



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

Course Code: ACC312 **Credit Unit:** 3
Course Title: Intermediate Financial Accounting II
Time Allowed: 3 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. You are required to prepare a trading, profit and loss account for Benedict Group of Farms for the year ended 31 December 2013 and its balance sheet as at that date from the following trial balance:

	DR
CR	
	N'000
N'000	
Regular labour expenses	6,800
Repair of motor vehicles	1,780
Petrol, oil and lubrications	586
Electricity	440
Depreciation	2,800
Rent and rates	820
Insurance	220
Debtors	8,200
Repairs of property	920
Telephone	96
Bank charges	136
Generator repairs and diesel	2,860
Other general expenses	940
Cash at bank	8,420
Equipment	20,400
Drawings	3,800
Capital	
25,200	
Creditors	
8,360	
Opening stock	7,836
Purchases	8,192
Sales	
50,120	

Subsidies	
2,904	
Fertilizer	860
Seeds	2,280
Contract work- crop	2,680
Casual labour- crop	90
Other expenses- crop	408
Feed	3,240
Casual labour- livestock	420
Veternary medicine-livestock	820
Dairy expenses	180
Sundry expenses- livestock	360
	<u>86,584</u>
<u>86,584</u>	

Below is additional information relevant to the accounts:

1. Closing stock: Cassava N440,000, Yam N740,000, Cow 440,000, Ram N600,000.
2. Sales: Cassava N8,400,000, Yam N9,680,000, Cow N23,560,000, Ram N8,480,000.
3. 2/3 of rent and rates; petrol, electricity and telephone should be charged to the farm's account.
4. The opening stocks for the following product lines: Cassava N1,581,000, Yam N1,565,000, Cow N2,525,000, Ram N2,165,000.
5. Purchases of: Cow N5,720,000 and Ram N2,472,000.
6. Own consumption: Cassava N64,000; Cow N120,000.
7. Subsidies: Cassava N660,000, Yam N724,000, Cow N820,000, Ram N700,000.

2. Cross Oil Ltd was incorporated in 2012 and has two oil mining leases (OML). Reserves in commercial quantities were discovered in 2012 in one of the OMLs. Expenditure were:

OML 200 (100 years)	N'000
Rent and signature bonus	7,600
Exploration costs	17,000
Development costs	14,000
Estimated future development costs	7,000
Estimated future abandonment costs (nets of salvage value)	1,000
	46,600
OML 201 (100 years)	
Rent and signature bonus	7,760
Exploratory/drilling costs (dry hole costs)	19,760
	27,520

Reserves and production data of crude oil were:

Proved reserves at 31/12/2012:

Developed	65,000 barrels
Undeveloped	17,000 barrels

Production- 2012

8,600 barrels

You are required to compute depletion, depreciation and amortisation (DD&A) for 2012 and prepare an extract of profit and loss account as at 31 December 2012 under:

- a. The full cost method
- b. Successful efforts method

3. The following is the summary of the fixed assets of Niger Cement Ltd for the years, 2008 to 2012 and the residual values of the assets in those years.

FIXED ASSETS SCHEDULE

(Total Fixed Assets)

	2008	2009	2010	2011	2012
	N'000	N'000	N'000	N'000	N'000
Cost at 1 st January	1,400	1,800	2,500	2,150	3,450
Addition	700	1,200	-	1,300	-
Disposals	(300)	(500)	(350)	-	-
Cost at 31 st December	<u>1,800</u>	<u>2,500</u>	<u>2,150</u>	<u>3,450</u>	<u>3,450</u>
Depreciation at 1 st January	250	350	530	680	1,490
Charge for the year	350	520	450	810	350
Disposals	(150)	(340)	(300)	-	-
Depreciation at 31 st	<u>450</u>	<u>530</u>	<u>680</u>	<u>1,490</u>	<u>1,840</u>
NBV	<u>1,350</u>	<u>1,970</u>	<u>1,470</u>	<u>1,960</u>	<u>1,610</u>

a.

Tax Computation Schedule

(Summary of all assets)

	2008	2009	2010	2011	2012
	N'000	N'000	N'000	N'000	N'000
Residual value b/f	980	900	1,180	960	1,760
Additions during the year	700	1,200	-	1,300	-
Disposal during the year	(180)	(240)	(100)	-	-
	<u>1,500</u>	<u>1,860</u>	<u>1,080</u>	<u>2,260</u>	<u>1,760</u>
Allowances:					
Initial	(310)	(450)	-	(350)	-
Annual	(290)	(230)	(120)	(150)	(190)
Residual value at end of year	<u>900</u>	<u>1,180</u>	<u>960</u>	<u>1,760</u>	<u>1,570</u>

Using only the information given above, you are required to compute the deferred taxation for the years 2008 to 2009 and the amounts to be charged to the profit and loss account for the years. Assume an average tax rate of 30%.

4. Define the following terms according to the provision of the Accounting Standard

- i. A lease;
- ii. Operating lease;
- iii. Finance lease;

- iv. Leverage lease; and
 - v. Sales-typed lease.
- 5.
 - a. Mention five non-bank financial institutions.
 - b. Mention five types of classification of cost oil and gas producing activities are involved in.
 - c. Mention five types of tax
- 6. According to Section 6 of Nigerian Accounting Standard Board Act 2003 outline eight functions the Board is required to perform?