



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi-Abuja**  
**FACULTY OF MANAGEMENT SCIENCES**  
**DEPARTMENT OF FINANCIAL STUDIES**  
**2022\_2 EXAMINATIONS**

**Course Code:** ACC812

**Credit Units:** 3

**Course Title:** INTRODUCTION TO ACCOUNTING

**Time Allowed:** 2 ½ Hrs

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**Instructions:**

- 1. Attempt question number one (1) and any other three (3).**
- 2. Question number 1 is compulsory and carries 25 marks while the others carry 15 marks each.**
- 3. Present all your points in coherent and orderly manner.**

**QUESTION 1**

- a. The following trial balance was extracted from the Books of Olushola Afolabi as at 31<sup>st</sup> December 2020.

	DR	CR
	N	N
Capital		74,053
Purchases and revenue	73,130	105,460
Returns	618	435
Trade receivable and payables	12,642	15,740
Inventory	21,600	
Carriage inwards	290	
Motor vehicles at cost	27,000	
Freehold property at cost	52,000	
Office equipment at cost	10,500	
Salaries	9,750	
Electricity	380	
Accumulated depreciation:		
Motor vehicles		10,300
Office equipment		2,650
Allowance for bad debts		700
Insurance	290	
Rate	400	
Motor vehicle expenses	925	
Advertisements	320	
Rental income		820
Bad debt	247	
Discounts	<u>194</u>	<u>128</u>
	<u>210,286</u>	<u>210,286</u>

Additional information:

- a. Inventory N25,780
- b. Rental income owed by tenant N380
- c. Accrued Salaries N564
- d. Allowance for bad debts is to be increased to N830
- e. Prepaid expenses: insurance N54; Rate N96
- f. Allowance for depreciation:  
Motor vehicle – 10% on cost  
Office equipment – 10% on reducing balances

You are required to prepare a Statement of Profit or Loss for the year ended 31<sup>st</sup> December 2020; and statement of financial position as at that date. **(20 marks)**

b) Accounting, perhaps the oldest and most developed part of any information system, must be capable of producing details of corporate activities that assist Directors and Managers in steering their way through the turbulent commercial environment so that, at the end of the year, the story of performance and achievement is one worth telling. Accounting and accountants must therefore be capable of looking forward as well as back. The forward-looking branch of the discipline is called Management Accounting.

Differentiate between Management Accounting report and Financial Accounting report in terms of

- Structure
- Rules
- Obligation
- Time frame:Future Vs Past
- Audit

**(5 marks)**

## QUESTION 2

- a. Books of original entries are also called Books of prime entries. Explain in details the Books of prime entries and state four examples. **(5 marks)**
- b. The following are five users of accounting information.
  - Shareholders
  - Government
  - Employees
  - Suppliers
  - Loan providers

State clearly their accounting information needs.

**(10 marks)**

### QUESTION 3

- a. Define depreciation and explain three major causes. **(5 marks)**
- b. Multiple Harvest Limited acquired N150, 000 worth of furniture by cash in 2018. Calculate the depreciation and prepare the Statement of Financial Position (extract) for year 2018, 2019 and 2020 using reducing balance method of 10%. **(5 marks)**
- c. On the 31<sup>st</sup> December 2017, a firm owned the following assets and had at that date already made allowance for depreciation as indicated

	Cost price	Depreciation
Equipment	122,000	18,000
Furniture	85,000	6,200

During the year ending 31<sup>st</sup> December 2020, another equipment costing N21,700 and furniture costing N14,400 were acquired. The equipment is depreciated at 20 percent per annum by straight line method, and the furniture at 25% per annum by reducing balance method. A full year's depreciation is provided in the year of acquisition.

Prepare the accumulated depreciation account, assets account and statement of financial performance for 2020. **(5 marks)**

### QUESTION 4

- a. From the following information write up three column cash book of Iwalewa Business Palace for the month of January 2021.
- Jan 2. Start business with cash of N50, 000 and cheque of N20,000 and opened a bank account same day where the cheque was lodged.
- Jan 4. Purchase by cash N10, 000  
Purchase by cheque N2,700  
Purchase on credit N20,000
- Jan 6. Paid shop rent by cash N2,400
- Jan 8. Sales by cheque N8,250  
Sales on credit N15,987  
Sales by cash N12,200
- Jan 10. Paid cash of N10,000 to bank
- Jan 14. Paid S.Stores a supplier by cheque N9,800 after deducting cash discount of N200
- Jan 16. O.Ade a customer paid his bill of N10,000 by cheque, subject to cash discount of 3 per cent.
- Jan 18. Withdrawn N5, 000 from the bank to office
- Jan 22. Mr. Steven a supplier received N8,200 in full settlement of N8,500 invoice by cash.
- Jan 25. Paid staff salary by cash N4, 230
- Jan 28. Cash sales N15, 000; Credit sales N22,120; Cash purchase N5, 800; Cheque purchase N2, 410 and Credit purchase N8,150. **(10 marks)**
- b. Describe the Petty cash and Imprest system. **(5 marks)**

## QUESTION 5

Bunmi Favour is a big merchant in Lagos who sells frozen foods and dairy products in large quantities to retailers. His sales for the first week of June 2020 are as follows;

June 1. 4 cartons of crayfish at N1, 250 a carton to Joshua

7 cartons of shrimps to Gbemi at N4, 100 per carton

2 cartons of crayfish at N1, 245 each to Gbemi and he received 10% trade discount

June 2. Ajayi bought 15 crates of white egg at N880 per crate and 3 ½ packets of prawns at N7, 200 a packet. A discount of 5% was given to him.

June 3. 6 cartons of crayfish was sold to Debo for N7, 440. He also bought 2 packet of prawns at

N7, 225 per packet and 5 cartons of shrimps at N4, 150 a carton. Being an old customer, Bunmi

Favour gave him 15% discount and this encourage him to buy a carton of white egg for N880, but this do not qualify for discount.

June 4. Folake bought a carton each of crayfish, prawn, white egg and shrimps at same price with Joshua,

Ajayi, Debo and Gbemi respectively. Being a woman with the ability to negotiate, she received

10% trade discount.

Prepare the sales day book, ledger and the trial balance for Bunmi Favour.

**(15 marks)**