

# **Principles of Accounts**

**1994-2004**

**JAMB**

**Questions**

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# Principles of Accounts 1994

- The term 'accounting period' is used to refer to the
  - time span during which taxes are paid to the Inland Revenue Board
  - Budget period, usually one year, relied on by the accountant
  - time span, usually one year covered by financial statement
  - period within which debtors are expected to settle accounts.
- Assigning revenues to the accounting period in which goods were sold or services rendered and expenses incurred is known as
  - passing of entries
  - consistency convention
  - matching concept
  - adjusting for revenue.
- The accounting convention which states that 'profit must not be recognized until realized while all losses should be adequately provided for' is termed
  - materiality
  - objectivity
  - consistency
  - conservatism.
- Accounting information is used by investors and creditors of a company to predict
  - future cash flows of the company
  - future tax payments of the company
  - potential merger candidates for the company
  - appropriate remuneration for the company's staff.
- Antics Electronics Company recently bought six generators. Which of the following is the correct method of recording this transaction.
  - Debit generator account and credit cash account.
  - Debit purchases account and credit cash account.
  - Debit cash account and credit purchases account.
  - Debit cash account and credit generator account.
- When a business incurs labours cost in installing a fixed asset, the cost is treated as
  - additional cost to the asset
  - business wages and salaries
  - installation cost of the asset
  - business cost of the asset.
- What is the cardinal rule of the double entry system?
  - Debit the increasing account and credit the decreasing account.
  - Debit the receiving account and credit the giving account.
  - Debit the asset account and credit the liability account.
  - Debit the revenue account and credit the expenditure account.
- Malam Gambo bought a freezer for his shop costing N 10,500. In recording, he debited office expenses account and credited the bank account. What book keeping error has he committed?

- Error of commission
- Error of reversal of entries.
- Error of principle.
- Compensation error.

- The use of the folio in the ledger is for
  - Referencing purposes
  - Particulars of the transaction
  - the account titles
  - Only credit items.

## 10. Account of Tanko Nig Ltd.

Dr.		Cr.	
	N		N
1/10 Bal. b/f	5,000	2/10 Cash	3,000
Sales	10,000	15/10 Bank	6,500

What is the closing balance of the account shown above?

- N 5,000
- N 6,500
- N 5,500
- N 15,000.

- The suspense account is used to correct book keeping errors where the
  - amount involved is quite significant
  - item involved is not material
  - item involved is unknown
  - error does not affect the agreement of the trial balance.
- The discount column of a three column cashbook is not balanced off but periodically transferred to the discount accounts because discounts.
  - are not important in cash book
  - are cash items only
  - do not form part of double entry
  - are used for bank reconciliation.
- When is a petty cash account debited?
  - When the fund is established and every time money is spent
  - when the fund is established and every time it is replenished
  - when the fund is established and when the size of the float is decreased
  - Everytime money is drawn from the petty cash.
- When preparing a bank reconciliation statement, which of the following is deducted from the balance per bank statement?
  - Bank charges.
  - Uncleared cheques
  - returned cheques
  - Unpresented cheques.
- The financial position of an organization at a particular time can be ascertained from the
  - statement of sources and application of funds
  - statement of retained earnings
  - balance sheet
  - profit and loss account.

16. **Given:**

	N
Purchase	20,000
Sales	40,000
Carriage inwards	5,000
Carriage outwards	5,000
Opening stock	10,000
Closing stock	5,000

What is the cost of good sold?

- A. N 30,000      B. N 25,000  
C. N 20,000      D. N 15,000

17. The net profit or loss for the year is determined in the profit and loss account after

- A. deducting purchases from sales  
B. deducting cost of goods sold from sales and adding administrative expenses  
C. adding commissions received to gross profit  
D. eliminating all expenses from gross profit and adding any other income.

*Use the table below to answer question 18 and 19*

Stock	Cost price N	Qty (units)
Opening balance 1/1/90	3.00	3,000
Purchases January	3.50	15,000
Purchases February	4.00	25,000
Sales January	4.50	13,000
Sales February	5.00	28,000

18. Using LIFO, determine the value of closing stock.

- A. N 9,600      B. N 7,600  
C. N 6,000      D. N 2,000.

19. What is the gross profit at the end of February, if the closing stock were valued at N 20,000?

- A. N 65,000      B. N 57,000  
C. N 48,000      D. N 37,000.

20. A trial balance shows provision for doubtful debts, N 190 and debtors, N 6,000. It is required to write off further N320 as bad debts and maintain the provision at 2½% of debtors. To do this, the profit and loss should show a

- A. credit of N 20 and a debit of N 100  
B. credit of N 28 and a debit of N 300  
C. credit of N 48      D. debit entry of N 414

21. If a bad debt previously written off is subsequently repaid, the amount collected is recorded as an

- A. income in the profit and loss account  
B. income in the balance sheet  
C. addition cash in the profit and loss account  
D. expense in the balance sheet.

22. Beginning and ending accounts receivable balances were N 8,000 and N 15,000 respectively. If collections from customers during the period were N 36,000, then total sales on account would be

- A. N 23,000      B. N 29,000  
C. N 36,000      D. N 43,000.

23. From which of the following sources are creditors control account most likely to be posted?

- A. Supplier's invoices  
B. Cash disbursements journal  
C. Subsidiary debtor's ledger  
D. Purchases journal.

*Use the information below to answer questions 24 and 25*

Chukwuma Okeke did not keep his books based on the double entry principle. On 1<sup>st</sup> January 1993, Cash in hand was N60, Bank overdraft N1,100, Debtor N7,240, Stock N27,450, Furnishings N2,000 and creditors N6,990. As at 31<sup>st</sup> December 1993, Cash in hand was N40, Cash at bank was N 1,050, Debtors N6,750, Stock N29, 180, Furnishings N2,000 and Creditors N 6,090.

24. Compute the capital as at 1<sup>st</sup> January 1993.

- A. N29,800      B. N28,900      C. N26, 700      D. N20,800.

25. Determine his net profit as at 31<sup>st</sup> December 1993.

- A. N2,000      B. N2,200  
C. N3,500      D. N4,200.

26. Which of the following categories of labours cost will be classified as direct?

- A. Accountant's salary      B. Factory workers' salary  
C. Managing director's salary      D. Cashier's salary.

*Use the information below to answer questions 27 and 28*

	Unit	Unit	Total	Unit
		Cost	Cost	Sold
		N	N	
Beginning inventory	20	6	120	
Sale No. 1				18
Purchase No. 1	30	8	240	
Sales No. 2				20
Purchase No 2	<u>10</u>	9	90	
Total	<u>60</u>			<u>38</u>

27. Using the FIFO method of stock valuation, the ending inventory cost is

- A. N 146      B. N 165  
C. N 186      D. N 314

28. Using the LIFO inventory procedures, the ending inventory cost is

- A. N136      B. N 176  
C. N 196      D. N 264

29. The major difference between the receipt and payment account and the income and expenditure account is that while the former

- A. is kept by the treasurer, the latter is not  
B. deals with all receipt and payments in the year regardless of the time it relates to the latter is for just that year  
C. is a T-account the latter is not  
D. is not in the ledger, the latter is.

30. The following information relates to a hockey club:

	N
<b>Subscription owing at the beginning</b>	<b>40</b>
<b>Subscription owing at the end</b>	<b>35</b>
<b>Subscription received in the advance at the beginning</b>	<b>15</b>
<b>Subscription received During the period</b>	<b>2,560</b>

The amount to be shown in the income and expenditure account would be

- A. N2,500      B. N 2,540  
C. N2,570      D. N2,590.

31. The net profit from the trading account of a non-profit making organization would be treated as income in the
- A. income and expenditure account  
B. receipt and payment account  
C. balance sheet  
D. statement of affairs

*Use the information below to answer questions 32 and 33.*

**Ada and Udo are lawyers who went into partnership as Ado & Co. Ada brought cash of N12,000, furnishing worth N18,000 and a motor vehicle worth N70,000 Udo on the other hand brought in cash N10,000, his building valued at N05,000 and a personal computer worth N135,000.**

32. What is the capital of Ado & Co.?
- A. N22,000      B. N100,000  
C. N 150,000      D. N250,000.
33. What is the profit sharing ratio if it is based on capital contributed by Ada and Udo?
- A. 2:1      B. 3:2  
C. 2:3      D. 1:2
34. The major distinguishing element between the final accounts of a partnership and a sole trader is the
- A. drawings account      B. appropriation account  
C. capital account      D. creditors account.
35. Good will appears in the books of a business only if it has been
- A. purchased at a certain price  
B. raised in connection with the admission of a new partner  
C. raised to account for the true value of a business on the death of a partner  
D. raised in order to prevent the balance sheet showing that the business is insolvent.
36. Kayode, Akpan and Kachalla are in partnership. Their respective capital accounts had the following balances: N40,000 N50,000 and N70,000. The partners agree to admit Wamo as a new partner with a one-fifth interest in the partnership capital in exchange for N50,000 cash. Wamo's equity in the resulting partnership is
- A. N32,000      B. N50,000  
C. N42,000      D. N50,000.

37. Under which of the following conditions is a partnership dissolved?
- A. Change of the partnership's head office.  
B. Admission of a new partner.  
C. Purchase of a large quantity of fixed assets.  
D. Retirement of a manager who is not a partner.
38. When shares issued are paid for the accounting entry required is
- A. debit bank or cash account and credit share capital and/or premium account  
B. credit bank or cash account and debit shares capital and/or premium account  
C. debit shares account and credit capital account  
D. credit shares account and debit capital account.

*Use the information below to answer questions 39 and 40*

A limited liability company has an authorized share capital of N 50 million split into 100 million shares. 80 million shares were offered for subscription at 60k per share payable in full on application. These have been fully subscribed and issued.

39. What is the nominal value of each share?
- A. N2      B. N0.80      C. N0.60      D. N0.50
40. What is the issued capital?
- A. N40 million      B. N48 million  
C. N50 million      D. N80 million.
41. The document setting out the regulations regarding shares, meetings and internal organization of a company is known as
- A. memorandum of association  
B. articles of association  
C. prospectus      D. company law.
42. An advantage of using accounting ratio is that they
- A. can be easily calculated  
B. facilitate decision-making  
C. are stipulated by law  
D. show errors and frauds.

43. The accounts of Buba (Nig.) Plc showed the following for the year ended December 31, 1993:

	N
Gross sales	219,900
Sales returns and allowances	<u>4,900</u>
Net sales	<u>215,000</u>

Accounts receivable (net):	
1/1/93	20,000
31/12/93	30,000

The turnover of accounts receivable is A. 6.14 times per year B. 8.14 times per year C. 8.60 times per year D. 8.64 times per year.

44. Given:
- |                |         |
|----------------|---------|
| Sales          | N20,000 |
| Costs of sales | N15,000 |

The gross profit margin would be

A. 33.33%	B. 25.00%
C. 20.00%	D. 14.28%

Use the information below to answer questions 45 and 46

Perebeni Enterprises has two departments A and B, with following information

	A	B
	N	N
Open. Stock	5,000	1,500
Purchases	26,000	3,000
Close. Stock	7,000	2,500
Sales	45,000	4,000

The following expenses are to be shared in the ratio 4:1

Rent	N8,300
General Expenses	N3,200

45. What are the company's gross profit for the year?
- |            |             |
|------------|-------------|
| A. N11,500 | B. N12,500  |
| C. N20,000 | D. N23,000. |

46. What is the net profit (or loss) contributed by department B?
- |           |             |
|-----------|-------------|
| A. N2,000 | B. (N2,000) |
| C. (N300) | D. N300.    |
47. The expenditure on a good or service which is consumed either immediately or within a current accounting period is called
- |                       |                          |
|-----------------------|--------------------------|
| A. fixed expenditure  | B. capital expenditure   |
| C. annual expenditure | D. recurrent expenditure |
48. The receipts from a special tax levy to pay maturing interest obligation are recorded in
- |                         |                          |
|-------------------------|--------------------------|
| A. Capital Project Fund | B. Debt Service Fund     |
| C. Tax Assessment Fund  | D. Special Revenue Fund. |
49. The cash basis of accounting requires the recognition of revenue only when they are
- |         |              |
|---------|--------------|
| A. due  | B. earned    |
| C. paid | D. received. |
50. The amount for individual items on a government budget is called a
- |         |            |
|---------|------------|
| A. vote | B. deposit |
| C. loan | D. grant.  |

## Principles of Account 1995

1. Which of the following factors' has aided the development of Accounting?
- |   |                         |
|---|-------------------------|
| A. The emergency of nation states   | B. Conservation Concept |
| B. The discovery of mineral resources in commercial quantity.                       | D. Materiality concept. |
| C. The growth in size of businesses and the separation of ownership and management. |                         |
| D. The development and management of a sophisticated monetary system                |                         |
2. Which of the following concepts stipulates that accounting profit is the difference between revenue and expenses?
- |                     |                         |
|---------------------|-------------------------|
| A. Accrual concept  | B. Conservation Concept |
| C. Prudence Concept | D. Materiality concept. |
3. An effective accounting system should provide information
- |  |  |
|--|--|
| A. on new products and methods                                       | B. for customer feedback and requirements                    |
| C. on internal and external reporting for managers and third parties | D. for promoters, directors, labour unions and distributors. |
4. Which of the following accounting records are source documents?
- |                             |                                  |
|-----------------------------|----------------------------------|
| A. Journals and ledgers     | B. Sales invoice and cashbook    |
| C. Cash book and debit note | D. Sales invoice and debit note. |
5. Given: Motor van, N3,600, Premises, N5,000: Loan from R. Nwaeke, N1,000: Cash at bank, N1,650: Stock of goods, N4,800: Creditors, N2,560: Cash in hand, N250 and Debtors, N6,910. Calculate the capital figure.
- |            |             |
|------------|-------------|
| A. N19,650 | B. N18,650  |
| C. N17,850 | D. N19,850. |
6. Which of the following transactions is BEST recorded in the general journal?
- |   |   |
|---|---|
| A. Payment of rent with a cheque.       | B. Payment of stock with cash                   |
| C. Purchase of an asset on credit terms | D. Transfer of cash from head office to branch. |
7. Diamon Ringo business was started when Mr. Diamon brought in a Cheque of N 500,000 which was paid into the bank account. Which of the following entries properly records the transaction?
- |  |  |
|--|--|
| A. Cash account was credited with N 500,000 and the capital account was debited with N 500,000 | B. Bank account was debited with N 500,000 and capital account was credited with N 500,000 |
|--|--|

- C. Bank account was credited with N 500,000 and capital account was debited with N500,000.
- D. Mr. Diamon's account was debited with N500,000 and the cheque account was credited with N 500,000.
8. One major advantage of a ledger is that it
- is a book of original entry
  - is only accessible to shareholders during liquidation
  - removes the need for preparing a balance sheet after each transaction
  - can be used by any type of business.
9. A trial balance is usually prepared by an accounting from account balances in the ledger for the purpose of
- classifying account in the ledger
  - testing arithmetical accuracies of the ledger account balances
  - identifying the balance sheet items
  - providing a basis for establishing the accountant's competence.

10. What are the advantages of an imprest petty cash book? (i.) Cheque can be drawn easily (ii.) A check on the use of cash (iii.) Liability of the petty cashier is limited to the value of petty cash. (iv.) Losses through the petty cashier can be minimized.
- A. I, II, and III and III only      B. I, II and IV only  
C. I, III and IV only                D. II, III and IV only.

