

LEAD CITY UNIVERSITY, IBADAN
FACULTY OF ENVIRONMENT, MANAGEMENT AND SOCIAL SCIENCES
DEPARTMENT ACCOUNTING & FINANCE
2017/2018 (SECOND SEMESTER)

Course Code: ACC 111

Course Title: Principles of Accounting II

Course Lecturers: Mr Adejuwon J.A & Onamusi B.A

Course Status: Compulsory

Contact hours in a week: 4 Hours

Course Description

Principle of Account is an introductory class meant for teaching and learning the basis in financial accounting.

Course Objectives:

- i. To ensure perfect understanding of the basic knowledge of accounting and the application of such knowledge in learning and in life situation
- ii. To ensure students know the components of a financial statement and the presentation of such financial statement when and where required

Class Rules of Engagement

- i. The University's dress code must be adhered to at all times
- ii. 15 minutes lateness is allowable to all students
- iii. Switch off all mobile phones or adopt silent mode
- iv. Lecture note, course work book, Ruler & Calculation is a must
- v. Fill attendance register before the end of each class
- vi. Any breach or misconduct will be treated officially

Section B: Teaching Plan

Week 1

REVISION OF ACC 101

Week 2

Final Account with more adjustments

Questions & Exercises

Week 3

Capital Expenditure & Revenue Expenditure

Capital Income & Revenue Income

Questions & Exercises

Week 4-5

Account for Manufacturing Organization

- Introduction
- Cost Elements
- Cost Element & Manufacturing account
- Market Value of finished Goods produced
- Questions & Exercises

Week 6

Depreciation of fixed assets

- Definition
- Causes of depreciation
- Methods of computing depreciation
 - Straight line
 - Reducing Balancing
 - Sum of year digit
 - Units of production

Reason for the provision of depreciation

Questions & Exercises

Week 7

Inventory Valuation technique

- Introduction
- Method of valuing inventory as defined by IAS 2
- Valuing the purchase cost of inventory using -FIFO -LIFO -AVCO

Questions & Exercises

Week 8

Control Account & Incomplete records

- Nature and Importance of Control Account
- Construction of control account & self balancing ledger
- Sales Ledger Control account
- Purchases Ledger Control Account
- Questions & Exercise

Week 9-10

- Introduction
 - Profit Calculation
 - Adjustment for Drawing & Additional capital introduced
 - Analysis of Cash receipts & payments
 - Determination of Amount of Sales & Purchases
 - Conversion into double entry
- Questions & Exercises

Week 11-12

Account for clubs and associations

Introduction

- Receipt and Payment Account
- Income and Expenditure Account
- Balance Sheet

Questions & Exercises

Week 13-14 REVISION

Continuous Assessment 40marks

- i. Class attendance atleast 70%
- ii. Assignments including Presentation
- iii. Semester Test

Semester Examination 60marks

- i. Written & Calculation

Reading Text

1. Eno L. Inanga & Olatundun J. Adelegan (2013) Principles of Accounting. Third Edition
2. O.M Oyinlola (1999) Book Keeping made simple
3. S.F Akinbuli (2006) Financial Accounting: Principles and Application
4. A.R Anao (2004) An introduction to Financial Accounting
5. A.O Akinduko (2000) Basic Accounting
6. Femi Longe O (2002) Simplified Book Keeping and Account

Welcome to Lead City University...

