

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

BHM 624/724 Financial Accounting

Time Allowed: 2 Hours

Instruction: Attempt any three (3) questions of your choice. Each question carries 23.3 marks. Present your answers legibly and logically using relevant examples.

1. (a) Discuss the features of non-profit organizations. [8 marks]

(b) Island Sports Club was formally established on January 1, 2008, and was granted the free use of a clubhouse at Greenland. The following are its financial transactions for the year ended December 31, 2008 as recorded in the treasurer's only financial record, the cash book:

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## Receipts and Payments Account

Dat	Particulars	Foli	Amount	Dat	Particulars	Foli	Amount
е		0	N	e		О	N
	Balance b/d		16,500		Wages		1,300
	Subscriptions		800		Equipment		4,000
	Admission fees		1,500		Wages		1,300
	Proceeds from				Wages		1,200
	journal sales		2,000				
	Subscriptions		4,000				
	Donations		<u>2,300</u>		Balance c/d		<u>19,300</u>
			<u>27,100</u>				<u>27,100</u>
	Balance b/d		19,300				

You are required to prepare a statement of receipts and payments for the year ended December 31, 2008. [15.3 marks]

2. (a) The following are extracted from the trial balance of HORE LTD, a manufacturing outfit, in respect of the year ended 30<sup>th</sup> September, 2003:

	N						
Opening stock:							
Raw materials	12,500						
Work-in-progress	8,600						
Finished goods	14,800						
Purchase of raw materials	68,200						
Carriage inwards	3,410						
Factory wages	18,390						
Rent of factory	4,800						
Factory general expenses	8,360						
Salaries of factory supervisors	8,740						
Salaries of salesmen and office staff	22,570						
Rent of office	5,400						
Insurance of factory equipment	2,800						
Bad debts	960						
Office general expenses	12,930						
Depreciation:							
Factory equipment	16,280						
Office and distribution equipme	nt 14,880						
Sales less returns 215,000							
Power and lighting (factory) Power and lighting (general)	5,610 3,200						
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Closing stocks were valued at the following amounts at year end:

Raw materials	14,480		
Work-in-progress	10,250		
Finished goods	18,390		

Work-in-progress is normally valued in this firm at prime cost plus a portion of factory overheads.

You are required to prepare the manufacturing, trading, and profit and loss accounts as at end of year. [15.3 marks]

- (b) Write short notes on the following:
  - (i) Manufacturing costs [4 marks]
  - (ii) Basic principles in valuing closing stock of manufacture [4 marks]

- 3. (a) What is financial analysis? [3.3 marks]
  - (b) How useful is the analysis of financial statements? [6 marks]
  - (c) Enumerate and explain five accounting concepts. [10 marks]
  - (d) Tomi and Temi, being partners in business, share profits and losses in the ratio of 60:40. The partners agreed to admit Remi to a 25% interest. What is the new profit sharing ratio of the partners? [4 marks]
- 4. (a) Define book-keeping. [3.3 marks]
  - (b) Highlight ten objectives of book-keeping. [10 marks]
  - (c) Explain the double entry system of recording transactions. [4 marks]
  - (d) Explain 'contra entry'. [3 marks]
  - (e) What do you understand by the Imprest system? [3 marks]
- 5. (a) Why would a sole proprietor be interested in having an idea of profits earned?
  [5 marks]
  - (b) What are the tax implications for a sole proprietor? [4 marks]
  - (c) Highlight the essential ingredients of a partnership agreement. [7 marks]
  - (d) Define goodwill. [2.3 marks]
- (e) The estimated future accrued profits of the partnership (less partners' remuneration of N25,000) is N75,000. If the yield at 10% per annum is expected and the value of the tangible assets is N500,000, what is the value of the goodwill? [5 marks]