11. Bola, UTC's regular customer, owed N 1,000 on account of radio brought. If he sent in a cheque for N 1,500, UTC would send him a
- A. credit note B. debit note C. journal voucher D. way bill.

12. A payment of cash of N20 to John was entered on the receipt side of the cashbook in error and credited to John's account. Which of the following journal entries can be used to correct the error?
- John: N 40 Dr, Cash N 40Cr
  - Cash N 40 Dr, John: N 40 Cr.
  - John: N 20 Dr, Cash N 20 Cr.
  - Cash: N 20 Dr, John: N 20 Cr.

13. The following represents extracts from the trading account of a retail outlet for a given month:

	N
Opening Stock	2,400
Closing Stock	6,400
Other expenses	2,000
Sales	11,000
Profit	900

- What is the purchase figure for the month?
- N 13,000
  - N 12,100
  - N 12,000
  - N 11,200.

14. Adama's bank account showed on overdraft of N600 on 31<sup>st</sup> March. On going through the account. It was discovered that the N 1,080 paid into the account on 29<sup>th</sup> March had not been a credited. What should be

- the balance in Adama's cash accounts?
- N 1.680 Dr.
  - N 1,080 Cr.
  - N 600 Dr.
  - N 480 Cr.

15. Why are adjustments in the profit and loss account necessary?
- to cover some expenses of the following year.
  - to ascertain the actual expenses incurred and income earned during the year.
  - To show the provisions made during the year
  - To show the total expenses paid and income received during the year.

*Use the information below to answer questions 16 and 17.*

**MACHINERY**

Historical cost	5,000,000.00
Estimated useful life	20 years
Residual value	N25,000:00
Date of acquisition	1/1/71
Depreciation method	Straight line

16. Accumulated depreciation on the asset as at 31/12/81 was
- N2,487,500.00
  - N2,736,250.00
  - N4,511,192.00
  - N4,975,000.00.
17. The book value of the asset as at 31/12/86 was
- N3,731,250.00
  - N2,487,500.00
  - N1,268,750.00
  - N1,020,000.00

*Use the information below to answer question 18 and 19*

The following is a draft balance sheet as at 31/12/92

	Cost	Accumulated Depreciation	Net
	N	N	N
<b>Fixed Assets</b>	<b>200,000</b>	<b>100,000</b>	<b>100,000</b>
(Tan)			
Current Assets:			
Stock in trade		10,000	
Trade debtors		4,500	
Cash at bank		22,800	
Cash in hand		9,700	
Trade creditors		?	
Capital		?	

Trade creditors' account was maintain at 25% of the capital

18. What was the balance in the trade creditors account as at 31/12/92?
- N 29,800
  - N 29,500
  - N 29,400
  - N 29,000.
19. What was the balance in the capital account as at 31/12/92?
- N76,000
  - N83,000
  - N117,600
  - N117,650.

20. The trial balance showed wages N 2,500 and a note stated that N500 wages were due but unpaid. When preparing final accounts and balance sheet, it is required to debit profit and loss account with
- N3,000 and show wages accrued N500 in the balance sheet
  - N2,000 and show wages accrued N 500 in the balance sheet
  - N3,000 and show wages prepaid N500 in the balance sheet.
  - N2,000 and show wages paid in advance N500 in the balance sheet.

21. Sales ledger control account contains the total amount in respect of
- creditors
  - debtors
  - investors
  - shareholders.

22. The purchases ledger account control of a company had an opening balance of N45,600 credit and closing balance of N72,600 credit. The made company payments of N437,000 to credit suppliers during the period; and had discount received of N18,600 on this account. What were the credit purchases for the period?
- N509,600
  - N482,600
  - N428,600
  - N18,400.

23. The starting point for the production of accounts from incomplete records is to
- ascertain the total sales
  - compute the opening stock of goods sold
  - verify the total purchases
  - prepare an opening statement of affairs.

*Use the information below to answer questions 24 and 25.*

**I. A retailer when fixing his selling price adds one-quarter: to the cost of the article. II. The expense of the retailer is 10% of his sales. III. The total sales is N23,000 IV. He turned over his stock five times in the year**

24. Compute the average amount of stock in hand at cost price.
- N3,860
  - N3,806
  - N3,680
  - N3,086.

25. The net profit for the year is
- N5,750
  - N5,650
  - N3,200
  - N2,300.

26. **Given:**

	N
Prime cost	320,000
Factory cost	32,000
Working in progress at beginning	25,000
Working in progress at close	19,000
Administrative expenses	21,000

**Determine the production cost.**

- N296,000
- N277,000
- N258,000
- N246,000.

27. The factory cost of goods produced is made up of

- prime Cost and factory overhead
- prime cost and office overhead
- raw materials consumed and fixed cost
- Raw materials and Administrative overhead.

28. The below information is provided for Amusa Company Ltd. a manufacturer.

	N
Prime cost	999,000
Manufacturing Overhead	132,000
Closing work in progress transferred to the trading Account	1,116,000

If included in the manufacturing overhead were rents of N 5,000 paid in advance, what is the opening work in progress for the period?

- N85,000
- N80,000
- N70,000
- N65,000.

29. Subscription in arrears are
- credited to the income and expenditure account and shown as liability in the balance sheet
  - debited to the income and expenditure account and shown as an asset in the balance sheet
  - credited to the income and expenditure account and shown as a asset in the balance sheet
  - debited to the income and expenditure account and shown as a liability in the balance sheet.

30. Where a non-profit making organization prepares the account using accruals basis of reporting the statement showing how well the organization is doing is the
- appropriation account
  - balance sheet
  - income and expenditure account
  - receipts and payment account.

31. A charitable club has the following Figures:-

	N
Subscriptions received in 1991	2,800
Subscriptions unpaid in 1990	300
Subscriptions paid for 1992	150
Subscriptions due 1991	180

How much should be charged to the income and expenditure of this club as subcription for 1991?

- N2,530
- N2,680
- N2,830
- N2,980

32. A member of a club paid N1,000 as his subscription for 1993 and N1,200 as subscription for 1994. If the financial year of the society ended on 31<sup>st</sup> December 1993 the N1,200 subscription will be treated in the balance sheet as

- current asset
- current liability
- capital
- 

profit.

33. Which of the following is a strong feature of partnership?

- The life of the partnership is generally assumed to be indefinite

- B. The owners are liable personally for all debts of the business.
- C. The transfer of ownership is frequent and easy to accomplish
- D. The partnership is complex to form because of many legal and reporting requirements.

Profit and loss A/C	13,000	
Trade creditors		30,000
Accruals	5,000	
Stock		10,000
Debtors	40,000	
Bank		25,000

34. Interest on a partner's drawing is debited to the
- A. partner's current account and credited to the profit and loss appropriation account
  - B. profit and loss appropriation account
  - C. profit and loss account and credited to the partner's current account.
  - D. partner's current account and credited to the profit and loss account.
35. A partnership on admitting a new member, revalued the business' land and building from N30,000 to N70,000. The difference of N40,000 should be
- A. credited to land and building account
  - B. debited to asset revaluation account
  - C. credited to asset revaluation account
  - D. credited to profit and loss appropriation account

39. Equity shareholder fund is
- A. N130,000
  - B. N120,000
  - C. N113,000
  - D. N100,000
40. If a 10% dividend is approved, what is the dividend payable to ordinary shareholders?
- A. N13,000
  - B. N11,300
  - C. N10,000
  - D. N8,000
41. Which of the following ratios gives an idea of the liquidity of a firm?
- A. Turnover ratio
  - B. Quick ratio
  - C. Debt ratio
  - D. Divided yield.
42. A total of N400,000 shares of N1 each are to be issued by Sariki Company Ltd. at a price of N1.20 per share. Applications were received for 600,000 shares out of which 100,000 were dishonored. If the available shares are distributed pro rata, what refund will be due a subscriber who applied for 5,000 shares?
- A. N1,000
  - B. N1,200
  - C. N4,800
  - D. N6,000

Use the information below to answer questions 36 and 37.

**Halidu and Hamed are business partners with N30,000 and N20,000 capital respectively. At the end of the financial year, a profit of N12,000 which included Halidu's salary of N3,000 was made**

36. Halidu's share of the profit is
- A. N7,500
  - B. N6,000
  - C. N5,400
  - D. N4,500.
37. Hamed's share of the profit should be
- A. credited to partners' capital account
  - B. credited to partners' current account
  - C. credited to appropriation account
  - D. debited to partners' drawings account.
38. The conversion of a partnership business into a limited liability company affords the
- A. general partners the chance of enjoying the limited liability protection
  - B. limited liability partners the chance of enjoying the limited liability protection
  - C. creditors the chance of enjoying the limited liability protection
  - D. debtors the chance of enjoying the limited liability protection.

43. The measure of a company's ability to pay its debts quickly is called
- A. current ratio
  - B. turnover ratio
  - C. acid test ratio
  - D. return on investment.
44. Department accounts are maintained to ascertain the
- A. profits of the entire organization
  - B. contribution of each department
  - C. expenses of each department
  - D. sales of each department.
45. The Asa branch of Emene Company Ltd. Made a sale of N 549,000 from the goods sent from the head office during the period ended 31/12/94. These sales were based on a 22% mark up. If branch expenses were N34,400 and there were no discrepancies, what should be the net profit of the branch for the period?
- A. N6,500
  - B. N64,600
  - C. N85,380
  - D. N514,600

Use the information below to answer questions 39 and 40

**Yakubu (Nigeria) Limited (Extract) Balance Sheet as at 31<sup>st</sup> December 1993.**

	Authorized	Issued	
	N	N	N
Ordinary shares	100,000	80,000	
10% preference shares	30,000	20,000	
Share premium		20,000	

46. Which of the following statement is current about the head office current account and the branch current account?
- A. Both always have debit balances
  - B. Both always have credit balances
  - C. The head office current account has a credit balance while the branch current account has a debit balance.
  - D. The head office current account has a debit

balance while the branch current account has a credit balance.

47. Which of the following are sources of revenue to share governments in Nigeria? I Statutory allocation, II Fines from customary courts, III Petroleum tax IV Income tax.  
 A. I and II only B. II and III only  
 C. I and IV only D. III and IV only.

Use the information to answer questions 48 and 49

**Eko Local Government Expenditure**

	N
Hospital building	200,000
Drugs	180,000
Hospital beds and Mattresses	40,000

- Doctors' and nurses' Salaries 120,000  
 Administrative expenses 50,000
48. Capital expenditure is  
 A. N420,000 B. N380,000  
 C. N240,000 D. N200,000
49. Recurrent expenditure is  
 A. N390,000 B. N360,000  
 C. N 350,000 D. N170,000

50. A governmental accounting system must make sure that  
 A. revenue exceeds expenditure  
 B. all applicable legal provisions are complied with  
 C. capital expenditure is equal to revenue  
 D. capital project fund is tied to recurrent expenditure.

# Principles of Accounts 1997

1. The most important reason for studying accounting is that  
 A. the information provided by accounting is useful in making decisions  
 B. accounting plays an important role in a society  
 C. the study of accounting leads to a challenging career  
 D. accounting provides gross profit information.
2. In preparing accounting records, the owners of a business and the business are treated as  
 A. the same person B. having business relationship  
 C. separate legal entities D. partners
3. Creditors use accounting information for the purpose of  
 A. planning sales to a company  
 B. controlling a company's affairs  
 C. investing in a company  
 D. assessing a company liquidity.
4. The instruments that are generated when firms enter into business transactions with others are called  
 A. purchases documents B. journals  
 C. source documents D. invoices.
5. The document that is used to acknowledge the acceptance of the return of goods by the seller from the buyer is known as  
 A. credit note B. debit note  
 C. invoice D. voucher.
6. The effects of the payment of a liability is that it  
 A. increases both assets and liabilities  
 B. increases assets and decreases liabilities  
 C. decreases assets and increases liabilities  
 D. decrease both assets and liabilities.

7. Books of original entry are use for  
 A. recording business transactions  
 B. the adjustment of accounts  
 C. reminding the bookkeeper to post transactions in the ledger  
 D. Informing about the state of affairs.

8. The term posting in accounting refers to  
 A. recording entries in the journal  
 B. transferring the balances in the ledger to the trial balance  
 C. tracing amounts from the journal to the ledger to find errors  
 D. transferring entries to the ledger from the journal.

9. Erroneous rearrangement of financial figures such as writing N624 as N264 is called  
 A. transposition B. principle  
 C. commission D. omission

10. **Bank Account**

	N		N
Capital	50,000	Purchase	20,000
Sales	38,500	Rent	2,590
	_____	Motor V	6,500
	_____		_____

- What is the balance of the bank account shown above?  
 A. N 88,500 debit B. N88,500credit  
 C. N59,410 credit D. N59,410debit.

11. Which of the following demonstrates the imprest system?  
 A. Float-> expenses paid —>cash in bank--> float.  
 B. Float --> cash from bank --> expenses paid →float  
 C. Float--> expenses paid--> cash from bank --> float  
 D. Float--> cash in bank--> expenses paid -> float.

12. When a sum of money appears on the credit side of the cash book. but not on the debit side of the bank statement, the sum is regarded as



29. **Given** N
- |                   |        |
|-------------------|--------|
| Direct material   | 10,000 |
| Director labour   | 5,000  |
| Director expenses | 2,000  |
| Factory overhead  | 4,000  |
- What is the prime cost?
- A. N21,000 B. N17,000  
C. N15,000 D. N6,000

30. The understatement of closing value of work-in-process would have the effect of
- A. understating cost of goods manufactured  
B. overstating prime cost of goods manufactured  
C. overstating cost of goods manufactured  
D. understating prime cost of goods manufactured.

31. Emeka Manufacturing Company (Extract)  
Manufacturing Account.

Direct material	N5,000
Direct labour	N4,000
Direct expenses	N3,000
Factory overhead	N2,500
Selling and distribution	N1,500

Calculate the production cost.

- A. N16,500 B. N15,000  
C. N14,000 D. N12,500

32. The difference between a trading account and a manufacturing account is that while the manufacturing account
- A. has no particular period, the trading account has  
B. does not consider the cost of goods involved, the trading account does  
C. is concerned with the cost of production the trading account is not  
D. is not concerned with the stock of raw materials, the trading account is.

