

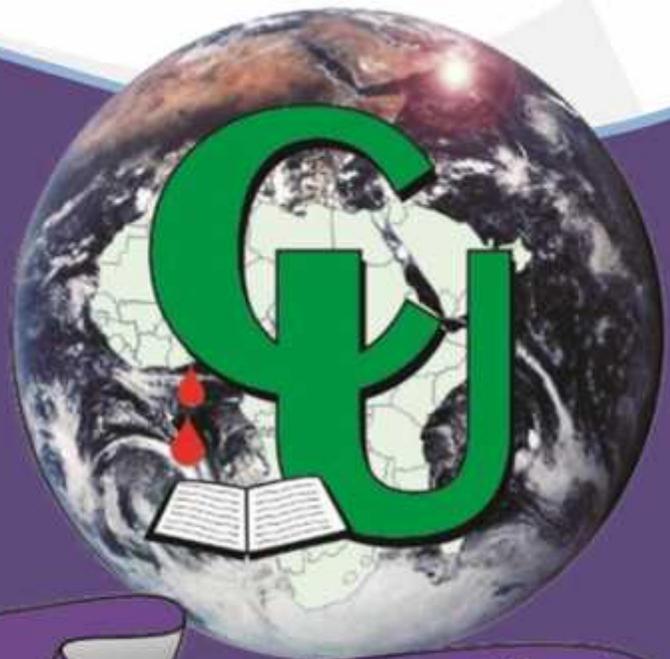
COVENANT UNIVERSITY

TUTORIAL KIT

PROGRAMME: ACCOUNTING

ALPHA SEMESTER

100 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 111: Introduction to Financial Accounting

COVENANT UNIVERSITY, OTA
COLLEGE OF BUSINESS AND SOCIAL SCIENCE
DEPARTMENT OF ACCOUNTING
2014/2015 ALPHA SEMESTER EXAMINATION

COURSE: INTRODUCTION TO FINANCIAL ACCOUNTING
 INSTRUCTION: ANSWER ALL QUESTIONS IN SECTION A AND SECTION B
 TIME ALLOWED: 2Hrs 15Mins

SECTION A: Attempt All Questions

PART I: Multiple Choice Questions (25 marks)

1. Which of the following options best explains the business entity concept?
 - a. Recording of transactions that affects the firm and not the owners' private transactions
 - b. Recording of transactions that affects the firm and the owners' private transactions
 - c. Recording of transactions that affects the firm, the owners' private transactions and the owners' wife and children transactions
 - d. None of the above
2. Which of the following statements is incorrect?

a. Assets – Capital = Liabilities	b. Liabilities + Capital = Assets
c. Liabilities + Assets = Capital	d. Assets - Liabilities = Capital
3. Which of the following is not an asset?

a. Buildings	b. Cash balance
c. Accounts receivable	d. Loan from K. Thomson
4. Which of the following is a liability?

a. Machinery	b. Accounts payable for goods
c. Motor vehicles	d. Cash at bank
5. Which of the following is incorrect?

	Assets	Liabilities	Capital
)	N	N	N
)	a. 7850	1250	6600
)	b. 8200	2800	5400
)	c. 9550	1150	8200
)	d. 6540	1120	5420
6. Which of the following statements is correct?

	Accounts	To record	Entry in the account
)	i.Assets	an increase	debit
)		a decrease	credit
)	ii.Capital	an increase	debit

)
)

iii. Liabilities a decrease credit
 an increase credit
 a decrease debit

- a. i and ii only
 - b. ii and iii only
 - c. i and iii only
 - d. i, ii and iii only
7. Financial statements are prepared at regular intervals of the year. This concept is known as
- a. Time interval concept
 - b. Time adherence concept
 - c. Time equitability concept
 - d. All of the above
8. It is assumed that a business will continue to operate for at least twelve months after the end of the reporting period. This concept is known as
- a. Going concern concept
 - b. Business Life concept
 - c. Liquidity concept
 - d. All of the above
9. Which of the following cannot be recorded in financial statements?
- a. The kind of managers the business has
 - b. The problems with the workforce
 - c. The government passing a law that will cost the business a lot of expense in the future
 - d. All of the above
10. Information is if its omission or misstatement could influence the economic decisions of users.
- a. Material
 - b. Significant
 - c. Peculiar
 - d. Important
11. A cash book records
- a. Credit receipts and payments and payments
 - b. Cash & credit receipts
 - c. Cash receipts and payments
 - d. Only bank receipts and payments.
12. When the closing bank balance of a period is a credit balance. This balance amount is called
- a. Credit note
 - b. Bank overdraft
 - c. Bank charges
 - d. Un-credited cheque
13. A transaction that relates to both cash and bank is known as
- a. Bank entry
 - b. Double entry
 - c. Contra entry
 - d. Cash entry
14. The more scientific method of maintaining petty cash so far introduced into practice is the

