



# ELIZADE UNIVERSITY, ILARA-MOKIN, ONDO STATE

**FACULTY:** SOCIAL & MANAGEMENT SCIENCES  
**DEPARTMENT:** ACCOUNTING AND FINANCE  
**FIRST SEMESTER EXAMINATIONS 2018/2019 ACADEMIC SESSION**  
**COURSE CODE:** ACC/ACF 201  
**COURSE TITLE:** FINANCIAL ACCOUNTING & REPORTING I  
**DURATION:** 2 HOURS

**INSTRUCTION:** Attempt Question 1 and any other TWO Questions

### Question 1

Below is the Statement of Financial Position of Ade, Seun and Tokunbo as at 31<sup>st</sup> Dec 2017

	₦	₦		₦	₦
<b>Capital account :</b>			<b>Non -Current Asset:</b>		
Ade	50,000		Land and building		70,000
Seun	55,000		Motor vehicle		40,000
Tokunbo	<u>65,000</u>	170,000	Furniture and fitting		12,000
					<u>122,000</u>
<b>Current account :</b>			<b>Current asset:</b>		
Ade	10,000		Inventories		58,000
Toks	<u>12,000</u>	22,000	Receivables		15,000
Loan:Seun		10,000	Current account Seun		8,000
Other current liabilities		<u>8,000</u>	Cash		<u>7,000</u>
		<u>210,000</u>			<u>210,000</u>

The profit-sharing ratio between the partners is Ade  $\frac{2}{5}$ , Seun  $\frac{2}{5}$ , and Tokunbo  $\frac{1}{5}$ . On July 1<sup>st</sup> 2018 Seun was killed in a ghastly motor accident and the business performance for the six months showed a net profit of ₦30, 000. The agreement provides for 10% per-annum interest on capital and 5% per-annum interest on drawings. Drawings for the period stood at;

Ade        ₦8,000,  
 Seun      ₦6,000  
 Tokunbo   ₦1,500.

For the purpose of computing the entitlements of the deceased partner, goodwill is to be taken at ₦36,000 and assets are to be revalued as follows:

Land and building	₦120,000
Motor vehicle	₦24,000
Fixtures and fittings	₦4,000
Inventories	₦50,000
Receivables	₦12,000

Ade and Tokunbo agreed to continue with the business and profit to be shared equally. The new partnership agreements do not allow for goodwill in the account. The entitlements of Seun should be paid to his estate.

**Required :** You are required to prepare the necessary accounts to record the above transactions and to extract a Statement of Financial Position as at 1<sup>st</sup> July 2018.

### Question 2

(a). Briefly define the term goodwill in accounting

(b). The business of A and B showed the following profits for the last five years

Year	Profits(₦)
1	10,000
2	20,000
3	15,000
4	18,000
5	8,000

Goodwill is to be taken as the average of profits for the 5 years multiplied by 3.

**Required:** Determine the goodwill.

(c). Explain five factors may give rise to Goodwill

(d). A partnership is seen to have ended whenever there is a change in the composition of membership and probably a new partnership commences. State five situations under which in legal terms a partnership is seen to have ended

### Question 3

(a). Ronke acquires a car under a two-year HP agreement on Jan 1 2012 requiring an immediate deposit of ₦400 and for half yearly instalments of ₦400 commencing July 1<sup>st</sup> 2012. The cash price was ₦1886. Ronke prepares her account annually to 30 September and apportioned the Interest of ₦114 to the year ended Sept, 30:

2012 - ₦62,  
2013 - ₦46;  
2014 - ₦6

**Required:** Record the above transactions in the books of the Hirer

(b). State the significant difference between credit sale and sale on hire purchase  
(5marks)

### Question 4

Kunle Osunkunle trading as Sir K Ltd sold goods in boxes which are charged out to customers at ₦3 each. Customers were credited with ₦2 for each box returned within 3 months. In the annual accounts the stock of boxes in the factory are all returnable boxes in the hands of customers invoice within 3 months were valued at ₦1 each. On January 1 the numbers of such boxes were 2000 and 7000 respectively. During the year ended December 31<sup>st</sup> the following transactions in boxes took place.

- i. 8000 were purchased at ₦1.50 each
- ii. 30,000 were charged to customers
- iii. 25,000 were returned by customers
- iv. 800 of these boxes returned were useless and sold for ₦100.
- v. On Dec 31<sup>st</sup> 11,000 boxes invoiced since September 30 were in the hands of customers.

**Note:** There were no amounts outstanding in respect of either handling/retention charges.

**Required:** Record the above transactions in the books of the company.

### Question 5

Wills of Nigeria, whose financial year ends on 31 December, consigned goods to Adams his agent in Ghana. All transactions were started and completed in 19X8.

- a) January 16: Wills consigned goods costing ₦500 to Adams
- b) February 28: Wills paid carriage to Ghana, ₦50.

Adams, the consignee, sends an account sales on 31 July when all goods have been sold. It shows:

- c) Sales amounted to ₦750
- d) Adams expenses were:
  - Import duty,            ₦25.
  - Distribution expenses, ₦30.
- e) Commission had been agreed at 6 per cent of sales. This amounted to ₦41.

Adams paid balance owing, ₦650

**Required:** Record the above transactions in the books of Wills