33. An income and expenditure account is a summary of
- A. all income and expenditure during a period  
B. revenue income and expenditure during a period  
C. receipts and payment during a period  
D. the trading income during a period

Use the information below to answer questions 34 and 35

Gbagada Social Club  
Receipt and Payments Account for the year 1993

	N		N
Balance b/d	720	Rent	180
Subscriptions	14,300	Furniture	3,500
Proceed from raffle draws	2,000	Rate	580
		Stationery	120

	N		N
		Welfare expenses	1,000
		Raffle prize	950
		Balance c/d	10,690
	17,020		17,020

Additional Information

	1:1:93	31:12:93		
			N	N
Subscription in arrears			300	450
Furniture			7,000	
Subscription received in advance			500	400
Rate owing			50	60

34. Subscription relating to the accounting year 1993 in the income and expenditure account is
- A. N15,050 B. N14,550  
C. N14,300 D. N13,400

35. Accumulated fund on 1<sup>st</sup> January 1993 is
- A. N8,570 B. N8,470  
C. N7,850 D. N7,520

36. Adamu Babaji and Chukwu are in partnership and they share profit and losses on ratio 3:2:1. Their respective capitals are N20,000, N15,000 and N5,000 on which they are entitled to interest at 5% per annum. The profit for the year before charging interest on capital amounted to N5,500. Calculate the profit for Adamu.
- A. N583 B. N1,000  
C. N1,167 D. N1,750

Use the table below to answer questions 37 and 38

**Partners Current Account**

	Musa N	Kalu N	Lawal N		Musa N	Kalu N	Lawal N
Interest On capital	10,000	8,000	8,000	Interest on capital	800	600	360
Drawings	8,800	10,000	6,000	Share of profit	26,200	13,100	13,100
Balance b/d	1,800	4,300	540	Balance c/d	1,800	4,300	540
					28,800	18,800	14,000

The current account above for Musa, Kalu and Lawal has some errors in the arrangement of accounts.

37. The correct closing balance for Musa's current account is
- A. N36,200 credit B. N16,600 credit  
C. N16,600 debit D. N1,800 credit
38. The correct closing balance of Lawal's current account is
- A. N21,100 debit B. N14,740 debit  
C. N14,740 credit D. N540 credit
39. Faruk and Osawe are in partnership sharing profits and losses in the ratio of 3:7. Faruk is to receive a

salary of N9,000. In one accounting period, the business recorded a loss of N1,500 (before deduction of Faruk's salary). The appropriate distribution of the net loss would be

- A. Faruk,(N450);Osawe,(N1,050)
- B. Faruk,(N3,150); Osawe (N7,350),
- C. Faruk,(N2,250);Osawe,(N5,250),
- D. Faruk, (N8,550);Osawe,(N1,050)

**Udoh trading company**  
**Balance sheet as at 31<sup>st</sup> December, 1992**

Capital 39,000	Land 20,000
Loan term 15,000	Building 30,000
Creditors 9,000	Stock 4,000
Accrued wages 5,000	Cash 8,000
	Debtors 6,000
<u>68,000</u>	<u>68,000</u>

40. On partnership dissolution, if partner's capital account has a debit balance and the partner is insolvent, the deficiency will in accordance with the decision of the case of Garner v Murry, be

- A. Borne by all the partners
- B. Borne by the insolvent partner,
- C. Written off,
- D. Borne by the solvent partners

41. Share premium can be used to  
i. Write off discount on shares ii. Give loans to directors, iii. Pay dividends, iv. Pay company's formation expenses

- A. i and iv only
- B. i and iii
- C. ii and iii only
- D. iii and iv only

42. A company has 5% debentures worth N500,000, ordinary capital N2,000,000, and preference shares N1,500,000. If the company made a profit of N1,000,000, the debenture interest would amount to

- A. N1,000,000
- B. N500,000
- C. N50,000
- D. N25,000

43. Alabede (Nig.) limited issued 50,000 ordinary shares of N1 each at market value of N2.50 each. The share premium is

- A. N125,000
- B. N100,000
- C. N75,000
- D. N50,000

44. A dividend of % in a company on 500,000 ordinary shares of N1 nominal value has been declared. How much will a shareholder receive if he has 200 shares?

- A. N500,000
- B. N50,000
- C. N200
- D. N20

*Use the information below to answer questions 45 & 46.*

45. What is the working capital?

- A. N12,000
- B. N11,000
- C. N8,000
- D. N4,000

46. The acid test ratio in the company is

- A. 1:1
- B. 1:2
- C. 2:3
- D. 3:2

47. If goods are invoiced to the branch at cost and the invoice par value is N2,000 with 5% discount rate, cash remitted to the head office is

- A. N2,100
- B. N2,000
- C. N1,900
- D. N100

48. Which of the following are advantages of departmental accounts? (i) The department making the highest profit can be easily determined (ii) The capital of the business can be calculated easily (iii) Easy knowledge of the sources of funding (iv) Encouragement of healthy rivalry among the various departments.

- A. i and iv only
- B. ii and iii only
- C. ii and iv only
- D. iii and iv only

49. Public sector accounting is based on

- A. cash
- B. accrual
- C. budgets
- D. consolidated fund.

50. The end result of governmental accounting procedure is to

- A. keep proper records of government expenditures
- B. give financial information to the public and investors
- C. produce timely and accurate financial reports timely and accurate financial reports for legislators and the public
- D. give information on the performance of public enterprises

## Principles of Account 1998

1. The Act establishing the Institute of Chartered Accountants of Nigeria (ICAN) came into force on  
A. 1<sup>st</sup> September, 1960    B. 1<sup>st</sup> October, 1960  
C. 1<sup>st</sup> October, 1963    D. 1<sup>st</sup> September, 1965.

2. Cost reports for attention of management should reflect  
A. as much details as possible  
B. summary figures only  
C. details of non-controllable expenses  
D. cost and comparable data useful in decision-making.

3. Responsibility accounting is particularly concerned with  
 A. historical accounting B. controllable costs  
 C. storekeeping D. valuation of stocks
4. An advantage of the use of the voucher system is that it  
 A. reduces the number of cheques that will be written during any given period  
 B. provides a highly flexible system for handling unusual transactions  
 C. provides a comprehensive record of business done with particular suppliers  
 D. ensures that every expenditure is reviewed and verified before payment is made.
5. A business transaction is recorded in the books of accounts when the  
 A. owner of the business invests his N10,000 in another company  
 B. business retains part of its profits for future expansion purposes  
 C. business applies for overdraft facilities from its bankers  
 D. owner of the business collects N5,000 from the accountant.

6. When a transaction causes an asset account to increase, there is  
 A. a decrease of equal amount in the owner's equity account  
 B. an increase in a liability account  
 C. an increase of equal amount in another asset account  
 D. a decrease of equal amount in a liability account.

7.

	N
Bank account	59,410
Capital account	50,000
Purchases account	20,000
Rent	2,500
Stationery	90
Typewriter	6,500
Sales	38,000

In preparing a trial balance from the list of balances given above, what is the total in debit and credit columns?

- A. N147910 B. N138500  
 C. N88500 D. N85800
8. The purchase of two generators by Hassan Electronics Enterprises should be recorded as  
 A. an acquisition of fixed assets.  
 B. an expense in its general office expenses column.  
 C. an acquisition of stock,  
 D. a part of capital in the capital account.

9. If the inventory at the end of the current year is understated and the error is not caught during the following year, the effect is to  
 A. understate income this year and understate in next year  
 B. overstate income this year and overstate in next year  
 C. understate this year's income with no effect on next year's  
 D. overstate the income for the two-year period.
10. The total of the discounts received column in the cash book is posted to the  
 A. credit of the discounts received account  
 B. debit of the discounts allowed account  
 C. credit of the discounts allowed account  
 D. debit of the discounts received account.

*Use the information below to answer questions 11 and 12*

**The initial imprest as at July 1<sup>st</sup> was N500. Petty cash vouchers with the custodian by July 15<sup>th</sup> added up to N394. An IOU slip received from a co-worker was N65 and there was a shortage of N5 cash. The co-worker made refund on July 18<sup>th</sup> just before the imprest was replenished.**

11. What was the actual cash in the till as at 15<sup>th</sup> July?  
 A. N106 B. N101 C. N70 D. N36
12. The amount required to replenish the payments made from the imprest was  
 A. N399 B. N394  
 C. N358 D. N101
13. State Bank collected a note for Al-Makura Company. This collection, not yet recorded in Al-Makura's books, appears on the bank reconciliation as  
 A. an addition to balance per books  
 B. a deduction from balance per bank statement  
 C. an addition to balance per bank statement  
 D. a deduction from balance per books.
14. Mayana Corporation uses special journals to record its transactions. If one of Mayana's customers returns merchandise purchased with cash (for a refund), it makes an entry in the  
 A. cash receipts journal B. sales journal  
 C. general journal  
 D. cash disbursement journal.

15. Sobande Incorporation acquire a machine that involved the following expenditures and related factors

	N
Gross invoice price	15,000
Sales tax	900
Purchases discount taken	300
Freight	750
Assembly of machine	500
Installation of machine	800
Assorted spare parts for future use	1,200
Turning and adjusting machine	700

What is the initial accounting cost of the machine?

- A. N19,550      B. N18,950  
C. N18,350      D. N17,500

16. A pottery company had sales of N176,000 during the current period and a gross profit rate of 40%. The company's cost of merchandise available for sale during the period was N128,000. The company's ending inventory is
- A. N22,400      B. N32,000  
C. N51,200      D. N76,800

**Use the information below to answer questions 17 and 18**  
**Wazobia Enterprises Balance Sheet as at 1/1/95**

Liabilities	N	Assets	N
Capital	40,000	Furnishing	10,000
		Ceiling fan	1,500
		Cash in hand	28,500
	<u>40,000</u>		<u>40,000</u>

**If at 31/1/95 the following information was ascertained (i) Rent shop N12,000 paid for the year (ii) Total purchases N15,000 (iii) Total sales N8,200 (iv) Stock of goods left N10,000 (v) Paid sales boy N500.**

17. What is the new balance sheet total as at 31/1/95?
- A. N40,000      B. N41,500  
C. N41,700      D. N48,500.
18. What is the balance on its cash account as at 31/1/95?
- A. N22,800      B. N21,200  
C. N9,200      D. N800
19. On 1st January, 1993, Lobo Company purchased equipment for N18,000. It uses straight-line depreciation and estimates an eight-year useful life and a N2,000 salvage value. On 31<sup>st</sup> December, 1996, it sells the equipment for N8,000. In recording this sale, it should reflect
- A. N10,000 loss      B. N2,000 loss  
C. N6,000 gain      D. N8,000 gain
20. The balance on a purchases ledger control account represents the
- A. present amount that a business owes its suppliers at date.  
B. Total credit available to the business at the end of the year to be utilized in future  
C. total credit the business enjoyed for the particular year from its suppliers. D. total credit owed the business by its customers.
21. A powerful instrument of control over both the sales ledger and the clerk whose duty is to post the ledger is the
- A. total debtors account.      B. Purchases day book  
C. sales daybook      D. Cash book..
22. Mini Enterprises sales Ledgers as at 31/12/94 read:

	N
Balance b/f	12750
Total credit sales	28185

Payments by debtors	12112
Discount allowed	638
Sales returns	1500

Prepare the sales ledger control account and determine the balance due from debtors.

- A. N40935      B. N27961  
C. N26685      D. N1185

23. Determine the year's purchases from the following information relating to a firm

	N
Total creditor's b/f	7200
Total cash payments to suppliers	98800
Total creditors c/f	8400

- A. N7,200      B. N98,800  
C. N100,000      D. N105,200

24. Derive the total sales figure from the following information extracted from a firm's cash book and other relevant records.

	N
Total debtors b/f	5,600
Total cash receipts from debtors and cash sales	153,000
Total debtors c/f	6,800

- A. N6,800      B. N153,000  
C. N154,200      D. N159,800

25. The statement of affairs prepared from incomplete records can be described as

- A. the summary of all the business transactions of the trader ascertained by the accountant  
B. a balance sheet at a particular date showing the assets and liabilities of the business  
C. a schedule of all the business ventures entered into for the period to which the records relate  
D. the statement that shows the profit or loss made during the period.

26. The contribution margin on a job is the

- A. gross profit  
B. net profit  
C. excess of sales revenue over variable costs  
D. difference between fixed and variable costs.

27. The objective of allocating all costs to product is to

- A. produce a scientifically accurate cost  
B. avoid unallocated overhead and compute total product cost  
C. co-ordinate the cost and financial accounts  
D. compute the contribution of the product to the final profit.

**Use the information below to answer questions 28 and 29**

**Raw materials inventory at the beginning of a period was N46,800 and at the close of the period there was a balance of**

**N38,600. From the purchases made during the period, defective materials costing N9,200 were returned. Cost of materials consumed during the period was N448500.**

28. What was the total purchases made during the period?  
A. N487100 B. N457700  
C. N449500 D. N440300
29. What is the cost of materials available for use during the period?  
A. N487100 B. N449500  
C. N448500 D. N440300.
30. A non-profit-making organization differs from a profit making on in that  
A. it does not earn income  
B. proceeds from sale of shares form part of its income  
C. all its income is committed  
D. annual subscriptions and levies form part of its income.
31. The limitations of the receipts and payments account arise mainly because of the reliance  
A. cash movement as evidence of transaction  
B. the accounting officer to report  
C. the capital account of the organization  
D. the transaction papers as evidence of transaction
32. The trading account is to a sole trader what income and expenditure account is to a  
A. partnership  
B. public limited organization  
C. manufacturing organization  
D. non-profit-making organization.
33. Which of the following indicate that a partnership business is in place? (i) there is a business (ii) it is run commonly by partners (iii) it has profit-making in view (iv) partners' liability is limited.  
A. i and ii only B. i,ii and iii only  
C. .i,ii and iv only D. ii,iii and iv only.
34. When forming a partnership, new partners should record non-monetary assets on the new partnership's books at  
A. their current fair market values  
B. their historical costs when first used  
C. their historical costs when first purchased by each new partner  
D. the highest values practical so that future income tax deductions are maximized.
35. Umar and Ahmed share profits and losses equally and have capital balances of N40,000 and N60,000 respectively. If Abdullahi purchases a one-third interest with no bonus, how much will he have to contribute to the partnership?  
A. N33,333 B. N40,000  
C. N44,444 D. N50,000

36. Which of the following is an intangible asset and a measure of a firm's superior earning power?  
A. Patent B. Goodwill  
C. Trademark D. Right issue.

*Use the information below to answer questions 38 and 39*

**Dan & Baker are in partnership with capitals of N50,000 and N30,000 each. The partnership agreement provides that: (i) profits be shared in the ratio of capital (ii) Baker be paid a salary of N8,000 (iii) both partners pay interest on drawings at 6% p.a.**

At the end of the year, Dan drew N15,000 while Baker drew N14,000 in four equal installment on 31/3, 30/6, 30/9 and 31/12. The net profit for the year was N48,000. N5,000 is to be written off the Goodwill account.

38. What is the interest on the drawings by Baker?  
A. N210 B. N315  
C. N450 D. N840
39. Determine the total interest on capital due to the partners.  
A. N1200 B. N1800  
C. N3000 D. N4800
40. The ordinary shareholders enjoy the following rights except the right to  
A. vote at annual general meetings  
B. elect the board of directors  
C. participate in additional issues of shares  
D. receive dividends at a predetermined rate.
41. Granada Corporation has net assets of N600,000 and contributed capital of N180,000. The corporation has 30,000 shares of common stock outstanding with no preferred stock. This suggests that the corporation has  
A. a book value of N14 per share  
B. a book value of N20 per share  
C. a deficit of N420,000  
D. retained earnings of N600,000
42. Under which of these conditions can a company issue shares at discount? (i) a resolution must be passed at a general meeting (ii) the amount of discount must be stated in the resolution (iii) the share must have existed for at least six years. (iv) on the order of a court.  
A. i,ii and iii only B. i,ii and iv only.  
C. i,iii and iv only D. ii,iii and iv only
43. The part of equity which is payable on winding up is called  
A. general reserve B. revenue reserve  
C. capital reserve D. normal reserve
44. To compute gearing ratio, divide  
A. profit by capital employed  
B. current assets by current liability  
C. profit by total assets  
D. long-term debt by equity capital.

