



NATIONAL OPEN UNIVERSITY OF NIGERIA
14/16 AHMADU BELLO WAY, VICTORIA ISLAND, LAGOS
SCHOOL OF MANAGEMENT SCIENCES
SEPTEMBER/OCTOBER 2015 EXAMINATION

COURSE CODE: ACC311 **CREDIT UNIT:** 3
COURSE TITLE: INTERMEDIATE FINANCIAL ACCOUNTING I
TIME ALLOWED: 2 1/2 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.

QUESTIONS

1. Arebun Electricals Nigeria Plc is an Electrical Components assembly outfit with authorised and issued share capital of ₦200 million, made up of 400 million ordinary shares of 50 kobo each. The following is the company's trial balance as at 30 April 2014:

	Dr ₦'000	Cr ₦'000
Freehold land	25,000	
Short-term deposits	50,000	
Sundry debtors	60,820	
Cash and bank	50,862	
Furniture and fittings- cost	44,720	
Accumulated depreciation		11,180
Machinery and equipment- cost	164,000	
Accumulated depreciation		32,800
Stock at 1 May 2013	20,000	
Sundry creditors		39,420
Bank overdraft		25,000
Wages	87,000	
Postages and telephone	2,100	
General expenses	6,060	
Bad debts written-off	560	
Auditors' remuneration	2,000	
Distribution expenses	2,000	
Insurance	2,060	
Bank interest paid and received	6,000	5,000
Electricity	3,800	
Salaries (including directors remuneration N2m)	76,850	
Rates	1,580	
Purchases	182,388	
Turnover		520,000

Dividends (interim)	48,000	
Profit and loss account		2,400
Share capital		<u>200,000</u>
	<u>835,800</u>	<u>835,800</u>

The following adjustments are necessary for the year ended 30/4/2014:

- (a) The directors recommended that 5% of debtors should be set aside for possible bad debts.
- (b) Stock was valued at ₦15,000,000 as at 30 April, 2014.
- (c) Wages outstanding at 30 April, 2014 amounted to ₦1,300,000 and electricity accrued was ₦280,000.
- (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 2014.
- (f) Insurance has been paid in advance amounting to ₦285,000
- (g) Machinery which stood in the books at 1 May, 2013 at ₦8 million has been sold for N6 million in part exchange for a new machinery costing ₦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 ₦10 million. 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 5%, making a total of 29% dividend in respect of the year to 30 April, 2014.
- (i) Provision for company income tax was ₦35 million.

You are required to prepare the income statement for the year ended 30 April, 2014 and statement of financial position as at 30 April, 2014 in a form suitable for publication. Notes to the accounts are not required but you should show your workings.

2. According to the provision of Section 359(6) of the Companies and Allied Matters Act, Cap, C20 LFN, outline the responsibilities of the Audit Committee.
3. What are the limitations to the usefulness of Accounting Ratios?
4. a. What are those issues that affect the information relating to financial position of an entity?
b. Mention five (5) non-financial institutions you know.
5. a. According to the International Accounting Standard Board framework, define qualitative characteristic and mention the principal qualitative characteristics.
b. Define the term 'accounting policies'.
c. Accounting to accounting policies, how is stock recognized in the financial statement.
6. Among other financial statements of a company is the requirement of a cash flow statement, what do you consider is the usefulness of a cash flow statement?