



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: ACC812 **Credit Units: 3**
Course Title: INTRODUCTION TO ACCOUNTING
Time Allowed: 2 ½ Hrs

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 15marks each.
3. Present all your points in coherent and orderly manner.

QUESTION 1

- a) The following is the Trial balance of Ultimate Ventures, a dry-cleaning firm.

Ultimate Ventures
Trial Balance as at 31st December 2005

Particulars	Dr. N	Cr. N
Rent	24,000	
Electricity	1,700	
Furniture	20,000	
Service Payables		8,000
Bank	13,500	
Detergent	35,000	
Salaries	92,000	
Service Charges (Revenue)		225,000
Cash	11,750	
Service Receivables	5,250	
Generator	140,000	
Capital		150,700
Steam Iron	12,000	
Washing Machine	46,000	
First Bank plc (10% Long-term Loan)		50,000
Drawings	27,000	
Interest Payable on Loan	2,500	
Miscellaneous	<u>3,000</u>	
	<u>433,700</u>	<u>433,700</u>

Required: prepare Income statement and Statement of financial position after considering the following

1. The rent, in the trial balance, covered the period 1st January 2005 to 31st March 2006.
2. Outstanding: Electricity bill N800; Interest on Loan N1,250
3. Salaries: prepaid N4,500; accrued N2,800.

4. Depreciation for the year: Washing Machine: 10% of cost; Furniture: 20% of cost; Generator: 10% of cost and Steam Iron: 20% of cost.
5. Closing Detergent N3,000. (10 marks)
- b) What are the qualities of an Auditor? (5 marks)
- c) What are the merits and demerits of Auditing? (5 marks)
- d) What are the types of inventory? (5 marks)

QUESTION 2:

- a) The following business transactions were carried out by Sublime Stores, a trading business.

- 02 Apr. 2010: Received cash N150,000 from its proprietor
- 05 Apr. 2010: Paid rent Ned 36,000 by cash and opened a current account with cash N80,000.
- 06 Apr. 2010: purchased goods by cash N20,000 and on credit N47,500 from Ace Products.
- 08 Apr. 2010: Sold goods by cash N27,000 and by cheque N45,000.
- 10 Apr. 2010: Purchased goods N55,000 on credit from mercury stores.
- 11 Apr. 2010: Withdrew cash from the bank: N63,000 for office use and N7,000 for its owner.
- 13 Apr. 2010: Returned goods to Ace Products N2,500 and Mercury Stores N3,000.
- 15 Apr. 2010: Sold goods on credit to Go- getters Limited N46,500and Joy Venture N60,000.
- 16 Apr. 2010: Purchased Computers N90,000 by cheque.
- 18 Apr. 2010: Goods returned by Go-getters Limited N2,500 and Joy Ventures N4,000.
- 10 Apr. 2010. Paid cash to: Ace Products N40,000 and Mercury Stores N45,000; and received cash discounts of N1,200 and N1,500 respectively.
- 22 Apr. 2010. Received payments by cheque from: Go-getters N38,000 and Joy Ventures N50,000; and granted cash discounts of N750 and N1,250 respectively.
- 25 Apr. 2010: Gave away Goods costing N500 to its customers as gifts.
- 27 Apr. 2010: Received a loan of N30,000 by cash from Mr. Philips, a friend of its owner.
- 29 Apr. 2010: Paid salaries N12,500 and purchased vehicle N56,000 by cheque.

Required, using accounts in T-Format, prepare relevant accounts in the books of Sublime Stores and extract a trial balance. (8 mark)

- b(i) Explain the concept of Suspense account (2 marks)

- b(ii) Midas Touch carried out the following business transactions in the month of May 2002.

02 May 2002: Bought goods, with a catalogue price of N80,000, trade discount of 10% and cash discount of 5%, on credit from Timeless Products Limited.

14 May 2002: Paid Timeless Products Limited in full less 5% cash discount by cheque.

Required:

- a. Compute the trade discount and the cash discount on the goods.
- b. Prepare the account of Timeless Products Limited in the books of Midas Touch.
- c. Prepare the account of Midas Touch in the books of Timeless Product Limited. (5 marks)

QUESTION 3

Black and White, a trading entity, started using a petty cash book on 1st. September 2005, with a float of N20,000 per month. From the following business transactions, prepare a petty cash book with analysis column for vehicle running costs, transport, miscellaneous and purchases. Miscellaneous includes salaries, wages, drawings, stationery, insurance, electricity and postage.

