



**CRAWFORD UNIVERSITY
IGBESA, OGUN STATE**

COLLEGE: COLLEGE OF BUSINESS AND SOCIAL SCIENCES

DEPARTMENT: ACCOUNTING AND FINANCE

TITLE OF EXAMINATION: BSc. EXAMINATION

SESSION: 2021/2022 SEMESTER: RAIN

COURSE: Financial Accounting II

COURSE CODE: ACC302

CREDIT UNIT: 2UNITS

Time Allowed: 2:30 hours

Instruction: Answer question 1 and any other 2

QUESTION ONE

**FIZER PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE
YEAR ENDED 31ST DECEMBER**

	2017		2016	
	N'000	N'000	N'000	N'000
Turnover		312,000		288,000
Cost of goods sold	216,000	216,000	189,000	189,000
Gross Profit		96,000		99,000
Operating Expenses	42,000		39,000	
Selling Expenses	30,000		31,200	
Total Operating Expenses		72,000		70,200
Profit before Interest Taxation		24,000		28,800
Interest		2,250		2,400
Profit before Tax		21,750		26,400
Taxation (30%)		6,525		7,920
Dividend : Preference Share paid	1,200	15,225		18,480
Ordinary Share paid	3,120		1,200	
Transfer to capital reserves	4,000		4,800	
		8,320	4,000	
		6,905		10,000
				8,480

Additional information:

- i. Purchases totaled ₦240million in 2017, whereas purchases totaled ₦200 million in 2016.
- ii. Inventory as at December 31, 2015 was ₦57million

- iii. Lease payments amounting to ₦2.4million have been included in general administrative expenses in both 2016 and 2017.
- iv. The transfer of ₦4million to reserves represents an annual sinking fund of ₦4million towards the replacement of Non-Current Assets.

FIZER Plc
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER

	2017		2016	
	₦'000		₦'000	
Assets				
Non-Current Assets				
Land & Building		24,000		24,000
Plant & Machinery (Cost)	81,525		49,500	
Less: Accumulated Depreciation	<u>(18,000)</u>		<u>13,500</u>	
		<u>63,525</u>		<u>32,000</u>
		87,525		60,000
Current Assets				
Inventory	48,000		60,000	
Trade receivables	36,000		24,000	
Prepaid expenses	3,000		1,200	
Cash / bank.	<u>6,000</u>		<u>15,420</u>	
		93,000		100,620
Less: Current Liabilities:				
Short term loans & Overdraft	3,000		3,000	
Trade payables	36,000		25,200	
Accrued expenses	3,000		1,800	
		<u>(42,000)</u>		<u>(30,000)</u>
Net Current Assets		<u>51,000</u>		<u>70,620</u>
Net Total Assets		<u>138,525</u>		<u>130,620</u>
Financed By:				
Ordinary Shares of ₦1.00 each		36,000		36,000
Capital reserves		10,000		6,000
Retained profit		35,525		28,620
10% Preference Share		<u>12,000</u>		<u>12,000</u>
Shareholders Fund		93,525		82,620
Long Term Liabilities				
5% Debenture	<u>45,000</u>	<u>45,000</u>	<u>48,000</u>	<u>48,000</u>
		<u>138,525</u>		<u>130,620</u>

Additional information:

- i. The market price per share as at 31st December 2017 is ₦5.50, whereas the market price as at 31st December was ₦4.90
- ii. Accumulated depreciation as at December 31, 2015 was ₦10,500,000
- iii. Purchases totaled ₦240million in 2017. whereas purchases totaled ₦200 million in 2016.

Required:

Calculate the following ratios for the two years (2016 and 2017) with your comments:

- | | |
|-------------------------------|----------|
| a. Liquidity ratio | (3marks) |
| b. Quick ratio | (3marks) |
| c. Average collection period | (3marks) |
| d. Fixed Interest cover | (3marks) |
| e. Fixed dividend | (3marks) |
| f. Return on capital employed | (3marks) |
| g. Gross profit margin | (3marks) |
| h. Earnings per share | (3marks) |
| i. Dividend per share | (3marks) |
| j. Price earnings ratio. | (3marks) |

(Total 30 marks)

QUESTION 2

Dominion Plc has an authorized share capital of ₦400,000 divided into 200,000 5% Preference shares and 200,000 ordinary shares of ₦1.00 each; 160,000 Preference shares and 80,000 Ordinary shares have been issued and fully paid.

