PAPER 2 2 1/2 hours

ESSAY

This paper consists of **two** *Sections A and B. Answer* **two** *questions from Section A and* **three** *questions from Section B. You are reminded of the importance of clarity of expression and orderly presentation of relevant material. Calculators may be used but* **all** *workings must be shown.*

SECTION A

THEORY OF FINANCIAL ACCOUNTING

Answer **two** *questions* **only** *from this section.*

1. *(a)* Explain the treatment of a cheque issued to a supplier but was dishonoured in the books of the drawer [3 marks]

(b) Distinguish between the following terms:
(i) *bank statement* and *bank reconciliation statement*;
(ii) *bank overdraft* and *bank loan*. [12 marks]

2. Explain and state the formula of the following ratios:
(a) Gross profit margin;
(b) Net profit margin;
(c) Stock turnover;
(d) Current ratio;
(e) Quick ratio. [15 mar

3. *(a)* What is the purpose for the preparation of manufacturing account? [2 m
(b) State the **three** components of prime cost [3 m
(c) Explain the following terms as used in manufacturing account:
(i) *raw materials*;
(ii) *cost of raw materials consumed*;
(iii) *factory overheads*;
(iv) *work-in-progress*;
(v) *administrative overheads*.

(a) Explain the term *intangible fixed assets* giving **two** examples.

(b) Explain the following terms:
(i) *purchases*;
(ii) *sales*;
(iii) *revenue*;
(iv) *expenses*;
(v) *gross profit*.

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6 *Analog Industries* operates two sales departments, Electronics and Garments.

Transactions for the year ended 31st December 2021 were as follows:

	Electronics	Garments
	₦	₦
Sales	639,600	426,400
Salesmen's salaries	87,900	64,300
Purchases	324,600	216,400
Discounts allowed	9,300	2,000

Other expenses incurred by the business as a whole are:

	₦
Delivery expenses	65,000
Cleaning	35,000
Electricity	56,000
Carriage inwards	60,600
Administrative expenses	45,000

Additional information:

(i)

	Electronics	Garments
Stock (01/01/2021)	₦ 40,600	₦ 25,200
Stock (31/12/2021)	₦ 60,900	₦ 30,400
Floor area (Sq metres)	45,000	33,750

(ii)

Expenses	Bases of Apportionment
Delivery expenses	Sales
Cleaning	Floor area
Electricity	Floor area
Carriage inwards	Purchases
Administrative expenses	Sales

You are required to prepare for Analog Industries, Departmental, Trading, Profit and Account for the year ended 31st December 2021 in **columnar form.**

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Candidate's Name:.....

7. *Chief Omenka* operates a cold store business. He has **not** kept proper books of account.

His assets and liabilities on 31st December 2020 were as follows:

	Le
Fixtures and fittings	90,600
Stock	396,900
Debtors	233,400
Creditors	429,900
Cash	13,500
Bank	184,500

During the year ended 31st December 2021, his drawings was *Le* 270,000. He added *Le* 180,000 as capital.

At the end of the year, his assets and liabilities were:

	Le
Fixtures and fittings	90,600
Motor van	180,000
Cash	9,600
Bank	230,400
Stock	441,000
Creditors	383,400
Debtors	258,900

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Additional information:

(i) Motor van is to be depreciated at 25% per annum;

(ii) A provision of *Le* 12,900 is to be allowed for doubtful debts.

You are required to prepare:

(a) Statements of Affairs of Chief Omenka as at 31st December 2020 and 2021 respectively;

(b) Statement of Profit or Loss for the year ended 31st December 2021.

8 The Cash book of *Lamode Enterprise* showed a credit balance of $ 10,080 at 31/12/19 while the bank statement showed overdraft of $ 27,360.

