



NATIONAL OPEN UNIVERSITY OF NIGERIA
14/16 AHMADU BELLO WAY, VICTORIA ISLAND, LAGOS
FACULTY OF MANAGEMENT SCIENCES
JULY 2017 EXAMINATION

Course Code: MBA 812

Credit Unit: 3

Course Title: INTRODUCTION TO ACCOUNTING

Time Allowed: 2 ½ 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.

QUESTION 1

a) State the accounting equation and explain its components.

b) Below is the 5 year financial summary of MachameRatios

MachameRatios

FIVE YEAR FINANCIAL SUMMARY

YEAR ENDED 31 ST MAY	2008	2009	2010	2011	2012
	N'000	N'000	N'000	N'000	N'000
FUNDS EMPLOYED					
Ordinary share capital	14,797	14,797	14,797	18,497	23,121
Capital reserve	16,518	32,166	32,472	30,902	31,252
Revenue reserve	<u>13,226</u>	<u>17,589</u>	<u>21,609</u>	<u>24,674</u>	<u>23,968</u>
Shareholder's fund	44,541	64,502	68,878	74,073	78,341
Deferred taxation	5,427	11,154	10,810	13,004	15,479
Deferred income	-	-	5,979	6,066	4,666
9.75% Debenture stock	-	-	-	20,000	20,000
Unsecured loans	<u>9,342</u>	<u>10,158</u>	<u>9,080</u>	<u>7,000</u>	<u>11,000</u>
	<u>59,310</u>	<u>85,814</u>	<u>94,747</u>	<u>120,143</u>	<u>129,486</u>
EMPLOYMENT OF FUNDS					
Fixed assets	34,977	70,575	73,309	87,274	106,657
Net current assets	<u>24,333</u>	<u>15,239</u>	<u>21,538</u>	<u>32,869</u>	<u>22,829</u>
TURNOVER AND PROFIT					
Turnover	229,796	291,572	319,731	367,966	380,033
Profit before taxation	12,283	7,272	14,090	16,474	15,508
Profit after taxation	5,733	4,353	6,979	8,816	7,617
Dividends	1,835	2,072	2,959	3,699	3,699

Additional information:

Some of the assets and liabilities of the company are indicated thus;

	2012	2011
	N'000	N'000
Fixed assets	106,657	87,274
Current assets	160,231	138,126
Current liabilities	137,402	105,257
Stock	142,934	

The interest on unsecured loans is 8.02%

Required: Calculate liquidity and profitability ratios of Machame Ratios for 2012. (15 marks)

QUESTION 2

The following is the trial balance of Ismaila at 31 March 20X3

	Debit N'000	Credit N'000
Capital		42,140
Drawings	13,600	
Loan from S. Rikha		10,000
Bank	5,800	
Cash	460	
Sales revenue		88,400
Purchases	46,300	
Sales returns	5,700	
Purchases returns		3,100
Inventory at 1 Apr 20X2	8,500	
Carriage inwards	2,400	
Carriage outwards	1,600	
Trade receivables	15,300	
Trade payables		7,200
Motor vehicles	23,100	
Fixtures and fitting	12,400	
Wages and salaries	6,800	
Rent	4,100	
Light and heat	3,200	
Telephone and postage	1,700	
Discount allowed	830	
Discount received		950
	<u>151,790</u>	<u>151,790</u>

The inventory at 31 March 20X3 was valued at N9,800,000. The loan from S. Rikha is repayable on 1 January 20X5.

Required

- a) Show the ledger entries
- b)
- c) Prepare the Statement of profit and loss and the Statement of financial position (horizontal format) as at 31/03/20X3 for Ismaila from the trial balance provided.

QUESTION 3

- a) Describe a Trial balance
- b) Explain the procedure that should be followed when trying to locate an error in the trial balance

QUESTION 4

Big Sparkle is an electrical goods wholesaler. The transactions during June 20X3, which are all on credit, were as follows:

1 June Bought on credit from Lightings Ltd various bulbs with a retail price of N1,000,000 and received 20 per cent trade discount

4 June Sold goods on credit to Electric Reserves Ltd for N500,000 and allowed them 10 per cent trade discount on this amount

8 June Sent Electric Reserves Ltd a credit note for goods returned that had a retail value of N300,000

10 June Sold goods on credit to Swiggle Ltd for N600,000 after deducting 40 per cent trade discount

12 June Purchased goods with a retail value of N1,000,000 from Swatch Ltd who allowed 30 percent trade discount.

15 June Purchases on credit from Cables Ltd goods costing N550,000.

16 June Sent Swiggles Ltd a credit note for goods returned that had a retail value of N100,000.

18 June Swatch Ltd sent us a credit note for N300,000 in respect of goods returned

19 June Received a credit note for goods returned to Lightings Ltd that had a retail value of N250,000

25 June Sold goods to Gross Retails Ltd on credit for N250,000

27 June Sent Gross Retails Ltd a credit note for N50,000 to rectify an overcharge on their invoice

28 June Sold goods on credit to Electric Reserves Ltd at a price of N569,000.

29 June Purchased on credit a motor van from Baba Ltd that cost N800,000.

30 June Sold on credit to Lagos Trading Co. some fixtures and fittings no longer required in the shop for 350,000. (Prior. to this the business owned fixtures costing N1,000,000.)

Required

Make the necessary entries in the books of prime entry and general ledger.

QUESTION 5

- a) Give examples of cost accounting information and their uses.(5 marks)
- b) Explain what makes up PRIME COST and OVERHEAD COST (10 marks)

QUESTION 6

- a) Explain the primary and secondary objectives of an audit
- b) What are the qualities an auditor should have?
- c) Mention other services provided by an auditor.

