



NATIONAL OPEN UNIVERSITY OF NIGERIA
PLOT 91, CADASTRAL ZONE, NNAMDI AZIKIWE EXPRESSWAY, JABI, ABUJA
FACULTY OF MANAGEMENT SCIENCES
JANUARY 2018 EXAMINATION QUESTIONS

COURSE CODE: ACC 812 **CREDIT UNITS:** 3
COURSE TITLE: INTRODUCTION TO ACCOUNTING
TIME ALLOWED: 2 ¹/₂Hrs
INSTRUCTION: 1. Indicate your Matriculation Number clearly
2. Attempt question one (1) and any other three (3) questions
3. Question one (1) is compulsory and carries 25 marks, while the other questions carry 15 marks each.
4. Present all your points in coherent and orderly Manner

QUESTION 1

The following is the trial balance of A. Dada at 31 March 20X6		
	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 20X5	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 20X6 was valued at N9,800,000. The loan from S. Rikha is repayable on 1 January 20X8.

Required

- a. Prepare the Statement of Profit or Loss and Statement of Financial Position as at March 20x6 for A. Dada from the trial balance provided using the format recommended by IAS1. (20 MARKS)
- b. Explain the purposes of a statement of profit and loss and a statement of financial position. (5 MARKS)

QUESTION 2

- A) In a paragraph each, explain any 5 of the following: the materiality, time period, historical cost, money measurement, duality, prudence, substance over form and consistency concept. (10 marks)
- B) Define and distinguish between the following:
 - assets and liabilities;
 - capital and revenue expenditure. (5 marks)

QUESTION 3

Using the following transactions, prepare a 2-column cash book

- March 2 Cash sales, ₦ 136,000
- March 3 Received cheque from Amadin & Co ₦ 285,000
- March 5 Purchased goods for cash, ₦120,000
- March 6 Cash sales, ₦184,000
- March 7 Paid to E. Nelson ₦ 65000, discount received ₦ 300
- March 9 Paid cash into bank, ₦ 100,000
- March 11 Paid E. Faith cheque ₦156,000, received ₦ 4000 discount
- March 12 Received from A. Osarobo , cash ₦ 98000 discount allowed ₦ 2,000
- March 13 Received from E. Oluwaseun , ₦ 97,000, discount allowed ₦3,000
- March 15 Sold goods and received cheque, ₦330,000

March 16 Withdrew cash from bank, ₦ 108,000

March 17 Purchased goods for cash, ₦ 88,000

March 19 Received cheque from B. Olumide ₦237,000

March 21 Sold goods for cash ₦ 119,000

March 22 Paid cash into bank ₦300,000

March 25 Paid Aminu cheque ₦86,000, received discount ₦2000

March 26 Paid cheque to Chinedu Obina, ₦216,000

March 26 Purchased goods and paid cheque, ₦186,000

March 27 Cheque received from B. Olumide was dishonoured by bankers

March 28 Paid vehicle insurance by cheque ₦46,000 (10 marks)

b) Explain the term 'Contra Entry'. (5 marks)

QUESTION 4

- a) Whichever method is used to calculate depreciation, at least three pieces of data relating to the asset in question are needed. State the information required. (3 marks)
- b) D. McDonald has an accounting year ending on 31 December. On 1 January 20X5 he purchased a machine for N1,000,000 which has an expected useful life of three years and an estimated residual value of N343,000. (12 marks)

Required

- a. Calculate the amount of depreciation in each year of the asset's useful life using: (i) the straight-line method; (ii) the reducing balance method; and (iii) the sum of the years' digits method.

- b. Show the ledger entries relating to the depreciation expense account and the provision for depreciation in each year (using the amounts calculated from the straight-line method).

QUESTION 5

- a) Define the cash flow statement and explain the major classifications (6 marks)
- b) What are the advantages of preparing a cash flow statement as part of the Financial statement. (9 marks)

QUESTION 6

- a) State the primary and secondary objectives of auditing. (8 marks)
- b) Explain the qualities of an auditor (7 marks)