

COVENANT UNIVERSITY

TUTORIAL KIT

PROGRAMME: ACCOUNTING

ALPHA SEMESTER

300 LEVEL



Raising A New Generation Of Leaders

DISCLAIMER

The contents of this document are intended for practice and learning purposes at the undergraduate level. The materials are from different sources including the internet and the contributors do not in any way claim authorship or ownership of them. The materials are also not to be used for any commercial purpose.

List of Contents

ACC 311: Advanced Financial Accounting

ACC 312: Accounting Theory

ACC 313: Public Sector Accounting and Finance

ACC 314: Management Information System

COVENANT UNIVERSITY
DEPARTMENT OF ACCOUNTING,
OMEGA SEMESTER EXAMINATION
ACC 311: ADVANCED FINANCIAL ACCOUNTING
TIME ALLOCATED: 3 Hours

Instruction: There are 2 sections in this paper and you are required to answer all the questions in the sections. Please ensure you present your results in a clear and orderly manner (this will attract bonus marks). Tidily cross out all cancelations.

SECTION A

Multiple Choice Questions [*Answer all the questions in this section*] (20 Marks)

1. According to IAS 41, which of the following definitions of an agricultural activity is correct?
 - i. The management by an entity of the biological transformation of biological assets for sale, into agricultural produce or into agricultural assets.
 - ii. The management by an entity of the biological transformation of biological assets for sale, into agricultural produce but not necessarily agricultural assets.
 - iii. The management by an entity of the biological transformation of biological assets for recreational purpose only.
 - iv. The management by an entity of the biological transformation of biological assets for both recreational purpose and sale of subsequent retired biological assets.

a. i only b. i and iv only c. i, ii and iv only d. All of the above
2. According to IAS 41, which of the following definitions of biological transformation is correct?
 - i. The process of growth, degeneration, production and procreation that cause qualitative or quantitative changes in a biological asset.
 - ii. The process of growth, degeneration, production and procreation that cause qualitative or quantitative changes in an agricultural activity.
 - iii. The process of growth, degeneration, production and procreation that cause qualitative or quantitative changes in an agricultural produce.
 - iv. The process of growth, degeneration, production and procreation that cause qualitative or quantitative changes in a living plant or animal.

a. i and iv only b. i, ii and iv only c. i, ii, iii and iv d. ii, iii and iv only
3. According to IAS 41, which of the following options is an example of agricultural activity?
 - i. Raising of livestock, fish or poultry
 - ii. Breeding horses or cattle
 - iii. The development of cultures for use in dairy products
 - iv. Cultivating vineyards, orchards or plantations

a. i and ii only b. i, ii and iii only c. i and iv only d. all of the above
4. According to IAS 41, which of the following options are biological assets?
 - i. Sheep, goat, cattle, poultry and fish
 - ii. Dairy cattle
 - iii. Trees in a forest
 - iv. Plants for harvest

a. i, ii and iv only b. i, ii and iii only c. i, iii and iv only d. all of the above
5. According to IAS 41, which of the following options best describes fair value?

- i. Price for the asset in an active market
 - ii. Recent transaction price for the asset if there is no active market
 - iii. Market price for the asset if there is no active market
 - iv. Present value of the future cash flows expected to be generated from the asset
- a. i and ii only b. i, ii and iv only c. i, ii and iii only d. all of the above

Use the following information below to answer the next two questions.

Sunrise Farm has the following balances as at 31st December 2012: Land ₦5 million, Farm Buildings ₦2 million, Implements ₦4 million, Cattle ₦5 million, Bank account ₦1.6 million, Cash ₦440,000.

6. The total liabilities of Sunrise Farm is _____
- a. ₦17.04 million b. ₦6 million c. Nil d. ₦5 million
7. The net capital of Sunrise Farm is _____
- a. ₦17.04 million b. ₦6 million c. Nil d. ₦5 million

Use the following information below to answer the next two questions.

On January 1, 2012 New Hope Farm has the following balances:

	₦'000
Buildings	50,000
Equipment	5,000
Materials in store	2,500
Crops in the field	500
Seed	500
Land	150,000
Cattle	25,000
Tractor	10,000
Cash	1,000
Bank account	1,500

New Hope Farm has been financed as follows: family loan ₦25 million, Bank Loan ₦50 million, and mortgage loan ₦50 million. ₦1000 is yet to be paid to a fertilizer supplier. The farm awaits the payment of 500 kg of milk which is sold at ₦1, 000 per kg.

8. The capital of New Hope Farm is _____
- a. ₦120,500 b. ₦246,500 c. ₦121,500 d. ₦100,500
9. The total assets of New Hope Farm is _____
- a. ₦120,500 b. ₦246,500 c. ₦121,500 d. ₦100,500
10. Which of the following is a reason for farm accounting?
- i. Determination of income size of the farm
 - ii. Determination of total value of the farm
 - iii. Provide the indispensable tool for farm management
 - iv. Protection of the farmer from fraudulent transactions
- a. i, ii and iii only b. i and ii only c. ii, iii and iv only d. all of the above

Use the information below to answer the next two questions.

SafetyFirst commenced a voyage on 1st May 2009 from Lagos to Nairobi and back. The voyage was completed on 30th June 2009. SafetyFirst carried 200 persons to and fro Nairobi. The ship was insured at an annual premium of ₦2,400,000. Other information are:

- a. Salaries and wages of two (2) ship maintenance officers and five (5) ship cleaners amount to ₦1,000,000.
 - b. Port dues amounts to ₦500,000.
 - c. The passage money amounted to ₦20,000 each.
 - d. Depreciation amounts to ₦450,000.
 - e. Consumables utilized for the purpose of the voyage amounted to ₦300,000.
11. The profit for the year is _____
 - a. ₦3.35 million
 - b. ₦3.3 million
 - c. ₦3 million
 - d. ₦4.3 million
 12. The total passage money is _____
 - a. ₦8 million
 - b. ₦4 million
 - c. ₦2 million
 - d. ₦ 12 million
 13. When the assets of a business are sold individually, and the liabilities of the business settled directly by the vendor, the sale is on a _____ basis (a) break-up (b) going concern (c) purchase of business (d) conversion
 14. Purchase consideration depends on _____ (a) the seller (b) net assets (c) type of business (d) buyer's perception
 15. When the purchase consideration is less than the net asset value, the difference is known as _____ (a) Badwill (b) Goodwill (c) Capital reserve (d) Gain
 16. On the purchase of a business, it is necessary to close the account of all assets in the books of the vendor except that of _____
 17. Most often, the method of payment of the purchase consideration may not be cash. Shares of the acquiring company may be issued to the buyer. (a) True (b) False
 18. The following are the sources of information for financial analysis except.....
 - a) Profit and loss account
 - (b) statement of financial position
 - (c) statement of cash flow
 - (d) none of the above
 19. The insolvency of individuals is called _____
 20. The insolvency of corporate organizations is called _____

SECTION B (50 Marks)

Answer all the questions in this section

Question 1

- A) Evaluate the usefulness of financial statement analysis in value judgement and informed decision (2 Mark).
- B) The following are the annual reports of Rational Co. Ltd. The MD invited you as a professional accountant and requires you to brief him about the progress report on the company as at 2012. He discovered in 2012 that the company incurred a huge purchase of goods that was worth ₦820, 000, which was over 60% of the purchase for the previous year. This started up his query and he is aware that in 2010 and 2011, the company had the following performance index:

	2010	2011
Quick Ratio	1:01	2:01
the Acid test ratio	0.5 times	2 times
Gross profit margin	13%	12%
net profit margin	3%	5%
net profit after tax as % total assets	2%	5%
Number of days on inventory	11 times	10 times
number of days of receivables	40 days	42 days
Number of days of payables	20 days	22 days
Return on assets	20%	30%
total debt to total asset	25%	30%

The manager also made the financial statement for the year 2012 available to you, as displayed below:

The Rational Co. Ltd Abridged Statement of Financial Position as at 31st Dec. 2012

	₦	₦		Cost ₦	Acc. Dep. ₦	Net ₦
Share Capital 150,000 @ #, Ordinary shares		150, 000	Land and Building	500,000	150,000	350,000
8% Preference Shares		30, 000	Plant	40,000		40,000
		180, 000		540,000	150,000	390,000
Reserves						
Profit and Loss Account		120,000	Current Assets			
		300,000	Stock in Trade		90,000	
Mortgage Debentures 7%		210,000	Debtors		105,000	
Current Liabilities			Cash at Bank		15,000	
Trade creditors	21,000					210,000
Bank Overdraft	30,000					
Current Taxation	39,000	90,000				
		600,000				600,000

The Rational Co. Ltd Abridged Income Statement for the Year ended 31st Dec 2012

	₦	₦
Sales		900,000
Costs of goods sold		<u>780,000</u>
		120,000
General and Admin Expenses	18,600	
Sales Expenses	8,400	
Depreciation	30,000	<u>57,000</u>
Net Operating profit		63,000
Debenture Interest	14,700	
Bank Interest	1,000	<u>15,700</u>
		47,300
Income from Royalties		<u>4,700</u>
Profit for the year before taxation		52,000
Companies Income Tax		<u>22,000</u>
		30,000
Dividends		
Preference shares (8 %)	2,400	
Ordinary Shares (10 %)	15,000	<u>17,400</u>
		12,600
Balance from previous year		<u>107,400</u>
		<u>120,000</u>

Required

Advice the manager, if the company has made considerable progress in 2012, using the performance index that was made available to you (13 Marks)

Question 2

The following is the statement of financial position and income statement of Rational Co Ltd.

Abridged Statement of Financial Position as at 31st December 2012

The ledger of a contract disclosed that the following expenditure had been charged to contract 7B during the period 2012.

	₦
Materials	62,000
Wages	85,300
Plant	8,600
Establishment Charges	6,700

The contract which was for ₦ 360, 000, was signed and work commenced in January 2012. By December 2012, cash had been received on the account of work done, amounting to ₦ 162,000 and representing 90 percent of the value of work certified. On 31st December 2012, the value of materials unused was ₦ 4,000 and the cost of work completed but not certified was ₦ 5,000.

Required

a) Prepare the account of contract 17B for the year 31st December 2012, by charging 10 percent depreciation on plants. (5 Marks)

- b) Show that the proportion of the profit disclosed might be taken to the credits of the general profit and loss account, given your reasons for the principles you accepted. **(5 Marks)**
- c) Illustrate how the contract should be shown in the balance sheet at 31st Dec. 2012. **(5 Marks)**

Question 3

The following information relates to InsightForLife Farms located in Obi close, Anambra State. On January 1, 2012 cash in hand is ₦2 million.

Receipts		₦'000
3/1/2012	Maize sold for cash	12,000
14/1/2012	Beans sold for cash	8,000
20/1/2012	Milk delivered and paid by cash	43,000
30/1/2012	Tea delivered and paid by cash	15,000
30/1/2012	Goats sold	20,000
30/1/2012	Vegetables sold	6,000
Expenditure		
12/1/2012	Cattle minerals	32,000
23/1/2012	Veterinary services	20,000
27/1/2012	Wages	18,000
28/1/2012	Private drawing	2,000
28/1/2012	Maize seedling	200
29/1/2012	Fencing wire	1,550
29/1/2012	Repair of tractor	2,425
30/1/2012	Fuel and oil	4,000

Required: Prepare the cash analysis book of InsightsForLife Farm for January, 2012.
(12.5 marks)

Question 4

'During an inflationary period, there are flaws in accounting reports prepared on an HCA basis'

Required:

- (a) Expatiate on the above statement (3.5 Marks)
- (b) Give suggested solutions in regards to the statement (4 Marks).

ACC 321 ADVANCED FINANCIAL ACCOUNTING

Objective Marking Guide

1.A 2.A 3.D 4.D 5.D 6.C 7.A 8.A 9.B 10.A 11.A 12.A 13. A 14.
D 15. C 16. Cash/Bank Account 17. B 18. D 19. Bankruptcy 20. Liquidation

Answer

Solution to Question 1A

‘Financial statement analysis, value judgement and informed decision’

From the financial statement, value judgement can be drawn through series of instruments/tools for financial statement analysis like ratio analysis and by this, informed decision can therefore be made. (1 Mark)

Solution to Question 1B (1 Mark for formula and 1 mark for answer) 20 ticks each @ 0.65 marks

A. Quick Ratio = Current Assets/ Current Liabilities

$$210,000/ 90,000 = 2.3 \text{ times}$$

B. Acid test ratio = current asset – stock in trade/ current liabilities

$$210,000-90,000/90,000 = 1.3 \text{ times}$$

C. Gross Profit Margin = Gross profit/ sales * 100

$$120,000/ 900,000 = 13.3 \text{ percent}$$

D. Net profit Margin = Net profit after tax/ sales * 100

$$30,000/ 900,000 = 3.3 \text{ percent}$$

E. Net profit after tax as % of total assets = Net after tax/ total assets * 100

$$30,000/ 600,000 * 100 = 5 \text{ percent}$$

F. Number of days on inventory = Inventory/ cost of goods sold/365

$$90,000/ 780,000/365 = \text{approximately } 42 \text{ days}$$

G. Number of days of receivables = accounts receivables / sales on credit/365

$$105,000/ 900,000/365 = \text{approximately } 42.58 \text{ days}$$

H. Number of days of payables = accounts payables/purchases/365

$$21,000/ 820,000/365 = \text{approximately } 9.35 \text{ days}$$

I. Return on assets = Profit after tax/ total assets * 100

$$30,000/ 600, 000 * 100 = 5 \text{ percent}$$

J. Total debt to total asset = total debt / total asset * 100

$$300, 000/ 600, 000 * 100 = 5 \text{ percent}$$

Solution to Question 2

Solution to Question 3 (42 ticks @0.298 = 12.5 marks)

InsightForLife Farm								
Cash Analysis Book								
Receipts								
Date	Description	Total	Crops	Milk		Livestock	other output	Private
		N'000	N'000	N'000		N'000	N'000	N'000
01/01/2012	cash in hand	2,000					2,000	
03/01/2012	maize sold	12,000	12,000					
14/01/2012	beans sold	8,000	8,000					
20/01/2012	Milk	43,000		43,000				
30/01/2012	Tea	15,000	15,000					
30/01/2012	Goats	20,000				20,000		
30/01/2012	Vegetables	6,000	6,000					
	Total	106,000	41000	43000		20000	2,000	

Expenditure								
Date	Description	Total	Crops	Milk	Overhead	Livestock	other expenses	Private
		N'000	N'000	N'000		N'000	N'000	N'000
12/01/2012	Cattle minerals	32,000				32,000		
23/01/2012	vet. Services	20,000				20,000		
27/01/2012	Wages	18,000			18,000			
28/01/2012	private drawing	2,000						2,000
28/01/2012	maize seedling	200	200					
29/01/2012	fencing wire	1,550			1,550			
29/01/2012	repair of tractor	2,425			2,425			
30/01/2012	fuel and oil	4,000			4,000			
31/1/2012	Cash balance	25,825						25,825
		80,175	200	0	25,975	52,000	0	2,000

Question 4

A. Limitations of HCA Financial Statements in an Inflationary Period (3.5 Marks)

During an inflationary period, there are flaws in accounting reports prepared on an HCA basis. The accounting reports in such circumstances no longer provide adequate information to various users for their diverse needs because of the changing price level. The limitations of accounting statements prepared on HCA basis in an inflationary period relate to the company's reported profit, balance sheet, and assessment of overall performance.