45. Which of the following entries is effected by a department when goods are charged to it at selling prices?
- Stock account is debited
  - Purchases account is debited
  - stock account is credited
  - mark-up account is debited.
46. The difference between the closure of the books of a branch and those of a separate company is that
- there is retained earnings account on the branch books
  - the revenue and expense account is closed to branch current account
  - there is no retained earnings account on the branch books
  - the revenue and expense account is not closed to the home office current account
47. The term fiscal compliance means
- all financial and related laws and regulations are adhered to
  - only the budget for the current period is compiled with and no deficits allowed
  - all physical assets requirements have been met
48. In a public corporation, the capital expenditure incurred in a financial period is
- spread over the useful life of the assets through depreciation
  - apportioned at a pre-determined rate stipulated by law
  - written off in the year in which they occur
  - merged with recurrent expenditure and reported in one lump sum.
49. Money not required to meet chargeable expenditure in any fiscal year under cash accounting, should be
- surrendered to the consolidated revenue fund
  - carried forward to the next financial year
  - reserved to meet any deficits or contingencies
  - returned to the taxpayer.
50. If a monthly insurance premium is remitted to a company by the state government, the initial deductions from employees are recorded in
- the general fund
  - agency fund
  - special fund
  - general long-term fund.

## Principles of Accounts 1999

- Accrual concept stipulates that
  - revenue should be recognized when it is earned
  - costs should be recognized when the expenditure is paid
  - revenue should be recognized only when cash is paid
  - costs should be recognized when they are incurred.
- The basic role of accounting is to;
  - detect fraud
  - altest to financial statement
  - measure performance
  - protect shareholders
- The need for changes in accounting theory in Nigeria was influenced by the
  - dynamics of commercialization and privatization policies
  - growth in size of business units
  - introduction of he structural adjustment programme
  - inconvertibility of the nation's currency.
- A book-keeping error occurs when there is a.
  - deliberate manipulation of records
  - unintentional correct posting in the ledger
  - intentional failure to record transactions and oversights that are no intended
  - interest records and completely oversights that are not intended.
- When a proprietor withdraw cash from the business for private use, he
  - debits cash account and credits drawings account
  - credits cash account and debit its bank account
  - debits bank account and credit drawings account
  - credits cash account and debit drawings accounts.
- A basic unifying concept in accounting implies that
  - where creditors' account is zero, the assets are equal to the owner's equity.,
  - there should be a balance in he creditors's account in order to measure total assets
  - revenues should be supported by invested and owners's capital
  - total assets can be less than liability and equity.
- A source document for the sales day book is
  - requisition form
  - an invoice
  - a customer advice
  - a credit advice.
- In a cash book, the opening balance was N7,600, closing balance N9,200 and the total cash received during the period was N18,000. What was the amount of cash paid out during the period?
  - N8,900
  - N9,800
  - N14,600
  - N16,400

9. If the total discount allowed in cash book was N230 and the total discount received was N255 and the total following is true concerning the two discounts?
- They must be balanced in the cash book and the difference taken to the debtors ledger,
  - they must be balanced in the cash, balance and the difference taken to the trial balance.
  - They should not be balanced in the cash book before being taken to the trial balance.
  - They should not appear in the trial balance a they were already either received or paid out.
10. Which of the following bank reconciliation items should not be added or subtracted from the bank statement balance to determine the adjusted cash balance?
- Outstanding cheques
  - Bank service charges
  - deposits in the mail not yet received by the bank
  - Bank error, charging a company for another company's cheques.
11. The fixed amount of money given to a petty cashier at the beginning of a period is called
- imprest
  - petty cash
  - float
  - cash advance
12. A provision for bad debt account had N3,800 at the beginning of the year and N4,220 at the close of the year. If bad debts are calculated at the rate of  $\frac{1}{20}$  % of annual credit sales. what was the credit sales for the period?
- N210,000
  - N844,400
  - N840,000
  - N500,000.
13. Asa company bought a vehicle worth N20,000 and the vehicle is to be depreciated 5% using the reducing balance method of depreciation, what would be the value of the assets after 3 years?
- N19,000.00
  - N18,050.50
  - N17,147.50
  - N16,290.13
14. What is the closing stock for the period?
- N69,300
  - N84,300
  - N81,600
  - N106,400
15. Calculate the gross profit for the period
- N535,650
  - N628,300,
  - N637,950
  - N647,600
16. Chibuike bought 36 notebooks at N10 each from John and was given a trade discount of 5%. In addition, he as offered 1% cash discount which he took advantage of. How much did Chibuike pay?
- N338.58
  - 342.000
  - N345.42
  - N360.00.
17. Depreciation on a particular piece of machinery was N2,700 during the fifth year of its service life and N4,050 during the sixth year. The logical explanation for this is that.
- an addition was made to the asset during the sixth year.
  - the estimate of salvage value on this equipment was decreased at the beginning of the fifth year
  - a unit-of-output method of depreciation was used during the sixth year.
  - the estimated remaining service life of the asset was increased at the beginning of the sixth year.
18. The main features of the single entry system are that
- books of accounts are not maintained and business relies only on bank statement
  - the journal records are absent and only the main ledger is kept
  - there are incomplete classifications and recording procedures
  - only credit sales transactions and credit purchases are recorded.
19. The principal function of a sales ledger control account is to
- serve as internal check and provide quick information for the preparation of interim financial statements
  - serve as external check and provide quick information for the preparation of interim financial statements
  - provide quick information for the preparation of customers' statements,
  - provide information for the control of salesmen's activities
20. In dealing with incomplete records, fixed assets are posted to
- opening profit and loss as brought forward figures
  - closing balance sheet as carried forward figures
  - closing balance sheet as brought forward figures
  - closing profit and loss as bought forward figures.

Use the information below to answer questions 14 and 15

	N
Capital: Opening balance	307,000
Closing balance	342,000
Net profit for the period	121,600
Opening stock	98,800
Purchases	706,000
Carriage inwards	17,500
Cost of goods sold	740,700
Total selling, general and Administrative exps	526,000
Discount received	9,650

14. What is the closing stock for the period?
- N69,300
  - N84,300
  - N81,600
  - N106,400

Use the information below to answer questions 21 and 22

Aminu and Sons credit purchases (Extract) as at February, 1996

	N
Feb 1 Credit balances	40,000
Debit balances	1,000
Feb 28 Purchases journal totals	500,000
Returns outwards journal total	50,000
Cheques paid to suppliers	400,000
Promissory notes sent to suppliers	30,000
Discount received from suppliers	8,000
Credit balances in the purchases ledger set off against debit balances in the sales ledger	2,000

21. The total for the purchases ledger control account is

- A. N480,000 B. N490,000  
C. N500,000 D. N540,000

22. What is the balance c/d in the purchases ledger control account?

- A. N2,000 B. N8,000  
C. N40,000 D. N45,000.

23. Given:

	N
Total cash received from debtors	30,000
Total purchases for the period	21,000
Amount owed by debtors at the beginning of the period	4,000
Equipment bought	2,500
Amount owed by debtors at the end of the period	3,000

Determine the value of sales for the period.

- A. N29,000 B. N31,500  
C. N46,500 D. N50,000

24. When the factory cost of production has been ascertained, manufactured goods are transferred to trading accounts by

- A. debiting manufacturing account and crediting trading account  
B. crediting sales account and debiting trading account  
C. debiting sales account and crediting trading account  
D. crediting manufacturing account and debiting trading account.

25. Lawal and Co makes blocks and sells to builders. In computing prime cost, which of the following costs would be considered appropriate?

- A. Cement, sand and carriage outward  
B. Water, carriage inwards and cement  
C. Sales boys wages, cement and sand  
D. carriage outwards, carriage inwards and cement.

26. Manufacturing cost can be classified based on

- A. timing of charges, degree of averaging, ease of traceability and timing of charges  
B. degree carriage inwards and cements  
C. degree of averaging and size of capital  
D. number of employed, timing of charges and management style.

27. The difference between the factory cost of production and prime cost production is

- A. direct materials B. direct labour  
C. selling expenses D. overhead.

28. Receipts and payments account of a non-profit making organisation is principally a summary of the

- A. bank entries B. cash book entries  
C. expenditure entries D. balance sheet entries.

29. **Given:**

	N
Club debtors at start	150
Cash sales	4,850
Club debtors at close	900
Cash received from debtors	550

What is the amount club sales

- A. N6,150 B. N4,850  
C. N4,650 D. N1,300

30. A credit balance on a receipts and payments account indicates that the non-profit making organisation.

- A. had more revenues than expenses during the period  
B. did not owe much liabilities during the period  
C. received more cash than it paid out during the period  
D. made more cash payments than it received during the period.

31. Goodwill can be valued in partnership when,

- A. partners make profits  
B. large losses are made  
C. a partner retires  
D. a new branch is opened.

32. As part of the initial investment, a partner contributes office equipment that originally cost N20,000 and on which provision for depreciation of N12,500 had been recorded. If the partners agree on a valuation of N9,000 for the equipment, what amount should be debited to the office equipment, what amount should be debited to the office equipment account?

- A. N7,500 B. N9,000  
C. N12,500 D. N20,000

33. When a partner makes a drawing of stock items from a partnership, the accounting impact of the drawing is to increase the partner's

- A. Goodwill account balance  
B. Current account credit balance  
C. Current account debit balance  
D. Profit and account credit loss balance.

34. **Appropriate Account**

	Kudu	Wale
Interest on capital	750	550
Salaries	800	600
Share of profits	3,300	3,300

Determine the net profit of the partnership  
 A. N9,300 B. N6,600 C. N4,850 D. N4,450

35. Dele and Seun who are in partnership, have decided to convert their business into a limited liability company where both become directors. To convert the business
- They will simply continue since there are no new members.
  - The partnership is formally ended and new company books opened.
  - The shares and all other items will be shared equally and not in their former ratios.
  - Computation of goodwill must be done as it is legally required.
36. If a sole proprietorship is purchased for cash, then
- The purchaser debits his business purchase account with the consideration he pays.
  - All assets and liabilities must be bought
  - Goodwill results where value liabilities taken is higher than the value of assets.
  - The vendor debits his business purchase account with the consideration he receives.
37. The market price per ordinary share of a corporation listed on the stock exchange is most closely related to its
- Earnings per share
  - Redemption price per share
  - Book value per share
  - Call price per share
38. Which of the following events increases a corporation's shareholders equity?
- Donation of shares out of the corporation's own stock to the corporation
  - The corporation's purchase of treasury stock.
  - Shares of previously subscribed stock issued to subscribing stockholders
  - A municipality donation of land to the corporation

Use the information below to answer questions 39 and 40

**Zoom Plc Balance Sheet (Extract) as at 31<sup>st</sup> December 1997**

	N		N
Paid-up capital	200,000	Fixed assets	300,000
Share premium	15,000	Investment	180,000
Profit & loss a/c	60,000	Stock	28,000
Debtors	90,000	Creditors	200,000
Provision (3,000)	87,000		
Other current Cas	60,000		
Liabilities	<u>100,000</u>	Bank	<u>100,000</u>
	<u>755,000</u>		<u>755,000</u>

39. The quick ratio is
- 0.82 : 1
  - 0.91 : 1
  - 0.95 : 1
  - 1.53 : 1
40. Determine the owner's equity
- N 200,000
  - N215,000
  - N 275,000
  - N755,000
41. If a promote pays a lawyer N5,000 for services rendered

in preparing a Memorandum of Incorporation, the journal entry is to debit

- Preliminary expenses, credit cash, accounts.
  - Promoters, credit creditors' Accounts.
  - Lawyer's credit cash accounts
  - Cash credit incorporation accounts.
42. Calls in advance are treated in the balance sheet as
- Current asset
  - Current liability
  - fixed assets
  - fixed liability.
43. Shares issued to a vendor in payment of business purchased would require a debit to
- Cash account and credit to share capital account
  - Share capital account and credit to vendor's account
  - Vendor's account and credit to share capital account.
  - Share capital account and credit to cash account.
44. The best method of allocating expenses among departments is to
- Allocate expenses to each department in proportion to the sales of that department
  - Charge against each department those costs which are within its control
  - Charge expenses against each department in proportion to the purchases of that department.
  - Allocate expenses to each section of the department in relation to the number of people.
45. To record the transfer of stock from one department to another, the correct entry would be to debit
- Goods outwards and credit goods inwards.
  - Merchandise account and credit department stock account
  - Department transferring and credit department receiving
  - Department receiving and credit department transferring.

Use the information below to answer question 46 and 47.

Amoga Limited invoiced goods at a cost of N 10,000 to its Ikeja branch at a margin of 20%. The branch later returned goods worth N 1,200 at invoice price to the head office.

46. The profit margin should be
- debited to goods sent to branch account
  - debited to branch stock adjustment account
  - credited to branch adjustment account
  - credited to branch stock account.
47. What is the correct entry in the head office books at the point of initial transfer of the goods?
- Branch stock account would be credited with N10,000
  - Branch stock account would be debited with N12,000
  - Goods sent to branch account would be debited with N10,800.
  - Goods sent to branch account would be credited with N12,000.

48. Capital and revenue expenditures of government are usually accounted for under funds which include
- Personal advances, technical and public funds.
  - Technical, special trust and commercial funds.
  - Personal advances, treasury clearance and special trust funds.
  - Commercial loans and treasury clearance funds.

49. Which of the following accounts is kept by local governments in Nigeria?

- Balance sheet
- Advances account.
- Debtors account
- Profit and loss accounts.

50. The conventional source of public revenue include
- Loans, taxation, foreign reserves and dividends.
  - Interest, royalties, taxation and loans
  - Crude oil, interest, posted price and taxation
  - Taxation, deficit budgeting, royalties and loans.

## Principles of Accounts 2000

1. On November 1, 1998, Zaria Holdings owed N 13,600 in respect of creditor. On November 15, it purchased goods worth N69,000 and paid a cheques of N51,600. On November 29, one of the Holdings' cheque's worth N3,000 was returned while the creditor granted N1,500 discount. The amount owed by Zaria Holdings as at November 29 is

- N32,500
- N32,000
- N31,000
- N29,500

2. To write off bad debt, debit
- Debtor's account and credit provision for bad debt.
  - Bad debt account and credit debtor's account.
  - Debtor' account and credit bad debt.
  - Provision for bad debt.

3. In order to make the cash book balance equal to the bank statement, it is usual to add
- Uncredited cheques.
  - Direct payments by bank
  - Bank charges
  - Unpresented cheques.

Use the information below to answer the questions 4 and 5

	N
Sale	20,000
Cost of sales	10,000
Operating expenses	2,500
Expenses prepaid included in operating expense	500

4. Calculate the net profit.
- N12,500
  - N10,000
  - N8,000
  - N7,500
5. What is the gross profit margin?
- 100%
  - 50%
  - 40%
  - 30%
6. The main object of book keeping is to record economic.
- Transactions systematically for routine managerial decision making.
  - Events clearly to ensure adequate checks and balances
  - Events clearly to facilitate strategic managerial decision-making
  - Transactions systematically to ascertain the financial position of a business.

