



**ELIZADE UNIVERSITY, ILARA-MOKIN, ONDO STATE.**

**FACULTY: HUMANITIES, SOCIAL & MANAGEMENT SCIENCES**

**DEPARTMENT: ACCOUNTING & FINANCE**

**FIRST SEMESTER EXAMINATIONS: 2020/2021 ACADEMIC SESSION**

**COURSE CODE: ACF 201**

**COURSE TITLE: FINANCIAL ACCOUNTING & REPORTING I**

**DURATION: 2½ HOURS**

**INSTRUCTION: Answer Section A, Two (2) questions from Section B and One (1) question from Section C.**

**Section A. COMPULSORY QUESTION**

**QUESTION 1**

(a). The balances in the capital and current accounts of Enron, Yellow and Zari are as given below and their respective drawings during the current year 2019 are as given below:

Partner	Capital A/C at the Start of the year N	Current A/C at the Start of the year N	Drawings During the year. N
Enron	1,000,000	20,000	780,000
Yellow	800,000	50,000	580,000
Zari	600,000	10,000	350,000

The profit for the year was ₦1,944,000.

Profits are shared as follows:

1. The partners pay themselves interest on capital at 6% per annum.
2. The residual profits or loss is shared between the partners in ratio 4:3:2.

**Required**

Show how the profit should be shared among the partners and prepare their capital and current accounts as at the end of the year 2019. **(10 Marks)**

(b). Ade and Bola are partners who share profit equally, they decide to admit Chinwe; by agreement, goodwill valued at ₦60,000 is to be introduced into the books. Chinwe is required to provide capital equal to that of Bola after he has been credited his share of goodwill. The new profit-sharing ratio is to be 4:3:3 to Ade, Bola and Chinwe, respectively. The partners' financial position before the admission of Chinwe on January 1<sup>st</sup> 2020, the beginning of their accounting year, is as follows:

	N	N
<b>Non-Current Assets</b>		
Building		80,000
Motor Vehicles		30,000
Furniture		<u>40,000</u>
		150,000
<b>Current Assets</b>		
Inventories	39,000	
Receivables	40,000	
Cash	<u>31,000</u>	<u>110,000</u>
Total Assets		<u><b>260,000</b></u>
<b>Capital and Liabilities.</b>		
Capital:		
Ade		80,000
Bola		<u>40,000</u>
		120,000
<b>Current Liabilities</b>		
Trade Payables	30,000	
Other Payables	<u>110,000</u>	<u>140,000</u>
Total capital and Liabilities		<u><b>260,000</b></u>

**Required:** Prepare the following:

1. Ledger entries for the admission of Chinwe if goodwill account is to be retained.  
(2 Marks)
  2. The new statement of financial position because of admission of Chinwe and the retention of goodwill account.  
(5 Marks)
  3. Ledger entries for the admission of Chinwe if goodwill account is not retained.  
(2 Marks)
  4. New Statement of financial position showing chinwe admission and goodwill is not retained.  
(5 Marks)
- (Total: 24 Marks)**

**SECTION B: Answer any two (2) questions.**

### QUESTION 2

Peter and Eromosele entered a Joint Venture to buy and sell metal scraps with profit or loss to be shared in ratio 2:1, respectively. Peter purchased metal scraps and sold them as follows:

<b>Purchased:</b>	
Aluminium	₦22,400
Zinc	₦33,600
<b>Sold:</b>	
Aluminium	₦28,000
Zinc	₦43,000

The proceeds of the Zine sold was paid over to Eromosele who lodged the amount into his bank account. Eromosele bought a scrapped car for ₦28,000. He sold the scrapped car for ₦35,000.

However, the scrapped car was returned by the buyer who was refunded with ₦33,600.

As the scrapped car was still unsold at the conclusion of the joint venture, Peter agreed to take it over at a valuation of ₦31,500.

At that specific period, the venture ended, and the sum required in full settlement between the venturers was paid by the party accountable.

You are required to prepare:

- a. Joint Venture with Eromosele Account
- b. Joint Venture with Peter Account
- c. Memorandum Joint Venture Account

### QUESTION 3

Overland Airline Limited acquired a Boeing 737 Aircraft on 1 January 2016 from Boeing of Japan on hire purchase. The aircraft was acquired on the following terms:

- (i) The hire purchase price of the aircraft is ₦820,000,000.
- (ii) Overland Airline Limited is to pay 30% of the total hire purchase cost as deposit on the acquisition of the aircraft.
- (iii) The balance of the hire purchase price is to be paid in four instalments at 31 December each year starting from year 2016.

The instalments are to be paid as follows:

1 <sup>st</sup> Instalment	35%
2 <sup>nd</sup> Instalment	20%
3 <sup>rd</sup> Instalment	25%
4 <sup>th</sup> Instalment	20%

The aircraft could be purchased in open market at a cost of ₦700,000,000. Overland Airline Limited depreciates its fleet of aircraft at the rate of 5% straight line method.

You are required to prepare:

- a. Boeing of China account
- b. Property, Plant and Equipment account
- c. Hire purchase interest account

### QUESTION 4.

In September 2015 Hannah Enterprises consigned 600 bags of beans at a cost of ₦1,500 per bag to Petewo Ventures, that will be entitled to 5% Commission and 1% del-credere Commission on sales.

Hannah paid transportation ₦5,000; insurance ₦2,400. While the goods were in transit, 10 bags of beans were wasted due to road motor accident. After the receipt of the consignment, the consignee incurred sundry expenses of ₦15,000.



By the end of September, Petewo had sold 495 bags at N2,750 each, deducted its commission, expenses and remitted the proceeds to the consignor. Immediately the accident occurred, Hannah Enterprises lodged claims with Leadway Insurance Company and the insurer agreed to pay N12,000. By the end of October, Hannah Enterprises received the claim in cash from the insurer.

**You are required to prepare:**

- a. In the books of the consignor
  - i. Goods on consignment account
  - ii. Consignment to consignee account
  - iii. Consignee account
  - iv. Insurance claim account
- b. In the books of the consignee
  - i. Consignor account
  - ii. Commission received account.

**Section C: Answer any one question.**

**QUESTION 5**

- a. Distinguish between Government Grants and Government Assistance in accordance with IAS 20? **(4 Marks)**
- b. Which of the following statements about IAS 20: Accounting for Government Grants and Disclosure of Government Assistance are true?
  - (i) A government grant related to the purchase of an asset must be deducted from the carrying amount of the asset in the statement of financial position.
  - (ii) A government grant related to the purchase of an asset should be recognised in profit or loss over the life of the asset.
  - (iii) Free marketing advice provided by a government department is excluded from the definition of government grants.
  - (iv) Any required repayment of a government grant received in an earlier reporting period is treated as prior period adjustment.

- A. (i) and (ii)
- B. (ii) and (iii)
- C. (ii) and (iv)
- D. (iii) and (iv)

- c. Give three (3) examples of Government non-monetary grants

**(5 marks)**

**(3 marks)**

**(Total: 12 marks)**

**QUESTION 6**

- a. Differentiate between functional and presentation currencies in line with IAS 21- Effects of changes in exchange rates. **(4 marks)**
- b. Explain how to recognise exchange differences that arise because of settlement of monetary item and translation of foreign currencies in the financial statements. **(5 marks)**
- c. Mention three (3) items to be disclosed in respect of the effects of changes in exchange rates in the financial statements **(3 marks)**

**(Total: 12 marks)**