

CRAWFORD UNIVERSITY
IGBESA, OGUN STATE
SCHOOL OF PART TIME STUDIES
CONVERSION PROGRAMME

DEPARTMENT: ACCOUNTING AND FINANCE

TITLE OF EXAMINATION: BSc. EXAMINATION

SESSION: 2020/2021

SEMESTER: THIRD

COURSE: PRINCIPLES OF FINANCIAL ACCOUNTING II **COURSE CODE: ACC 301**

TIME ALLOWED: 2 ½ HOURS

CREDIT UNIT: 2UNITS

INSTRUCTIONS: ATTEMPT FOUR 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:

- i. The payment of royalty of ₦0.20 per barrel of oil extracted.
- ii. Minimum payment of ₦3,600 per annum.
- iii. 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.

10 marks

(Total 17 ½ marks)

QUESTION 2

- a. Write short note on the following:
 - i. Consequential loss (1mark)
 - ii. Standing charges (1mark)
 - iii. Average proviso (1mark)
- b. On June 15, 2021, the premises of Peter and Paul were engulfed by fire but sufficient records were saved from which the following particulars were ascertained:

	N
Inventory at cost 1 st January 2020	14,700.00
Inventory at cost 31 st December, 2020	15,920.00
Purchases less return, year ended 31 st December, 2020	79,600.00
Sales returns, year ended 31 st December, 2020	97,400.00
Purchases less return, 1 st January 2021 to 15 th June 2021	32,400.00
Sales less returns 1 st January 2021 to 15 th June, 2021	46,240.00

In valuing the inventory for financial position at 31st December 2021, N460.00 had been written off certain inventory costing N1,380.00 due to poor sales. A portion of these goods were sold in March 2021 at a loss of N50.00 on original cost of N690.00. The remainder of this inventory was now estimated to be worth the original cost.

Subject to the above exception gross profit had remained at a uniform rate throughout.

The inventory salvaged was N1,160.00

Required:

Show the amount of the claim.

(14 ½ marks)

(Total 17 ½ marks)

QUESTION 3

- a. ABC Plc with an authorized capital of N200,000, in shares of N1.00 each, issued 100,000 of such shares, payable N0.13 per share on application, N0.12 on allotment, N0.25 three months later, and the balance as and when required. All moneys payable on allotment were duly received. But when the call of N0.25 per share was made, one shareholder failed to pay the amount due on his 200 shares; and another shareholder, who held 150 shares, paid them in full.

Required:

Make the necessary entries in the company's books to record the above transactions, and show the capital on the company's statement of financial position. (13 ½ marks)

b. Write short notes on the following:

- i. Share premium
- ii. Share discount

(2marks)

(2marks)

(Total 17 ½ marks)

QUESTION 4

(3marks)

- a. State the rule in Garner Versus Murray
- b. Amara, Babatunde and Yetunde, were partners sharing profit and losses in the ratio of 3:2:1, dissolved their partnership on 31st march, 2017 when their accounts showed the following balances:

	Dr (₦)	Cr (₦)
Capital Accounts:		
Amara		26,000
Babatunde		14,000
Yetunde		4,000
Loan Account: Babatunde		38,000
Payables		78,800
Premises	60,000	
Fixtures & Fittings	16,800	
Inventory	28,800	
Receivables	49,200	
Cash	6,000	
Total	160,800	160,800

Additional information:

- i. The inventory was sold for ₦21,200. The premises were sold for ₦62,000 whilst the fixtures and fittings realized ₦2,000.
- ii. Payables were discharged less ₦240 discount and receivables produced ₦46,800.
- iii. Winding up expenses amounted to ₦3,840.
- iv. In the event of any partner having a debit balance on the 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 relevant accounts to show the dissolution of the partnership using the rule in Garner versus Murray (14 ½ marks)

(Total 17 ½ marks)

QUESTION 5

- a. Explain the term "Hire Purchase". (2marks)
- b. An asset was acquired on 1st April, 2019. Details are as follows:

	₦
Cash Price	10,000
Hire Purchase Price	11,600
Deposit Paid	2,000
24 monthly repayments of ₦400 / month	9,600

Additional information:

- First installment payable 30th April 2019. And the company closes its books on 31st December.
- The asset was sold on 28th September 2020 for N6,000. The Hire Purchase agreement was terminated on that day for a final payment of N2,720.
- Depreciation is calculated at the rate of 20% p.a on cost.
- Hire purchase should be written off on a straight line basis.

Required:

Show the accounts in the books of the buyer

(15 ½ marks)

(Total 17 ½ marks)

QUESTION 6

- Define the term "partnership". (1mark)
- What do you understand by the term "Deed of Partnership". (2marks)
- Two professional men ABC and XYZ decided to amalgamate their practices and to form a partnership with effect from 1st May, 2018.
Their respective financial position on 31st April, 2018 disclosed the following figures:

	ABC (₦)	XYZ (₦)		ABC (₦)	XYZ (₦)
Capital a/c	30,600	46,600	Payables	14,000	24,000
Payables	400	800	Office Equipment	5,200	20,000
Loan from Associate		18,000	Inventory	1,000	1,800
			Receivables	6,400	11,400
			Bank / Cash	4,400	8,200
	31,000	65,400		31,000	65,400

For the purpose of the amalgamation the following steps are taken:

ABC premises were revalued at N20,000 and were to be used as a branch office and office equipment valued at N1,600 was written off as obsolete, the receivables included an amount of N1,200 which was to be regarded as irrecoverable and payables were paid out of the bank balance otherwise assets were brought in at book value.

XYZ had agreed to acquire out of his private resources additional equipment costing N6,000, to pay his payables from his bank balance, to repay the loan from his private resources and to bring his other assets in a book value.

Required:

Prepare the financial position for the partnership of ABCXYZ and Company on 1st May, 2018.

(14 ½ marks)

(Total 17 ½ marks)