37. Which of the following is an example of intangible asset?
- Trade debtors
  - Stock of goods
  - trade creditors
  - Motor vehicles

8. A source document that aids the ascertainment of amount paid out of a current is the
- Teller
  - Cheque stub
  - Cheque
  - teller stub

9. Yahuza Enterprises  
Trial Balance (Extracts) as at Dec. 31, 1998.

	N	N
Capital		21,000
Premises	90,000	
Debtors	35,000	
Provisions 1/1/98		
Depreciation	9,000	
Bad and doubtful debts	1,500	

If a premise is to be depreciated at 10% on cost and a 5% provision is to be allowed on debtors, the total asset in the balance sheet is

- N 125,000
- N 114,500
- N 105,500
- N 105,250

10. The most convenient cash book used by a petty trader operating in an area where there is no banking facility is
- Four column
  - Three column
  - Single column.
  - two column

11. A general journal contains
- Date narration, folio, debit and credit.
  - Date narration, folio, debit and purchases.
  - Folio, credit, date, debit and sales.
  - Debit, credit, narration, date and discount.

12. Which of the following errors will affect the trial balance totals?
- Posting discount allowed to the debit side of the discount allowed account.
  - Omission of one account from the list when extracting from the ledgers.
  - Failure to post sales of N 2,000 and purchases of N 2,000 from subsidiary ledgers.
  - Omission of sales of N 3,000 and purchase of N 2,000.

13. An expense account is closed by a debit to
- An asset account and credit to the expense account.
  - The expense account and a credit to an asset account.
  - Profit and loss account and a credit to the expense account.
  - The expense account and a credit to profit and loss account.

14. The accounting convention which stipulates that money or goods taken from the business by the owner for personal use should be treated as deductions from capital is
- A. Cost                      B. Prudence  
C. Consistency          D. Entity

**Use the information below to answer questions 15 and 16**

Cost raw materials consumed	300,600
Carriage inwards	6,700
Returns of raw materials	10,800
Closing stock of raw materials	100,250
Manufacturing wages	27,000
Lighting, power, insurance and rent relating to the factory are apportioned 1/3/5, 1/6/ and 1/7 with totals N30,000, N75,000; N36,000 and N56,000 respectively.	

15. What is the cost of the opening raw materials?  
A. N 418,350 B. N 404,950 C. N 400,250 D. N 398,250
16. The production cost of finished goods is  
A. N 524,600 B. N 408,000 C. N 381,600 D. N 327,600

17. Amin Ltd. Creditors Ledger Control Account (Extracts)

Beginning control account	N
Balances:	
Debit	32,000
Credit	61,000
Purchases during the year:	
Cash	30,000
Credit	60,000
Payment to suppliers:	
Cash	13,000
Cheque	29,000
Debtor's contra	6,000

The closing control account balance is  
A. N 41,000 B. N 65,000 C. N 71,000 D. 77,000

18. **Given:**
- |                                     |       |
|-------------------------------------|-------|
| Depreciation of plant and machinery | 1,600 |
| Factory rent                        | 650   |
| Indirect wages                      | 695   |
| General indirect expenses           | 726   |
| Lubricants                          | 1,235 |
| Carriage inwards                    | 829   |
| Factory power                       | 350   |
| Bank charges                        | 612   |
| Carriage outwards                   | 2,900 |
- Determine the total factory overhead cost  
A. N4,485 B. N5,256 C. N6,085 D. N6,556

19. Given
- |                            |        |
|----------------------------|--------|
| Cash book items:           | N      |
| Paid to suppliers          | 10,800 |
| Expenses paid              | 6,900  |
| Drawings made              | 900    |
| Balances at start          | 15,750 |
| Balances at end            | 3,870  |
| Drawings from bank to shop | 1,720  |

Determine the receipt from debtors  
A. N22,470 B. N17,470 C. N8,440 D. N5,000

20. The items entered in an opening statement of affairs of an enterprise that keeps incomplete record are  
A. Sales income                      B. Receipt from debtors  
C. Fixtures and fittings          D. Rent paid

21. In a manufacturing company, the total cost of goods produced is equivalent to  
A. Purchases                      B. Sales  
C. Cost of goods sold          D. Cost of materials used.

22. Given: Sales Ledger Control Account (Extracts)

	N
Balance b/f	10,600
Total cash payments by debtors	32,275
Total credit sales	59,193
Discount received	9,700
Balance c/f	20,751
Discount allowed	2,890

Determine the sales returns  
A. N24,577 B. N13,877 C. N7,067 D. N2,890

23. The simplest form of single entry procedure consist of keeping a

- A. Day book or general journal  
B. Cash book and ledger accounts showing debtors and creditors balances  
C. Cash journal, sales journal and purchases journal  
D. Day book in which transaction are described in chronological order.

24. A fixed cost is fixed only in relation to  
A. The quantity of goods produced  
B. The quantity of goods sold  
C. A given period of time a range of activities  
D. A given period of time and the nature of activity.

25. One of the shortcomings of single entry procedures is that

- A. A trial balance is not available  
B. Profits are overestimated  
C. There are no subsidiary books  
D. There are no control accounts.

26. When a customer's cheque is returned unpaid in a debtor's control accounting system, the treatment will be

- A. debit bank, credit customer and credit control account.  
B. credit bank, debit customer and debit control account.  
C. debit customer, credit control account and credit bank.  
D. credit control account, debit bank and debit customer.

27. Didi Ltd. Offered 10,000 ordinary shares of N1.50 each at a discount of 2% which were fully subscribed. With regard to the offer above,  
A. Shares are never offered at a discount; the offer is

invalid

- B. The value of shares in the capital account will be lowered by 2%.
- C. The company incurs a loss to the tune of 2% of the offer.
- D. Each of the subscribers loses 2% of investment.

**Use the information below to answer questions 28 and 29**

Maro Merchant Bank Plc is to issue 500,000 ordinary shares of 50k each at N 3,000 per share. Applications were received for 1,550,000 shares fully paid, 1,250,000 shares are to be issued on a pro rata basis and excess subscriptions were dishonored and refunds made

- 28. The refund due to an application for 25,000 shares is  
A. N45,000 B. N30,000 C. N7,500 D. N5,000
- 29. What will be the number of shares to be issued to a subscriber who applied for 30,000 shares?  
A. N20,000 B. N18,000 C. N15,000 D. N12,000
- 30. Which of the following items does not feature in the balance sheet of a club?  
A. Arrears of current year's subscription  
B. Salary arrears paid in the current year  
C. Rental income received in advance  
D. Advance subscription in respect of a coming year.

- 31. An outright sale of partnership amounts to the  
A. compenstion of vendors by the purchase  
B. admission of a new partner  
C. purchase of rights of a dead partner  
D. change of sharing ratio of vendors

32. Given:

	N
Opening Cash balance	20,000
Sale of match tickets	15,000
Clearing of pitch	1,200
Refreshments	3,500
Referees' allownace	1,000
Cost of petrol for bus	1,120
Donation from local government	3,800

The club's cash balance is

- A. N39,180 B. N34,830
- C. N34,830 D. N31,980

**Use the information below to answer question 33 and 34**

Maimalari Ltd had 1. Earnings per share 30k  
111. Par value of each share N1.20 1V. Market price per share N1.50

- 33. The companys' yields is  
A. 20.00% B. 25.00% C. 31.33% D. 39.17%
- 34. What will be the price earnings ratio of the company?  
A. 3.91 B. 3.19 C. 2.95 D. 2.55
- 35. The partnership Deed noramally specifies  
A. how profits or losses are to be shared  
B. the capital to be contributed annually  
C. how salaries are paid to employees.  
D. the profit that should be earned annually

36. The accumulated fund of a non-trading concern can equally be referred to as

- A. members' equity B. share capital
- C. general fund D. surplus fund

- 37. When a purchased business is revalued the effects is that.  
A. a decrease in the value of assets has no effect no value of goodwill  
B. an increase in the value of asset is treated as an increase in the value of goodwill  
C. a decrease in the value of asset is treated as a decrease in the value of goodwill  
D. an increase in the value of asset is treated as decrease in the value of goodwill

38. An item of appropriation in partnership profit and loss account is.

- A. interest on partners' capital
- B. interest on partners' loan
- C. employees' salaries
- D. partners drawings

**Use the information below to answer question 39 and 40**

Rakya ad Joy are in partnership and agreed that 5% interest per annum is to be charged on drawings. The drawing made by both partners in one year were:

Rakiya, N200 on March 31 and N300 on September 30, Joy, N100 on April 1 and N240 on July 1

- 39. The interest on Joy's drawing is  
A. N6.00 B. N7.25 C. N9.00 D. N9.75

40. Assuming that Rakiya was not credited with any in come during the period, what is her closing current ac count balance?

- A. N340.00 credit B. N349.75 debit
- C. N500.00 credit D. N511.25 debit

- 41. A business is acquired at par when the  
A. purchase consideration equals good will  
B. purchase consideration equals net value  
C. purchase consideration is greater than the net value is greater than the liabilities.

**Yola Social Club**

**Statement of Account 1999 Financial Year**

	N
31/12/98:	
Subscription in arrears	21,000
Subscription in advance	12,000
Receipts during 1999:	
Arrears	1998 21,000
Dues	1999 48,000
Advance	2000 11,000

The subscription transferable to the income and expenditure account is  
A. N48,000 B. 59,000 C. N60,000 D. N69,000

- 43. The most appropriate basis for apportioning inventory holding cost among departments is to use the value of  
A. purchase B. opening stock C. closing stock  
D. average stock
- 44. The body constitutionally charge with the accounts of the Federation and other Assembly in the

A. Public Accounts Committee B. Public Audit Committee  
C. Internal Audit Committee  
D. External Audit Committee.

45. 1. Meet growth and diversification needs.  
11. Reach out to particular customers or markets  
111. Comply with some regulatory directives.  
1V. Increase employees' income  
**Which of the reasons above do consider in estalishing branches.**  
A 1 and 11 B. 1, 11 and 111 C. 11, 111 and 1V  
D. 111 and 1V

46. The channel through which all government borrowing and domestic lending transactions pass is called  
A. special trust fund B. agency fund C. national laon fund D. contingency fund

47 Given:

	<b>DeptA</b>	<b>Dept B</b>
Floor space	400m <sup>2</sup>	60m <sup>2</sup>
Machine	1200	1400
Turnover	N36million	N64 million
Labour hoours	1000	1400

A joint cost N72 million incurred by the two departments was apportioned N30 million to A. and N42 million to B. The basis used for apportionment must have been  
A. labour hours B. floor space C. turnover  
D. machine hours

48. Recurrent expenditure are expenses for the period not exceeding. A. 10 years B. 5 years C. 2years D. 1 year

49. A major benefit derived from the reconciliation of branch and head office books is to  
A. determine accurate returns by the branch  
B ascertain the correct profit or loss on branch activites  
C. enable the branch to keep control over stock  
D. enable the branch to ascertain debtors balance

50. Haial Limited with three departments has a total of N7,2000,000 as the net debtors for the year ended 31/12/97. The company's policy provides for 15% bad debt annually. Whcih of the following represents the total balance of debtors before adjustments?  
A. N6,120,000 B. 6,120,300 C. N8,280,000 D. N8,820.00

# Principles of Accounts 2001

- The current growth in the volume of trading and financial dealings in Nigeria is helped by
  - Increased financial activities.
  - Government intervention
  - Credit as a factor in business
  - Paying for goods in cash.
- Cost accounting entails provision of information
  - For investment purpose
  - For decision making
  - To shareholders
  - To stockholders
- The main objective of accounting report is to provide information about
  - A company's shareholding
  - An entity's management
  - The efficacy of assets
  - A company's economic resources.
- If liabilities amounted to N12,045, other assets N36,800 and equity N26,896, the cash at hand would be
  - N2,241
  - N2,214
  - N2,141
  - N2,114.
- In a petty cash book, the closing balance was N235, imprest N1250, while the stationery expenses were N655. how much was paid for other general expenses?
  - N360
  - N355
  - N350
  - N305.
- When a bill is negotiated to a bank, it is said to be
  - Surrendered
  - Cashed
  - Discounted
  - Accepted
- Given that the balance as per cash book after necessary adjustments was N4,315, unpresented cheques were N1,688 and the bank statement balance was N4,791, what was the balance of the uncredited cheques?
  - N1,223
  - N1,212
  - N1,202
  - N1,115
- If a property developing company sells a completed building to an interested third party, this sale can be treated in the books of the company as
  - Capital receipt
  - Revenue receipt
  - Windfall receipt
  - Miscellaneous Receipt.

Use the information below to answer questions 5 and 6

Given	N
Fixed assets	85,600
Sales	197,000
Stock	34,300
Salaries and wages	37,000
Purchases	127,700
Share capital	120,000
Creditors	16,050
Motor expenses	10,500
Debtors	25,000

- What is the cash balance?
  - N12,095
  - N12,590
  - N12,905
  - N12,950
- Determine the total of the trial balance.
  - N335,050
  - N333,050
  - N323,050
  - N230,550
- The accuracy of journalizing is checked by
  - Ensuring that debit totals equal credit totals.
  - Posting all journal entries to ledger accounts.
  - Adding all figures in the debit column.
  - Comparing accounts in the ledger against the journals.
- Hauwa Ltd bought 10 bags of rice for N500 each. The company was given 5% and 12% trade and cash discounts respectively. What will be recorded as discount received in the company's book?
  - N250
  - N570
  - N600
  - N850
- A cash book had opening balance of N15,200, closing balance N18,400 and total cash received during the period N36,000. What was the amount of cash paid out during the same period?
  - N17,800
  - N19,600
  - N29,200
  - N32,800

Use the information below to answer questions 14 and 15

Palaju Enterprises had fixed assets of N3,100,000 at the end of the year. Fixed assets costing N900,000 with provision for depreciation of N150,000 were disposed of during the period. Fixed assets of N100,000 were added during the year. Provision for depreciation was N350,000 at the beginning of the year and N300,000 at the end of the year.

- What was the value of fixed assets at the beginning of the year?
  - N2,900,000
  - N3,800,000
  - N3,900,000
  - N4,000,000
- The depreciation expense charged for the year is
  - N450,000
  - N250,000
  - N150,000
  - N100,000
- A reduction in the catalogue price of an article given by a wholesaler to a retailer is called a
  - Bad debt
  - Trade discount
  - Premium
  - Cash discount.

Use the information below to answer questions 17 and 18.

Stock Control Account [Extract] as at January, 2000

Date	Receipts		Issues		Balance		
	Qty	Unit Price	Amt	Qty	Unit Price	Amt	Amt
		N	N		N	N	N
Jan. 1	100	5.00	500.00	-	-	-	500.00
Jan. 5	50	6.00	300.00	-	-	-	800.00
Jan. 7	-	-	-	40	6.00	240.00	560.00
Jan. 10	50	4.00	200.00	-	-	-	760.00
Jan. 15	-	-	-	50	4.00	200.00	560.00
Jan. 20	-	-	-	10	X	Y	Z

17. What is the stock valuation method used?  
 A. Last In First Out B. First In First Out.  
 C. Average cost D. Weighted average.

