



NATIONAL OPEN UNIVERSITY OF NIGERIA
14-16 AHMADU BELLO WAY, VICTORIA ISLAND LAGOS
MARCH/APRIL 2016 EXAMINATION
SCHOOL OF MANAGEMENT SCIENCES

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. Below is the trial balance of Femi Farms as at 31 December 2008:

	DR
CR	
	N'000
N'000	
Regular labour expenses	5,120
Repair of motor vehicles	680
Petrol, oil and lubrications	336
Electricity	240
Depreciation	1,080
Rent and rates	720
Insurance	120
Debtors	7,200
Repairs of property	720
Telephone	96
Bank charges	136
Generator repairs and diesel	1,960
Other general expenses	240
Cash at bank	4,320
Equipment	10,400
Drawings	2,800
Capital	
17,200	

Creditors	
2,360	
Opening stock	5,536
Purchases	6,192
Sales	
34,120	
Subsidies	
904	
Fertilizer	560
Seeds	1,280
Contract work- crop	1,680
Casual labour- crop	40
Other expenses- crop	208
Feed	2,240
Casual labour- livestock	120
Vetenary medicine-livestock	320
Dairy expenses	80
Sundry expenses- livestock	160
	54,584

54,584

Further information relevant to the accounts are:

1. Closing stock: Cassava N240,000, Yam N540,000, Cow 240,000, Ram N400,000.
2. Sales: Cassava N4,400,000, Yam N5,680,000, Cow N19,560,000, Ram N4,480,000.
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 N1,256,000, Yam N1,240,000, Cow N2,200,000, Ram N1,840,000.
5. Purchases of: Cow N4,720,000 and Ram N1,472,000.
6. Own consumption: Cassava N64,000; Cow N120,000.
7. Subsidies: Cassava N160,000, Yam N224,000, Cow N320,000, Ram N200,000.

You are required to prepare trading, profit and loss account of Femi Farms for the year ended 31 December 2008 and its balance sheet as at that date.

2. The following is the summary of the fixed assets of Makota 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	<u>(300)</u>	<u>(500)</u>	<u>(350)</u>	<u>-</u>	<u>-</u>
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	<u>(150)</u>	<u>(340)</u>	<u>(300)</u>	<u>-</u>	<u>-</u>
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 N'000	2009 N'000	2010 N'000	2011 N'000	2012 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	<u>(180)</u>	<u>(240)</u>	<u>(100)</u>	<u>-</u>	<u>-</u>
	1,500	1,860	1,080	2,260	1,760

Allowances:

Initial	(310)	(450)	-	(350)	-
Annual	<u>(290)</u>	<u>(230)</u>	<u>(120)</u>	<u>(150)</u>	<u>(190)</u>
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%.

3. Using the following data, compute full costs for 2004 Depreciation, Depletion & Amortization using:

- Equivalent physical units of production; and
- Revenue values of oil and gas

	N'000
Net capitalization costs	17,500
Future development costs	5,000
Estimated dismantlement and reclamation	

Costs, net of salvage			2,500
End of year total proved reserve:			
Oil 475,000 barrels			
Gas 450,000 MCF			
2004 production/revenue:			
Oil	25,000 bbls	-	N 7,500,000
Gas	60,000 MCF	-	N900,000
End of year price			
Oil	N6,000/bbl		
Gas	N500/MCF		

4. A. Mention and briefly explain six accounting concepts.
- b. What are the purposes of generally accepted accounting principles?

5. 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.

6. a. What is accounting policy?
- b. Mention five types of classification of cost oil and gas producing activities are involved in.
- c. Mention five types of tax