The balance sheet values of the assets, particularly fixed assets, are unrealistic as they are understated as compared to their current market values. Consequently, the depreciation charge for each year is inadequate as a measure of the 'value' of the fixed assets used up during the year.

The understatement of annual depreciation charge coupled with an understatement of overheads and cost of sales result in overstatement of reported earnings. This overstated profit (or 'paper' profit) could lead to an undue increase in companies income tax and declared dividends. If this occurs continuously, it may indirectly lead to capital erosion.

Holders of monetary liabilities (e.g. accounts payable) gain during an inflationary period while holders of monetary assets (e.g. accounts receivable) lose during the same period. Gains on holding net monetary liabilities or losses on holding net monetary assets are not reported separately. They are hidden in the overall reported profit.

Since cost of goods sold is normally valued at historic cost, during inflation, the resulting gross profit so determined becomes unrealistic. The reported historic gross profit includes a 'fictitious' element, known as holding gain, which is not disclosed separately. Part of this holding gain is included in the annual profit on which taxation is based, and even in the retained earnings which is a distributable reserve. Consequently, HCA profits may lead to overtaxation

Assessment of the financial performance of organizations becomes difficult during inflationary period. This is because both interpreted comparisons and calculations of return on capital become 'meaningless'. The amounts being compared are on different values of the monetary unit. So also are the components of the return on capital ratio not based on the same value of the monetary unit; as assets are undervalued while profit is overvalued.

On the whole, HCA financial reports fail to reveal the impact of inflation. The effect on such accounting statements is that the statements are not capable of providing adequate information for decision making during inflationary periods. Thus the objectives of such accounting statements are not fully met.

4B Suggested Solutions (7 Marks)

Several methods have been suggested as a way of solving the problems of HCA during an inflationary period. In all the cases, the suggestion has been that an adjustment be made to the

financial reports prepared on HCA basis, either in terms of partial adjustment of some items or in terms of preparing a set of supplementary statements in addition to the HCA statements. The various suggestions on how to remove the weaknesses of HCA on the accounting statements prepared during inflationary period can be grouped into two main categories (a) Current Purchasing Power (CPP) Accounting (b) Current Value Accounting.

CPP involves converting the HCA financial statements to supplementary statements by means of a general price index (i.e. the retail price index). The effect is to convert both monetary and non-monetary assets to current purchasing power by means of an adjustment factor based on the retail price index. This hardly generates information that can be considered useful to management. Current value accounting, on the other hand, consists of various alternative approaches including:

- (i) Current replacement cost (entry values)
- (ii) Net realizable value (exit values)
- (iii) Economic values (or present values)
- (iv) A mixed system which combines features of (i) – (iii) e.g. current cost accounting.

The following suggestions have been made as possible solutions to the problem of HCA financial reports in an inflationary period:

- (a) Revaluation of fixed assets in the books of account with depreciation being charged on such revalued assets. Thus, depreciation is based on replacement costs of fixed assets in order to give a realistic measure of the value of fixed assets during the period, and the surplus on revaluation is transferred to capital reserve.
- (b) The use of Last-in-first-out (LIFO) inventory valuation policy. This allows current revenues to be matched against current cost of goods sold, thereby enhancing the quality of income produced in real terms. LIFO is now acceptable in some countries.
- (c) An accounting system based on some general price changes e.g. Current Purchasing Power (CPP) accounting. CPP accounting method is meant to remove the distorting effects which inflation has on accounts prepared on the HCA. This approach is based on the application of a single index of price changes to all assets and liabilities with the objective of estimating the overall effect, on the business, of changes in the purchasing power of money.
- (d) An accounting system based on some current value concept eg. Current Cost Accounting (CCA). Its application involves adjusting for depreciation, cost of sales, monetary working capital and gearing.
- (e) An accounting system based on the combination of CPP and CCA e.g. IAS No 6 and IAS No 15 which set down minimum disclosure requirements. The minimum disclosure requirements are for adjustments made in respect of depreciation, cost of sales, monetary working capital, and gearing and the overall effect of all these adjustments. Companies should also disclose the method of adjusting for the effects of changing prices and the relevant indices used.

An analysis of all suggested solutions shows that CCA has been regarded as the most useful form of ‘inflation accounting’ for management interested in the specific price movements than in general price movements and the national rate of inflation.

COVENANT UNIVERSITY

CANAANLAND, KM 10, IDIROKO ROAD
P.M.B 1023, OTA, OGUN STATE, NIGERIA.

TITLE OF EXAMINATION: B.Sc EXAMINATION

COLLEGE: BUSINESS AND SOCIAL SCIENCES

SCHOOL: BUSINESS

DEPARTMENT: ACCOUNTING

SESSION: 2014/2015 **SEMESTER:** ALPHA

COURSE CODE: ACC 312 **CREDIT UNIT:** 2

COURSE TITLE: ACCOUNTING THEORY.

INSTRUCTION: Answer ALL Questions **TIME:** 2 1/2 HOURS

SECTION A.

(1)- Which concept below provides a foundation for the accounting process?

- A. Principles
- B. Assumptions
- C. Standards
- D. None of the above

(2)- Which theory is directed to serve the owners and maximize their profits?

- A. The proprietary theory
- B. Entity theory
- C. Fund theory
- D. None of the above

(3). Which financial statement is used to show what the firm owns?

- a. Income statement
- b. Balance sheet
- c. Statement of retained earnings
- d. Cash flow statement

(4).. When does an accountant record a transaction?

- a. If it is materialized by a concrete document
- b. If it has a tax implication
- c. On managers' demand

d. None of the above

(5). What are the accounting standards issued by the IASB called?

- a. Internationally Accepted Accounting Standards
- b. International Financial Accounting Standards
- c. International Accounting Principles
- d. International Financial Reporting Standards

(6). From which year do all listed EU companies have to prepare their consolidated financial statements in accordance with International Accounting Standards?

- a. 2003
- b. 2005
- c. 2004
- d. 2006

(7). Transactions and other events are accounted for and presented in accordance with:

- a. Their legal form.
- b. Their materiality.
- c. Their substance and economic reality.
- d. Their tax impact.

(8). When do revenues affect net income?

- a. In the period during which they are earned
- b. In the period in which their cash equivalent is collected
- c. Both a and b
- d. Neither a nor b

(9) What effect does the end-of-period entry recognizing periodic depreciation have on the basic accounting equation?

- a. Decrease in assets, decrease in liabilities
- b. Decrease in assets, increase in shareholders' equity
- c. Decrease in assets, increase in liabilities
- d. Decrease in assets, decrease in shareholders' equity

(10) The Nigerian Accounting Standard Board (NASB) was incorporated under the Companies Act 1968 and was formally inaugurated on September 9th 1982. The Board is responsible for local standards referred to as-----

- a. SAS
- b. IFRS
- c. FIRS
- d. GAAP
- e. SSAP

(11) One of the following is not an approach to theory development

- a. Positive theory
- b. Normative Theory
- c. Research based theory
- d. Behavioural approach

(12) One of the following is not an accounting problem associated with property plant and equipment

- a. How is the cost of property, plant and equipment determined?
- b. How should the costs of plant and equipment be allocated against revenue?
- c. How should expenditure for repairs and maintenance be treated?
- d. How should property, plant and equipment be insured?

