

**CRAWFORD UNIVERSITY**

**IGBESA, OGUN STATE**

**COLLEGE: COLLEGE OF BUSINESS AND SOCIAL SCIENCES**

**DEPARTMENT: ACCOUNTING AND FINANCE**

**TITLE OF EXAMINATION: BSc. EXAMINATION**

**SESSION: 2019/2020**

**SEMESTER: HARMMATTAN**

**COURSE: FINANCIAL ACCOUNTING I**

**COURSE CODE: ACC 301**

**TIME ALLOWED: 3 HOURS**

**INSTRUCTIONS: ATTEMPT FOUR QUESTIONS ONLY**

**QUESTION 1**

1a. Mention conditions under which preference share can be redeemed. 4marks

1b. Highlight the usefulness of share premium. 3marks

1c. Write short notes on the followings:

- |  |       |
|--|-------|
| i. Convertible and Non-convertible Preference share.       | 2mark |
| ii. Cumulative and Non-cumulative Preference share.        | 2mark |
| iii. Participatory and Non-participatory preference share. | 2mark |
| iv. Redeemable and Non-redeemable Preference share.        | 2mark |

Total 15marks

**QUESTION 2**

2a. Write short notes on the followings:

- |                      |       |
|----------------------|-------|
| i. Landlord          | 1mark |
| ii. Tenant           | 1mark |
| iii. Royalty payable | 1mark |
| iv. Minimum rent     | 1mark |
| v. Shortworking      | 1mark |
- (5marks)

2b. A 30 year lease of a mineral producing area was granted to Ayeye Ltd at a royalty of 9 kobo per ton with a minimum rent of N3,000 a year payable half yearly on 31<sup>st</sup> March and 30<sup>th</sup> September. Ayeye Ltd granted a sub-lease of 15years of part the area to Tamilore Ltd from 1<sup>st</sup> March at a royalty of 12kobo per ton with a minimum rent of N2,000 a year payable half yearly on 31<sup>st</sup> March and 30<sup>th</sup> September.

Ayeye Ltd is entitled under the original lease to recoup short workings out of subsequent excess working thorough out the duration of the lease. However, Ayeye Ltd only allowed Tamilore Ltd to recoup the short working out of subsequent excess working in any of the three half years

immediately following that in which the short working accrued. Minerals were worked as follows:

Half Year Ended	Combined Tons	Tamilore Ltd
31 <sup>st</sup> March 2015	4,000	
30 <sup>th</sup> September 2015	9,000	
31 <sup>st</sup> March 2016	20,000	9,000
30 <sup>th</sup> September 2016	27,000	6,000
31 <sup>st</sup> March 2017	24,600	5,000
30 <sup>th</sup> September 2017	13,000	8,000
31 <sup>st</sup> March 2018	22,000	8,000
30 <sup>th</sup> September 2018	29,000	10,000
31 <sup>st</sup> March 2019	32,000	15,000
		24,000

The books are balanced every year on 31<sup>st</sup> April and all amounts due were settled on due dates

Required:

- i. Royalty payable account.
- ii. Royalty receivable account.
- iii. Short working recoverable account.
- iv. Short working allowance account.

5marks

5marks

2 ½ marks

2 ½ marks

Total 15marks

### QUESTION 3

In 2010 the Bolanle Plc made a public issue of 8% redeemable preference shares of N1.00 each, repayable at N1.10 on the company giving six months' notice. 124,500 of these shares were and fully paid. With a view to the redemption of the above in April, 2015, the company, having at the time a general reserve fund of N90,000, offered for subscription at par 75,000 6percent preference shares of N1.00 each, payable in full on application. 61,320 of these were taken up and allotted. Immediately afterwards the company redeemed the whole of the 8% shares in accordance with the terms of the issue.

Required:

Open the necessary ledger accounts.

Total 15marks

#### QUESTION 4

4a. Write short notes on the following:

- |                                     |       |
|-------------------------------------|-------|
| i. Unlimited Liability Company.     | 1mark |
| ii. Companies Limited by Guarantee. | 1mark |
| iii. Companies Limited by Shares.   | 1mark |
| iv. Authorized Share Capital        | 1mark |
| v. Called Up Capital                | 1mark |

(5marks)

4b. Thomas Plc made an issue of 60,000,000 of ₦1.00 each on 1<sup>st</sup> January, 2020 payable as follows:

- i. 10k per share on application;
- ii. 20k per share on allotment;
- iii. 30k per share on first call and;
- iv. 40k per share on second and final call

The issues were fully subscribed and all monies paid as they became due except Mr Agbede who was allotted 600,000 shares but failed to pay the first call of 30k and his 600,000 shares were forfeited. In line with the constitution of the company, the shares were later re-issued to Mr. Oshin at a price of ₦ 0.75 per share.

Required:

Open the necessary books of accounts and also prepare the statement of financial position as at 1<sup>st</sup> January, 2020.

10marks

**Total 15marks**

#### QUESTION 5

Jesutobi Plc buys container for ₦ 2.00 and charges it out at ₦2.50, allowing ₦1.50 on return. All inventories are valued at ₦1.00 at stocktaking.

On 1<sup>st</sup> January, the inventory at warehouse was 12,000units and 24,000units were in hands of customers. During the year 18,000units were purchased, 39,000units sent out to customers and 28,500units returned. 300units were destroyed or lost and 150units were sold for scrap, ₦60. At the end of the year 21,000units were in the hands of the customers (return period unexpired).

Required:

Show the ledger accounts for the year ended 31<sup>st</sup> December, 2019.

**Total 15marks**

### QUESTION 6

6a. In the event of dissolution and one of the partners is unable to liquidate the debit balance in his capital account, the rule in Garner vs. Murray applies.

State the rule in Garner vs. Murray

2marks

6b. Alionye, Bakare and Chinoso sharing profit and losses in the ratio of 3:2 and 1 dissolved their partnership on 31<sup>st</sup> March 2018 when their account showed the following balances:

	Dr (N'000)	Cr (N'000)
Capital account: Alionye		26,000
Bakare		14,000
Chinoso		4,000
Loan Account: Bakare		38,000
Payables		78,800
Premises	60,000	
Fixtures & Fittings	16,800	
Inventory	28,800	
Receivables	49,200	
Cash	6,000	
<b>TOTAL</b>	<b>160,800</b>	<b>160,800</b>

The inventory was sold for ₦21,200,000 the premises were sold for ₦62,000,000 while the fixtures and fittings realized ₦2,000,000.

Payables were discharged less ₦240,000 discount and receivables produced ₦46,800,000. Winding up expenses amounted to ₦3,840,000.

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

Required:

Prepare relevant accounts to show the dissolution of the partnership using the rule in Garner vs. Murray.

13marks

**Total 15marks**