



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91, Cadastral Zone, Nnamdi Azikiwe Express Way, Jabi-Abuja
Faculty of Management Sciences
October/November Examination 2016

COURSE CODE: MBA812

COURSE TITLE: INTRODUCTION TO ACCOUNTING

CREDIT UNIT: 3

TIME ALLOWED: 2 HOURS 30 MINUTES

Instruction:

- 1. Attempt question one and any three questions of your choice.**
- 2. Question one carries 25 marks while others carry 15 marks each.**
- 3. Present your answer in coherent and orderly manner.**

QUESTION 1

a) Define and distinguish between the following:

- i. assets and liabilities (5 marks)
- ii. capital and revenue expenditure (5 marks)

b) Complete the table indicating whether the items are capital or revenue in nature

- i. Rates
- ii. Delivery van
- iii. Rent
- iv. Stationery
- v. Telephone bill
- vi. New telephone
- vii. Fence
- viii. Electricity
- ix. Purchase of a new truck
- x. New tyres for the lorry (10 marks)

c) State the accounting equation and explain its components. (5 marks)

TOTAL = 25 marks

QUESTION 2

Big Sparkle is an electrical goods wholesaler. The transactions during June 20X3, which are all on credit, were as follows:

1 June Bought on credit from Lightings Ltd various bulbs with a retail price of N1,000,000 and received 20 per cent trade discount

4 June Sold goods on credit to Electric Reserves Ltd for N500,000 and allowed them 10 per cent trade discount on this amount

8 June Sent Electric Reserves Ltd a credit note for goods returned that had a retail value of N300,000

10 June Sold goods on credit to Swiggle Ltd for N600,000 after deducting 40 per cent trade discount

12 June Purchased goods with a retail value of N1,000,000 from Swatch Ltd who allowed 30 percent trade discount.

15 June Purchases on credit from Cables Ltd goods costing N550,000.

16 June Sent Swiggles Ltd a credit note for goods returned that had a retail value of N100,000.

18 June Swatch Ltd sent us a credit note for N300,000 in respect of goods returned

19 June Received a credit note for goods returned to Lightings Ltd that had a retail value of N250,000

25 June Sold goods to Gross Retails Ltd on credit for N250,000

27 June Sent Gross Retails Ltd a credit note for N50,000 to rectify an overcharge on their invoice

28 June Sold goods on credit to Electric Reserves Ltd at a price of N569,000.

29 June Purchased on credit a motor van from Baba Ltd that cost N800,000.

30 June Sold on credit to Lagos Trading Co. some fixtures and fittings no longer required in the shop for 350,000. (Prior. to this the business owned fixtures costing N1,000,000.)

Required

Make the necessary entries in the books of prime entry and general ledger.

QUESTION 3

The following is the trial balance of A. Dauda at 31 March 20X3

| | 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 20X2 | 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 | | <u>950</u> |
| | <u>151,790</u> | <u>151,790</u> |

The inventory at 31 March 20X3 was valued at N9,800,000. The loan from S. Rikha is repayable on 1 January 20X5.

Required

Prepare the Statement of profit and loss and the Statement of financial position (horizontal format) as at 31/03/20X3 for A. Dauda from the trial balance provided.

QUESTION 4

OAU LIMITED FIVE YEAR FINANCIAL SUMMARY

| YEAR ENDED 31 ST MAY | 2008 | 2009 | 2010 | 2011 | 2012 |
|---------------------------------|---------------|---------------|---------------|----------------|----------------|
| | N'000 | N'000 | N'000 | N'000 | N'000 |
| FUNDS EMPLOYED | | | | | |
| Ordinary share capital | 14,797 | 14,797 | 14,797 | 18,497 | 23,121 |
| Capital reserve | 16,518 | 32,166 | 32,472 | 30,902 | 31,252 |
| Revenue reserve | <u>13,226</u> | <u>17,589</u> | <u>21,609</u> | <u>24,674</u> | <u>23,968</u> |
| Shareholder's fund | 44,541 | 64,502 | 68,878 | 74,073 | 78,341 |
| Deferred taxation | 5,427 | 11,154 | 10,810 | 13,004 | 15,479 |
| Deferred income | - | - | 5,979 | 6,066 | 4,666 |
| 9.75% Debenture stock | - | - | - | 20,000 | 20,000 |
| Unsecured loans | <u>9,342</u> | <u>10,158</u> | <u>9,080</u> | <u>7,000</u> | <u>11,000</u> |
| | <u>59,310</u> | <u>85,814</u> | <u>94,747</u> | <u>120,143</u> | <u>129,486</u> |
| EMPLOYMENT OF FUNDS | | | | | |
| Fixed assets | 34,977 | 70,575 | 73,309 | 87,274 | 106,657 |
| Net current assets | <u>24,333</u> | <u>15,239</u> | <u>21,538</u> | <u>32,869</u> | <u>22,829</u> |

TURNOVER AND PROFIT

| | | | | | |
|------------------------|---------|---------|---------|---------|---------|
| Turnover | 229,796 | 291,572 | 319,731 | 367,966 | 380,033 |
| Profit before taxation | 12,283 | 7,272 | 14,090 | 16,474 | 15,508 |
| Profit after taxation | 5,733 | 4,353 | 6,979 | 8,816 | 7,617 |
| Dividends | 1,835 | 2,072 | 2,959 | 3,699 | 3,699 |

Additional information:

Some of the assets and liabilities of the company are indicated thus;

| | 2012 | 2011 |
|---------------------|---------|---------|
| | N'000 | N'000 |
| Fixed assets | 106,657 | 87,274 |
| Current assets | 160,231 | 138,126 |
| Current liabilities | 137,402 | 105,257 |
| Stock | 142,934 | |

The interest on unsecured loans is 8.02%

Required: Calculate liquidity and profitability ratios of OAU limited for 2012. (15 marks)

QUESTION 5

Explain in details and with relevant examples the following:

- Cost (3 marks)
- Cost object (3 marks)
- Cost units (3 marks)
- Cost centre (3 marks)
- Cost allocation (3 marks)

TOTAL = 15 Marks

QUESTION 6

- a) With the aid of a diagram explain the principal-agent relationship in auditing (7 marks)
- b) Give reasons why there is a high demand for auditing by organizations (8 marks)