18. The value of x is  
 A. N4.00 B. N5.00 C. N5.50 D. N6.00

*Use the information below to answer questions 19 and 20*

	N
Purchases ledger opening balance	4,000
Sales ledger opening balance	6,000
Credit purchases during the year	25,000
Discounts allowed	1,000
Returns inwards	2,000
Credit sales during the year	10,000
Returns outwards	6,000

19. Calculate the sales ledger balance.  
 A. N3,000 B. N6,000 C. N10,000 D. N13,000

20. What is the purchases ledger balance?  
 A. N4,000 B. N23,000 C. N24,000 D. N29,000

21. For an incomplete record to provide necessary information, it must be converted to  
 A. Complete records B. Double entry records  
 C. Statement of affairs D. Single entry.

*Use the information below to answer questions 22 and 23*

Given:	31/12/98	31/12/99
Assets: Plant & Mach.	1,500	1,200
Fixtures	700	520
Stock	500	600
Debtors	900	400
Cash	200	300
Liabilities: Creditors	500	600
Loan	600	400

22. Determine the total fixed asset from the opening balance sheet  
 A. N2,200 B. N2,020  
 C. N1,720 D. N1,270

23. What is the capital from the opening balance sheet?  
 A. N3,600 B. N2,700 C. N2,070 D. 1,520.

24. Given:

	N
Direct material	2,500
Direct labour	5,500
Direct expenses	1,000
Overhead expenses	1,500

From the data above, compute the prime cost  
 A. N8,500 B. N7,500 C. N6,500 D. N6,000

*Use the information below to answer questions 25 and 26*

Bar opening stock	10,000
Amount owed to bar suppliers at the beginning of the year	10,000
Bar sales	

50,000	
Bar credit purchases	40,000
Payment to suppliers	30,000
Bar expenses	1,000
Bar closing stock	15,000

25. What is the bar profits?  
 A. N20,000 B. N15,000 C. N14,000 D. N10,000.

26. How much is owed to supplier?  
 A. N50,000 B. N40,000  
 C. N30,000 D. N20,000

27. Lubricating oil and spare parts of machinery are examples of  
 A. Direct material B. Indirect materials  
 C. Indirect expenses D. Direct expenses

*Use the information below to answer questions 28 and 29*

	N
Subscriptions received during the year	30,000
Subscription owed last year	4,000
Subscription received for next year	6,000

28. The N6,000 subscription received is  
 A. Current asset B. Current liability  
 C. Fixed asset D. Capital

29. What is the subscription to be charged to income and expenditure account?  
 A. N36,000 B. N34,000  
 C. N30,000 D. N20,000

30. A club received rent N10,000 and donation N30,000. It paid N6,000 for entertainment and is still owing N16,000. The balance of the receipts and payment account is  
 A. N24,000 B. N22,000 C. N14,000 D. N8,000

31. **Given**

	N
Club training profit	12,000
Members' subscription	15,000
Profit on sale of fixed assets	2,500
Loss on sale of investment	1,000
Wages	16,500
Other expenses	10,000

Determine the club's excess of income over expenditure  
 A. N500 B. N1,500 C. N2,000 D. N2,500

32. The excess of income over expenditure is usually transferred to the  
 A. Accumulated fund B. Profit and loss account  
 C. Current assets in the balance sheet  
 D. Current liabilities in the balance sheet.

33. Partner's salaries and drawing are usually posted to the  
 A. Trading account B. Current account  
 C. Capital account D. Partners' account.

34. marmuhu and Yusuf are in partnership sharing profits and losses in the ratio 2 : 1. On 31/3/2000, the partnership decided to admit Idris who is to take 1/4 of future

profits without changing the ratio of Murhunu and Yusuf. What is the new profit-sharing ratio of Marhunu and Yusuf?

- A. 50% : 25%      B. 50% : 20%  
C. 25% : 50%      D. 25% : 25%.

35. If a partner pays a premium of N500 for 1/5 share of profit, then the total value of goodwill is  
A. N500 B. N2,000 C. N2,500 D. N3,000

36. On the dissolution of a partnership business, the net book value of the assets is transferred to  
A. Debit of realization account.  
B. Credit of realization account.  
C. Debit of bank account  
D. Credit of bank account

37. Baba Ltd acquired the business of Bello Ltd and caused the separate existence of the latter company to terminate. This situation is best described as  
A. Absorption      B. Merger  
C. Conversion      D. Dissolution.

38. Where a company acquires controlling shares of another and the consideration is paid in cash, the entries in the books of the purchases are debit  
A. Investment and credit cash  
B. Investment and credit shares  
C. Purchases and credit cash  
D. Purchases and credit shares.

39. **Given**

Capital	200,000	Total assets	210,000
Liabilities	<u>10,000</u>		
	<u>210,000</u>		<u>210,000</u>

If the business is purchase at a price including a goodwill of N20,000, what must have been the purchase price?

- A. N190,000      B. N210,000  
C. N220,000      D. N230,000.

40. The main difference between the ordinary and preference shareholders is that  
A. The former receive dividends while the latter do not  
B. The latter are not members of the company while the former are  
C. In the case of winding up, the former are paid first before the latter.  
D. The former have rights while the latter do not

**Use the information below to answer questions 241 and 42**

Given:		N
Authorized capital:		
100,000 ordinary shares of N1 each issued and fully paid:		
50,000 ordinary shares of N1 each	50,000	
10,000 8% preference shares of N1 each	10,000	
Reserves		
25,000		

Creditors		
15,000		
Debtors		13,000
Cash in hand		5,000

41. Determine the net current assets.  
A. N43,000 B. N28,000 C. 13,000 D. N3,000

42. Calculate the shareholder's fund.  
A. N60,000      B. N75,000      C. N85,000 D. N185,000

43. The law that currently regulates the registration of companies in Nigeria is the  
A. Constitution of the Federal Republic of Nigeria, 1999.  
B. Nigerian Enterprises Promotion Decree, 1972.  
C. Companies and Allied Matters Decree, 1972.  
D. Companies Decree, 1968.

44. X and Y are two departments that are to share 50% of all joint costs equally and the balance in the ratio 2 : 1. If a um of N150,000 is incurred jointly, what will the portion attributable to X?  
A. N37,500      B. N62,500      C. N87,500 D. N100,000

45. Department F transferred some goods to department G at a selling price. The goods were not sold at the end of the accounting period. Which account is affected at the time of preparing a combined balance sheet?  
A. Creditors B. Debtors C. Stock D. Suspense.

46. The correct entry to reflect the receipt of cash sent by a branch to a head office is  
A. Debit cash and credit branch current account  
B. Debit branch current account credit cash  
C. Credit branch debtors and debit cash  
D. Credit branch current account and debit branch debtors.

47. To account for expenses paid by head office on behalf of the branch, the branch should  
A. Debit head office account and credit cash  
B. Debit profit and loss account and credit head office account  
C. Credit cash and debit profit and loss account  
D. Credit profit and loss account and debit head office account.

48. The officer responsible for ascertaining whether all public expenditure and appropriation are in line with approved guidelines is the  
A. Account General      B. Auditor General      C. Finance Minister      D. Permanent Secretary

**Use the information below to answer questions 49 and 50**

Given: PTF Trial balance [Extract] as at 31 December 1999.

	Dr	Cr
	N'000	N'000
Cash	2,000	
Investments	3,000	
Accounts receivable	6,000	

Fund balance 11,000 11,000  
11,000 11,000

49. Assuming all the investments realized N4m, what will be the ending fun balance?  
 A. N8m B. N11m C. N13m D. N16m

50. If only 1/3 of the investment is sold for N2m and N5m realized from the accounts receivable, what will be the balance of the fund?  
 A. N9m B. C. N13m D. N16m

## Principles of Account 2002

1. In preparing the final account, the bad debt account is closed by a transfer to the  
 A. Balance sheet B. Provision for bad debt C. Profit and loss account C. Trading account.

2. **Given**

	N
Stock (1/4/94)	800
Purchases of flour	2,450
Sales	4,745
Wages of bakery staff	675
Carriage outwards	50
Salary of administrative staff	225
Stock (31/3/95)	940
Capital	1,540

Determine the cost of goods sold.

- A. N2,575 B. N2,985 C. 3,250 D. 3,925.

3. In a petty cash book the imprest is N1,380
- | Expenses:         | N   |
|-------------------|-----|
| Stationery        | 350 |
| Cleaning material | 335 |
| General expenses  | 265 |

How much was received to maintain the imprest at the end of the month?

- A. N950 B. N970 C. N430 D. N380

4. Income statement for the year ended June 30, 2001

	N		N
Office rent	20,000	Revenue	820,000
NEPA (light)	15,000		
Salary of staff	120,000		
Miscellaneous Expenses	?		
Net income	?		

Miscellaneous expenses is 10% of revenue.

Calculate the net income

- A. N583,000 B. N563,000  
 C. N483,000 D. N683,000

5. An entry in a subsidiary book which does not form part of the double entry system is a  
 A. Contra entry B. Journal entry  
 C. Single entry D. Memorandum entry.

6. In an incomplete record, the preparation of the bank reconciliation ensured that  
 A. All cash taking are banked  
 B. The cash book is correct  
 C. There are no overdrafts  
 D. There are no hidden loans.

7. I. Fixtures account II. Machinery account  
 III. Wages account IV. Rent account.  
 Which of the above are nominal account?  
 A. III and IV B. I and II  
 C. I and III D. II and III

8. **NAFARA & SONS Balance Sheet items as at 31<sup>st</sup> December, 9187**

	N
Capital	74,480
Creditors	15,875
Prepaid expenses	580
Motor vehicles	34,750
Furniture	35,850
Accrued expenses	645
Stock	8,100
Cash balances	9,911
Debtors	1,809

Compute the value of current assets.

- A. N20,400 B. 20,465 C. 35,695 D. N19,820

*Use the information below to answer questions 9 and 10*

The Assets and Liabilities of Udo Co. Ltd, as at 31<sup>st</sup> December, 2000.

	N
Capital	50,000
Debtors	46,000
Loan	100,000
Stock	20,000
Motor vehicle	120,000
Building	70,000
Accrued wages	30,000
Bank	30,000

9. The value of capital invested by own owners is  
 A. N110,000 B. N105,000 C. N101,000 D. N100,000
10. The liabilities of Udo Co. Ltd is  
 A. N180,000 B. N181,000 C. N177,000 D. N110,000
11. The normal accounting entry to record the dishonour of a cheque by a businessman is to  
 A. Debit cash book and credit suspense account.  
 B. Debit cash book and credit drawer  
 C. Credit cash book and debit suspense account  
 D. Credit cash book and debit drawer.

Use the information below to answer questions 12 and 13

**Statement of Assets and Liabilities as at 31<sup>st</sup> December, 2001.**

	N(m)
Shareholder's interest	240
Current liabilities	20
Current assets	110
Fixed assets	140

12. What is the net working capital?  
A. N90m B. N70m C. N100m D. N80m
13. Determine the value of the trade investment.  
A. N8m B. N10m C. N15m D. N20m
14. The concise statement used to explain entries in the general journal is known as  
A. Narration B. Summary  
C. Information D. Commentary

Use the information below to answer questions 15 and 16.

Erero's Trading Account for the month ended 31/05/2001.

	N	N	N	
Opening stock		45,000	Sales	161,000
Purchases	110,000		Less returns	4,000
Less returns	<u>6,000</u>	<u>104,000</u>		157,000
		149,000		
less closing stock		???		
Cost of sales		???		
Gross profit		???		
		<u>157,000</u>		<u>157,000</u>

The gross profit ratio for the company is 25%.

15. If the total expenses is N20,845, what will be the net profit for the company during the month?  
A. N19,149 B. N16,168 C. N21,655 D. N18,405
16. The closing stock for this company is  
A. N72,000 B. N45,000 C. N42,500 D. N31,250
17. In a departmental accounting system, which of the following expenses will most likely be apportioned on the basis of turnover?  
A. Carriage outwards B. Carriages inwards  
C. Discounts received D. Returns outwards.

Use the information below to answer questions 18 and 19.

	N
Stock of raw materials (1 <sup>st</sup> January)	3,000
Direct wages	2,500
Direct expenses	1,000
Factory overheads	2,000
Cost of raw materials used	5,500
Stock of finished goods (31 <sup>st</sup> December)	2,000

18. Determine the prime cost  
A. N7,500 B. N6,500 C. N9,000 D. N8,000
19. The cost of goods manufactured is  
A. N11,000 B. N12,000 C. N14,000 D. N9,000
20. I. Orientation II. Entity III. Legal status IV. Finance  
Which of the characteristics above distinguishes a profit-making from a not-for-profit-making organization?  
A. I, II, III and IV B. I, II and III C. II and III D. I and II

Use the information below to answer question 21 and 22.

Adex Ltd. Issues stock to its retail branch at cost price. The following particulars relate to Ede branch

	N
Stock at branch 1 <sup>st</sup> January at cost	400
Goods sent to branch at cost	8,000
Returns to head office	340
Cash sales	9,160
Stock at branch 31 <sup>st</sup> December at cost	720

21. What is the gross profit carried to the profit and loss account?  
A. N1,820 B. N1,640 C. N1,530 D. N1,870
22. Calculate the cost of goods credited to the head office trading account.  
A. N7,660 B. N7,500 C. N7,460 D. N7,200
23. Nasara manufacturing Plc has three direct labour employees that work 40 hours each a week for 50 weeks a year. Factory overhead costs of N60,000 is distributed on the basis of direct labour hours. Compute the overhead rate.  
A. N12 per hour B. N16 per hour  
C. N10 per hour D. N15 per hour

Use the information below to answer questions 24 and 25.  
**Receipts and Payments Account [Extract]**

	N	N	
Balance b/d	4,000	Motor vehicle	
		Expenses	820,000
Subscription received	?	Insurance	3,000
Donations received	6,000	Ambulance Expenses	12,500
Refreshment sales	<u>10,000</u>	Electricity	1,000
		Balance c/d	<u>?</u>

**Subscriptions received are always put at 125% of the total donations received and refreshment sales.**

24. What is the closing cash balance?  
A. N11,500 B. N12,000 C. N13,000 D. N13,500

25. Compute the subscriptions received  
A. N30,000 B. N28,000 C. N24,000 D. N20,000

Use the information below to answer questions 26 and 27

	Total N	Dept. P N	Dept. Q N
Sales	10,000	6,000	4,000
Purchases	4,000	1,000	3,000
Discount received	1,000	?	
Discounts allowed	2,000		?

**Discount (allowed and received) are apportioned to the two departments on the basis of departmental sales and purchases.**

26. Department P's share of discount received is  
A. N750 B. N1,000 C. N250 D. N500.
27. What is department Q's share of discount allowed?  
A. N2,000 B. N1,500 C. N800 D. N1,200

Use the information below to answer questions 28 and 29.

