What is 'financial statement'. (3 marks)

(b) Name and discuss the main components of the financial statement. (9 marks)

(c) Explain the double entry system of recording transactions. (3 marks)

3. The following are extracted from the trial balance of Nicgara Nigeria Limited, a manufacturing concern, in respect of the year ended 30th September, 2008:

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Opening stock:	
Raw materials	12,500
Work-in-progress	8,600
Finished goods	14,800
Purchase of raw materials	68,200
Carriage inwards	3,410
Factory wages	18,390
Rent of factory	4,800
Factory general expenses	8,360
Salaries of factory supervisors	8,740
Salaries of salesmen and office staff	22,570
Rent of office	5,400
Insurance of factory equipment	2,840
Bad debts	960
Office general expenses	12,930
Depreciation:	
Factory equipment	16,280
Office and distribution equipment	14,880
Sales less returns	215,000
Power and lighting (factory)	5,610
Power and lighting (general)	3,200

Closing stocks were valued at the following amounts at year end:

Raw materials	14,480
Work-in-progress	10,250
Finished goods	18,390

Work-in-progress is normally valued in this firm at prime cost plus a portion of factory overheads.

Required:

Prepare the manufacturing, trading, and profit and loss accounts as at end of year.
(15 marks)

- 4(a) Why would a sole proprietor be interested in having an idea of profits earned?
(5 marks)
- (b) What are the tax implications for a sole proprietor?
(4 marks)
- (c) Explain 'contra entry'.
(3 marks)
- (d) What do you understand by the Imprest system?
(3 marks)

5(a) What is 'goodwill'? (3 marks)

(b) The estimated future accrued profits of the partnership (less partners' remuneration of N25,000) is N75,000. If the yield at 10% per annum is expected and the value of the tangible assets is

N500,000, what is the value of the goodwill?

(5 marks)

(c) Discuss the features of non-profit organizations.

(7 marks)

6. (a) Enumerate and explain five accounting concepts.

(10 marks)

(b) Tunde and Haruna, being partners in business, share profits and losses in the ratio of 60:40.

The partners agreed to admit Eze to a 25% interest. What is the new profit sharing ratio of

the partners?

(5 marks)