



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi-Abuja
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
2024 1 EXAMINATION

COURSE CODE: ACC 812

CREDIT UNIT: 3

COURSE TITLE: INTRODUCTION TO ACCOUNTING

TIME ALLOWED: TWO AND HALF HOURS

INSTRUCTIONS: Attempt any four (4) questions.

Question one (1) carries 25 marks and is compulsory (The other three (3) carry 15 marks each. Present all your points in coherent and orderly manner.

QUESTION ONE

OTASOWIE PLCE

The following information relates to the affairs of Otasowie Plc for the period ended 31st December:

	2019	2018
	N'000	N'000
Non-Current assets	321,000	340,000
Long term Investments	50,000	30,000
	381,000	370,000
Current Assets:		
Inventories	200,000	90,000
Trade Receivables	82,000	60,000
Cash and Bank balances	62,000	50,000
	344,000	200,000
Total Assets	715,000	570,000
Equity and Liabilities:		
Equity:		
Issued share capital	200,000	160,000
Share premium	56,000	40,000
Retained Earnings	273,000	243,000

Non Current Liability:	529,000	443,000
Long term loan	40,000	22,000
Current Liabilities		
Trade payable	62,000	30,000
Bank Overdraft	28,000	15,000
Income tax payable	24,000	20,000
Other Payables	32,000	40,000
	146,000	105,000
Total Liabilities	186,000	127,000
Total Equity and Liabilities	415,000	570,000

Statement of profit or loss for the years Ended 31st December 2019

	N'000
Revenue	488,000
Cost of sales	(285,000)
Gross profit	203,000
Distribution costs	(44,000)
Administrative Expenses	(81,000)
Interest and Dividend Received	3,000
Finance cost	(1,000)
Profit Before tax	80,000
Income tax expense	(24,000)
Profit for the period	56,000

Relevant Notes:

1. Depreciation charge for the year was N8,000,000 on land and building and N22,000,000 on plant and machinery
2. During the year a plant with a carrying amount of N35,000,000 was sold for N42,000,000

3. During the year, an investment that had cost N8,000,000 some years earlier was sold for N13,000,000
4. Dividend paid in the year amounted to N26,000,000

Required:

Prepare statement of cash flows of Otasowie Plc for the period ended 31st December 2019. Using indirect method of IAS 7. **(Total = 25 marks)**

QUESTION TWO

- a. State and explain briefly two examples of source document **(12marks)**
- b. Write short note of the "Double-Entry book keeping principle" **(3 marks)**

(Total = 15marks)

QUESTION THREE

- a. Explain the following terms
 - i. Cost objects **(3marks)**
 - ii. Cost units **(2mark)**
 - iii. Prime cost **(2 marks)**
 - iv. Cost centre **(2marks)**
 - v. Cost apportionment **(2marks)**
 - vi. Overhead Absorption **(2marks)**
 - vii. Cost Allocation **(2marks)**

(15 marks)

QUESTION FOUR

- a. Define the term auditing **(5 marks)**
- b. State the primary and secondary objectives of auditing **(10 marks)**

(Total = 15marks)

QUESTION FIVE

- a. Explain the term 'Expectation Gap' in auditing **(10marks)**
- b. State the major phases of an audit **(5marks)**

Total = (15marks)