



**COLLEGE OF BUSINESS AND SOCIAL SCIENCE**  
**CRAWFORD UNIVERSITY, FAITH CITY IGBESA OGUN-STATE**  
**ACC 302 (FINANCIAL ACCOUNTING 11)**  
**2014/2015 RAIN SEMESTER EXAMINATION**

**Instruction: Attempt all questions in Section A, question 1 and any other one in Section B**  
**Time allowed: 2.5 hours.**

**SECTION A.**

1. Concessions, patents, licenses, trademarks and similar rights are examples of  
(a) Property, plant and equipment (b) Long term investments (c) Current assets  
(d) operating assets (e) intangible assets
2. The only current assets possessed by a company are cash N1,050,000. Stock N5,600,000  
debtors N4,200,000 and the current ratio of the company is 2:1 then the acid test ratio is  
(a) 0.67:1  
(b) 0.97:1  
(c) 0.89:1  
(d) 0.99:1  
(e) 0.77:1
3. Which of the following combination of ratios would you focus attention on in a situation  
where a bank is approached by a company for an overdraft of N50m to finance working  
capital?  
(a) Acid test ratio, dividend per share, price earnings ratio  
(b) Debt ratio, earnings per share, current ratio  
(c) Debtors collection period, interest cover, return on capital employed  
(d) Payout ratio, creditors' payment period, P/E ratio.  
(e) Working capital ratio, market price per share, gearing ratio.
4. Information to be disclosed in financial statement is contained in  
(a) IAS1 (b) IAS 5 (c) IAS8 (d) IAS 10 (e) IAS 12
5. One of the following is not a limitation of ratio analysis for the purpose of interpreting  
financial statements  
(a) A financial analysis based on accounting ratios may give misleading result if there  
is a change in price level  
(b) There are no fixed standard for an ideal ratio  
(c) Financial statements only disclose monetary facts: non-monetary facts can only be  
disclosed in notes to the accounts.  
(d) Ratios only trigger off points for further investigation when carrying out financial  
analysis  
(e) Ratios calculated at a point in time are less informative and defective as they suffer  
from short-term changes.

- 6 All but one of the following is not a measure of profitability in an organization
- Operating expenses ratio
  - Return on capital Employed
  - Cash ratio
  - Gross profit margin
  - Net profit margin
- 7 Amount written off intangible assets is known as-----
- Depreciation
  - Amortization
  - Appreciation
  - Devaluation
  - Realization
- 8 Dividend payable before the end of the year is known as \_\_\_\_\_
- Total dividend
  - Partial dividend
  - Overhead dividend
  - Interim dividend
  - Outdated dividend.
9. Creditors: Amount falling due after more than 1 year is also called
- Short term liability
  - long tern liability
  - medium term liability
  - Current liability
  - contingent liability
10. The analysis that involves the comparing of one company with some selected companies in the same industry is \_\_\_\_\_
- Time- series analysis
  - Cross-sectional analysis
  - Industry analysis
  - Pro-forma analysis
  - Forensic analysis

(10 marks)

### SHORT ANSWER QUESTIONS

- Return on capital employed (ROCE) is regarded as a primary ratio because it measures the overall performance of the business. Mention two secondary ratios.
- Mention two objectives of financial statement.
- Current ratio and acid test ratios are two popular ratios used in measuring short term solvency and liquidity of companies. Mention two other ratios in this class.
- Mention two standard of comparison of ratios for the purpose of financial statement analysis
- Mention two ratios that are referred to as supportive ratios
- State the types of financial analysis known to you
- International Accounting Standards are passed by-----

Use the data to answer question 8 and 9

	N	N
ADENIKE Limited net profit before Tax		15,000
Less taxation		<u>2000</u>
Profit after taxation		13,000
Extra ordinary items		<u>( 1000)</u>
		12,000
Preference dividend	2000	
Ordinary dividend	<u>1000</u>	<u>3000</u>
Profit for the year		<u>9000</u>
Number of outstanding ordinary shares	100,000 units	

8. What is Dividend Per Share?
9. What is Return on Capital Employed?
10. Information to be disclosed in financial statement is covered by SAS \_\_\_\_\_  
(20 marks)

### SECTION B

1. . a . i State three objectives of the Nigeria Accounting Standard Board ( NASB) (3 marks)  
ii As regards the structure of NASB, what do you understand by exposure draft (1 mark)
- b. In relation to Nigerian Law of Insurance, explain the following:  
i..Insured ii. Insurer, iii Third party, iv. Insurance company (4 marks)
- c. i. As regards the Nigeria stock exchange (NSE), explain what you understand by primary market and secondary market. (2 marks).  
ii. State the body that is responsible for the fixing of price of shares in both the primary and secondary market (2 marks).
- d. Highlight four major objectives of bank regulation (4 marks).
- e. Under the Company and Allied Matter Act 1990, section 333 states the Directors' duty to prepare annual accounts. State 4 of the financial statements required under subsection (1) of this section (4 marks)

(20 marks.)