On investigation, the following differences were discovered:

(i) Lodgement totalling $ 15,240 had not been credited by the bank;

(ii) A cheque of $ 440 issued had been entered on the wrong side of the cash book;

(iii) Bank charges of $ 4,400 in the bank statement had not been entered in the cash book;

(iv) A cheque for $ 122 drawn in respect of telephone had been incorrectly entered in the cash book as $ 1,332;

(v) Cheques paid to suppliers totalling $ 5,340 had not been presented to the bank for payment;

(vi) The bank had wrongly debited *Lamode Enterprise's* account with a cheque of $ 500 drawn on *Zango Ltd*;

(vii) Interest on investment totalling $ 1,[illegible]42 had been credited by the bank, no entry was made in the cash book;

(viii) A cheque for $ 4,052 deposited on 20th December had been returned by the bank but no adjustment was made in the cash book.

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You are required to prepare:

(a) Adjusted Cash Book;
(b) Bank Reconciliation Statement as at 31/12/19.

[15 marks

Candidate's Name: _____

9 The following information were extracted from the books of *Lime Sea sad* Club for the year ended 31st December 2018

Receipts and Payments Account

Receipts	*Gille*	Payments	*Gille*
Balance b/d	26,200	Payments for bar supplies	198,100
Subscriptions received:		Barman wages	11,200
2017	2,750	Groundsman wages	46,950
2018	61,800	Bar expenses	11,700
2019	2,000	Repairs and cleaning	17,400
Bar sales	281,400	General expenses	22,150
Donations	6,000	Balance c/d	52,650
	380,150		380,150

Additional information:

	31/12/2017	31/12/2018
	Gille	*Gille*
(i) Stock	24,800	27,900
Owing for bar supplies	14,700	17,000
Bar expenses owing	1,250	1,800
General expenses owing	-	325

(ii) Subscriptions owing by members were:
31/12/2017 *Gille* 2,750
31/12/2018 *Gille* 3,300

(iii) The value of fixed assets as at 31/12/2017 were:

	Gille
Furniture and fittings	100,000
Generating set	27,500

(iv) Depreciation at 15% per annum is to be charged on furniture and fittings while 20% per annum is to be charged on generating set.

You are required to prepare:

(a) Statement of Affairs as at 31st December 2017;
(b) Bar Trading Account for the year ended 31st December 2018;
(c) Subscriptions Account;
(d) Income and Expenditure Account for the year ended 31st December 2018.

[15 marks

Candidate's Name:.....

SECTION B

FINANCIAL ACCOUNTING PRACTICE

Answer **three** *questions* **only** *from this section.*

The accounts of *Ajax* showed the following balances for the years ended 31st December 2016 to 2018.

Year	Debtors (before charging bad debts)	Bad debts
	D	*D*
2016	145,600	4,100
2017	136,400	2,200
2018	192,000	3,000

Additional information:

Provision for doubtful debt is at 5% per annum.

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You are required to prepare for the **years 2016, 2017** and **2018**:

(a) Bad Debt Account;
(b) Provision for Doubtful Debt Account;
(c) Profit and Loss Account Extract;
(d) Balance Sheet Extract.

[15 mark

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Question 6

ANALOG INDUSTRIES√√

DEPARTMENTAL TRADING, PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st December, 2021√

	ELECTRONICS		GARMENTS		TOTAL			ELECTRONICS	GARMENT	TOTAL
	₦		₦		₦			₦	₦	₦
Stock (1/1/2021)	40,600√		25,200√		65,800√		Sales	639,600√	426,400√	1,066,000√
Add Purchases 324,600√		216,400√		541,000√						
Carriage inwards 36,360√	360,960√	24,240√	240,640√	60,600√	601,600√					
	401,560√		265,840√		667,400√					
Less Stock 31/12/2021	60,900√		30,400√		91,300√					
Cost of Goods Sold	340,660√		233,440√		576,100√					
Gross Profit c/d	298,940√		190,960√		489,900√					
	639,600√		426,400√		1,066,000√			639,600√	426,400√	1,066,000√
Less: Expenses:							Gross Profit b/d	298,940√	190,960√	489,900√
Discounts allowed	9,300√		2,000√		11,300√					
Salesmen's salaries	87,900√		64,300√		152,200√					
Delivery expenses	39,000 √		26,000√		65,000√					
Cleaning	20,000√		15,000√		35,000√					
Electricity	32,000√		24,000√		56,000√					
Administrative expenses	27,000√		18,000√		45,000√					
Net Profit	83,740√		41,660√		125,400√					
	298,940		190,960		489,900			298,940	190,960	489,900

(60 ticks x ½ = 15 marks)

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Question 7

(a)

BOOKS OF CHIEF OMENKA√

Statement of Affairs as at 31st December.....

