



NATIONAL OPEN UNIVERSITY OF NIGERIA
PLOT 91, CANDASTRAL ZONE, NNAMDI AZIKIWE
EXPRESSWAY, JABI, ABUJA
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
2020_2 EXAMINATION...

COURSE CODE: ACC 757

CREDIT UNIT: 2

COURSE TITLE: PRINCIPLES OF ACCOUNTING

TIME ALLOWED: 2 hours

INSTRUCTION:

Note: 1. Attempt question number one (1) and any other two (2).

2. Question number one (1) is compulsory and carries 30 marks, while the other questions carry 20 marks each.

3. Present your points in a very coherent and orderly manner.

Question 1. Compulsory

Uche & Ada PLC produce and markets ladies shoes. The company has presented the following trial balance as at 30th June, 2020:

Particulars	Trial Balance	
	Dr	Cr
	₦	₦
Opening Stock		
Finished goods	778,000	
Work-in-Progress	270,000	
Raw materials	420,000	
Raw materials purchases	7,400,000	
Carriage inwards of materials	70,000	
Capital a/c (1 st July, 2019)		593,600
Office Equipment (at cost ₦400,000)	240,000	
Drawings	400,000	
Factory Direct Labour cost	3,740,000	
Property plant and Equipment (cost ₦5,600,000)	4,600,000	
Factory indirect labour	2,900,000	
Lighting	150,000	
Factory heating	274,000	
Office Salaries	880,000	
Sales commission	830,000	
Discount allowed	96,000	
Sales		20,000,000
Insurance premium	84,000	
Office General Expenses	268,000	

Bank charges	46,000	
Carriage outwards	118,000	
Trade Receivables	2,846,000	
Trade payables		2,500,000
Factory General Expenses	620,000	
Rent and Rates	240,000	
Bank	1,130,600	
Cash	30,000	
Profit or loss c/d	210,600	
	<u>28,436,000</u>	<u>28,436,000</u>

Additional information:

- Closing inventories: Raw materials: ₦480,000
Work-in-progress: ₦300,000
Finished goods: ₦800,000
- Depreciate property plant and Equipment by 10% of cost.
- Allocate Rent, Insurance and Electricity Expenses on the ratio of 2:1 for factory and office respectively.

Required:

Determine (a) Prime cost

- Cost of finished goods
- Cost of goods sold
- Gross profit

(30marks)

Question 2

- A partnership is defined as “a relationship that subsists between two or more people with an aim of profit”.

Required: i. Outline any **four** reasons why people engage in partnership business.

ii.State any **four** distinctive features of a partnership business.

- What is a partnership deed?

(20marks)

Question 3

- Briefly explain the concept of incomplete records to a layman.
- State any five peculiar features of single entry system of bookkeeping.
- The following information relates to a business entity that does not strictly observe the double entry principle of bookkeeping

	₦
Capital at beginning of period	80,000
Drawings during the period	67,000
Additional capital introduced during the year	100,000
Capital at end of period	160,000

Required: Estimate the net profit of the business during the period.

(20marks)

Question 4.

(a) In relation to the final accounts of business enterprises, briefly explain the meaning of the following terms.

i. Accrued income ii. Prepayments iii. Income received in advance iv. Bad debts.

(b) Adamu & Sons Ltd rented a store from Aina Ltd at a cost of ₦2,150,000 paying only ₦1,900,000 By the year end.

Required: i. show clearly the amount outstanding at the year end.

ii. Show the effects of the transactions in the accounts of the two companies.

(c) A mass transit company has ordered for ₦3,000,000 worth of spare parts from Innoson motors Ltd, paying only ₦2,100,000 by the end of the accounting year.

Required: i. Determine the amount receivable by Innoson Ltd as at the end of the year.

ii. Show necessary entries in the books of both companies. **(20marks)**

Question 5.

(a) Distinguish between a bill of Exchange and a promissory note in relation to

i. Originator of instrument ii. Conditions needed.

iii. Basis for dishonoring the instrument iv. No. of parties needed.

(b) John sold goods on credit to Joshua on July 1, 2020 for N100,000. A bill of exchange was drawn by John and accepted by Joshua on July 1, 2020.

Required: Show the Journal entries in the books of John assuming that:

i. The bill was held by John until maturity and Joshua makes payment.

ii. The bill was negotiated to Okafor by John on July 31, 2020. **(20marks)**