



CRAWFORD UNIVERSITY

FAITH CITY, IGBESA

TITLE OF EXAMINATION : B.Sc EXAMINATION.

COLLEGE: COLLEGE OF BUSINESS AND SOCIAL SCIENCES

DEPARTMENT: ACCOUNTING AND FINANCE

SESSION: 2015/16

SEMESTER: RAIN

COURSE TITLE: FINANCIAL ACCOUNTING II

COURSE ACC 302 CREDITS: 3 UNITS

INSTRUCTIONS: (i) Attempt all questions in section A, question 1,2 and any other ONE in section B.

(ii) Time allowed: 3 hours

Part I: Multiple Choice Questions

1. Which of the following is NOT a cause of Depreciation of a Motor Vehicle?
 - A. Physical deterioration
 - B. Obsolescence
 - C. Depletion
 - D. Scrap value
 - E. Time factor
2. The sales of Le 1,525 to Mr. D. Nonko were wrongly posted into Sales ledger as Le 1,552. This type of error is known as
 - A. Compensating error
 - B. Error of principle
 - C. Casting Error
 - D. Error of Commission
 - E. Error of original entry
3. The Net Book value of a Property Plant & Equipment is N1, 750,000 while the Accumulated Depreciation on the Property Plant & Equipment to date is N1,050,000. Assuming there are no additions to and disposal of the Fixed Asset, the cost of the Property Plant & Equipment is
 - A. N2,800,000
 - B. N1,750,000
 - C. N1,050,000
 - D. N700,000
 - E. N500,000
4. A company's profit before tax for 2010 financial year is N100,000. The corporate tax rate is 20%. The share capital/stated capital of the company consists of 400,000 shares. Calculate the Earnings per share (EPS) of the company.
 - A. N2.00
 - B. N2.50
 - C. N0.50
 - D. N0.40
 - E. N12.50
5. Non-Current assets are distinguished from current assets by the following characteristics EXCEPT
 - A. Long-term in nature
 - B. Not normally acquired for resale
 - C. Usually stock in trade
 - D. Used to generate Income directly or indirectly for a business
 - E. Not normally liquid assets
6. Items of revenue and expenses though normal to the activity of an enterprise result of their infrequency of occurrence and size are called

- A. Exceptional items
 - B. Extraordinary items
 - C. Prior year adjustments
 - D. Ordinary activities
 - E. Extraordinary activities
7. Which of the following is NOT information to be disclosed in financial statements?
- A. Statement of financial position
 - B. Statement of comprehensive income
 - C. Statement of accounting policies
 - D. Directors' Report
 - E. Notes on the financial statements
8. An exceptional item is
- A. Normal but excessive
 - B. Abnormal, excessive and infrequent
 - C. Normal but infrequent
 - D. Excessive but frequent
 - E. Excessive but not frequent
9. Assets, with a life-span of more than one year, in a going concern to generate revenue are called
- A. Property Plant & Equipment
 - B. Current Assets
 - C. Non-Fixed Assets
 - D. Non-Current Assets
 - E. Intangible Assets
10. Which is odd among the following?
- A. Going concern concept
 - B. Stability concept
 - C. Matching concept
 - D. Continuity concept
 - E. Profitability concept

Part II: Write the answer that best completes each of the following questions/statements

11. The authorized share capital of a company is stated in its.....
12. State ONE fixed interest bearing capital
13. How is goodwill arising from acquisition of business dealt with in the financial statements?
Use the following information from the 31 December 2011 and 2012 balances of a company to answer questions 14 and 15

	2012	2011
Cash in hand	N 1800	N 1640
Balance at bank	18,640	(14,700)

14. Calculate the balance of cash and cash equivalent as at 1/1/2012
15. What was the increase in cash and cash equivalent between 1/1/2012 and 31/12/2012?

Total 15 marks.

