

**NATIONAL BUSINESS AND TECHNICAL EXAMINATIONS BOARD (NABTEB)**

**MAY/JUNE, 2008**

**FINANCIAL ACCOUNTING**

**QUESTION I**

State FIVE steps of converting incomplete record and single entry accounts to double entry accounts.

**ANSWER**

1. Five steps for converting incomplete records and single entry accounts to double entry system are:
  - i. Preparation of total debtors accounts so as to get the credit sales figure (missing).
  - ii. Preparation of total creditor's accounts so as to get the credit purchases figure (missing).
  - iii. Preparation of total sales figures by adding both credit sales and cash sales figures together.
  - iv. Preparation of total purchase figure by adding the credit purchase figure missing and the cash purchase together.
  - v. Computation of trading account from the calculation above.

**QUESTION 2**

- (a) Give FOUR steps to be followed if a trial balance failed to balance.
- (b) Differentiate between Receipts and Payments Accounts.

**ANSWER:**

**2(a)** Steps to be followed if a trial balance failed to balance are:

- i. Check whether both the debit and credit entries of all transaction have been posted.
- ii. Check the additions on both sides of the trial balance.
- iii. Check the figure posted to each of the account to ensure correct amount being posted.
- iv. Check whether the balances are correctly transferred to the correct side of the trial balance.
- v. If all the steps stated above are being taken care of, then, transfer the difference to the suspense account.

**B. Receipts Accounts:** Are those items which a business received on cash basis rather than on credit basis. They include subscriptions, donations due and cash sales. They are always recorded on the debit side of receipts and payment accounts, whereas,

payment accounts are those items which a club has paid for and they are always written on the credit side of the receipt and payment accounts. The difference between them is the balance which may be debit or credit.

### QUESTION 3:

Write briefly on these account terms:

- a) Authorized capital.
- b) Issued capital.
- c) Working capital.

### ANSWER

- 3(a) Authorized Capital:- This is the amount which a public company is allowed to raise from the public for its business operations. It is also called registered or nominal capital, it is stated in the memorandum of association of company and approved by the registrar of companies.
- 3(b) Issuing Capital: It is that part of the Authorized Capital which a public company has decided to issue out to the public for subscription.
- 3(c) Working Capital: It is the amount which a business has set aside for its day-to-day operations. It is the difference between current assets current liabilities.

### QUESTION 4

- a) Differentiate between bank statement and bank reconciliation statement.
- b) State FIVE clauses contained in the memorandum of association of company.
- c) State FIVE features that are supposed to be contained by an invoice.

### ANSWER 4

- 4(a) Bank Statement: It is periodic statement of account which a commercial bank gives to its customers either monthly or quarterly which has shown the amount deposited and amount withdrawn including the balance whether credit or debit balance. Whereas bank reconciliation statement is the bringing of the activities of the bank and that of the office into agreement. It is prepared by the Cashier/Bursar or Account Clerk at regular interval e.g. yearly or half yearly.
- 4(b) The clauses contained in the memorandum of association in a company are as follows:
1. The name of the company with the word "PLC" at the end or Ltd.
  2. The statement of the authorized capital.
  3. The purpose of setting up/establishing the company/objective of the company.
  4. The statement that the liability of shareholders is limited.
  5. The position of the head office of the company/location.
  6. Name of the company's promoter and their addresses.

7. The expiration or life span of the business.
8. Method of amending the memorandum of associate.

4(c) Feature of an Invoice.

- i. Name and address of the company.
- ii. The date.
- iii. The total price in word and figure.
- iv. The unit price.
- v. Description column.
- vi. Quality of goods.

### QUESTION 5

5. Ogboni and Agbor enter a joint venture to share profits or loses equally, resulting from dealings in second hand cars. Both parties take an active part in the business each recording his own transactions. They have no joint banking account.

2003

January 1 Ogboni buys three cars for ₦900.

January 31, Ogboni pays for repair and respraying of vehicles ₦60

March 1 Agbor pays garage rental ₦20 and advertising expenses ₦10.