- a. Cash system b. Imprest system c. Ledger system d. Expense system

15. The process of confirming that you have recorded transactions correctly can be referred to as
- a. Reconciliation b. Authorization c. Balancing d. Posting
16. One of the following is not a use of trial balance.
- a. To check the arithmetical accuracy of entries in the ledger
 - b. To detect errors of posting that can easily be identified by the Trial Balance
 - c. It is a list of balances of all ledger accounts and the cash book
 - d. To facilitate easy preparation of the final account.
17. One of the following is not true of a trial balance
- a. It is just a statement, and not an account
 - b. It is not prepared directly from books of original entries
 - c. It is always prepared on a particular date and not for a particular period.
 - d. There are closing or opening balances in the trial balance
18. An error within the same class of account but affecting different persons is called.
- a. Error of principle b. Error of original entry
 - c. Error of complete reversal of entries d. Error of commission
19. Compensating error is an error that occurs
- a. When one or more errors are cancelled out by one or more errors elsewhere
 - b. When a bookkeeper wrongly applies an accounting principle
 - c. When a complete omission of a transaction from the ledger
 - d. This involves error in which, for a transaction, the account that ought to be debited is credited and the one to be credited is debited.

Use the following information to answer question 20 and 21 below;
The purchase of goods on credit from Courageous for N6700 was wrongly entered on the debit side of Courageous account and the credit side of the purchases account.

20. What accounts are to be debited and credited in order to correct this error
- a. Credit Purchase's Account and debit Courageous account
 - b. Debit Purchase's Account and credit Courageous account
 - c. Debit goods's Account and credit Courageous account
 - d. Credit goods's Account and debit Courageous account
21. How much is to be credited and debited
- a. Debit N6700 and credit N6700 b. Credit N6700 and debit N6700
 - c. Debit N13,400 and credit N13,400 d. Credit N13,400 and debit N13,400
22. Drawings by a sole trader are:
- a. An expense b. An appropriation of profit
 - c. Items of office decoration d. A liability

23. A business has net assets at the beginning of 2010 of N101,700. The profit earned by the business during 2010 was N72,500. The owner withdrew goods for his own private use which had cost N2,500. What were the net assets at the end of 2010?
- a. N174,200 b. N171,700 c. N176,700 d. N99,200
24. For accounting purposes an asset is essentially a resource held by the business which has certain characteristics. Which of the following is not a required characteristic of an asset?
- a. A probable future benefit exists
 b. The benefit must arise from some past transaction or event
 c. The business has an exclusive right to control the benefit
 d. It must have physical substance and be capable of being touched
25. What is the full meaning of NASB?
- a. Nigerian Association of school Board
 b. New Accounting Structural Board
 c. Nigerian Audit Standards Board
 d. Nigerian Accounting Standard Board

PART II: Short Answer Questions (25 marks)

1. The balance of the cashbook is posted to ----- in the ledger
2. On the Bank column of the Cash Book bank charges is -----
3. On the Bank column of the Cash Book interest given by bank is -----
4. For security in handling cash, access to the cash compartment or safe should be --
5. One of the most important steps to take to protect cash is to ----- cash handling duties among different people
6. Whenever accounts are balanced, each specific account reflects one of three instances. What are these three instances?, and
7. Is a list of the balances of every account forming the ledger, distinguishing between those accounts which have debit balances and those which have credit balances?
8. Is an account in which the net difference in Trial Balance totals is recorded pending the location and correction of the errors causing the difference?
9. List any three, of the Errors that affect the trial balance agreement....., and
10. Net profit is calculated in the -----
11. The correct double-entry to transfer rent paid for the year to the profit and loss account is:
12. Given the following data: Gross profit N6700, Carriage inwards N400; Carriage outwards N250, Rent received N575 and other expenses N3600, the net profit for the firm would be?
13. Given the following data: Purchases N54,533, Returns outwards N2,341, Returns inwards N1,766, Carriage outwards N543, Carriage inwards N4,324, Opening inventory N17,600, and closing inventory N14,342. The value of the cost of goods sold is:.....
14. Gross profit less expenses is known as:.....