Section B: Attempt Question 1, 2 and any other ONE question in this section

Question 1

CANGO Nigeria PLC is an Automobile assembly outfit with authorized and issued share capital of 126 million ordinary shares of 50k each. The following is the company's trial balance as at 30th of April 2013:

	DR N'000	CR N'000
Good will	500	
Land and building	15,950	
Furniture and fittings	68,880	

Accumulated depreciation:		
Land and building		2,700
Plant and machinery		51,350
Furniture and fittings		33,500
Investments - Quoted	2,370	
- Unquoted	3,020	
Ordinary share capital @ 50k/share		63,000
General reserves		500
Profit and loss account		750
Provision for deferred tax		3,040
Stocks- Raw material	10,800	
- Work-in-progress	9,780	
- finished goods	11,530	
Sales		73,470
Rent received		170
Investment income		800
Other interest income		600
Profit on sales of plant		3,600
Purchases of raw materials	28,620	
External charges on raw materials	180	
Wages and salaries	9,060	
Pension cost on employees	1,220	
Depreciation charge for the year:		
Land and building	410	
Plant and machinery	5,940	
Furniture and fittings	3,250	
Rent, rate and insurance	3,900	
Power and lighting	6,940	
Distribution expenses	2,660	
Audit fees	320	
Sundry expenses	400	
Bank interest on bank overdraft	200	
Bills of exchange payable		100
Trade creditors		12,850
Other creditors		2,060
Company income tax brought forward		3,080
Noncurrent liabilities: 6% debenture 2004-2020		5,550
: Others		680
Realization cost	2,070	
Prepayments	2,410	
Bank balance	9,210	
Trade receivables	13,560	
Other receivables	90	
	<u>257,800</u>	<u>257,800</u>

The following additional information are also relevant

1. Stock at 30 April 2014 - Raw materials	N'000
- Work-in-progress	12,810
- Finished goods	11,050
2. During the year, additions to fixed assets were as follows:	12,580
Plant & Machinery	8,530
Furniture and fittings	780
Disposals were made as follows:	
Plant & machinery -at cost (Acc depr N2,670,000)	2,670
Furniture and fittings -at cost (Acc. depr. N910, 000)	1,250

3. Proposed dividend is 6 kobo per share
4. Provision on the accounts for company tax of N2,400,000 and capital gain tax on sale of plant of N 450,000 was made
5. Under provision for company income tax in respect of the year ended 30/4/2013 was N250,000
6. Included in salaries and wages were directors' fees of N0.5million and Executive directors' salaries of N2.5 million

You are required to prepare in a suitable form for publication in line with CAMA 2004:

a. Income statement for the year ended 30th April, 2014

b. Statement of Financial Position as at that date

Note: you should show all your workings and your assumptions (20 marks)

Question 2

- a. i. State five objectives of the Nigeria Accounting Standard Board (NASB) (2.5 marks)
- ii. As regards the structure of NASB, what do you understand by exposure draft (2 mark)
- b. In relation to Nigerian Law of Insurance, explain the following:
 - i. Insured
 - ii. Insurer
 - iii. Third party
 - iv. Insurance company
 - v. indemnify (2.5 marks)
- c. i. As regards the Nigeria stock exchange (NSE), explain what you understand by primary market and secondary market. (3 marks).

(10 marks)

Question 3

All the licensed banks, in Nigeria, are statutorily required to review their credit portfolio continuously (at least once in a quarter) with a view to recognizing any deterioration in credit quality. Such reviews should systematically and realistically classify banks credit exposures based on the perceived risks of default. In order to facilitate comparability of banks classification of their credit portfolios, the assessment of risk of default should be based on criteria which should include but not limited to repayment performance, borrowers' repayment capability on the basis of current financial condition and net realizable value of collateral.

Given the above background, Non-performing credit facilities as one of the credit facilities should be classified into three categories.

You are required to

- a. list the three categories of non-performing credit (3marks)
- b. State succinctly the objective and subjective criteria of each category listed in 'a'. (12 marks)

(15 marks)

Question 4

The following information was extracted from the books of PAPALOLO Nigeria Ltd in respect of Property Plant Equipment (PPE) as at 31 December 2014

- i. The cost of the Property Plant Equipment (PPE) and Accumulated Depreciation as at 31 December 2013 were:

Types of PPE	Acc. Deprn		Cost
	N	N	
Plant & Machinery	3,725,000		7,920,000
Motor Vehicles	3,500,000		8,500,000
Furniture & Fittings	275,750		905,500

- ii. During the year (2014) the company acquired the following items of PPE: Plant and Machinery at a cost of N2, 500,000 and motor vehicle for N3, 750,000.