April 12, Agbor pays for licence and insurance renewal of vehicle ₦36.

August 10, Agbor buys a vehicle in excellent condition for ₦100.

August 31, Ogboni sell the four vehicles to varies clients, the sales being completed on this date, totaling ₦1,600.

Show the relative accounts in the books of both partners.

**ANSWER**

5.

Ogboni and Agbor  
Memorandum Joint Venture Account

Dr.		₦			Cr.
Jan 1.	3 cars	900		Sales	1,600
Jan. 31	Repair	60			
Mar. 1.	Garage	20			
Mar. 1	Advertising	10			
April 12.	Licensing & Insurance	36			
Aug. 10	Vehicle	100			
Aug. 31	Net Profit				
	Ogboni	237			
	Agbor	237	<u>474</u>		
			<u>1,600</u>		<u>1,600</u>

**QUESTION 6**

From the business of Ahmed a wholesale chemist, classify the following between capital and revenue expenditure.

- i. Purchase of an extra motor van
- ii. Cost of rebuilding warehouse wall which had fallen.
- iii. Building extension to the warehouse.
- iv. Cost of erecting new machine.
- v. Legal charges on acquiring new premises for office.
- vi. Legal cost of collecting debts.
- vii. Repair of office sale.
- viii. Carriage cost on sales.
- ix. Carriage cost of bricks for new warehouse extension.
- x. Roof repairs.
- xi. New tyre for van.
- xii. Repairs to meat slicer.
- xiii. Carriage on returns outwards.
- xiv. Fire insurance premium.

xv. Purchase of extra filing cabinet for sales office.

**ANSWER**

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6. Capital Expenditure	Revenue Expenditure
<ul style="list-style-type: none"><li>• Purchase of extra motor van</li><li>• Building extension to house</li><li>• Cost of erecting new machine</li><li>• Legal charge on acquire new Premises for office</li><li>• Carriage cost on brick for new Warehouse</li><li>• Purchase of extra filing Cabinets for sales office.</li></ul>	Cost of rebuilding warehouse walls Legal cost of collecting debt. Repair of office safe. Carriage cost on sales Roof Repairs. New tyre for van Repairs to meat – slicer Carriage on return outward Fire Insurance Premium.

7. An engineering concern purchased machine on the hire purchase system over a period of three years paying ₦846 down on 1 January 2001, and further annual payment of ₦2,000 due on 31 December 2001, 2001 and 2003.

The cash price of the machine was ₦6,000 the vendor company charging interest at 8% per annum on outstanding balances.

Show the appropriate ledger account in the hire purchase book for the three years and how the items would appear in the balance sheet at 31 December, 2001 depreciation at 10% per annum on the written down value is to charged and interest calculated to the nearest.

**ANSWER**

7.

**Hire Purchase Supplier Account**

	₦		₦
Bank (Deposited)	846	Machinery	6000
Balance c/d	<u>5,154</u>		<u>        </u>
	<u>6,000</u>		<u>6,000</u>
2001 Bank 1 <sup>st</sup> Instalment	2,000	Balance b/d	5,154
Balance c/d	<u>3,566</u>	Interest (HP)	<u>412</u>
	<u>5,566</u>		<u>5,566</u>
2002 Bank 2 <sup>nd</sup> Instalment	2,000	Balance b/d	3,566
31/12/02 Balance c/d	<u>1,851</u>	Interest (HP)	<u>285</u>
	<u>3,851</u>		<u>3,851</u>
1/1/03 Bank 3 <sup>rd</sup> Instalment	2,000	Balance b/d	1,851
	<u>2,000</u>		<u>2,000</u>

**Machines Account**

	₦
1/1/01 Bank	6,000

**Balance Sheet as at 31/12/01**

	₦	₦	₦
Fixed Assets			
Machines		6,000	
Less Depreciation	600		
Less owing on HPA	3,566	4,166	1,834
2001 Machines Cost		6,000	
Less Depreciation		6,000	5,400

**QUESTION 8**

8. **ABICO PLC** is a manufacturing company. The following information were made available concerning its operations.