(13) ----- serve to promote the relevance, reliability, understandability and comparability of financial reports.

- a. Auditors
- b. Accounting records
- c. Accounting standards
- d. SAS and IFRS

(14) ----- represents an estimate of the portion of the historical cost or revalued amount of a fixed asset chargeable to operation during an accounting period.

- a. Acquisition cost
- b. Maintenance cost
- c. Capitalized cost
- d. Depreciation charge

(15) ----- is not a stakeholder in Financial Reporting in Nigeria

- a. The public in general
- b. Researchers
- c. Employee
- d. EFCC

(16) ----- is not part of special issues related to depreciation:

- a. How should companies compute depreciation for partial periods?
- b. Does depreciation provide for the replacement of assets?
- c. How should companies handle revisions in depreciation rates?

d. How much should be saved from depreciation money

(17) Which of the following accounts is expected to present a debit balance?

- a. Bank overdrafts
- b. Financial income
- c. Financial interest
- d. Bank borrowing

18. What is the principal criterion used to distinguish between tangible assets and inventories?

- a. The physical substance of the asset.
- b. The acquisition cost of the asset.
- c. The nature of the company's activity, which determines the purpose for which the asset is held.
- d. The moment in the accounting period when the asset is acquired.

19. What happens when the book value has reached the residual value?

- a. The asset will no longer be reported in the balance sheet.
- b. The asset is systematically disposed of.
- c. The asset might not be taken out of service if it is still reliable and useful and will be carried in the balance sheet for a book value equal to the residual value.
- d. None of the above

20. According to IAS 16, what is "the systematic allocation of the depreciable [cost] of an asset over its useful life"?

- a. Impairment
- b. Depreciation
- c. Write-down
- d. Write-off

SECTION B

Question 1

A. Define Accounting Theory. (2 Marks)

B. Diagrammatically represent the stage by stage process of Theory Formulation.
(2 Marks)

C. Account for **three (3)** pros and **three (3)** cons associated with the mandatory adoption of International Financial Reporting Standards (IFRS) in Nigeria. (6 Mark)

Question 2

A. UNILAG Group purchased a tractor at a cost of N50,000 on January 2, 2013. Individual components of the tractor and useful lives are as follows.

	<u>Cost</u>	<u>Useful Lives</u>
Tires	N 6,000	2 years
Transmission	10,000	5 years
Trucks	34,000	10 years

Required:

- Compute depreciation expense for 2013, assuming Brazil depreciates the tractor as a single unit. (2 Marks)
- Compute depreciation expense for 2013, assuming Brazil uses component depreciation. (3 marks)
- Why might a company want to use component depreciation to depreciate its assets? (3 marks)

- B. List THREE (in each case), necessary and reasonable expenditure that must be captured in ascertaining the cost of Property, Plant and Equipment (PPE), as well as Land. (3 Marks).
- C. “Exceeding Grace” Ltd. acquired a building at Iyano Yesi area of Ota state, for the purpose of establishing a legacy library for the community. Details of his cash outflows associated with the transaction are as follow:
- Original Purchase price of the building = N301, 750,000
- Cost of re-modeling the building to meet the intended use = N1, 089,250
- Payment to Estate agent and valuer = N56, 000
- Cost of servicing the generator that powers the building=N15, 670
- Three years payment in advance for security = N36, 000
- The initial pay for importation of books for the library = N120, 000,000

REQUIRED:

From the standpoint of Accountant, what is the cost of the Library to Exceeding Grace Ltd?

(4 marks)

Question 3.

Is the study of Financial Accounting Theory a waste of time for accounting students?

Required:

Explain your answer.

(12¹/₂ Marks)

Question 4.

Income: Charles Dicken, Mr. Micarber in David Copperfield, defined happiness as a balance budget. He said “An annual income of #30:00 and annual expenditure of #29:60, result happiness, but an annual income of #30:00 and an annual expenditure of #30:40 result in misery:

Required:

Do you agree with Copperfield?

- a. If you do, explain
- b. If you don't explain.

(12¹/₂ Marks)

ACC 312 MARKING GUIDE

2014/15 SESSION

SECTION A

1. A
2. A
3. B
4. A
5. D
6. B
7. C
8. A
9. D
10. A
11. C
12. D
13. C
14. D
15. D
16. D
17. C
18. C
19. C
20. B

1 A) Definition of accounting theory

Accounting theory provides a logical framework for accounting practice. And these frameworks are rules, principles and assumptions. Accounting theory is like a cloud which is not always clear. The terms “assumptions”, “principles”, “rules”, “concepts”, “postulates”, “standards”, etc. are used in many different ways in the profession. Thus their classification is not so relevant here. (2 marks)

(B)

PROCESS OF THEORY FORMULATION

Word of facts

Recognition of problem

Collection and organization of data

Formulation of propositions and definitions

Development of hypotheses

Testing the hypotheses

Theory verification modification or rejection

Theory acceptance

2marks

(C) i. **Incentives for IFRS adoption**

) More efficient access to capital for global organizations across the world.

- J Stakeholders need and demand for more public accountability and transparency in business transactions and financial reporting.
- J Need to attract international investors in both developed and emerging markets.
- J Need for reduction in cost of financial reporting around the globe.
- J Facilitate easy and better comparison between and among public interest entities.
- J Ability to understand and streamline merger and acquisition (M & A) activities.

(3marks for any 3 points)

(C) Challenge with IFRS adoption

- J Education and training
- J Auditing IFRS- based financial statements
- J What happens too our industry specific standards?
- J Harmonization of legislations in financial reporting in Nigeria
- J Complexity and structure of IFRS
- J Frequency, volume and complexity of changes in the IFRS
- J Challenges for SME and accounting firms
- J Challenged for fair value avvunting
- J The culture of secrecy
- J Cost
- J Business process and IT

3 marks for any 3 points

(2)

UNILAG GROUP

(a) Depreciation= $50.000 / 10 = N5,000$

(b) Component depreciation.

	<u>Cost</u>	<u>useful lives</u>	<u>depreciation</u>
	N		N
Tires	6,000	2 yrs	3,000
Transmission	10,000	5 yrs	2,000
Truck	34,000	10 yrs	<u>3,400</u>
			<u>8,400</u>

(c) Desirability of component depreciation stems from the following facts.

- I. The complete asset is made up off different components
- II. The components have different costs
- III. The components have different useful life.

2 B.

DETERMINING THE COST OF PROPERTY, PLANT AND EQUIPMENT.

The cost of property, plant and equipment includes all expenditure reasonable and necessary in acquiring the asset and placing it in a position for use in the operations of the business. The necessary and reasonable expenditures are as follows:

- a) Original purchase price or cost of construction,
- b) Freight, import duties and handling charges,
- c) In- transit insurance charges,
- d) Taxes and levies,

- e) Cost of preparation of foundations, insulations, protective, and other special devices.
- f) Commissioning, including testing and running costs in preparation for use.
- g) If the item is a second hand one , the cost of refurbishing it for the intended. (3 marks)

DETERMINING THE COST OF LAND

When land is purchased, various accidental costs are generally incurred, in addition to the purchase price. These additional costs may include:

- a) Original purchase price,
- b) Broker's or Estate Agent's commissions,
- c) Legal fees for examining, recording and securing title,
- d) Cost of survey,
- e) Cost of obtaining vacant possession,
- f) Payment of non-recurring levies on the land at date of purchase if payable by the purchaser. (3 marks)

2C) "Exceeding Grace" Ltd Cost of Building

	N
Original cost	301,750,000
Cost of remodelling	1,089,250
Estate agent fee	56,000
Books	<u>120,000,000</u>
	<u>422,895,250</u>

(4 marks).