Income and Expenditure Account			
	N		N
Waged	12,000	Subscriptions Received	20,000
Electricity	5,000	Donations received	10,000
Depreciation: Furniture	1,000	Profits on sale of investment	5,000
Other expenses	?		
Excess of income over expenditure	<u>?</u>		<u>35,000</u>
	<u>35,000</u>		<u>35,000</u>

**It is the tradition of the club to write off an amount equal to 25% of the subscriptions received as other expenses.**

28. What is the amount to be written off as other expenses?  
A. N4,500 B. N6,000 C. N4,000 D. N5,000.
29. Determine the club's excess of income over expenditure  
A. N12,000 B. N15,000 C. N10,000 D. N14,500
30. The gross profit on manufactured goods is the difference between the cost of goods manufactured and the  
A. Market value of goods produced  
B. Prime cost of production  
C. Indirect cost of production  
D. Goods produced.
31. given that 1/3 of the N6,000 stock held by a branch is purchased from outsider. If goods are invoiced to branch at 25% on cost, the provision for unrealized profit is  
A. N1000.00 B. N333.33 C. N666.66 D. N800.00

32. **A.S.D. Club Balance Sheet [Extract]**

N	N		
Accumulated fund	6,000	Motor van	4,000
Add surplus income	<u>1,000</u>	Stock	3,500

	7,000	Debtors for subscriptions	1,000
Creditors for supplies	1,000	Bank	1,500
Subscription in advance	<u>2,000</u>		
	<u>10,000</u>		<u>35,000</u>

The working capital of the club is  
A. N5,000 B. N4,000 C. N3,000 D. N7,000

33. Costs that vary in proportion to the level of production in a manufacturing environment are known as  
A. Control costs B. Overheads C. Direct costs D. Indirect costs.
34. A company operating a chain of retail provision stores invoices goods to the branches at cost plus a mark-up of 25% on selling price?  
A. 35% B. 30% C. 20% D. 15%
35. **Given:**  
Cash purchases 25,000  
Trade creditors 45,000  
Opening balance of trade creditors 35,000  
Calculate the purchases for the period  
A. N80,000 B. N35,000 C. N105,000 D. N70,000
36. Which method of pricing can be used satisfactorily in either a rising or falling price situation?  
A. Standard price B. Market price  
C. FIFO D. Average method.
37. **Given**  
Capital at start 3,250  
Capital at close 6,250  
Additional capital during the period 1,000  
Calculate the profit or loss  
A. N8,500 loss B. N2,000 loss  
C. N2,000 profit D. N8,500 profit.
38. In a control account, discount received is found on the  
A. Debit side of the purchases ledger control account  
B. Debit side of the sales ledger control account  
C. Credit side of the purchases ledger control account  
D. Credit side of the sales ledger control account.
39. In an incomplete record system, a trading account cannot be prepaid until the  
A. Day book has been balanced  
B. Amount of personal drawings has been established  
C. Cash book has been balanced  
D. Amount of sales and purchases has been established.

Use the information below to answer questions 40 and 41.

Date	Qty (units)	Rate (N)	Total (N)
January 2nd	500	25	12,500
March 7th	250	28	7,000

Issue were made a follow:

Date	Qty (units)
January 9th	200
February 14th	200

40. The closing stock on March 11th by LIFO valuation is  
 A. N4,200 B. N2,700 C. N4,500 D. N3,900

41. The value of closing stock as at February 14<sup>th</sup> by simple average method is  
 A. N3,900 B. N2,500 C. N4,100 D. N2,700.

42. Given an incomplete record without sufficient information to determine profit, the necessary thing to do it to  
 A. Draw up the statement of affairs.  
 B. Draw up a T-account to establish the amount.  
 C. Compare the journal entries with the cash book .  
 D. Cross-check the cash book for further information.

43. Control accounts help to verify the arithmetic accuracy of the postings from the  
 A. Subsidiary books into the trial balance  
 B. Ledgers into the trial balance  
 C. Journals into the ledgers  
 D. Subsidiary books into the ledgers.

44. Keeping records under the single entry system has the advantage of  
 A. Duality in terms of records  
 B. Completeness in terms of records  
 C. Accuracy in terms of operation  
 D. Simplicity in terms of operation

45. **Given:**

	N
Sales	195,200
Stock 1 <sup>st</sup> January	34,000
Purchases	126,000
Sales returns	1,200
Purchases returns	2,000

If the gross profit is N66,000, what is the value of stock at 31st December?  
 A. N30,000 B. N40,000 C. N50,000 D. N20,000

46. **Given:**

	N(m)
Balance at 31 December	14,744
Treasury Bills issued Jan – Dec	7,124
Revenue for the year	6,387
Expenditure	8,767

What is the opening balance on the consolidated revenue fund account?

- A. N10,000m B. N12,000m  
 C. N9,000m D. N11,000m

*Use the information below to answer questions 47 and 48.*

The partnership agreement between Abba, Baba and Kaka contains the following provisions: (i) 5% interest to be paid on capital and no interest to be charged o drawings (ii) Profits and losses to be shared in the ration 3:2:1 respectively. (iii) Net profits as at 31/12/95 N2,250.

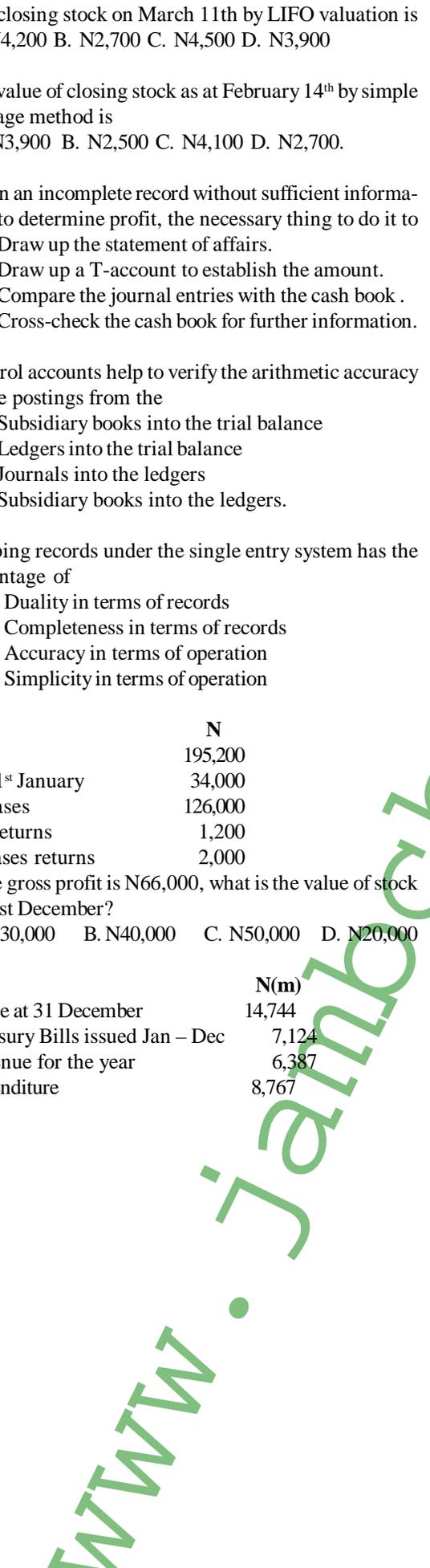
	Abba N	Baba N	Kaba N
Capital	5,000	4,000	3,000
Current account	250	100	175
Salary	300	300	-
Drawings	600	500	250

47. Abba's capital balance at the end of the year will be  
 A. N5,475 B. N5,725  
 C. N4,400 D. N5,000.

48. Current account balance of Kaka at the end of the year will be  
 A. N250 B. N350 C. N175 D. N325.

49. Upon the dissolution of a partnership, the Partnership Act provides that the amount realized should be  
 A. Used to pay all taxes due to government  
 B. Used to start a new partnership business by members who are willing  
 C. Shared equally by the existing partners  
 D. Used in paying the debts and liabilities of the firm to persons who are not partners.

50. In the public sector, the method of accounting that reports revenues and expenditures in the period in which they are received and paid is called  
 A. Fund accounting  
 B. Commitment accounting  
 C. Cash accounting  
 D. Accrual accounting



# Principles of Accounts 2003

- Which of the following is used to update the cash book in bank reconciliation?
  - Interest received and unrepresented cheques
  - Commission and debit note
  - Unrepresented cheques and direct credit
  - Interest received and direct credit
- The two legally recognized professional accounting bodies in Nigeria are the
  - Institute of Certified Public Accountants of Nigeria and the Institute of Cost and Management Accountants of Nigeria.
  - Association of Accountants of Nigeria and the Institute of Management Accountants of Nigeria
  - Institute of Chartered Accountants of Nigeria and the Association of National Accountants of Nigeria
  - Nigeria Accounting Association and the Executive Cost and Management Accountants of Nigeria.
- Verifiability in accounting is only possible when there are
 

A. minutes of meetings	B. payment vouchers
C. source documents	D. audit certificates
- The transaction would be recorded in the cash book as debit
  - cash and credit bank
  - bank and credit cash
  - cash and credit cash
  - bank and credit bank
- Which accounting concept supports the assertion that economic reality takes precedence over legal issues?
  - Realization concept
  - Substance over form
  - Conservatism
  - Measurement concept
- The transaction that completes its double entry in the same ledger account appears in.
  - cash account and personal account
  - bank account and general ledger
  - discount received and discount allowed
  - cash account and bank account

10. Given:

	N
Capital	1 000
Liabilities	500
Assets	1 500

The accounting equation can be expressed as

- $N1\ 000 + N500 + N1\ 500 = N3\ 000$
- $N1\ 000 - N500 + N1\ 500 = N2\ 000$
- $N1\ 000 + N500 = N1\ 500$
- $N1\ 500 + N500 = N2\ 000$

Use the information below to answer questions 4 and 5

	N
Capital	2 000
Bank	1 200
Purchases	2 500
Sales	6 700
Stock	1 300
Creditors	1 000
Fixed assets	3 700
Drawings	?

Drawings are always estimated at 50% of capital

- The trial balance total is
  - N 9 700
  - N 8 700
  - N 7 900
  - N 7 800
- Compute the amount withdrawn
  - N 2 000
  - N 1 500
  - N 1 200
  - N 1 000

Use the information below to answer questions 6 and 7.

Ezekiel Malgwi is a retailer. He recorded sales representing 95% cash and 5% credit. He took the total cash sales of N19 000 from the business tray and banked it.

- The credit sales for the period would be
  - N5 000
  - N1 900
  - N1 000
  - N950

- The recording phase of accounting is known as
  - bookkeeping
  - trial balancing
  - ledger accounting
  - final accounting

Use the information below to answer questions 12 and 13.

Motor Vehicle Account as at 31st December, 2001

	N
Debit:	
Jan. 1, cost	1,950 000
Dec. 31, Addition	400 000
Credit:	
Jan. 1, Depreciation	1,360 000
June 30, Sales proceeds	700 000

The vehicle sold was purchased on January 1, 1998 at a cost of N1,000 000 and had depreciated at 25% on cost.

- Assuming that depreciation is charged on the addition of the year at the rate of 15% on reducing balance, what should be the net book value of the vehicle as at 31st December 2003?
  - N111 000
  - N280 000
  - N289 000
  - N340 000

13. What is the actual profit or loss arising from the vehicle disposed of?

- A. N250 000 loss    B. N50 000 loss  
C. N450 000 profit    D. N575 000 profit

14. Given:

- I. Order of performance  
II. Order of liquidity  
III. Vertical order  
IV. Horizontal order

The orders in which a balance asset is arranged are

- A. I and II    B. I and IV  
C. II and III    D. III and IV

Use the information below to answer questions 15 and 16

	N	N
Capital		24 000
Land and building	8,470	
Mortgage on premises		11 090
Drawings	3,000	
Profit and loss		3 600
Furniture and fittings	5,120	
Motor Vehicles	3,462	
Closing Stock	3,000	
Debtors	11,474	
Creditors		7 354
Cash	<u>1,518</u>	<u>46 044</u>
	<u>46,044</u>	<u>46 044</u>

15. What is the capital employed?

- A. N44 600    B. N43 052  
C. N43 044    D. N38 600

16. Calculate the value of fixed assets

- A. N15 992    B. N18 470  
C. N27 000    D. N27 052

17. Provision for discount allowed can be recorded as a debit to

- A. the profit and loss account and a credit to provision for discount allowed  
B. provision for discount allowed and a credit to the profit and loss account  
C. discount allowed and a credit to the profit and loss account  
D. expenses and a credit to customers' account

Use the information below to answer questions 18 and 19

Date	Details
Feb.	1 Purchased 400 units at N1.00 each
"	5 Purchased 200 units at N2.00 each
"	10 Purchased 200 units at N3.00 each
"	15 Issued 320 units
"	20 Purchased 200 units at N4.00 each
"	25 Issued 120 units

18. Calculate the price per unit of closing stock using the periodic weighted average method.

- A. N3.20    B. N3.00  
C. N2.20    D. N2.00

19. Using the periodic simple average method, the cost per unit is

- A. N4.25    B. N3.25  
C. N2.25    D. N1.25

Use the information below to answer questions 20 and 21.

Purchases ledger control account			
N		N	
		Balance b/d	2,900
Discount received	1,000	Credit purchases	?
Bills payable	1,500	Bills payable	
Cash paid to		dishonoured	1,600
Suppliers	8,000		
Returns outwards	3,000	Dishonoured	
		Cheques	2,000
Balance c/d	?		
			?

Credit purchases are always put at 150% of the total cash paid to suppliers

20. Calculate the closing balance of the ledger account

- A. N6 900    B. N6 400  
C. N5 000    D. N4 000

21. Determine the credit purchases

- A. N15 500    B. N13 500  
C. N13 400    D. N12 000

22. In a control account, provision for bad debts is found on the

- A. debit side of the purchases ledger control account  
B. debit side of the sales ledger control account  
C. credit side of the purchases ledger control account  
D. credit side of the sales ledger control account

23. The stock valuation data is important because it enables management to

- A. separate debtors from creditors  
B. determine the cost of stock at the end of business  
C. determine the cost of stock at the beginning of business  
D. determine the total cost of goods purchased

24. During the year ended 31st December 2001, Nuju Enterprises paid rent as follows:

- Jan. 20 N24 000 for a period of 4 months  
May 16 N30 000 for a period of 5 months  
Oct. 15 N36 000 for a period of 6 months

What is the overpaid portion of the rent?