Business Transactions	Sept. 2005		Oct. 2005	
	Date	Amt. N	Date	Amt. N
Electricity bill	02/09/05	1,250	01/10/05	1,300

Stationery	02/09/05	250	02/10/05	300
Purchased goods	04/09/05	2,100	05/10/05	2,350
Repair of vehicles	05/09/05	400	05/10/05	350
Carriage inwards	08/09/05	600	07/10/05	700
Paid wages	08/09/05	1,750	07/10/05	3,000
Transport	11/09/05	500	10/10/05	600
Paid Trade Creditor	14/09/05	1,220	10/10/05	-
Bought fuel for vehicles	15/09/05	750	15/10/05	720
Paid Proprietors medical bill	15/09/05	280	17/10/05	370
Vehicle Registration	16/09/05	1,350	17/10/05	-
Paid carriage outwards	19/09/05	275	17/10/05	260
Paid trade creditor	21/09/05	1,650	20/10/05	1,960
Postage	23/09/05	225	22/10/05	210
Purchased goods	23/09/05	2,250	25/10/05	2,800
Servicing of vehicles	25/09/05	180	26/10/05	230
Paid Insurance Premium	29/09/05	500	30/10/05	500
Paid Salaries	30/09/05	1,550	31/10/05	2,700

(15 marks)

QUESTION 4

- a. Explain the following with examples; (i) Prepayments (ii) Accruals (5 marks)
- b. Integrity Investment, a trading entity, had a financial year which ends on 31st December and its monthly rent was N1,500. The following transactions were carried out by the entity.

1st Jan. 1992 Paid rent N21,000 by cash
25th Mar 1993 Paid rent N13,000 by cheque
10th June 1994 Paid Rent N20,000 by cash

Required:

Prepare rent payable account, showing rent prepaid or owed at the end of each of the three years: income statement (extract) and Statement of financial position (extract). (10 marks)

QUESTION 5

a. Gold Standards Plc has the following financial statements

Gold Standard Plc
Statement of Financial Position as at 30th April

	2009		2008	
Non-current Asset	N`000	N`000	N`000	N`000
Freehold Premises	287,500		225,000	
Vehicles	300,000		200,000	
Equipment	150,000			
Furniture	<u>50,000</u>	787,500	<u>75,000</u>	500,000
Current Assets:				
Inventory	21,200		16,500	
Trade Receivables	27,300		8,900	
Salaries	2,000		-	
Rent Receivables	-		1,300	
Bank	-		53,300	
Cash	<u>97,500</u>	<u>148,000</u>	<u>28,400</u>	<u>108,400</u>
		935,500		<u>608,400</u>
Equity:				
Authorized capital:				
Ord. Shares of N1 each	500,000		500,000	
Pref. Shares of N1.2 each	<u>300,000</u>	<u>800,000</u>	<u>300,000</u>	<u>800,000</u>
Issued and paid up Capital:				
Ord. Shares of N1 each		400,000		300,000
Reserves:	75,000		-	
Share Premium	30,000		18,000	
General Reserves	<u>15,000</u>	<u>120,000</u>	<u>27,000</u>	<u>45,000</u>
Retained Profits		520,000		345,000
Non-current Liabilities:				
15% Debentures	75,000		-	
20% Pref. Shares of N1.2 each	<u>300,000</u>	375,000	<u>225,000</u>	225,000
Current Liabilities:				
Trade Payables	34,400		29,800	
Salaries	-		1,250	
Rent Receivable	1,800		2,100	
Electricity	-		1,750	
Debenture Interest Payable	1,500		3,500	
Bank	<u>2,800</u>	<u>40,500</u>	=	<u>38,400</u>
		<u>935,500</u>		<u>608,400</u>

Year Ended 30 th April	2009	2008
	N`000	N`000
Cost of goods Sold	211,200	198,000
Credit Sales	207,300	185,600
Credit Purchases	134,500	122,400

Required: for each of the two financial years, find the following ratios and give a reasonable interpretation of the change in each of the ratios.

1. Current ratio and acid test ratio
2. Inventory turnover and inventory holding period

3. Trade receivables` turnover and trade receivables` collection period.
4. The trade payables` turnover and trade payables` payment period.

b. Explain briefly the following accounting ratios;

1. Profitability Ratios
2. Short Term Solvency Ratios
3. Long term Solvency Ratios(gearing ratio (15 marks)