



AIR FORCE INSTITUTE OF TECHNOLOGY
 FACULTY OF SOCIAL & MANAGEMENT SCIENCES
 DEPARTMENT OF ACCOUNTING
 SECOND SEMESTER EXAMINATION 2020/2021
 BACHELOR OF SCIENCE DEGREE (B.Sc.)
 ACCOUNTING, BANKING & FINANCE, BUSINESS ADMINISTRATION,
 ECONOMICS AND MARKETING
 100 LEVEL

Course Title: INTRODUCTION TO FINANCIAL ACCOUNTING & REPORTING II
 Course Code: ACC 102
 Credit Unit: 3 UNITS
 Instruction: ANSWER ANY FOUR (4) QUESTIONS
 Duration: 3 HRS
 Date: 1ST FEBRUARY, 2022

Question One

The following financial data was extracted from the books of MOSHOOD MANUFACTURING ENTERPRISES for the year ended 30th September, 2019:

	₦
Inventory of Raw Materials (1/10/18)	450,000
Inventory of Finished Goods (1/10/18)	675,000
Inventory of Work in Progress (1/10/18)	180,000
Purchases of Raw Materials	2,700,000
Sales	8,000,000
Office salaries	1,500,000
Direct wages	450,000
Indirect wages	600,000
Accumulated Depreciation:	
Plant & Machinery	83,000
Office Furniture	45,000
Delivery Van	60,000
Returns inward	60,000
Salesmen's commission	75,000
Insurance	332,000
Lighting	240,000
Advertising	105,000
Carriage inwards on Raw materials	45,000
Carriage outwards	60,000
Royalties payable	300,000
Discounts allowed	45,000
Discount received	45,000
Plant and machinery	1,660,000

450,000

Office furniture	900,000
Delivery van	1,200,000

Additional information:

- Inventory at 30th September, 2019;

Raw materials	300,000
Finished goods	750,000
Work in progress	375,000
- Insurance and lighting are to be apportioned $\frac{3}{4}$ for factory and $\frac{1}{4}$ for office.
- Depreciation is to be provided as follows;

Plant and Machinery and Office Furniture 10%; Delivery Van 5%

You are required to prepare:

- Manufacturing account for the year ended 30th September, 2019
- Comprehensive Income Statement for the period (17.5 Marks)

Question Two

The following is the summarized cash book of MR. JAMES for the year ended 31st March, 2020.

Cash Book

₦		₦	
Opening balance	234,300	Cash paid to accounts payable	1,105,600
Cash from accounts receivable	1,823,500	Salaries	108,000
Additional capital	600,000	Postage and Stationeries	24,000
		General Expenses	123,400
		Drawings	250,000
		Rent and Rates	57,000
		Balance c/d	<u>989,800</u>
	<u>2,657,800</u>		<u>2,657,800</u>

Additional information:	01/04/19 ₦	31/03/20 ₦
Inventory	56,000	34,000
Account Receivables	120,200	98,800
Account Payable	98,000	105,100
Accrued Salaries	42,000	7,500
Prepaid Rent	4,400	6,700

You are required to prepare:

- Statement of affairs as at 1st April, 2019
- Debtors and creditors control accounts
- Comprehensive Income Statement for the year ended 31st March, 2020
- Statement of Financial Position as at 31st March, 2020

Note: All workings should be shown

(17.5marks)

Question Three

From the trial balance of PLANKAT AND CO. the following balances were extracted on 30th May, 2020:

	Dr (₦)	Cr (₦)
Bank	5,488,000	-
Cash	407,000	-
Accounts receivable and payable	3,750,000	2,450,000
10% Loan	-	5,000,000
Rent	1,570,000	-
Drawings	375,000	-
Discounts	50,000	-
Carriage inwards	75,000	150,000
General expenses	1,375,000	-
Returns inwards	60,000	-
Purchases and Sales	16,075,000	25,485,000
Inventory	2,260,000	-
Motor vehicle	2,500,000	-
Furniture and Fittings	600,000	-
Leasehold Property	11,000,000	-
Capital	-	12,500,000
	<u>45,585,000</u>	<u>45,585,000</u>

Additional Information:

- The rent was agreed at ₦150,000 per month.
- General expenses outstanding was ₦100,000.
- The bank loan was taken on December 1st 2019.
- The leasehold is for 20 years.
- A customer owing ₦350,000 was declared bankrupt and his debt was considered irrecoverable.
- Depreciation is to be provided for on Furniture and Fittings and Motor Vehicle at the rate of 20% per annum.
- Inventory on 30th May 2020 was valued at ₦2,290,000.

You are required to prepare using the vertical method:

- Income Statement for the year ended 30th May 2020 (Trading, Profit and Loss account).
- Statement of Financial Position (Balance sheet) as at that date.

Question Four

A book keeper could not agree his trial balance. The difference was posted to a suspense account. Thereafter, the following errors were discovered:

- A debit balance of ₦3,500 in debtor's account was brought down as ₦5,300.
- Purchases of ₦2,100 was debited to the supplier's account.
- ₦5,000 received from Baruwa was credited to Bakut's account.
- Payment of ₦12,000 for salaries was credited to salaries account.
- Repair of air conditioner of ₦2,100 was debited to furniture account.
- Purchase of stationery for ₦1,200 was entered in the cash book only.
- The sales day book amount of ₦75,000 was carried forward as ₦57,000.

- viii. Returns inward of ₦1,200 was entered on the debit side of the customer's account. You are required to prepare:
- Journal entries to effect necessary corrections
 - Suspense account
 - List four (4) errors that do not affect trial balance agreement and four (4) errors which affect agreement of the trial balance (17.5 marks)

Question Five

- a. From the following information show the value of closing inventory using;
- FIFO
 - LIFO

	Receipt	Price (N)	Issues
Jan 4	2,500	1,200	
Jan 12	2,000	1,400	
Jan 15			1,800
Jan 17	3,000	1,500	
Jan 22			2,000
Jan 24	1,200	1,600	
Jan 29			2,900

- b. State three (3) advantages and two (2) disadvantages of using the First in first out method of pricing
- c. State and explain two (2) other pricing methods apart from FIFO and LIFO used in inventory valuation. (17.5 Marks)

Question Six

On 30th November 2020 GAMJI AND SON'S cash book showed a debit balance of ₦3,500,000 whereas the bank statement showed a balance of ₦2,325,000.

On investigation the following items were discovered to have caused the discrepancy.

- The bank had made charges of ₦310,000 which had not been entered in the cash book
- A cheque received for ₦2,000,000 entered in the cash book had not been entered by the bank until December 3rd 2020.
- A standing order for subscription of ₦150,000 had been entered in the bank statement as paid but not in the cash book.
- The following cheques were drawn but not yet presented for payment in the bank; cheques for ₦300,000, ₦600,000, ₦250,000.
- A cheque drawn for ₦50,000 had been entered as ₦60,000
- A cheque for ₦35,000 previously received and paid into the bank had been returned by the bank.
- A customer paid ₦160,000 directly into their account in the bank. It had not been entered in the cash book.

You are required to prepare:

- Adjusted cash book
- Bank Reconciliation Statement on 30th November 2020

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c. List and Explain five (5) reasons that may cause disagreement between the cash book and bank statement

(17.5 marks)