



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi-Abuja
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
2023_2 EXAMINATIONS

Course Code: ACC419

Credit Unit: 3

Course Title: ADVANCED FINANCIAL ACCOUNTING

Time Allowed: 2 ½ HOURS

Instructions:

1. Attempt Question 1 and any other three (3) Questions.
2. Question 1 is compulsory and carries 25 marks while the other 3 Questions carry 15 marks each.
3. Present all your points in a coherent and orderly manner.

QUESTION 1(a)

ENENYO Plc acquired the entire share capital of IJACHI Plc for N240million cash on 31 December 2020. The balance sheets of the two companies at that date were as follows:

	ENENYO Plc N'000	IJACHI Plc N'000
Fixed assets	480,000	196,000
Investment	240,000	-
Current assets	<u>1,040,000</u>	<u>52,000</u>
	<u>1,760,000</u>	<u>248,000</u>
Share capital of N1.00 per share	800,000	140,000
Profit and loss a/c	280,000	40,000
Current Liability	<u>680,000</u>	<u>68,000</u>
	<u>1,760,000</u>	<u>248,000</u>

There is no significant difference between the book value and the fair value of IJACHI plc's assets. You are required to:

- i) Calculate goodwill; **(5 MARKS)**
- ii) Prepare the consolidate balance sheet of ENENYO Plc at 31 December 2020
(10 MARKS)

QUESTION 1(b)

What are the situations that are generally responsible for the internal reconstruction of a company? List the rules that should be fulfilled before a company can reduce its issued share capital. **(10 MARKS)**

QUESTION 2

The statement of financial position of UNOKA ltd. and OMEKE ltd as at 31Dec 2020 were as follows:

	UNOKA ltd N'000	OMEKE ltd N'000
Non-Current Assets	80,000	64,000
Investment at cost	152,000	–
Current assets	<u>120,000</u>	<u>96,000</u>
	<u>352,000</u>	<u>160,000</u>
Share capital:		
Ordinary shares of N1.00 per share	240,000	80,000
Accumulated reserves	<u>64,000</u>	<u>32,000</u>
	304,000	112,000
Current liability	<u>48,000</u>	<u>48,000</u>
	<u>352,000</u>	<u>160,000</u>

The entire share capital of OMEKE ltd was acquired when the accumulated reserves was N24million.

Required:

Show the consolidated reserve of the group at 31 Dec.2020. (15 marks)

QUESTION 3(a)

The Balance Sheet of EGWEMI limited, a manufacturing company, as at 31 December 2019 is as follows:

	N'000	N'000
FIXED ASSETS (NET)		24,000
Investments		1,000
Goodwill		<u>3,800</u>
		28,800
CURRENT ASSETS		
Stocks & work in progress	23,800	
Debtors	23,400	
Bank and cash balances	<u>600</u>	
	<u>47,800</u>	
DEDUCT: CURRENT LIABILITIES		
Creditors	17,800	
Bank overdraft	14,400	
Tax payable	800	

Dividends payable	<u>1,400</u>	
	<u>34,400</u>	
NET CURRENT ASSETS		<u>13,400</u>
NET ASSETS		<u>42,200</u>
FINANCED BY		
CAPITAL AND RESERVES		
Ordinary share capital- issued and fully paid		20,000
Revenue reserves		<u>7,800</u>
Shareholders' fund		27,800
Deferred tax		2,400
Long term loan		<u>12,000</u>
		<u>42,200</u>

Turnover during the year 2019 was ₦78million.

Required:

Compute the following:

- i. Current Ratio; **(2.5 marks)**
- ii. Acid test ratio; **(2.5 marks)**
- iii. Working Capital Ratios; **(2.5 marks)**
- iv. Stock Turnover Ratio. **(2.5 marks)**
(10 marks)

QUESTION 3(b)

Discuss the elements of financial statements as stipulated in the conceptual framework set out by International Financial Reporting Standards (IFRS). **(5 marks)** **Total =15marks**

QUESTION 4

Sections 17(1), Section 17(2), and Section 18(1) of Insurance Act, 2003 requires an insurer, a life insurance business, a re-insurance business respectively to keep and maintain at its principal office some accounting documents. What are these documents? **(15 marks)**

QUESTION 5

Before the adoption of International Reporting Standard in Nigeria, the standards that guided the preparation of accounts were Statement of Accounting Standards (SAS) issued by the then Nigeria Accounting Standard Board.

- a) List out the complete set of financial statements as prescribed by SAS. **(4.5 marks)**
- b) Discuss the Qualitative Characteristics of Financial Statements. **(10.5marks)**

(15 marks)