15. Compliance with accounting Standards are by and..... mode.
16. In Nigeria, compliance with standards became compulsory following the establishment of Nigerian Accounting Standards Boards Act, No 22 of
17. **IASC**- was established in June in London.
18.are the principles that guide and standardize accounting practice.
19. Financial statements which comply with relevant -----should show a true and fair position
20. andAre errors that do not affect the agreement of both sides of a trial balance

SECTION B: Answer ALL Questions

Question 1

Ralph Enterprises is into the sale of tie and dye fabrics. From the information given below you are required to prepare a bank reconciliation statement as at 30th June 2014.

1. Bank overdraft as per cash book N 220,900
2. Cheques issued on June 20, 2014 but not yet presented for payment N30,000
3. Cheques deposited but not yet credited by bank N 45,500
4. Bills receivable directly collected by bank N94,400
5. Interest on overdraft debited by bank N24,230
6. Amount wrongly debited by bank N 4,800 (10marks)

Question 2

Beauty Ent. drew up her trial balance as at 30th April, 2013.

Trial balance of Beauty as at 30th April, 2013		
	Dr.	Cr.
Loan from Uduma		10000
Capital		51,910
Drawings	16,840	
Cash at bank	6230	
Cash in hand	590	
Debtors	24,600	
Creditors		18740
Stock as at 30th September, 2010	47,820	
Motor van	8200	
Office equipment	12,500	
Purchases	184,200	
Sales		261800
Sales returns	1100	
Carriage inwards	430	
Purchases returns		614
Carriage outwards	618	
Motor expenses	3260	
Rent	5,940	
Telephone expenses	810	
Wages and salaries	25620	
Insurance	984	
Office expenses	2754	
Sundry expenses	568	
	343,064	343,064

Stock at 30 April, 2013 was valued at N54,950

Required: Prepare the Income Statement of Beauty Ent. for the year ended 30th April, 2013 and her statement of financial position as at that date. (10marks)

SECTION A

SOLUTION TO MULTIPLE CHOICE QUESTIONS

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

SECTION B
SOLUTION TO QUESTION 1

Ralph Enterprise

Bank Reconciliation Statement as on June 30th 2014

	N	N
Overdraft balance as per cash book		220,900
Add: Cheques deposited but not yet credited	45,500	
Interest on overdraft debited by bank	24,230	
Wrong debit by bank	<u>4,800</u>	<u>74,530</u>
		295,430
Less: Cheques issued but not presented for payment	30,000	
Bills receivable collected by bank	<u>94,400</u>	<u>124,400</u>
Overdraft balance as per bank statement		<u>171,030</u>

SOLUTION TO QUESTION 2

INCOME STATEMENT OF BEAUTY
FOR THE YEAR ENDED 30TH SEPTEMBER, 2013

	N	N	N
Sales			261,800
Less sales returns			<u>1100</u>
			262,900
Opening inventory (1 October, 2013)			47820
Purchases	184,200		
Less purchase returns	<u>614</u>		
		183586	
Add carriage inwards		<u>430</u>	<u>184016</u>
			231,836
Less closing inventory (31 September, 2013)			<u>54,950</u>
Cost of sales			<u>176,886</u>
Gross profit			83,814
Less Expenses:			
Carriage outwards		618	
Motor expenses		3260	
Rent		5940	
Telephone expenses		810	
Wages and salaries		25,620	
Insurance		984	
Office expenses		2754	
Sundry expenses		<u>568</u>	<u>40,554</u>
Net profit			<u>43260</u>

**STATEMENT OF FINANCIAL POSITION FOR BEAUTY
AS AT 30TH SEPTEMBER, 2013**

	N	N
Fixed Assets		
Motor van		8200
Office equipment		<u>12,500</u>
		20,700
Current Assets		
Stock	54950	
Debtors	24,600	
Cash at bank	6,230	
Cash in hand	<u>590</u>	
	86370	
Less Current liabilities		
Creditors	18740	
Working Capital		<u>67630</u>
		88,330
Less Long-term Liabilities		
Loan from Uduma		<u>10,000</u>
Net assets		<u>78330</u>
Financed by:		
Capital		51,910
Add net profit		<u>43,260</u>
		95,170
Less drawings		<u>16,840</u>
Closing capital		<u>78330</u>