Marking Guide- ACC 312

1. The theory of income is very a controversial one, with different authors company and with different definitions of income from their own various or diverse perspectives. The concept of income is a very subject one, and many authors define it based on the way they see it from their point of view.
2. One of the earliest attempts to clarify the concept of income was in 1906 by Irving Fisher. He argued that a person's true income was a series of events given personal satisfaction, inner enjoyment: even such as the eating of food, the shelter of a house, the reading of books and newspapers, listening to music. Fisher therefore defined income as the money value of the goods and the services consumed during a period.

Income may be defined as the consumption and savings as the maximum level a person may consume during a period and still expect to be well off.

Income may be defined as the consumption and savings opportunities gained by own entity within a specified frame, which represent expenses in monetary terms.

3. Expenditure may be defined as an act of spending money on something such as goods and services or the act of consumers.

Analysis of the above statement

This means that if an individual has an annual income of 30:00 or an expenditure of 29:60, this would result on a surplus of 0:40. Income of 30:00 and an annual expenditure of 30:40 would result in expenditure of 0:40. It is believed that the individual with a surplus of 0:40 is operating a balanced/surplus budget while with a deficit of 0:40 operating a deficit budget. The individual operating a balance budget would be happier because of the fact that he has more than enough

save, he has enough to invest in profitable ventures that would variably result in increase in income, there is also the advantage of leave and joy, as borrowing all would not have anything to thank of, as interest to pay etc all these factors are things that could cause an individual operating in happiness.

On the other hand, an individual operating a deficit budget of 0:40 would be less happier.

CONVENTION

NO 3

As students of Financial Accounting, you will be required on how to construct and read statements prepared in contexts with various Accounting statements and other professional bodies.

2. Statutory Requirements: When he recovers, he or she will be involved in activities as compiling for statements for others to read, analysing financial state, for the purpose of making decisions or in generating accounting guidance or for others to follow. It is a way of studying various theories. As a financial accountant you need to be exposed to various issues including:

- 1) How the various elements of all should be accounted.
- 2) What motivates organisations to perform certain types of accounting information?
- 3) What motivates individual to support and perhaps lobby regulators for some accounting methods in preference to others.
- 4) What the implication for particular types of organisation and their stakeholders are if one method of accounting is chosen in preference to other methods.
- 5) How and why the capital markets react to particular accounting information?
- 6) Whether there is a “a true measure” of income?

Accounting plays a very important part in a society. To simplify how the various rules of financial accounting (an embodied will in accounting standards and the likes) without considering the implications that accounting information will have, will seem illogical. Many important decisions are made on the basis of information that accountants provide- not to provide. Accountants are very powerful people. Accountants evaluate others to make very powerful decisions.

For example: Should they support organisations? Is the organisation earning sufficient profit? Is earning equal to profits? Is the organisation fulfilling its social responsibilities by investing in

community, supporting programmes and recycling invitation and so on, how are such issues should inarguably be considered by the Financial Accountants. As a result of considering various theories of Financial Accounting, we provide more answers to the above important issues. Believed that a balanced budget or budget surplus can go a long way in creating avenue for happiness compared to deficit budget. Though it is difficult to actually achieve a budget surplus but at least achievement of a balanced budget would highly be appreciated.

COVENANT UNIVERSITY

CANAANLAND, KM 10, IDIROKO ROAD
P.M.B 1023, OTA, OGUN STATE, NIGERIA.

TITLE OF EXAMINATION: B.Sc EXAMINATION

COLLEGE: COLLEGE OF DEVELOPMENT STUDIES

SCHOOL: SCHOOL OF BUSINESS

DEPARTMENT: ACCOUNTING

SESSION: 2014/2015 **SEMESTER:** ALPHA

COURSE CODE: ACC313 **CREDIT UNIT:** 3

COURSE TITLE: PUBLIC SECTOR ACCOUNTING AND FINANCE

INSTRUCTION: Answer All **TIME:** 2.30 HOURS

1. All financial warrants must be issued and signed by the
2. The procedure which enables fund to be transferred from a subhead vote with surplus funds to another sub-head in need under the same head is called
3. The incomes and expenditures that are not budgeted for but are listed are called transactions.
4. The warrant that allow s an officer to spend more than the budgeted amounts is called?
 - A. Supplementary statutory expenditure warrant
 - B. Annual general warrant
 - C. Reserve expenditure warrant
 - D. Supplementary general warrant
 - E. Provisional general warrant
5. The federal government makes use of the following agencies to collect revenue EXCEPT
 - A. Federal inland revenue service
 - B. Nigerian Nation al Petroleum Corporation
 - C. Nigeria Prisons Service
 - D. Nigeria Customs Service
 - E. Nigeria Railway Corporation.
6. Which of the options best fit into the statement below?

Public Sector Accounting can be defined as a process of,,,
and government financial statement in aggregate and in details.

- A] recording, communicating, summarizing, analysing and interpreting
- B] recording, revealing, communicating, summarizing and interpreting
- C] recording, calculating, balancing, communicating and evaluating
- D] All of the above

7. Which of the following options best describes the external users of government accounting information?

- A] They are not saddled with the responsibility of preparing the financial statements of the government.
- B] They are responsible for the explanations pertaining to financial statements.
- C] They are responsible for correcting errors arising from financial statements.
- D] They are responsible for correcting any mis-statements in the financial statements.

8 Appropriation audit is necessary for the purpose of ascertaining that

- A] funds are utilised as approved by the National Assembly.
- B] transactions are in compliance with existing laws.
- C] laid down procedures are being adhered to in storekeeping, contracts and tendering.
- D] the level of economy, efficiency and effectiveness achieved from government programmes and projects is high.

9 Financial Audit is necessary for the purpose of ascertaining that

- A] Transactions are in compliance with existing laws.
- B] Funds are utilized as approved by the National Assembly.
- C] laid down procedures are being adhered to in storekeeping, contracts and tendering.
- D] the level of economy, efficiency and effectiveness achieved from government programmes and projects is high.

10. Financial control audit is necessary for the purpose of ascertaining that

- A] Transactions are in compliance with existing laws.

- B] Funds are utilized as approved by the National Assembly.
- C] laid down procedures are being adhered to in storekeeping, contracts and tendering.
- D] the level of economy, efficiency and effectiveness achieved from government programmes and projects is high.

11. The following are principal qualitative characteristics of financial statements **EXCEPT**

A understandable. B relevance. C reliability. D comparability. E realisability.

12. The principle that discourages accountants from recognizing profit of an enterprise if there is no reasonable certainty that it is realisable is known as

A conservatism. B reliability. C prudence. D Materiality. E entity.

13 A government company is said to be highly geared when the company has

- A more of equity capital in relation to fixed interest capital.
- B more of fixed interest capital in relation to equity capital.
- C no fixed interest capital.
- D more of current assets in relation to current liabilities.
- E more of current liabilities in relation to current assets.

Use the data below to answer questions 14 and 15.