	2020√	2021√
	Le	*Le*
Fixed Assets:		
Fixture and fittings	90,600√	90,600√
Motor van		
(180,000 – 25% x 180,000 for year 2021)√	-	135,000√
Current Assets		
Stock	396,900√	441,000√
Debtors (less provision)		
[258,900 – 12,900 for year 2021] √	233,400√	246,000√
Bank	184,500√	230,400√
Cash	13,500√	9,600√
Total Assets	918,900√	1,152,600√
Current Liabilities:		
Creditors	(429,900)√	(383,400)√
Capital	489,000√	769,200√

(b) **Statement of Profit or Loss for the year ended 31st December, 2021** √

	Le	*Le*
Closing Capital		769,200√
Add: Drawings		270,000√
		1,039,200√
Less: Opening Capital	489,000√	
Capital Introduced	180,000√	669,000√
Profit		370,200√

Question 7(b) Alternative

Statement of Profit or Loss for the year ended 31st December, 2021 √

	Le
Closing Capital	769,200√
Less: Opening Capital	489,000√
	280,200√
Less: Capital Introduced	180,000√
	100,200√
Add: Drawings	270,000√
Profit	370,200√

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Question 5

LAMODE ENTERPRISE√

(a) **Adjusted Cash Book√**

	$		$
Telephone overstated (1,332√-122√)	1,210√	Balance b/f	10,080√
Interest on investment	1,242√	Cheques (error in posting)	880√
Balance c/d	16,960√	Bank charges	4,400√
		Dishonoured cheque	4,052√
	19,412√		19,412√
		Balance b/d	16,960√

(b)

Bank Reconciliation Statement as at 31/12/19√√

	$	$
Overdraft as per adjusted cash book		16,960(OD)√√
Add:		
Uncredited cheques	15,240√√	
Cheque wrongly debited	500√√	15,740√√
		32,700(O/D)√√
Less:		
Unpresented cheque		5,340√√
		27,360(O/D)√√

Question 5 (b) Alternative

Bank Reconciliation Statement as at 31/12/19√√

	$	$
Overdraft as per Adjusted Cash book		(16,960) OD√√
Add Unpresented Cheque		5,340√√
		(11,620) OD√√
Less:		
Uncredited Cheque	15,240√√	
Cheque wrongly debited	500√√	(15,740)√√
Overdraft per Bank Statement		27,360 OD√√

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Question 6 Alternative

ANALOG INDUSTRIES√√

DEPARTMENTAL TRADING, PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st December 2021√

	ELECTRONICS			GARMENTS			TOTAL		
	₦	₦	₦	₦	₦	₦	₦	₦	₦
Sales			639,600√			426,400√			1,066,000√
Less: Cost of Goods Sold									
Stock (1/1/21)		40,600√			25,200√			65,800√	
Add: Purchases	324,600√			216,400√			541,000√		
Carriage inwards	36,360√	360,960√		24,240√	240,640√		60,600√	601,600√	
Cost of Goods Av. For Sale		401,560√			265,840√			667,400√	
Less: Stock (31/12/2021)		60,900√	(340,660)√		30,600√	235,440√		91,500√	576,100√
Gross Profit			298,940√√			190,960√√			489,900√√
Less: Expenses									
Discounts allowed		9,300√			2,000√			11,300√	
Salesmen's salaries		87,900√			64,300√			152,200√	
Delivery expenses		39,000√			26,000√			65,000√	
Cleaning		20,000√			15,000√			35,000√	
Electricity		32,000√			24,000√			56,000√	
Administrative expenses		27,000√	215,200√		18,000√	149,300√		45,000√	364,500√
Net Profit			83,740√√			41,660√√			125,400√√

(60 ticks x ½ = 15 marks)

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