TUTORIAL QUESTION

1. The Trial Balance below has been extracted from the book of Johnson Essentials Manufacturer as at 31st December

Trial Balance as at 31st December, 20X7

	DR ₦	CR ₦
Stocks as at 1/1/X7:		
Raw Materials	21,000	
Finished goods	38,900	
Work-in-Progress	13,500	
Wages (direct ₦180,000 factory indirect ₦145,000)	325,000	
Royalties	7,000	
Carriage inwards on raw materials	3,500	
Purchases of raw materials	370,000	
Productive machinery (cost ₦280,000)	230,000	
Accounting machinery (cost ₦20,000)	12,000	
General factor expenses	31,000	
Factory power	13,700	
Administrative salaries	44,000	
Salesmen's salaries	40,000	
Lighting	30,000	
Commission on sales	11,500	
Rent	12,000	
Insurance	4,200	
General administration expenses	13,400	
Bank charges	2,300	
Discounts allowed	4,800	
Carriage outwards	5,900	
Sales		1,000,000
Debtors/creditors	142,300	
Bank	56,800	
Cash	1,500	
Drawing	20,000	
Capital as at 1/1/97	1,421,800	296,800
	1,421,800	1,421,800

Additional Information

- (i) Stock: Raw Material **N24,000** Finished goods **N40,000** Work-in-progress **N15,000**
- (ii) Lighting and rent and insurance are to be apportioned: Factory **5/6** Administration **1/6**
- (iii) Depreciation on productive and accounting machinery at **10%** per annum on cost.

REQUIRED: Prepare Manufacturing Trading, Profit and Loss Account and Balance Sheet of J Rapha Toy Manufacturers for the years ended 31st December, 20X7.

2. At the beginning of Year 1, a motor vehicle is bought for ₦45,000.00. It is expected to last for 4 years, to run 80,000 kilometres and then have a scrap value of ₦5,000.00. You are required to show the depreciation provision and the relevant parts of the balance sheet for the motor vehicle at the end of Year 2,

- (a) If the straight-line method of depreciation is adopted,.
- (b) If the fixed percentage of the diminishing value method is adopted,
- (c) If the service-unit method, assuming 50,000 kilometres have been run by the end of Year2.

3. (a) What is a control account and what purpose does it serve?
 (b) From the following information prepare the Sales Ledger Control Account for the month of January, 2011

	N
Debit balance in sales ledger on 1 January	345,000
Credit balances in sales on sales ledger 1January	2,500
Sales during the month	950,000
Cash received from debtors	775,000
Discount allowed to debtors	35,000
Bad debts written off	10,000
Sales returns during the month	25,000
Debit balances transferred to Purchase ledger	5,000
Credit balance in sales ledger on 31 st January	3,000

(c) What are the possible reasons for a credit balance in the Sales Ledger Control Account?

4. Razaq runs a manufacturing business in Ilorin. As at 31st March 20X8, the following trial balance was extracted from his book:

	DR. ₦	CR. ₦
Purchases ledger balances		6,125
Purchases Returns(raw materials)		18
Sales Ledger Balances	8,806	
Factory Power	3,200	
Cash at bank	7,882	
Discounts	980	318
Freehold factory land and building	9,180	
Purchases of raw materials	26,418	
Offices expenses	1,200	
Cash in hand	1,238	
Factory indirect expenses	1,036	
Factory wages	7,200	
Bills receivable	1,297	
Sales returns	120	
Office furniture	1,420	
Stock - raw materials (at cost)	3,125	
-Work in progress (at cost)	1,312	
-finished goods (at cost plus mark- up)	2,012	
Bank overdraft	9,836	
Bank charges	180	
Salesmen's commissions	1,286	
Interest payment	820	
Plant and machinery	46,780	
Capital		10,120
General expenses	2,078	
Bad debt	412	
Goodwill	18,000	
Drawings	9,693	
Provision for bad debt		415
Insurance	712	
Motor vehicle	8,000	
Purchases of finished goods	6,301	
Rates	840	
Provision for unrealised profit on stock		183
Loan		50,000
Office salaries	4,007	
Sales		98,520
	<u>175,535</u>	<u>175,535</u>

Additional information:

- (i) Stocks at 31st March 20X8 were:
 Raw materials (cost) ₦5,812 Work-in-progress(cost) ₦1,380 Finished goods (cost plus mark-up) ₦1,508
 All the finished goods during the year were sold before 31st March 20X8.
- (ii) 10% of factory power was incurred to put the goods into a saleable condition.
- (iii) Depreciation is to be charged as follows:
 Plant & machinery 5% Office furniture 10% Motor lorries ₦900
- (iv) Insurance premium ₦112 was prepaid
- (v) Bad debt provision should be made up to ₦600
- (vi) The motor lorries are used wholly in the factory
- (vii) A mark- up of 10% is added to cost of goods produced before being transferred to the trading account.
 You are required to prepare for Razaq a manufacturing, trading and profit and loss account for the year ended 31st March 20X8

5. The Trial Balance, Self –Balancing Ledgers and Control Accounts.

The Naira and kobo Company maintains a Creditors Control Account, (or Creditors Total Account), in its general ledger. On September 1, 20X7, the balance on the Creditors' Control Account was ₦295,600 representing the following unpaid accounts:

Fixtures and Fitting Limited	85,600
Stars and Skies Limited	150,000
N. Garuba	60,000

During the month, the following transactions took place:

September	3	Purchased goods on credit from Ebony Product Limited	25,000
	10	Paid Fixtures and Fittings Ltd.	75,000
	15	Paid Stars and Skies Ltd.	100,000
	20	Returned defective goods to N. Garuba	120,000
	22	Purchased goods on credit from P. Dada	35,000
	25	Purchased goods on credit from Ogun Trading Company	215,000
	26	Paid Ebony products in full Settlement	24,500
	27	Paid N. Garuba on account	45,000
	31	Paid Ogun trading company less 10% discount	193,500

(a) You are required to prepare for Naira and Kobo Company in September, 20X7:

- The Creditors Control Account as it would appear in the General Ledger,
- The General Ledger Adjustment Account as it would appear in the Creditors' Ledger

6. Omotsola commenced business as a sole trader in January 20X8 as a textile merchant. The following are the details of "Ankara" purchased and sold by him in January 20X8:

January	4 th	Purchased 100 bundles at ₦1000 cash
January	5 th	Purchased 150 bundles at ₦1,100 cash
January	8 th	Sold 80 bundles at ₦1,800 each
January	13 th	Sold 90 bundles at ₦1,850 each
January	20 th	Purchased 70 bundles at ₦1,200 each
January	22 nd	Sold 50 bundles at ₦1,950 each
January	25 th	Sold 60 bundles at ₦1,800 each
January	28 th	Purchased 90 bundles at ₦1,250 each
January	31 st	Sold 50 bundles at ₦1,900 each

Required. Using First Out [FIFO], Last in OUT [LIFO] and Weighted Average Price [WAP] methods, you are required, to ascertain the value of closing stock at 31st January 20X8 and prepare the trading account for the month.

7. Ochuko. A sole trader keeps his books so that a sales ledger control account and a purchases ledger control account are shown in his general ledger and balance at the end of each month. From the following details, show how these two control accounts will appear in the general ledger for the month of December 20X7.

At Dec. 20X7:		₦
	DR balance in the sales ledger	13,500
	DR balances in the purchases ledger	415
	CR balances in the sales ledger	300
	CR balances in the purchases ledger	12,000
For the month of Dec. 20X7:		
	Total credit purchases	17,500
	Total credit sales	20,000
	Sales returns and allowances	360
	Purchases returns and allowances	200
	Cash received from trade debtors	7,500
	Cheques received from trade debtors	15,000
	Discounts received from creditors	120
	Payment made to trade creditors	16,400
	Discounts allowed to trade debtors	360
	Bad debts written off	50
	Provision for doubtful debts	200
	Bills of exchange accepted by trade debtors of Ochuko	4,300

Bills of exchange accepted by Ochuko	6,600
Sales ledger credit balance transferred to purchases ledger	80
Cash purchases	3,000
Dishonoured bills payable	130
Dishonoured bills receivable	180
CR balance in the sales ledger	195
DR balance in the purchases ledger	180