MCD Ltd, a government parastatal is planning to install a computer integrated manufacturing process. Information on three acceptable models is presented below. The Company has ₦400,000 available and the cost of capital is 20%. Cash flow is as given below:

Year	O	1 – 3
Projects	₦	₦(PV of Cash Inflows)
A	(400,000)	812,000
B	(200,000)	503,800
C	(200,000)	484,400

14. The best appraisal technique in this situation is the

A.] Internal Rate of Return (IRR) B.] Pay Back Period (PBP). C]. Net Present Value (NPV). D]. Profitability Index (PI). E]. Accounting Rate of Return (ARR).

15. The project(s) to be accepted is/are

A]. A and B. B] B and C. C] A only. D] B only. E.] C only.

16 One of the following should be present when opening the bidding envelopes.

(a) Co- partners of the bidder (b) Press men (c) The state governor (d) State secrete security

17 The contents of a contract register include one of the following

(a) terms of reference (b) Address of contractor (c) Certification by police (d) Contract sample

18 One of these is a not a permissive source of income to the local government

(a) Market taxes (b) Motor park levies (c) Donations (d) Cattle tax

19 ----- is a summary of various contracts in order to know at any given , receivables in the projects

(a) contract register (b) contract note (c) project summary (d) project register

20 Contracts between N20,000,000 and N50,000,000 are to be referred to

(a) Ministerial Cabinet Members (b) Tenders Collating Board (c) Ministerial Tenders Board
(d) Departmental Tenders Board

1a] Mr. Akinbode was born 1st January 1937. He joined the service of government on 1st April, 1961 and collapsed and died in his office on 15th September, 1994. As at the time he died his total emolument are as follows:

Basic Salary	#40,000
Housing	25,000
Transport Allowance	8,000
Other Allowances	4,000

Required: Calculate the Gratuity and Pension that will be paid to his beneficiaries. [5 mks]

b] An accounting officer have the delegated authority to vire from one subhead to other subhead subject to certain conditions

i] Explain the purpose of virement [2 mks]

ii] What conditions must accounting officer satisfy in order to make virement of funds. [3 mks]

2a] State ANY FOUR functions of the Auditor-General of the Federation.

b] Explain the Objectives of the International Public Sector Accounting Board (IPSAB).
[10 mks]

3] It is common knowledge that whilst some techniques of project investment appraisals recognise and incorporate the time value of money in capital budgeting decisions, other methods do not.

Required:

1. What is meant by the time value of money and how is this concept incorporated in public sector project appraisal? (5marks)
2. Identify and briefly discuss 2 methods that do not allow for the time value of money in public sector project appraisal(4 marks)
3. Identify and briefly discuss 3 methods that do allow for the time value of money in public sector project appraisal (6 marks)

- 4A) The chairman of Ado Odo Ota Local Government had issues clearing and collecting the statutory allocation for his council. He has therefore been advised to seek for other sources of finance to continue existing projects and also carry out new projects. List these other likely sources of finance (10 Marks)
- 4Bi) With the use of a scenario, describe a situation in which a variation can be made in the award of a contract (2 marks)
- 4Bii) Briefly discuss the powers of the permanent secretary under procurement and contract award matters in the Public Service (3 marks)

SOLUTION: ACC313 (2014/15)

1 Minister for Finance

2 Virement

3 Below the line

4 A

5 C

6 A

7 A

8 A

9 A

10 C

11 E

12 C

13 B

14 D

15 B

16 B

17 B

18 C

19 A

20 C

1 Mark for each option

1 (A) MR AKINBODE

COMPUTATION OF GRATUITY AND PENSION

He joined 1/4/1961

He died 15/9/1994

Work Years 33 Years, 5 months, 15 days

Approx. 33 Years

Therefore, Gratuity = $284/100 \times 77,000$

= #218,680

Pension = $76/100 \times 77,000$

= #58,520

1 (B)

- (i) The purpose of virement is to ensure that the amount expended is for the intended purpose to increase level of budget implementation.
- (ii) The Accounting Officer must satisfy the following:
 - a. Both Vote Head are within the same economic head
 - b. Funds must be surplus in one subhead and shortage in another subhead
 - c. Maintained Register for all amount vired
 - d. Application must not be sought to expend money which the budget ministry had disapproved

QUESTION 4

1a) Permissive Sources

The Local Government Council Act No.1 of 1998 empowers each Local Government to collect taxes and levies in their domain. The taxes and levies are as follows:

- i. Market taxes
- ii. Motor park levies
- iii. Shop and kiosk rates
- iv. Tenement rates
- v. Slaughter slab fees
- vi. Domestic animal license fees
- vii. Bicycle Canoe, truck, wheelbarrow and cart fees
- viii. Cattle tax (payable by cattle farmers only)
- ix. Marriage, birth and Death certificate
- x. Naming of street registration fees (excluding any street in the state capital)
- xi. Signboard and advertisement permit fees
- xii. Merriment and road close levies
- xiii. Wrong parking charges

1) Incidental Sources

- i. Donations
- ii. Grants from the Federal Government

- iii. Proceeds from economic projects undertaken by the council e.g. transportation, farming etc.
- iv. Proceeds from sales of impounded goods and properties

(1 mark each for any 10 point)

1bi) Variation can be applied in a situation whereby a price change occur in the cost of materials earlier quoted by a contractor. For instance a contractor who won the contract to fix ceramic tiles in an apartment can apply for variation if the current price exceeds the one earlier quoted for the tiles.

(2 marks)

1bii) Powers of the Permanent Secretary: Under the new arrangement, the Permanent Secretary/ Chief Executive can approve, without competitive open tendering, procurements not exceeding N1,000,000 approximately. He must obtain at least three written proposals from suitably qualified contractors/suppliers. Expenditures incurred under the policy are to be documented and reported to the Honourable Minister quarterly.

COVENANT UNIVERSITY

CANAANLAND, KM 10, IDIROKO ROAD

P.M.B 1023, OTA, OGUN STATE, NIGERIA.

TITLE OF EXAMINATION: B.Sc DEGREE EXAMINATION

COLLEGE: COLLEGE OF BUSINESS AND SOCIAL SCIENCES

SCHOOL: SCHOOL OF BUSINESS

DEPARTMENT: ACCOUNTING

SESSION: 2014/2015

SEMESTER: ALPHA

COURSE CODE: ACC 314

CREDIT UNIT: 2

COURSE TITLE: MANAGEMENT INFORMATION SYSTEM

INSTRUCTION: ATTEMPT ALL QUESTIONS

TIME: 2 HOURS

SECTION A

1. The _____ determines whether the project should go forward.
 - A. feasibility assessment
 - B. opportunity identification
 - C. system evaluation
 - D. program specification
2. Debugging is:
 - A. creating program code.
 - B. finding and correcting errors in the program code.
 - C. identifying the task to be computerized.
 - D. creating the algorithm.
3. Technical writers generally provide the _____ for the new system.
 - A. programs
 - B. network
 - C. analysis
 - D. documentation
4. _____ design and implement database structures.
 - A. Programmers
 - B. Project managers
 - C. Technical writers
 - D. Database administrators

5. Which of the following input devices would be best suited to capturing images for use with a personal computer?
 - A. Touch screen.
 - B. Graphics tablet.
 - C. Optical mark reader.
 - D. Digital camera.

6. Which of the following might be used to input and interpret information printed on bank cheques?
 - A. MICR.
 - B. CAD.
 - C. OMR.
 - D. COM.
 - E. OCR.

