



NATIONAL OPEN UNIVERSITY OF NIGERIA
14-16 AHMADU BELLO WAY, VICTORIA ISLAND LAGOS
SCHOOL OF MANAGEMENT SCIENCES
MAY/JUNE 2012 EXAMINATION

BHM 657/757 PRINCIPLES OF ACCOUNTING (2 CR)

Time Allowed: 3Hrs

Instruction: Attempt any three questions of your choice. Each question carries 23.3

marks. Present your answer legibly and logically using relevant examples.

1. (a) Explain what final account of a non-trading concern consists of. (10.3 marks)

(b) Explain the nature of accommodation bills and their accounting treatment. (8 marks)

(c) Explain bills sent for collection and their accounting treatment. (5 marks)

2. (a) From the receipt and payment account given below, prepare the Income and Expenditure account of Menma's Club Lagos for the year 1988.

Receipts	Amount	Payments	Amount
	N		N
Balances b/d:		Salaries paid	12,400
Cash in hand	2,000	Additions to library	2,700
Cash at bank	10,000	Typewriter purchases	2,600
Entrance fees	10,400	Repairs	1,000
Subscriptions:		Electric fittings	18,000
1986-N6,000		Printing and Stationery	3,800
1987-N26,000		Miscellaneous expenses	600
1988-N2,000	34,000	Balances c/d:	
Sales of newspaper	240	Cash in hand	800
Rent of Library hall	4,160	Cash at bank	<u>1,300</u>
Proceed from entertainment	12,000		
Special subscriptions for			
Governor's party	<u>6,400</u>		
	79,000		79,000

(15.3 marks)

(b) Distinguish between sale and consignment. (8 marks)

3. (a) Mills and Boon enter into a Joint Venture for the construction of a building. They contributed N200, 000 and N300, 000 respectively. They agreed to share the profits or loss in the ratio of their contribution to capital. The profit for the Joint Venture is N45,000.

State:

- (i) Each co-venturer's share of profit ratio
 - (ii) Calculate each co-venturer's profit
 - (iii) The name of the co-venturer (10 marks)
- (b) Explain the following terms in relation to Consignment Account
- (i) Consignment (ii) Consignor (iii) Consignee (8.3 marks)
- (c) Explain the treatment of the normal and abnormal losses of goods and their impact on profit. (5 marks)

4. (a) On 1st February, 1992, Eze, an Onitsha trader consigned 120 cases of goods to Obi, an agent in Calabar. The cost of the goods was N25 per case. Eze paid to the port N147 and Insurance N93. On 31st March, 1992, Eze received a sales account from Obi, showing that 100 cases had been sold for N3, 500 and Obi has paid freight at the rate of N2 per case, and N186 as part changes. Obi was entitled to a commission of 5% on sales. A sight draft for the amount due was enclosed with the sales account.

Required: Prepare the Sales Account and show the account for the above transaction in the ledger of Eze. (15 marks)

- (b) i What is a memorandum Joint Venture Account?
- ii What is a Joint Venture? (8.3 marks)
- (c) State the similarities and differences between consignment and Joint Venture. (5.3 marks)

5. (a) Differentiate between Income and Expenditure and Receipt and Payments Account. (5 marks)

- (b) i What is a member's register?
- ii What do you understand by minute's book?
- iii Explain what is meant by stock register? (5 marks)
- (c) Find out the cost of goods sold from the following figures extracted from the books of Hyfeth Ltd for the year ended 2005.

	N
Stock (1 st January, 2005)	50,000
Purchases	1,000,000
Sales	1,500,000
Purchases returned	50,000
Stock (31 st December 2005)	70,000
Direct expenses	60,000
Indirect expenses	100,000
Show all working	(5.3 marks)

- (d) Distinguish between:
- i Direct expenses and indirect expenses
 - ii Trading account and Manufacturing account (5 marks)