₦

**Stocks as at 1 Machine, 2004:**

Raw Materials	50,000
Work in Progress	18,000
Finished Goods	25,000
Purchase of raw materials	650,000
Carriage Inwards	15,000
Returns Outwards	30,000
Direct Factory Wages	160,000
Depreciation of plant	20,000
Repairs to Factory	12,000
Other Factory Wages	200,000
Factory Power	60,000
Administrative Salary	120,000
Sales	1,500,000
Office Expenses	36,000

**Stock at 28<sup>th</sup> February, 2005:**

Raw Materials	70,000
Work in Progress	20,000
Finished Goods	27,000

Additional Information:

- (a) Finished Goods are transferred to the trading section at cost plus 10%.
- (b) A third of office expenses and administrative salary is charged against production.

You are required to prepare:

- i. Manufacturing Account for the year ended 28/02/2005
- ii. Trading Account for the year ended 28/02/2005.

**ANSWER**

**8. Abico Plc Manufacturing Trading for the year ended 20/02/2005**

	₦	₦		₦
Opening Stock of Raw Materials		50,000	Cost of Production	1,117,000
Add Purchase of R/M	650,000			
Add Carriage Inward	<u>15,000</u>			
	655,000			
Less Return Outward	<u>30,000</u>	635,000		
Cost of R/M Available		685,000		
Less Closing Stock R/M		<u>70,000</u>		
Cost of R/M Consumed		615,000		
Add Direct Factory Wages		<u>160,000</u>		
<b>FACTORY OVERHEADS</b>				
Dep. Plant	20,000			
Repairs	12,000			
Other Factory Wages	200,000			
Factory Power	60,000			
Office Expenses				
( $\frac{1}{3}$ of 36,000)	12,000			
Admin. Sal. ( $\frac{1}{3}$ of 120,000)	<u>40,000</u>	3,440,000		
		1,119,000		
Add WIP at start		<u>18,000</u>		
		1,137,000		
Less WIP at close		<u>20,000</u>		
		<u>1,117,000</u>		<u>1,117,000</u>
Finished Goods 1/3/2004	25,000		Sales	1,500,000
Add (10% of 25,000)	2,500	27,000		
Add Cost of Production		<u>1,117,000</u>		
		1,114,500		
Less Closing Stock	27,000			
Add (10% of 27,000)	<u>2,700</u>	<u>29,000</u>		
<u>Cost of Goods Sold</u>		1,114,800		
Gross Profit c/d		<u>385,200</u>		
		<u>1,500,000</u>		<u>1,500,000</u>



**Question 9**

9 Okoro started business on 1<sup>st</sup> January, 2005 with ₦10,000 in a bank account. Unfortunately he did not keep proper book of account.

He is forced to submit a calculation of profit for the year ended 31<sup>st</sup> December, 2005 to the inspector of taxes. He ascertain that 31<sup>st</sup> December, 2005, he had stock valued at cost ₦3,950 a Motor Van which had cost ₦2,800 during the year and which had depreciate by ₦550. Debtor of ₦4,970, expenses prepaid of ₦170, Bank Balance ₦2,564, Cash Balance ₦55, Trade Creditors ₦1,030 and expenses owing ₦470. His drawing were: Cash ₦100 per week for 50 weeks, Cheque payment ₦673. Draw up statement to show the profit or loss for the year.

**ANSWER 9.**

**OKORO'S STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2005**

	₦		₦	₦
Capital	12,459	Stock		3,950
Credit	1,030	Motor Van	2,800	
Expenses Owing	470	Less Deposit	<u>550</u>	2,500
		Debtors		4,970
		Expenses Prepaid		170
		Bank		2,564
		Cash		<u>55</u>
	<u>13,959</u>			<u>13,959</u>
Capital 1 <sup>st</sup> January	10,000	Capital		12,782
Additional Capital	673	Add Drawing		5,000
Balance Net Profit	<u>6,786</u>			<u>17,459</u>
	<u>17,459</u>			