

CRAWFORD UNIVERSITY

IGBESA, OGUN STATE

TITLE OF EXAMINATION: BSc. EXAMINATION

COLLEGE: COLLEGE OF BUSINESS AND SOCIAL SCIENCES

DEPARTMENT: ACCOUNT AND FINANCE

SESSION: 2018/2019

SEMESTER: HARMATTAN

COURSE: FINANCIAL ACCOUNTING 1

COURSE CODE: ACC301

TIME ALLOWED: 2 ½ HOURS

INSTRUCTIONS: ATTEMPT FOUR QUESTIONS TWO QUESTIONS FROM EACH SECTIONS

SECTION A

QUESTION 1

1a. Partnership is the relation which subsists between persons carrying on a business in common with a view of profit.

Where there is no partnership agreement between the partners, discuss the way they go about in running the business. 2 ½ marks

1b. Where there is a dissolution of partnership and one of the partners is bankrupt. Explain how you would treat the loss among the solvent partners. (With relevant law) 2 ½ marks

1c. Divine and Praise were partners sharing profits or losses equally. On 31st December, 2016 they decided to dissolve their partnership. The Statement of Financial Position of the partnership at this date is as follows:

Statement of Financial Position as at 31st December, 2016:

Non-current Assets:	₦'000	₦'000
Land and Building		400,000
Plant & Equipment		<u>200,000</u>
		600,000
Current assets		
Inventory	190,000	
Receivables	160,000	
Cash	<u>240,000</u>	<u>590,000</u>
Total Assets		<u>1,190,000</u>
Capitals and Liabilities		
Partners' Capital accounts:		
Divine		300,000
Praise		300,000
Partners' Current accounts:		
Divine		220,000

Praise	150,000
Liabilities	<u>220,000</u>
	<u>1,190,000</u>

Additional information:

- (i) The land and building were sold for an amount of ₦600,000
- (ii) The plant and equipment includes a car at carrying amount of ₦60,000. B is to take over this car at an agreed value of ₦70,000.
- (iii) The rest of the plant and equipment was sold for ₦180,000.
- (iv) The inventory was also realized at a reduced price of ₦186,000.
- (v) All of the receivables were collected except for an amount of ₦10,000 owed by a person who had become bankrupt.
- (vi) Dissolution cost of ₦16,000 were paid.

Required:

Prepare relevant accounts to close the books.

10 marks
Total 15 Marks

QUESTION 2

- (a) Abiola Plc with an authorized capital of ₦100m, in shares of ₦1.00 each, issued 50m of such shares, payable 13k per share on application, 12k on allotment, 25k 1st call and 50k on final call. All monies payable are duly received except Mr. Adiki who was allotted 1,000 shares failed to pay 1st call money and final call. The directors resolved that 1,000 shares should be forfeited and later re-issued to Mr. Fapohunda at 85k.

Required:

- (i) Open all necessary books 9marks
- (ii) Prepare a statement of financial position. 2marks

- (b) Write short notes on the following:

- (i) Company limited by shares 1 mark
- (ii) Company limited by guarantee. 1 mark
- (iii) Authorized share capital 1 mark
- (iv) Issued share capital 1 mark

Total 15 Marks

QUESTION 3

Ekundayo Farms Nigeria Ltd. trial balance as at 31/12/2015.

	Dr. ₦'000	Cr. ₦'000
Opening inventory	13,840	

Purchases / Sales	15,480	62,800
Subsidies		2,260
Fertilizer	1,400	
Seeds	3,200	
Contract work- Crop	4,200	
Casual labour – Crop	100	
Other expenses (Crop)	520	
Feed	5,600	
Casual labour – Livestock	300	
Veterinary of medicine – livestock	800	
Milk of diary expenses	200	
Regular labour	12,800	
Repairs of M/V	1,700	
Petrol, oil & lubricants	840	
Electricity	600	
Depreciation	2,700	
Rent & Rates	1,800	
Insurance	300	
Receivable	18,000	
Repairs of property	1,800	
Telephone	240	
Bank interest	340	
Loan interest	2,400	
Other general expenses	600	
Cash at bank	800	
Equipment	16,000	
Drawings	7,000	
Capital		43,000
Payables		5,900
Other expenses- livestock	400	
	113,960	113,960

Additional information

- (i) The opening inventory for the following product: Wheat ₦3,140,000; Potatoes ₦3,100,000, Cattle ₦5,500,000 and Sheep ₦2,100,000.
 - (ii) Purchases of Cattle ₦11,800,000; Sheep ₦3,680,000.
 - (iii) Own consumption: Wheat ₦160,000; Cattle ₦300,000.
 - iv) Subsidies Wheat ₦400,000, Potatoes ₦560,000, Cattle ₦800,000, and Sheep ₦500,000.
 - v) Closing inventory: Wheat ₦6,000,000, Potatoes ₦1,360,000, Cattle ₦600,000 and Sheep ₦1,000,000.
 - vi) Sales: Wheat ₦6,000,000; Potatoes ₦9,200,000, Cattle ₦41,400,000 and Sheep ₦6,200,000.
 - vii) Two-third of the Rent & Rates, Petrol, Electricity and Telephone should be charged to the farm's account.
- Required:

- (i) Prepare Statement of Profit or Loss Account for the period.
(ii) Prepare Statement of Financial Position as at 31/12/2015.

8marks
7marks
Total 15 Marks

SECTION B

QUESTION 4

Okanlawon Limited leased an oil block from Federal Government of Nigeria in 1999 at a minimum of N40,000 per annum with a royalty of N2 per barrel. The short workings were recoverable during the first five years of the lease only. The output for the first six years was: 5,000, 6,000, 15,000, 28,000, 40,000, 43,000, barrel of oil. You are required to make the necessary entry of the above transactions in the book of the lessee.

Total 15 marks

QUESTION 5

- (i) What do you understand by royalty (3 marks)
(ii) Write short notes on the following as regards Royalty Account

- (a) Landlord (1 mark)
- (b) Tenant (1 mark)
- (c) Royalty payable (1 mark)
- (d) Minimum rent (1 mark)
- (e) Shortworking (1 mark)
- (f) Royalty receivables (1 mark)
- (g) Sub-royalty (2 mark)
- (h) Shortworking recoupable. (2 mark).
- (i) Shortworking allowable. (2 mark)

Total 15 marks

QUESTION 6

- (a) Discuss three types of investment know to you (3 marks)
(b) Discuss in full the two categories of investment as you were taught (6 marks)
(c) Briefly discuss the following in relation to Investment Account
- i) Short term investment (1 mark)
 - ii) Long term investment (1 mark)
 - iii) Investment property (1 mark)
 - iv) Carrying amount (1 mark)
 - v) Market value (1 mark)
 - vi) cum-div/ interest (1 mark)

Total 15 marks