8. The following trail balance was extracted from the book of Metsese Enterprises on 31st December, 20X8:

	DR.	CR.
	₦	₦
Purchases	368,400	
Sales		517,900
Drawing	14,100	
Returns inwards	7,300	
Returns outward		6,200
Discounts allowed	10,200	
Debtors	45,000	
Creditors		57,100
Stock	34,300	
Freehold premises at cost	46,000	
Motor vehicle at cost	12,000	
Furniture at cost	2,500	
Provision for depreciation on motor vehicle		4,500
Provision for depreciation on furniture		1000
Cash at bank	5,000	
Cash in hand	1,900	
Salaries	40,600	
Carriage inwards	22,200	
Carriage outwards	10,300	
Printing and stationery	3,600	
Electricity and water	14,900	
Insurance	6,800	
General expenses	34,800	
Provision for bad debt		200
Bad debt written off	400	
Capital		70,000
Rent received		3,800
Commission received		11,200
	680,300	680,300

The following information should be taken into account:

- Stock at 31st December 20X8 was valued at ₦31,800.
- Account expenses at 31/12/X8 were salaries ₦1,800 and electricity ₦800.
- Prepaid expenses at 31/12/X8 were insurance ₦400 and general expenses ₦500.
- Adjust provision for bad debt to 2% of debtors and create provision for discount allowed at 1% of debtors.
- Commission due but yet to be received at 31/12/X8 amounted to ₦200.
- Charge depreciation on fixed assets as follows:

Furniture	: 20% on cost
Motor vehicle	: 10% on cost
- Rent received in advance at 31/12/X8 amounted ₦200.
- Goods costing ₦1,200 were taken by the owner for private use. This was yet to be recorded in the books. You are required to prepare the Trading and Profit & Loss Account for the year ended 31st 20X8 and Balance Sheet as at that date.

9.A For the business of J. Charles, wholesales chemist, classify the following between 'capital' and 'revenue' expenditure:

- Purchase of an extra van.
- Cost of rebuilding warehouse wall which had fallen down.

- (c) Building extension to the warehouse.
- (d) Painting extension to warehouse when it is first built.
- (e) Repainting extension to warehouse three years later than that done in (d).
- (f) Carriage costs on bricks for new warehouse extension.
- (g) Carriage cost on purchases.
- (h) Carriage cost on sales.
- (i) Legal cost on collecting debts.
- (j) Legal charges on acquiring new premises for office.
- (k) fire insurance premium.
- (l) Costs of erecting new machine.

B. For the business of H. Ward, a food merchant, classify the following between 'capital' and 'revenue' expenditure:

- (a) Repairs to meat slicer.
- (b) New tyre for van.
- (c) Additional shop counter.
- (d) Renewing sign writing on shop.
- (e) Fitting partitions in shop.
- (f) Roof repairs.
- (g) Installing thief detection equipment.
- (h) Wages of shop assistant.
- (i) Carriage on returns outwards.
- (j) New cash register.
- (k) Repairs to office safe.
- (l) Installing extra toilet.

10: Master Tearrubber and Miss Teargas are in a joint venture to buy and sell a certain stock valued at #800,000. Queen contributed #500,000 while Prince paid #300,000 to acquire the stock. The parties agree to share the profit and/ losses equally after 10% sales commission to each party on sales made.

The following transactions took place in June, 2004.

- June 1 Stock Purchased
- June 2 Prince bought a motor vehicle to transport the stock at #150,000
- June 4 Advertisement were placed by price #7,000 and Queen #10,000
- June 5 Sales made: Prince #250,000 and Queen #260,000
- June 8 The motor vehicle was repaired and paid for by Queen 310,000
- June 11 Prince made a sales of #130,000 and queen #80,000
- June 18 Queen sales was #300,000 while Prince was #280,000
- June 19 Prince bought petrol worth 38,000 for the motor vehicle
- June 25 The joint venture ceased and queen take over the motor vehicle at an agreed price of #110,000
- June 29 To close the joint venture relationship, both party agreed to #3,000 each as traveling expenses, with general expenses of #7,000 and #12,000 for Mr. Prince and Miss Queen respectively

Prepare the necessary accounts to record the above transactions and close the account to signify the end of the joint venture.

