



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

SCHOOL OF MANAGEMENT SCIENCES

COURSE CODE: ACC 419

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 carry 15 marks each.**
- 3. Present all your points in coherent and orderly manner.**

QUESTION ONE

1. General Electric 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 2008.

PARTICULARS	DR	CR
	N'000	N'000
Freehold land	25,000	
Short term deposits	50,000	
Sundry debtors	60,820	
Cash and bank	50,862	
Furniture and fitting-cost	44,720	
Accumulated depreciation		11,180
Machinery and equipment-cost	164,000	
Accumulated depreciation		32,800
Stock at 1 may 2003	27,160	
Sundry creditors		39,420

Bank overdraft		25,000
Wages	97,280	
Postages and telephone	2,100	
General expenses	6,060	
Bad debts written off	560	
Auditors remuneration	2,000	
Distribution expenses	2,140	
Insurance	2,060	
Bank interest paid and received	4,100	1,000
Electricity	3,800	
Salaries (including directors remuneration N2m)	76,850	
Rates	1,580	
Purchases	306,832	
Sales		640,124
Dividends(interim)	24,000	
Profit and loss account		2,400
Share capital		<u>200,000</u>
	951,924	951,924

The following adjustments are necessary for the year ended 30/4/2008:

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

(b) Stock w as valued at N28,648,000 as at 30 April, 2008.

(c) W ages outstanding at 30 April, 2008 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, 2008.

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

(g) Machinery which stood in the books at 1 May, 2007 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, 2008.

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

Required: Prepare the profit and loss account for the year ended 30 April, 2008 and balance sheet as at 30 April, 2008 in a form suitable for publication. Notes to the accounts are not required but show your workings.

QUESTION TWO

Set below is the profit and loss account of SALEM plc, a manufacturing company, for the year ended 31 December 2008, together with its comparative figures.

	2008 N'000	2007 N'000
Turnover	8,074,458	5,201,750
Cost of sales	<u>(5,015,397)</u>	<u>(3,021,246)</u>
Gross profit	3,059,061	2,180,513
Distribution costs	(520,162)	(364,475)
Administration expenses	<u>1,366,742</u>	<u>(681,787)</u>
Trading profit	1,172,157	1,134,251
Interest payable (net)	(386,079)	(235,739)
Profit before exceptional items and taxation	786,078	898,512
Exceptional items	<u>113,169</u>	-
	672,909	898,512
Taxation	(314,138)	(335,520)
Profit after taxation	358, 771	562,992
Proposed dividend	<u>(351,000)</u>	<u>(234,000)</u>
Retained profit	<u>7,771</u>	<u>328,992</u>

The following notes are relevant:

1. Included in cost of sales is excise duty amounting to ₦2,095,631,000 (2007 ₦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 (2007 ₦306,062,000) and depreciation charged on fixed assets of ₦200,264,000 (2007 ₦132,397,000)
3. Taxation comprises

	2008 N'000	2007 N'000
Land & Building	34,982	314,479
Plant, machinery & vehicle	17,117	21,041
Goodwill & Patents	<u>262,039</u>	-
	<u>314,138</u>	<u>335,520</u>

Required:

Prepare the statement of Value added of the company for the year ended 31 December, 2008 as it will appear in its published financial statements.

QUESTION THREE

EVUMEFEFE CO-OPERATIVE THRIFT AND CREDIT SOCIETY LIMITED TRIAL
BALANCE AS AT 31 DECEMBER 2014 IS AS FOLLOWS

	DR N	CR N
Fixed assets (net of depreciation)	196,770	
Stocks of recharge card	168,045	
Investments- short term deposits -quoted	4,382,510 721,145	
Members indebtedness: Loans	19,018,339	
Others	1,618,326	
Bank and cash balances	601,962	
Accrued expenses		403,500
Share capital		657,559
Share premium		101,524
Members' savings		23,045,316
Reserve fund		1,087,710
Education fund		184,182
Interest income:		
On members' loans		1,448,402
On investment		817,719
Profit on sale of commodities		463,930
Entrance fees		3,000
Loan forms and processing fees		51,000
Sundry income		1,031
Staff salaries and expenses	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 repairs and maintenance	31,290	
Audit fees	20,000	
Executive committee honoraria	103,500	
AGM Expenses	280,000	

Depreciation charge	6,583	
Transfer to reserve fund	423,209	
Transfer to education fund	42,321	
	28,264,855	28,264,855

After appropriation to reserve and education fund, the executive committee proposed to pay ₦1,227,000 as dividends to members and transfer the balance to general reserve.

Required: prepare the society's reserve account for the year ended 31 December 2008 and balance sheet as at that date

QUESTION FOUR

Adamu Nigeria limited, undertakes to build another giant coal bunker for eastern coal limited, at a contract price of N 150,000,000, estimating that the work will take 18 months to complete. At the financial year ended 31 March 2015, the expenditure on the contract were as follows:

	N'000
Materials	30,000
Direct wages	40,000
Direct expenses	5,000
Plant at cost	35,000
Plant hire	2,000
Sundry tools	3,000

The written down value of plant for the year ended 31march 2008, was ₦25,000,000 while the value of sundry tools was estimated to be ₦500,000. At the year end, the value of work certified was ₦100,000,000. While cash received from the customer amounted to ₦60,000.

You are required to prepare the contract and contractee's accounts, for the year ended 31st march 2015

QUESTION FIVE

(a) Frontline 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. Yinkus Ltd, a finance company, agrees to underwrite the whole issue, at a commission of 2.5% and to apply firm for 200,000 shares. Yinkus Ltd arranged with Funky 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 Yinkus Ltd was allotted the firm's application for 200,000 Shares.

Yinkus Ltd had deposited cheque designed for the application money on shares underwritten and Funky 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, Yinkus Ltd sold 100,000 shares at 45k each, having made the final payment. Yinkus Ltd then sold 250,000 shares at 110k each. At the end of the financial year of Yinkus Ltd, shares of Frontline Ltd were valued at 120k each.

You are required to prepare the Underwriting Account of Yinkus Ltd reflecting the above transactions.

(b) ABC sold a machine to XYZ on hire purchase basis. You are given the following information.

Cash price N 28,000

Initial deposit N 10,000

A yearly instalment of N 7,500 each payable on 31 December for 4 years, was agreed. The company makes up accounts to 31 December.

You are required to calculate the hire purchase interest attributable to each year

QUESTION SIX

State ten advantages of cash flow accounting.