2. ENIAWIFUN (NIG) LTD PROFIT AND LOSS ACCOUNTS FOR THE YEAR ENDED 31MARCH 2014.

	2014	2013
	N'000	N' 000
Turnover	411,590	349,200.
Less: Cost of Sales	<u>(247,860)</u>	<u>(214,720)</u>
Gross Profit	163,730	134,480
Distribution Expenses	(66,040)	(54,270)
Administrative Expenses	(46,270)	(34,830)
Debenture Interest	<u>(1,500)</u>	<u>(1,500)</u>
Net profit before Taxation	49,920	43,880
Less: Taxation	<u>(19,960)</u>	<u>(15,550)</u>
Net Profit after Taxation	29,960	28,330
Dividend Proposed	<u>(15,410)</u>	<u>(12,140)</u>
Retained profit transferred to revenue Reserve	<u>14,550</u>	<u>16,190</u>

**BALANCE SHEET  
AS AT 31 MARCH 2014**

	2014	2013
	N' 000	N'000
Fixed Assets	159,300	130,400
Current Assets:		
Stock and W-I-P	60,020	51,390
Debtors	10,870	4,180
Bank & Cash	<u>61,120</u>	<u>43,640</u>
	291,310	229,610
Creditors (failing due within one year)		
Trade Creditors	83,110	53,120
Bank Overdraft	1800	9,210
Taxation	7,860	6,170
Dividend	<u>15,410</u>	<u>12,140</u>
	<u>108,180</u>	<u>80,640</u>
Net Assets	<u>183,130</u>	<u>148,970</u>
Financed by:	2011	2010
	N' 000	N' 000
Ordinary shares of N1 each	59,000	50,000
Share premium	28,400	28,400
Capital reserve	41,230	41,230
Revenue reserve	<u>39,500</u>	<u>14,340</u>
	168,130	133,970
Long-term Liabilities		
10% debentures	<u>15,000</u>	<u>15,000</u>
	<u>183,130</u>	<u>148,970</u>

Additional information:

(i) All Sales and Purchases are on credit.

(ii) Purchases/Debtors and Creditors during the year are:

Year	Purchases	Debtors	Creditors
	N'000	N' 000	N'000
2014	256,490	10,870	83,110
2013	220,150	4,180	53,120
2012	180,190	2620	40,050

(iii) The market price of the company shares has been fairly stable at N20.14 per share. The Closing stock of ENIAWIFUN (Nig) Ltd as at 31<sup>st</sup> December 2012 is N42,500. You are required to compute the following for 2013 and 2014.

1. Gross profit percentage.
2. Net profit percentage.
3. Asset turnover.
4. Working capital ratio
5. Quick assets ratio
6. Stock turnover period

7. Gearing ratio
8. Debt ratio
9. Dividend per share.
10. Interest cover. (20 marks)

3. The following balances appeared in the book of MOTISERI Nig. plc on 31<sup>st</sup> July 2014.

The company business was wholesale of computers and other accessories	N,000
Sales	47,496
National provident fund	384
Rentals received from subletting warehouse	381
Interest paid on short-term bank loans	90
Stock of goods for resale on 1 August 2011	8,469
Directors' salaries	291
Wages	2,541
Interest paid on 5% unsecured loan stock	75
Directors' Fees	72
Proposed Ordinary Dividend	2,100
Other Administrative Expenses	1,185
Other Selling and Distribution Costs	3,450
Salaries	1,125
Uninsured Fire Losses	528
Depreciation charge for the year	2712
Interest received on Unlisted investments (gross)	105
Auditors' Fees & Expenses	111
Purchases (Net)	27,036
Directors' Pension scheme Contributions	54

Notes

Other information at 31<sup>st</sup> July 2012:

1. Turnover included exports to Africa	N,000
2. Corporation Tax Rate is 45%	12,822
3. The average number of persons employed (including Directors) was	
(i) Marketing	20
(ii) Warehousing & Distribution	121
(iii) Management & Administration	62
4. Total Taxation Charge for the current year after accounting for:	3,480
(i) Tax relief on extraordinary loss	186
(ii) Under provision in previous year	255

5. Various items appearing in the list of balances were analyzed as follows:

	Selling & Distribution	Admin.	Total
	N, 000	N, 000	N,000
Director's Fees	-	72	72
Director's Salaries	57	234	291

Director's Pension Scheme Contr.	6	48	54
Wages	2,478	63	2,541
Depreciation	2,190	522	2,712
Salaries	255	900	1,125
National Provident Fund	321	63	384
6. Stocks of goods for resale on 31 <sup>st</sup> July 2012			1,262
7. Ordinary Share capital (N0.50 per share)			10,000

Required:

Prepare the Statement of Comprehensive Income for MOTISERI plc for the year ended 31<sup>st</sup> July 2014 in a Form suitable for publication, so far as the information given permits.  
(20 marks).