



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

**COURSE CODE: ACC419**  
**COURSE TITLE: ADVANCED FINANCIAL ACCOUNTING**  
**CREDIT UNIT: 3**  
**TIME ALLOWED: 3 HOURS**

**Instructions:**

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

**QUESTION ONE**

1. Favour Electrical Concept Plc has authorised and issued share capital of N200 million, made up of 400 million ordinary shares of 50 kobo each. The following is the company's trial balance as at 30 April 2006.

<b>PARTICULARS</b>	<b>DR</b> N'000	<b>CR</b> N'000
Freehold land	50,000	
Short term deposits	50,000	
Sundry debtors	60,820	
Cash and bank	100,862	
Furniture and fitting-cost	44,720	11,180
Accumulated depreciation		
Machinery and equipment-cost	189,000	
Accumulated depreciation	27,160	32,800
Stock at 1 may 2003		39,420
Sundry creditors		25,000
Bank overdraft	97,280	
Wages	2,100	
Postages and telephone	6,060	

General expenses	560	
Bad debts written off	2,000	
Auditors remuneration	2,140	
Distribution expenses	2,060	
Insurance	4,100	1,000
Bank interest paid and received	3,800	
Electricity	76,850	
Salaries (including directors remuneration N2m)	1,580	
Rates	306,832	
Purchases		740,124
Sales	24,000	
Dividends(interim)		2,400
Profit and loss account		<u>200,000</u>
Share capital	<b>1,051,924</b>	<b>1,051,924</b>

The following adjustments are necessary for the year ended 30/4/2006:

(a) The directors recommended that 5% of debtors should be set aside for possible bad debt.

(b) Stock was valued at N58,648,000 as at 30 April, 2006.

(c) Wages outstanding at 30 April, 2006 amounted to N 2,400,000 and electricity accrued w as N280,000.

(d) Depreciation is to be written off machinery and equipment at 10% per annum and Furniture and Fittings at 5% per annum.

(e) The Sales Manager is entitled to sales commission of 2% of gross profit. The commission is payable on 1 May, 2006.

(f) Insurance has been paid in advance amounting to N 285,000.

(g) Machinery which stood in the books at 1 May, 2005 at N 8million has been sold for N6 million in part exchange for a new machinery costing N 12 million. A net invoice for N6 million has been posted into the Purchases account. No other entry has been made in respect of this transaction. The original cost of the old machinery was N 10million. It is the company's policy to charge a full year's depreciation in the year of purchase and none in the year of sale.

(h) The Directors proposed a final dividend of 8%, making a total of 20% dividend in respect of the year to 30 April, 2006.

(i) Provision for company income tax w as N 35million.

**Required:** Prepare the income statement for the year ended 30 April, 2006 and statement of financial position as at 30 April, 2006 in a form suitable for publication. Notes to the accounts are not required but show your workings.

2. Set below is the income statement of Maphacy Plc, a manufacturing company, for the year ended 31 December 2012, together with its comparative figures.

	2012 N'000	2011 N'000
Turnover	12,000,500	8,500,000
Cost of sales	<u>(7,000,500)</u>	<u>(5,400,000)</u>
Gross profit	5,000,000	3,100,000
Distribution costs	(820,100)	(400,500)
Administration expenses	<u>2,100,000</u>	<u>(1,600,000)</u>
Trading profit	2,079,900	1,099,500
Interest payable (net)	(450,000)	(280,000)
Profit before exceptional items and taxation	1,629,900	819,500
Exceptional items	<u>230,000</u>	-
	1,399,900	819,500
Taxation	(460,000)	(230,000)
Profit after taxation	939,900	589,500
Proposed dividend	<u>(550,000)</u>	<u>(250,000)</u>
Retained profit	<u>389,900</u>	<u>339,500</u>

The following notes are relevant:

1. Included in cost of sales is excise duty amounting to ₦2,095,631,000 ( 2011: ₦1,028,900,000) charged on the manufactured goods.
2. Included in distribution and administration costs are staff salaries, wages and fringe benefits totaling ₦495,872,000 (2011: ₦306,062,000) and depreciation charged on fixed assets of ₦200,264,000 (2011: ₦132,397,000)
3. Taxation comprises

	2012 N'000	2011 N'000
Land & Building	34,982	200,000
Plant, machinery & vehicle	17,117	30,000
Goodwill & Patents	<u>407,901</u>	-
	<u>460,000</u>	<u>230,000</u>

**Required:**

Prepare the statement of Value added of the company for the year ended 31 December, 2012 as it will appear in its published financial statements.