- A. N36 000    B. N18 000  
C. N12 000    D. N6 000

25. Advertising expenses incurred on a product in a business organization should be charged to

- A. production department    B. sales department  
 C. administration department  
 D. purchases department

26. Four broad classifications of overheads are  
 A. production, selling, distribution and material  
 B. production, selling, distribution and administration  
 C. selling, distribution, production and wages  
 D. distribution, selling, administration and material

27. Given: N  
 Cost of raw material issue to production    37,000  
 Opening stock of raw material                2,000  
 Purchases of raw material                    38,000  
 Wages    5,000  
 What is the closing stock of raw material?  
 A. N4 000                                        B. N3 000  
 C. N2 000                                        D. N 1 000

**Use the information below to answer questions 28 and 29**

PQ Manufacturing Company	N
Raw materials (1/1/2001)	3,500
Raw materials (31/12/2001)	4,900
Purchase of raw materials	56,000
Salary	63,000
Wages	148,050
Factory lighting	3,080
Plant Depreciation	2,800
Factory Insurance	2,170

28. The overhead cost is  
 A. N71 050    B. N68 250  
 C. N67 970    D. N66 080
29. The company consumed raw materials worth  
 A. =N=54 600    B. =N=56 000  
 C. =N=57 400    D. =N=59 500
30. Income and expenditure account is more informative than receipts and payments account because it discloses  
 A. Cash                                        B. Cheques  
 C. Debtors                                    D. stocks
31. A company has two departments X AND Y. Y transferred goods to X at a profit margin of 25%. =N=10 000 worth of goods was not sold at the end of the accounting period. How much is the unrealized profit?  
 A. =N=2 000    B. =N=2 500  
 C. =N=12 000    D. =N=12 500
32. Given: Rich Social Club                        =N=  
 Cash    100 000  
 Loan     30 000  
 Subscription in arrears                        5 000  
 Subscription in advance                       15 000
33. A company has departments M and N. The expense incurred wholly in M is =N=5 000. General expenses incurred amount to =N=25 000. Expenses are apportioned in the ratio 2:3 for departments M and N

- respectively. What is N's share of the expenses?  
 A. =N=10 000    B. =N=15 000  
 C. 18 000                                        D. 20 000

**Use the information below to answer questions 34 and 35**

	=N=
Total sales of ticket	300 000
Amount received from the sales	260 000
Cash purchase of the club house	100 000
Credit purchase of equipment	60 000
Electricity bill paid	5 000
Salaries owed	2 000

34. What is the receipts and payment account balance?  
 A. =N=260 000    B. =N=233 000  
 C. =N=155 000    D. =N=100 000
35. What is the balance of the income and expenditure account?  
 A. =N=300 000    B. =N=293 000  
 C. =N=193 000    D. =N=133 000
36. The first step in converting a single entry to a double entry system of bookkeeping is to prepare a  
 A. Suspense account    B. Statement of affairs  
 C. Realization account    C. Trial balance

37. Emeka Enterprises Statement of Affairs at start

	Assets		Liabilities
	=N=		=N=
Cash	70 000	Creditors	85 000
Inventory	58 000	Bank Loan	60 000
Machines	100 000		

- What is the capital at start?  
 A. =N=53 000    B. =N=63 000  
 C. =N=73 000    D. =N=83 000
38. Receipts and payments account is the summary of  
 A. Income and expenditure    B. Cash book  
 C. Balance sheet                D. Profit and loss
39. Given: =N=  
 Total debtors b/d 31/12/99                    25 000  
 Cheques received from debtors            225 000  
 Total debtors c/d 31/12/00                    15 000  
 Determine the sales figure.  
 A. =N=295 000    B. =N=265 000  
 C. =N=245 000    D. =N=215 000
40. Which of these is a capital expenditure warrant?  
 A. Provisional general warrant  
 B. Development fund general warrant  
 C. Reserved expenditure general warrant  
 D. Supplementary warrant
41. For the purpose of conversion of a partnership to a company, a total purchase consideration of =N=3.6m was paid. If 30% of the purchase consideration was in cash and the rest by 50k shares, how many shares were issued?

- A. 1 080 000 B. 2 160 000  
C. 3 600 000 D. 5 040 000

42. Given:
- I. The consolidated revenue fund balance b/d =N=650 000
  - II. Issues from contingency fund amounted to =N=240 000
  - III. Amount transferred to contingency fund is =N=210 000
- What is the consolidated revenue fund balance?
- A. =N=1 100 000 B. =N=680 000  
C. =N=440 000 D. =N=410 000

Use the information below to answer questions 43 and 44

	=N=
Goods from head office	13,400
Returns to head office	118
Rates and insurance paid	188
Wages paid	913
Cash remitted to head office	16,625
Stocks at 1/1/2000	1,875
Rent paid	325
Stock at 31/12/2000	1,975
Sundry expenses	200

43. The profit realized from the trade is
- A. N4 069 B. N1 817  
C. N1 440 D. N1 328
44. What is the total expenses?
- A. N1 875 B. N1 764  
C. N1 626 D. N1 426
45. The necessary accounts to be opened on the issue of ordinary share capital are
- A. preference share capital, cash and allotment accounts
  - B. bank and ordinary share capital accounts
  - C. cash and ordinary share capital accounts
  - D. nominal value and ordinary share capital accounts
46. The amount of each invoiced goods sent to the branch is debited to
- A. branch expense account and credited to branch debtors' account
  - B. branch stock account and credited to the goods sent to branch account
  - C. branch debtors' account and credited to branch expense account
  - D. goods sent to branch account and credited to branch expense account

Use the information below to answer questions 47 and 48.

### ZEBRA PLC

Balance sheet as at 31 st March, 2002

	N	N	N
Capital	100 000		
Current Liabilities			
Creditors	30 000		
Fixed assets:			
Land and buildings		50,000	
Furniture		10,000	
Current Assets:			
Stock		30,000	
Debtors		30,00	
Cash		10,000	70,000
		<u>130,000</u>	<u>130 000</u>

The business was acquired on 1 st April, 2002 at a purchase consideration of N120 000 by SOZ. All assets and liabilities were taken over except the cash.

To open the new firm's bank account, additional N20,000 was paid into the bank.

47. The goodwill on purchase is
- A. N90 000 B. N30 000  
C. N19 000 D. N18 000
48. Calculate the networth of the business
- A. N120 000 B. N90 000  
C. N80 000 D. N30 000
49. Gross profit in the branch adjustment account is transferred to the branch
- A. trading account
  - B. receipts and payments account
  - C. profit and loss account
  - D. income and expenditure account
50. Mamza Nigeria Limited issued 20 000 ordinary shares of N1.50 per share on 2 nd July 2002. 1 500 ordinary shares were fully subscribed for and their monies received as below:
- |  | N    |
|--|------|
| On application                           | 0.40 |
| On allotment                             | 0.20 |
| First call (including premium of N 0.50) | 0 70 |
- The last and final call was yet to be made. What is the balance of the ordinary share capital account after the first call was received?
- A. N300 B. N1050  
C. N1200 D. N1950s

# Principles of Accounts 2004

- The accounting principle that is applied to check arbitrary actions on the part of accountants is
  - Consistency
  - Materiality
  - Objectivity
  - Realization
- The loss of equipment in a fire disaster results in
  - decrease in current asset
  - an increase in liabilities and assets
  - a decrease in assets and capital,
  - an increase in liabilities and a decrease in assets.
- A source document is used for verifying the
  - Amount due to creditors,
  - Actual cost of an asset,
  - Selling price of goods,
  - Amount due from debtors
- The rule of accounting equation requires that account payable should be placed under
  - Liabilities,
  - Equities
  - Assets
  - Capital
- Zakari started business in January 2000. He bought a shop costing N54,000 and stock worth N7,600. profit for the year amounted to N22,100. His closing capital was N73,800**  
 Zakari's personal drawings amounted to
  - N2,300,
  - N9,900,
  - N17,100,
  - N19,500
- The balance on the provision for depreciation account is
  - added to fixed assets on the balance sheet
  - deducted from fixed assets on the balance sheet
  - deducted from the profit and loss account
  - added to the current liabilities of the account
- Given:**  
**Rates paid during the year amount to N2,250 at N125 per month and N1,035 was paid for electricity in the same period an N115 per month**  
 Determine the amount of prepaid rates
  - N345,
  - N750,
  - N1,380
  - N1,500

Use the information below to answer questions 5 and 6

Cash Book		
N		N
Capital 6 600	Purchases	3 500
Sales 3 000	Stationery	1300
Debtors 2 500	Wages	2 700

The owner wishes to maintain an amount equal to  $\frac{1}{3}$  of capital as drawings

- The amount withdrawn is
  - N2,100,
  - N2, 200,
  - N4,400,
  - N6,400
- The cash book closing balance will be
  - N900,
  - N2,400,
  - N4,200,
  - N4,600
- A debit in the suspense account will appear in the balance sheet as
  - A current asset,
  - A current liability
  - Capital
  - Drawings
- The recipient whose name appears on cheque is called a
  - Payer
  - Drawer
  - Drawee
  - Payee
- The imprest account is subsidiary to the
  - ledger account,
  - Bank account
  - Cash book
  - Petty cash
- The three-column cash book differs from the two-column cash book in
  - Cash column,
  - Discount column
  - Bank column,
  - Folio column
- What is the value of raw materials issued on May 17<sup>th</sup> based on the LIFO method?
  - N60,
  - N61,
  - N62,
  - N64
- Based on the FIFO method of valuation, the total cost of raw materials issued is
  - N150,
  - N160,
  - N240,
  - N250
- Where closing stock is undervalued, the effect is
  - an increase in gross profit,
  - a decrease in gross profit,
  - an increase in purchases,
  - a decrease in purchases

Use the information below to answer questions 14 and 15

Date	Receipt	Issued (Units)
May 2	80 @ N3.00	-
May 10	50 @ N3.20	-
May 17	-	20
May 25	-	60
May 31	20 @ N2.90	-

Use the information below to answer questions 17 and 18

	N
Opening balance	10,640
Purchases	26,912
Returns inwards	492
Returns outwards	810
Cash discount received	1,348
Cash discount allowed	1,560
Cash paid to suppliers	20,808

At the year-end, the purchases ledger showed a debit balance of N108.

17. The total on the debit side of the purchase ledger control account will be:  
 A. N22,966 B. N22,15  
 C. N21,834, D. N21,054
18. The balancing figure in the purchases ledger control account is  
 A. N15,828 B. N15,720  
 C. N14,940 D. N14,694
19. In a sales ledger, contra entry is found on the  
 A. debit side of the debtors' control account  
 B. debit side of the creditors' control account  
 C. credit side of the debtors' control account  
 D. credit side of the creditors' control account
20. The beginning and ending accounts receivable balances were N20,000 and N30,000 respectively. The collection from customers during the period was N70,000. What was the total sale on account?  
 A. N20,000 B. N60,000  
 C. N80,000 D. N120,000

21. Given :

General expenses account

	N
Paid by cheque	671
Paid by cash	70
Accrued b/f	65
Accrued c/f	115

Determine how much to be charged profit and loss account

A. N606, B. N786, C. N791, D. N856

22. In converting single entry to final account, the balancing figures on the income and expenses accounts are transferred to the  
 A. revenue and expenditure account  
 B. receipts and payments account  
 C. profit and loss appropriation account  
 D. profit and loss account

Use the information below to answer questions 23 and 24

	N
Beginning inventory	?
Purchases	?
Ending inventory	4,800
Sales	12,800
Wages	1,040
Gross profit	5,900

The beginning inventory was estimated at 80% of sales.

23. Determine the amount for the beginning inventory

- A. N20,140 B. N10,240  
 C. N8,140 D. N7,240

24. What is the figure for purchases?  
 A. N2,400, B. N2,500, C. N4,200, D. N5,200

25. Cost classification in relation to charges is determine by the level of  
 A. raw materials B. labour  
 C. activity D. profitability

Use the information below to answer questions 26 and 27

	N
Materials consumed	16,600
Direct cost	5,400
Factory rent	2,300
Factory lighting	1,200

Cost of production to be transferred at cost plus 20% mark-up

26. The gross profit on manufacture is  
 A. N6,120 B. N6,100  
 C. N5,100 D. N5,000
27. The market value of goods produced is  
 A. N30,500 B. N30,600  
 C. N31,600 D. N31,620

Use the information below to answer questions 28 and 29

On January 1, 2000, a club's assets and liabilities were as follows:

	N
Club house	8000
Subscription in arrears	300
Cash	1000
Wages owed	100

The club has 50 members and annual subscription is N100 per member. Subscription received is N4,000 and this includes 1999 arrears of N200

28. The accumulated fund is  
 A. N9,400 B. N9,300  
 C. N9,200 D. N9,100
29. In the balance sheet, the subscription in arrears will be  
 A. N200 B. N300  
 C. N1,200 D. N1,300
30. Where the debit side of the income and expenditure account is higher than the credit side, the difference is a  
 A. Deficit B. surplus  
 C. Gain D. loss
31. In the balance sheet of a not-for profit making organization, subscription paid in advance is regarded as a  
 A. current asset B. current liability  
 C. capital D. reserve

32. A rapidly growing business organisation with multiple units that is interested in comparing the performances and weakness of each unit should adopt
- manufacturing accounts
  - consolidated accounts
  - departmental accounts
  - joint venture accounts

Use the information below to answer questions 33 and 34

	Dept. S N	Dept. T N	Total N
Gross profit b/d	6,000	4,000	10,000
Less: salaries&wages	1,800	1,200	3,000
Electricity	?	?	2,000
Depreciation	60	?	1,000
Net profit c/d	?	1,600	4,000
	6,000	4,000	10,000

33. What is the net profit by department S?
- N3,600
  - N3,000
  - N2,400
  - N2,000
34. The depreciation to be charged to department T is
- N300
  - N400
  - N500
  - N600
35. How are credit sales by a department treated?
- the same was as normal debtors' transactions
  - in a different way from normal debtors' transactions
  - as an addition to the sales manager's account
  - as an addition to the production manager's account
36. Discounts granted to branch customers are treated as a debit to branch
- stock account and a credit to branch debtors' account
  - discount account and a credit to branch bank account
  - stock account and a credit to branch bank account
  - discount account and a credit to branch debtors' account
37. Transfers from the head office to branches are best carried out at
- cost price
  - selling price
  - cost plus mark-up
  - market price
38. On dissolution, the final distribution of cash to partners is based on
- partnership agreement
  - articles of association
  - goodwill
  - capital balances

Use the information below to answer questions 39 and 40

**Jumoke and Kunle have an original investment of N25,000 and N15,000 respectively in a partnership. The articles of partner-**

**ship provide 3% interest on capital and salaries of N1,500 and N1,000 respectively for the PARTIES. The profit & loss are to be shared in the ration 3:2 miscellaneous expenses of N2,500 were incurred with gross profit of N6,500 during the financial year.**

39. The balance of profit and loss account will be
- N4,000
  - N2,800
  - N1,500
  - N300
40. What is Kunle's share of the profit?
- N600
  - N300
  - N180
  - N120
41. When a new partner is admitted to a partnership there is a need to revolved the
- capital of the business
  - capital and liabilities of the business
  - assets and capital of the business
  - assets and liabilities of the business
42. The accounting entry to record the premium on goodwill is to debit
- cash and credit old partners' capita,
  - goodwill and credit revaluation
  - assets and credit capital
  - capital and credit assets
43. The expenses incurred in promoting a company are:
- promoters' expenses,
  - floating expenses
  - preliminary expenses
  - the board's expenses
44. Debentures can be redeemed out of
- existing share capital reserve
  - existing general reserve
  - proceeds from new issue of shares
  - withholding tax

Use the information below to answer questions 45 and 46

Given:	<u>Share capital</u>	<u>Issued</u> N
600,000 10% preference shares of N0.50 each		-
600,000 ordinary shares of N1 each		500,000
Capital reserves		250,000
Revenue reserves		207,000
Long-term liabilities		400,000
		<u>1,357,000</u>

45. What is the value of the authorized share capital?
- N500,000
  - N600,000
  - N750,000
  - N1,200,000
46. The value of the owner's equity is
- N400,000
  - N900,000
  - N957,000
  - N1,357,000
47. Share premium is an example of
- revenue reserves
  - capital reserves
  - general reserves
  - loan capital
48. According to the provisions of the 1999 constitution, all revenue generated by the Federal Government must be paid into the
- Consolidated revenue fund,

- B. Federation account  
C. revenue mobilization allocation and fiscal commission's account,  
D. equalization fund
49. The budget statement presented to the legislature by the Chief Executive is called  
A. an appropriation act, B. a budget bill  
C. an appropriation bill D. a budget proposal
50. The statement of assets and liabilities in the public sector can be described as the  
A. income and expenditure account of government  
B. appropriation account of government  
C. balance sheet of government  
D. funds flow statement of government

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