

CRAWFORD UNIVERSITY

IGBESA, OGUN STATE

COLLEGE: COLLEGE OF BUSINESS AND SOCIAL SCIENCES

DEPARTMENT: ACCOUNTING AND FINANCE

TITLE OF EXAMINATION: BSc. EXAMINATION

SESSION: 2020/2021

SEMESTER: HARMATTAN

COURSE: FINANCIAL ACCOUNTING I

COURSE CODE: ACC 301

TIME ALLOWED: 2 ½ HOURS

CREDIT UNIT: 2UNITS

INSTRUCTIONS: ATTEMPT THREE QUESTIONS ONLY

QUESTION 1

1a. Write short notes on the followings:

- | | |
|----------------------|-----------|
| i. Landlord | 1½ mark |
| ii. Tenant | 1½ mark |
| iii. Royalty payable | 1½ mark |
| iv. Minimum rent | 1½ mark |
| v. Shortworking | 1½mark |
| | 7 ½ marks |

1b. Favour Mining Co. acquired the right to extract oil owned by Oluwaseun EP. The agreement provided for:

- The payment of royalty of ₦0.20 per barrel of oil extracted.
- Minimum payment of ₦3,600 per annum.
- Recoupment rights for short-working to be extinguished at end of year three (3).

During the first four (4) years of the contract the following barrels of oil were extracted:

Year	Barrel of oil
2010	12,000
2011	16,000
2012	21,200
2013	22,000
2014	20,000
2015	25,000

The company's account for the year ended December 31st and payment was made at the end of the year.

Required:

Prepare the appropriate accounts in the company's ledger for four years period of accounting.

12 ½ marks

(Total 20marks)

QUESTION 2

2a. Highlight conditions under which shares can be redeemed

6marks

2b. Badmus Plc issued 50,000 7percent redeemable preference shares of N1.00 each at par. At 30th June 2000 the shares are to be redeemed at ~~N~~1.10 a share, and for the purpose of assisting redemption 30,000 ordinary shares of N1.00 were issued at par. On the above date 2,000 of the redeemable preference shares had been forfeited for not payment of the last call of ~~N~~0.25, 1,600 of which had been reissued as fully paid for N0.60 a share. The balance of profit and loss was ~~N~~24,200 and general reserve N6,000. On the same day as the redemption took place a bonus share dividend was declared of ~~N~~25,000.

Required:

Prepare the accounts showing the above transaction.

14marks

(Total 20marks)

QUESTION 3

Partnership is the relationship which subsists between persons carrying on a business in common with a view of profits.

- Mention things that need to be agreed upon before the partners can set up a business. 7marks
- A, B and C who were partners sharing profit and losses in the ratio of 3: 2: 1, dissolved their partnership on 31st March, 2020 when their accounts showed the following balances:

	Dr (N)	Cr (N)
Capital Accounts:		
A		26,000
B		14,000
C		4,000
Loan Account – B		38,000
Payables		78,800
Premises	60,000	
Fixtures and Fittings	16,800	
Inventory	28,800	
Receivables	49,200	
Cash	<u>6,000</u>	
	<u>160,800</u>	<u>160,800</u>

Additional Information:

- The inventory was sold for N21,200. The premises were sold for N62,000 whilst the fixtures and fitting realized N2,000.
- Payables were discharged less N240 discount and receivables produced N46,800. Winding up expenses amounted to N3,840.

- iii. In the event of any partner, having a debit balance on his capital account it is to be assumed that such a partner is insolvent and therefore will not be able to contribute anything towards the loss.

Required:

Prepare account to show the dissolution of the partnership using the rule in Garner Vs Murray. 13marks

(Total 20marks)

QUESTION 4

Write short notes on the following:

- | | |
|--|--------|
| a. Unlimited liability companies | 2marks |
| b. Companies limited by guarantee | 2marks |
| c. Companies limited by shares | 2marks |
| d. Quoted companies | 2marks |
| e. Cumulative and Non-cumulative preference share | 3marks |
| f. Redeemable and Non-redeemable preference share. | 3marks |
| g. Convertible and non-convertible | 3marks |
| h. Participatory and non-participatory preference share. | 3marks |

(Total 20marks)

QUESTION 5

Paul Favour Plc with authorized capital of 300,000 consisting of 150,000 ordinary shares of N1.00 each and 150,000 6% Preference share of N1.00 each and also 60,000 in bonds of N1.00 each, purchased a going concern for N200,000 of the business of Badmus and Co. which statement of position was as follow:

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

	N	N	N
Assets			
Non- Current Assets			
Fixtures & Fittings			60,000
Plant & Machinery			30,000
Freehold property			<u>4,000</u>
			94,000
Current Assets:			
Inventory		24,000	
Trade Receivable		53,000	
Bills receivable		3,000	
Cash		<u>6,000</u>	
		86 000	
Less Current Liabilities:			
Trade payables	30,000		
Bills payable	<u>10,000</u>	<u>40,000</u>	
Net current assets			<u>46,000</u>

Net total assets	-	<u>140,000</u>
Financed by:		
Ordinary share capital of N1.00 each	-	<u>140,000</u>

The purchase price was to be paid thus: ₦50,000 in fully paid ordinary share, ₦50,000 in fully paid preference shares, ₦50,000 in fully paid debentures and the balance in cash. The remainder of the shares and debenture were offered to the public and were all subscribed and fully paid up.

Required:

Prepare the necessary ledgers, cash book and also show the company statement of financial position.

(Total 20marks)

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