The following is the trial balance as at December 31, 2019 before the final closing entities have been made:

	Dr	Cr
	₦	₦
Preference share capital		160,000
Ordinary share capital		80,000
Share Premium		20,000
Freehold Land at Cost	30,000	
Building at cost	68,500	
Plant & Machinery at cost	165,350	
General Reserves		30,000
Receivables & Payables	42,264	16,450
Reserve for income tax 2019/2020		34,000
Trade Investment at cost	68,260	
4% Debentures		60,000
Quoted investment at cost	45,270	
Provision for Depreciation – Building		15,090
Provision for Depreciation – Plant & Equipment		46,432
Tax Reserve Certificate	40,000	
Inventory in Trade	127,098	
Balance at Bank	17,796	
Cash in Hand	1,242	
Interest on Debentures to June 30 (Net)	600	
Profit on Trading		110,844
Loss on Inventory in Trade by fire (Irrecoverable)	8,476	
Interest on Trade Investment (net)		3,840
Interest on quoted investment (net)		1,000
Preference dividend to June 30 (net)	2,000	
Profit prior to incorporation		20,052
Profit / loss balance January 1, 2019		9,148
Reserves for inventory replacement		10,000
	616,856	616,856

Additional Information:

- i. Profit on trading is arrived at before charging depreciation and after charging a salary of ₦8,000 to the Managing Director.
- ii. In the opinion of the directors, the market value of the trade investments and of inventory in trade exceeds cost. The market value of the quoted investment is ₦47,642.
- iii. The income tax liability for 2019/2020 has been agreed at ₦30,000. For the year 2020/21, it is estimated that the income Tax liability will be ₦56,000.
- iv. Provision is to be made for the following:
 - a. Depreciation at 2% on the cost of the buildings and 8% on the cost of the Plant & Equipment;
 - b. ₦1,600 for directors' fees;
 - c. ₦1,050 for auditors' remuneration as fixed by the director;
 - d. ₦2,400 for doubtful debts and
 - e. A half year's interest on the debentures;
- v. It has been decided to set aside ₦20,000 to general reserve, to pay the half year's dividend on the preference share, propose a dividend of 12% less tax on the ordinary shares and to carry forward the balance on the profit or loss account.
- vi. The standard rate of income tax to be 50k in the Naira.

Required to prepare the Statement of Financial Position as at December 31, 2019

(15marks)

QUESTION 3

What do you understand by the terms "Performing" and "Non-Performing Loan?" Discuss

(15marks)

QUESTION 4

Securities and Exchange Commission (SEC) is the regulatory authority in the capital market.

Discuss the activities of Securities and Exchange Commission

(15marks)

QUESTION 5

The following balances appeared in the books of Adeosun Plc on 31st December 2020 after being rounded up to the nearest thousand Naira.

	₦'000
Sales (Net)	94,992
National Provident Fund	768
Rentals received from subletting warehouse	762
Interest paid on short-term bank loans/ overdraft	180
Inventories of goods for re sales on January 1, 2020	16,938
Directors' Salaries	582
Wages	5,082
Interest paid on 5% unsecured loan stock (gross)	150
Directors' fees	144
Proposed Ordinary Dividend	4,200
Other Administrative Expenses	2,370
Other Selling & Distribution Costs	6,900
Salaries	2,250

Uninsured Fire Losses	1,026
Depreciation charge for the year	5,424
Interest Received on Unlisted Investment (gross)	210
Auditors' Fees & Expenses	222
Purchases (net)	54,072
Directors' Pension Scheme Contributions	108

Additional information:

- i. Turnover included exports to Africa N25,644,000
- ii. Corporation Tax Rate is 45%
- iii. The average number of persons employed (including Directors) was:
 - a. Marketing 40
 - b. Warehousing & Distribution 242
 - c. Management & Administration 124
- iv. Total taxation charge for the current year after accounting for: N6,960,000
 - a. Tax relief on extraordinary loss N372,000
 - b. Under provision in previous year N510,000
- v. Various items appearing in the list of balances were analyzed as follows:

	Selling & Distribution (N)	Administrative	Total
Directors' Fees	-	144,000	144,000
Directors' Salaries	114,000	468,000	582,000
Directors' Pension Scheme Contr.	12,000	96,000	108,000
Wages	4,956,000	126,000	5,082,000
Depreciation	4,380,000	1,044,000	5,424,000
Salaries	450,000	1,800,000	2,250,000
National Provident Fund	642,000	126,000	768,000

Inventory of goods for resale on 31st December, 2020 N22,524,000.
 Ordinary share capital (N0.50 per share) 20,000,000

Required:

Prepare the statement of profit or loss for Adeosun Plc for the year ended 31st December, 2020 in a form suitable for publication.

(15marks)