3. Farmers' Co-operative Thrift and Credit Society trial balance as at 31 December 2014 is as follows

	Dr N	Cr N
Fixed asset (net depreciation)	300,770	
Stocks of recharge cards	270,045	
Investment:		
- short term deposit	5,382,510	
- quoted shares	821,145	
Members indebtedness:		
- loans	29,018,339	
- others	2,518,326	
Bank	601,962	
Accrued expenses		503,500
Share capital		1,657,559
Share premium		101,524
Members savings		28,045,298
Reserve fund		2,087,710
Education fund		184,182
Interest income:		
On members loans		1,454,402
On investment		917,719
Profit on sales commission		5,463,930
Entrance fees		3,000
Loan forms and processing		51,000
Sundry income		1,031
Staff salaries	259,610	
Transport expenses	35,975	
Telephone expenses	3,320	
Committee meeting expenses	79,900	
Printing and stationery	39,425	
Bank charges and commission	232,625	
General expenses	31,290	
Audit fees	20,000	
Executive committee	103,500	
AGM expenses	280,000	
Depreciation charges	6,583	
Transfer to reserve fund	423,209	
Transfer to education fund	42,321	
	<b>40,470,855</b>	<b>40,470,855</b>

After appropriation to reserve and education fund, the executive committee proposed to pay ₦2,424,000 as dividends to members and transfer the balance to general reserve.

**Required:** prepare the society's reserve account for the year ended 31<sup>st</sup> December 2008 and balance sheet as at that date.

4. AHMED Ltd decided to issue 1,000,000 shares of N 1.00 each at par, 10kobo payable on application, 40kobo on allotment and 50kobo on first and final call. OKAFOR Ltd, a finance company, agrees to underwrite the whole issue, at a commission of 2.5% and to apply firm for 200,000 shares. OKAFOR Ltd arranged with ADU Ltd that they sub-underwrite 25% of the shares for a commission of 2%. The public applies for and was allotted 400,000 shares and OKAFOR Ltd was allotted the firm's application for 200,000 shares.

OKAFOR Ltd had deposited cheque designed for the application money on shares underwritten and ADU Ltd in turn, had deposited the relevant cheques and which cleared when the result of the issue became known and commission due was paid. After allotment and before final payment, OKAFOR Ltd sold 100,000 shares at 45k each, having made the final payment. OKAFOR Ltd then sold 250,000 shares at 110k each.

At the end of the financial year of OKAFOR Ltd, shares of AHMED Ltd were valued at 120k each.

**Required:** Prepare the Underwriting Account of OKAFOR Ltd reflecting the above transactions.

5. FANIBUYAN plc acquired the entire share capital of EKWURIBE plc for N40 million cash on 31 December 2008. The statement of financial position of the two companies at that date were as follows:

	FANIBUYAN plc N'000	EKWURIBE plc N'000
Fixed assets	160,000	16,000
Investment in Santos PLC	40,000	-
Current assets	<u>390,000</u>	<u>48,000</u>
	<u>590,000</u>	<u>64,000</u>
Share capital of N1.00 per share	200,000	20,000
Profit and loss a/c	60,000	10,000
Current Liability	<u>330,000</u>	<u>34,000</u>
	<u>590,000</u>	<u>64,000</u>

There is no significant difference between the book value and the fair value of EKWURIBE plc's assets. You are **required** to:

- Calculate goodwill;
- Prepare the consolidate balance sheet of FANIBUYAN plc at 31 December 2008

6. a) List any five purposes of the conceptual framework for the preparation and presentation of financial statements put together by the International Financial Standards Board (IFSB).

b) What is the scope of the conceptual framework?