11. Chief Bode is an enlightened trader who refused to keep a complete set of account records. A summary of his two columnar cash book for the year ended 31st December, 1992 was as follows:-

Receipts		
	Cash ₦	Bank ₦
Balance on 1 st January	15	2,103
Cash Sales lodged directly		3,290
Credit Sales paid in by Cheque		2,960
Rent of room sublet	52	
Proceeds of sale of old fixture with written down value of ₦30	10	

Additional capital introduced		175
Cash from Bank	<u>1,218</u>	
	₦1,295	<u>₦8,528</u>
	Payments	
	Cash ₦	Bank ₦
Purchases for resale		4,220
General expenses	60	200
Rent and rates	560	
Wages	650	
Personal drawings		300
Travelling expenses		160
Cost of new fixtures		1,218
Cash from Bank	<u>25</u>	<u>2,135</u>
	₦1,295	₦8,528

- (1) Inspection of the credit sale invoice book showed that customers owed ₦1,250 on 1st January and ₦1560 on 31st of December 1992, of which ₦58 and ₦68 respectively were doubtful debts.
- (2) Examination of the paid invoice for purchases disclosed creditor of ₦950 at 1st January and ₦1,060 at 31st December 1992.

Chief Bode estimates that he had taken goods from stock for his domestic use costing ₦120 during the year and had not paid for them.

At the beginning of the year the shop fixtures on which depreciation is chargeable at 5% per annum was worth ₦570.

Stock was valued at ₦950 on 1st of January and ₦900 on 31st December 1992. You are required to prepare:-

- (a) A statement of capital at 1st January 1992;
- (b) Trading ,profit and loss account for the year ended 31st December 1992; and
- (c) A balance sheet as at that date.

12. Fashion wear Company Manufactures shoes. On 31st December n1991 the company had the following balances:-

	₦
Furniture and fitting	73,500
Bank overdraft	4,800
Drawings	6,750
Machinery	328,400
Office Equipment	85,630
Cash in hand	2,760
Delivery vans	124,500
Salaries and Wages	98,140
Stock on 1 st January 1991: Raw materials	22,61
Working in progress	17,300
Finished shoes	156,400
Capital	727,500
Factory wages	68,130
Factory Insurance	4,900
Provision for Bad debts	2,510
Administrative expenses	16,470
Sunday Creditors	223,920
Factory repairs and maintenance	34,690
Bad debts	5,330
Land and Buildings	467,200
Sunday Debtors	89,490
Purchase of raw materials	215,820
Lighting and Cooling	28,350
Selling Expenses	19,040
Sales of shoes	975,220
Stationeries	47,180
Repairs of Delivery Vans	21,360

The following additional information is given:

- (1) A debt of ₦130 is considered irrecoverable and should be written off.
- (2) Stationery of ₦750 remains unused.
- (3) Lighting and cooling is to be allowed to factory and office in the ratio of 5
- (4) Provision for bad debts is to be adjusted to $2\frac{1}{2}$ per cent of the new balance of sundry debtors.
- (5) Factory wages of ₦1,870 are to be paid.
- (6) Depreciation is to be written off the machinery at 5 percent and all other fixed assets except Land and Building at 10percent.
- (7) Stocks on 31st December 1991 were:-
Raw materials 36.620 Work-in-progress 12.750 Finished Shoes 181,340
You are required to prepare:-
 - (i) Manufacturing Account, and
 - (ii) Trading , Profit and Loss Account for the Year ended 31st December, 1991; and
 - (iii) Balance Sheet as at that date:-