7. The hardware component used to control the operation of a computer system is
 - a) RAM
 - b) Keyboard
 - c) Monitor
 - d) Processor
 - e) Hard-disk

8. The followings are types of e-government except
 - (a) G2C (Government to Citizens)
 - (b) G2B (Government to Businesses)
 - (c) G2G (Government to Governments)
 - (d) G2A (Government to Activists)

9. Communication is defined as:
 - a) Processing encoded information using computer
 - b) The change of electromagnetic signals
 - c) The transfer of information from one place to another
 - d) Electrical signals for physical layer

10. One of the following is not regarded as a point to point network topology
 - a) Star
 - b) Ring
 - c) Tree
 - d) None of the above

11. An expenditure cycle involves all the following sub-systems except
- Purchase
 - Receiving
 - Cash disbursement
 - Financial Statements
12. A level of Management that deals with the day to day operations and implements plans of the organization is called
- Strategic
 - Tactical
 - Operational
 - Top
13. A communication channel model that reflects channel performance measures such as [bit rate](#), [bit errors](#) only is a Channel
- Analog
 - Digital
 - Any of the Above
 - Return Channel
14. A system whereby the total output exceeds the sum of the outputs of individual components is called?
- Collaboration System
 - Soft System
 - Synergistic System
 - Sum of the Total System
15. One of the following is an example of content dimension of information quality
- Predictability
 - Clarity
 - Conciseness
 - Presentation
16. Organizations with homogenous functions is best made possible in a
- Distributed System
 - Decentralized System
 - Modernized System
 - Centralized System
17. The followings are benefits of e-commerce except
- Buyers have the best price.

- (b) Weak middlemen eliminated
- (c) Access to global market place
- (d) The security and integrity of transaction

18. The third generation of computer was characterized by one of the followings

- a. Transistors
- b. Magnetic drums
- c. Vacuum tubes
- d. Integrated Circuit technology

19. A computer that can measure temperatures and also convert it into numbers is called?

- a. Digital Computer
- b. Analog Computer
- c. Super Computer
- d. Hybrid Computer

20. _____ is a file that contains records of permanent nature and is updated regularly using temporary files. It also contains data of static and non static nature and housed information essentially meant for the continuity of a business.

- (a) Transactional Files
- (b) Master Files
- (c) Reference Files
- (d) Logical Files

21. The key factors to be considered in evaluating vendor proposals include all the following except

- a. The performance capability of each proposed system
- b. Costs and benefits of the proposed system
- c. Compatibility of each proposed system with existing system
- d. The capability and compatibility of the vendor with the existing system

22. A Decision Support System (DSS) is a class of information systems that support business and organizational decision-making activities

- (a) True
- (b) False
- (c) None of the above
- (d) All of the above

23. A combination of related characters treated as a data item is called
- (a) Record
 - (b) Byte
 - (c) Field
 - (d) File
24. Accounting transactions incurred to acquire the input (material, labour and overhead) for conversion to the required output is called
- (a) Expenses cycle
 - (b) Expenditure cycle
 - (c) Asset cycle
 - (d) Material cycle
25. ----- co-ordinate the activities of the business as a whole
- (a) Middle Management
 - (b) Top Management
 - (c) Departmental Management
 - (d) Lower Level Management

SECTION B

2. A Water processing factory has to go through the following; first, there is the need to acquire raw materials such as plastics for the making of the bottles, there is also the need to convert this materials from their raw forms to useable states and also treat the water and make it pure, thirdly, there is the need to package the water in the processed bottles and then sell in order to generate income and finally there is also the function of financially being able to account for all the processes involved and their economic implications. Give a practical illustration with relevant diagrams of the relevant cycles that make up the TPS of Hebron Water. **(15 Marks)**
- 3a. Prof. Matthew has given your class a group assignment to present a paper on computer hardware fundamentals. If you are elected by your group to present the assignment to the class, what would be the content of your presentation? **(9 marks)**
- 3b. A computer program is expected to possess certain qualities. Briefly explain the qualities to be considered in developing a computer program? **(6 marks)**
- 4(a) Covenant University is a system however, within this system, Accounting Department is a sub-system. Every system has a goal and objective. Discuss the various components of Accounting Department as a sub-system which helps it to attain its objective of raising Accounting Graduates in Covenant University. **5 marks**
- (b) The Open system is a specific type of system that interacts with its environment for collection of business information and other form of transactions. Briefly discuss the various classifications under it with an example for each classification. **5marks**
- (c) No system is perfect, any system that must remain relevant must constantly think of controls and pathways to ensure that the best control measures are put in place. Describe the Positive Feedback, Negative feedback and the Feed forward control system and give illustrations. **5 marks**

SECTION A

SOLUTION TO MULTIPLE QUESTIONS

1. A
2. B
3. D
4. D
5. D
6. A
7. D
8. D
9. C
10. B
11. D
12. C
13. B
14. C
15. C
16. D
17. B
18. D
19. D
20. B
21. D
22. A
23. C
24. B
25. B

MARKING GUIDE (SECTION B)

SUGGESTED ANSWER TO QUESTION 2

(A) What is Hardware?

Hardware is the physical tangible and touchable aspect of the computer. It is the part that can be seen and touched. (1 mark)

Classification of Hardware:

There are 4 major classes of hardware based upon functionality. They are:

1. **Input Devices:** These devices are the types of hardware that are used to send data into the computer. They encode data/ information into machine readable form. Examples include Microphone, Mouse, Keyboard, Light Pen, scanner, Optical Character Reader (OCR), Bar code Reader. **2 marks**
2. **Output Devices:** These devices are the devices through which information is sent out from the computer for the user to view or hear. Examples include speakers, printers, Visual Display Unit (also known as monitor), plotter (used in plotting graphs), Liquid Crystal Display (LCD). **2 marks**
3. **Central Processing Unit (CPU):** This is the core of the computer that performs tasks. It comprises essentially of the Microprocessor. The microprocessor can be said to be the “brain” of the computer. **2 marks**
4. **Storage Devices:** These are the devices that store data. There are 2 main types of storage devices:
 - a) **Primary/Temporary Storage Devices:** This type of storage device stores information temporarily. Once the electric power is turned off, whatever is stored in it is erased. The major example is RAM (Random Access Memory)
 - b) **Secondary/Permanent Storage Devices:** This type of device stored information irrespective of whether the electric power is turned off. Examples include Hard Disk, Flash Drive, Compact Disc (CD), Zip Drive.

2 marks

B). The quality requirement for programming include the following: (6 marks (1 mark each))

-) **Efficiency and Performance:** A computer program should be written to utilize lesser system resources (processor time, memory space, e.t.c.)
-) **Reliability:** A computer program should ensure that the results of the program are correct. Semantic and syntactic errors should be eliminated in achieving the correct desired results. (Semantic errors are errors gotten when a computer program behaves in a way other than how it was intended to behave. Syntactic errors are errors gotten as a result of mistakes in spelling and the programming language).
-) **Robustness:** A computer program should be able to anticipate errors not due to the programmer's error.
-) **Ergonomics:** This has to do with the ease with which a person can use the program for its intended purpose, or in some cases even unanticipated purposes.
-) **Portability:** This has to do with the hardware and Operating System platforms on which the computer program can run. As much as possible, a computer program must strive to be usable on as many platforms as possible.
-) **Maintainability:** This has to do with the ease with which upgrades, updates, customizations, as well as fixes in bugs can be done. A computer program must be easily adjustable in a secured manner.

SUGGESTED ANSWER TO QUESTION 3

QUESTION A

Covenant University as a system is a combination of various elements or subs systems which function as a whole. Such subsystems include, the Registry, Chaplaincy, Colleges, Financial services, all organized in such a way as to ensure that the objective or purpose for which the university is set up which is to educate students primarily is efficiently achieved.

In Accounting Department, the goal is raising sound accounting graduates

INPUTS: Students are the Input; they are taken in fresh in 100 level as Undergraduates of the department from their various secondary schools and become the raw material of the department

PROCESSES: this is the means of transforming the raw materials into finished products. The students taken in as raw materials in 100 level are tutored, they go through 100-400 level, write tests and examinations which is part of the processes

OUTPUT: These are the results of processing e.g. finished products, and work-in-progress (WIP). Within Accounting department graduates are produced with various classes of degrees ready to enter the work environment. The raw materials taken in 100 level after 400 level are on their way to being experts in Accounting with a B.Sc degree in Accounting to show for it.

(5 marks)

QUESTION B

Deterministic or Mechanistic systems

A deterministic or mechanistic system is one in which various states or activities follow each other in a completely predictable way. It is designed to operate on the basis of standardized rules and regulations which restrict its ability to react to its environment. A deterministic system enables the outputs generated from specific inputs to be measured without any error. An example is a computer system.

Probabilistic or Stochastic Systems

A probabilistic or stochastic system is one in which some states or activities can be predicted with varying degree of probabilities. Business and economic systems are probabilistic systems since they are subjected to random influences from the environment. The state of such systems can therefore be defined or known only within specified limits even when they are subject to control. Generally in probabilistic systems, the outputs from specific inputs are not certain because it is not possible to ascertain what events will occur outside their boundaries.

Adaptive or Cybernetic System

Cybernetics is defined as the science of communication and control in man and machine systems. The term is derived from the Greek word “Kybernetes”, the derivation of the Latin work, “gubernator” meaning governor or controller. An adaptive or cybernetic system is one, which adapts and reacts to a stimulus.

The way in which it adapts is uncertain as the same input (stimulus) to the system will not always produce the same output (response). Adaptive system responds to changing situation by adjusting its behaviour on a self-organising basis. The system alters its inputs as a result of measuring its outputs. **(5 marks)**

QUESTION C

Negative Feedback is part of the output which is returned to the input as a means of system control. When the actual output from a system is lower than the desired output, the differences between the actual and the desired outputs are detected as positive deviations (errors) and action is effected in the opposite direction to counteract them. Consider a production line with 10,000 units as required output in the month. If the actual monthly output is 9,000 units, then monthly errors of 1,000 units are detected as positive deviations. Corrective action would then be taken to increase the output to 10,000 units per month.

In a positive feedback control system, actions are taken to enlarge (amplify) the detected deviations. This is in contrast to what happens in the negative feedback control systems. For example, amplification applies to serve-mechanisms whereby a small manual force is detected and amplified to achieve a defined purpose.

Feed forward control pathway monitor both process operations and inputs in an attempt to predict potential deviations in order that adjustments. Here, the error signals (deviations) are noted over a period of time by a monitoring process and may be employed to forecast the projected performance of an organizational unit. This approach ensures that the historical trend or inherent behaviour of a system is allowed for when establishing control parameters for future operations. **(5 marks)**

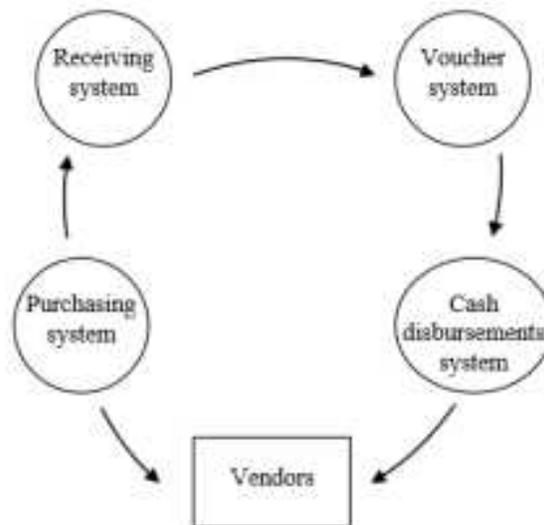
SUGGESTED ANSWER TO QUESTION 4

The Transaction Processing Cycle is divided into the following cycles:

- a) The **Expenditure cycle** involves acquisition of materials, labour capital and disbursement of payment
- b) The **Conversion cycle** involves the changing of raw materials and activities involved in converting a raw material to a product
- c) The **Revenue Cycle** involves the exchange of their goods and services with customers for income
- d) The **Financial Cycle** records in monetary terms all other transactions and also generates a financial report to the providers of capital at the end of the stipulated period.

For a water processing factory or plant,

The **Expenditure Cycle** is divided into the following sub-systems



- a) **Purchases System** which involves the department that orders for raw materials needed for the factory. In the Hebron system, they order for pet bottle making plastic, the crown and for the sachets of water
- b) **The Receiving system** the receiving department that receive the items from the vendors as ordered by the purchasing department. In Hebron factory, the receiving system will receive the pet bottles, the cocks and the sachets ordered by the purchasing system

- c) The Voucher system keeps the written evidence of all the transactions during the expenditure cycle to the final making of payment.
- d) **Cash disbursement** is a sub-system that handles the payment for the acquired raw materials. Payment to the supplier of the pet bottles, payment for carriage inward and other relevant activities
- e) **Payroll** which handles the tasks of the purchase of labour such as the casual workers or labourers who will take these raw materials to the warehouse and also bring them to the factory floor when needed
- f) **Fixed Asset** is a sub-system that handles the acquisition, maintenance and disposal of all

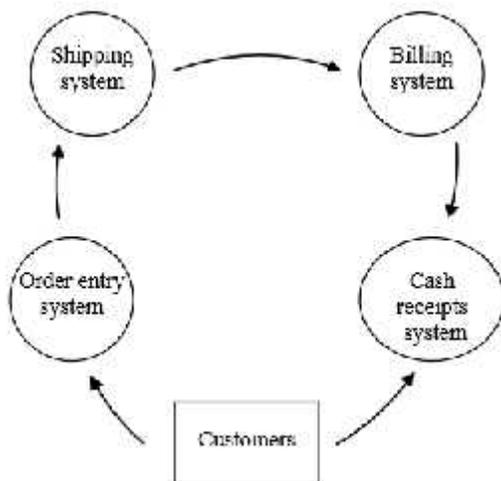
The Conversion Cycle

This handles activities in the factory that occur in order to convert raw materials to finished products.

2 Sub-systems include:

- a) Production which includes all the activities related to the physical creation of the product, including planning how the planning of the products, planning of how the pet bottles should look, what machines to use, what the shape and size of the sachets should be; scheduling the factory work and who should be responsible for every aspect and the controlling of the product so that the bottles produced, the sachets created and the sealed processed water are according to plan and specification. This also handles deviations from the standard planned
- b) Cost Accounting this handles the flow of the costs through the entire production sub -system

The Revenue Cycle



The fundamental sub-systems are:

- a) **The Order Entry System:** Orders for packaged water are received from customers and are recorded. Adequate preparation is made to send out the order
- b) **Shipping System:** This system ensures the carriage of the order to the specific destination for the customer
- c) **Billing System:** Hebron Water ensures that the appropriate bills for the order and the carriage among other costs are delivered to the customer
- d) **Cash Receipt System:** Cash payment is received from the customer on the delivered items.

The Financial Cycle

It is that type of transaction cycle which records those transactions concerned with:

- a) The acquisition of capital from owners and creditors.
- b) The financial cycle is also concerned with the use of capital to acquire productive assets and
- c) the reporting to them how it is used and it is also responsible for reporting to the source of capital in form of Financial Statements

This cycle involves the accounting records which can either be manual accounting systems which are paper based or automated.

