

COVENANT UNIVERSITY

TUTORIAL KIT

PROGRAMME: ACCOUNTING

OMEGA SEMESTER

100 LEVEL



*Raising A New Generation Of Leaders*

## **DISCLAIMER**

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**ACC 121: Introduction to Financial Accounting**

**ACC 129: Accounting Laboratory**

# COVENANT UNIVERSITY

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

**TITLE OF EXAMINATION:** BSc. Degree Examination

**COLLEGE:** Business and Social Science

**DEPARTMENT:** Accounting

**SEMESTER:** Omega

**COURSE CODE:** ACC121

**COURSE TITLE:** Principles of Financial Accounting

**INSTRUCTION:** Attempt all questions

**SCHOOL:** Business Studies

**SESSION:** 2014/2015

**CREDIT UNIT:** 2 Units

**TIME:** 2 HOURS

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## SECTION A: MULTIPLE CHOICE QUESTIONS

1. The following are causes of depreciation of fixed assets except
  - a. Wear and tear
  - b. Passage of time
  - c. Reduction in market price
  - d. Obsolescence
2. \_\_\_\_\_ is the reduction in the value of mineral assets
  - a. Appreciation
  - b. Depreciation
  - c. Amortization
  - d. Depletion
3. Bad debt is charged against the \_\_\_\_\_ of the year
  - a. Income
  - b. Expenditure
  - c. Loss
  - d. Profit
4. Bad debt for the year is \_\_\_\_\_ from the total debtors in the balance sheet
  - a. Deducted
  - b. Received
  - c. Carried
  - d. Derived
5. Sales Ledger control account is the same as
  - a. Sales account
  - b. Sales Ledger
  - c. Total Debtors account
  - d. Debtors account
6. In the sales ledger control account,
  - a. Debit the account with all transactions that will increase the customer's indebtedness to the organization and credit the account with all transactions that will decrease the customers' indebtedness to the organization

- b. Debit the account with all transactions that will reduce the customer's indebtedness to the organization and credit the account with all transactions that will increase the customers' indebtedness to the organization
  - c. Debit the account with all transactions that will reduce our indebtedness to the supplier and credit the account with all transactions that will increase our indebtedness to the supplier
  - d. Debit the account with all transactions that will increase our indebtedness to the supplier and credit the account with all transactions that will reduce our indebtedness to the supplier
7. Statement of affairs is the same thing as
- a. Trading account
  - b. Income statement
  - c. Balance sheet
  - d. Profit or loss account
8. The information needed to ascertain the profit of an enterprise with incomplete records comprises of the following except
- a. Opening Assets
  - b. Opening Liabilities
  - c. Closing Assets
  - d. Receipts
9. A single entry book keeping system does not produce a
- a. Balance sheet
  - b. Profit or loss account
  - c. Cash book
  - d. Trial balance
10. The following situations may necessitate an organisation that has adopted the single entry system to prepare its final accounts except
- a. Application for loan from the bank
  - b. Determination of net profit or loss
  - c. File for tax liability
  - d. Determination of income and expenditure
11. Surplus is a term used to explain
- a. The excess of expenditure over income
  - b. The excess of income over expenditure
  - c. The equilibrium of income and expenditure
  - d. The excess of income over receipt
12. Deficit is a term used to explain
- a. The excess of expenditure over income
  - b. The excess of income over expenditure
  - c. The equilibrium of income and expenditure
  - d. The excess of income over receipt
13. Total indirect cost is the same as
- a. Prime cost
  - b. Total overheads
  - c. Primary cost
  - d. Low cost

14. Net work in progress is derived by
  - a. Adding opening work in progress to closing work in progress
  - b. Subtracting opening work in progress from closing work in progress
  - c. Adding closing work in progress to opening work in progress
  - d. Subtracting closing work in progress from opening work in progress
15. The manual system of accounting is widely used by
  - a. Large scale enterprises
  - b. Medium scale enterprises
  - c. Small scale enterprises
  - d. Multinational organisations
16. The following are the advantages of manual system of accounting, except
  - a. Cost minimization
  - b. Time efficiency
  - c. Low risk of data loss
  - d. Accuracy
17. The following are types of partners except
  - a. Nominal Partners
  - b. Secret partners
  - c. Sleeping partners
  - d. Transit partners
18. \_\_\_\_\_ partners do not take part in the management of the business but are liable to third parties for all the debts of the firm.
  - a. Active
  - b. Sleeping
  - c. Partners in profit
  - d. Partners in loss
19. Current ratio is
  - a. Current asset divided by current liabilities
  - b. Current liabilities divided by current asset
  - c. Current asset multiplied by current liabilities
  - d. Current liabilities plus current assets
20. Quick ratio is
  - a. Current asset plus stock divided by current liabilities
  - b. Current asset less stock divided by current liabilities
  - c. Current Liabilities less stock divided by current assets
  - d. Current assets plus stock less current liabilities

### **SECTION B: SHORT ANSWER QUESTIONS**

1. \_\_\_\_\_ method is a depreciation method that estimates the life span of the asset at the time of purchase
2. \_\_\_\_\_ method charges higher depreciation in the first year of an asset and lower depreciation for each subsequent year with the last year of usage having the least depreciation
3. To post bad debts recovered in the books, debit \_\_\_\_\_ account and credit bad debt recovered account with the value of bad debt recovered for the period

4. \_\_\_\_\_ is an allowance set aside for debts in the balance sheet that might not be collectable
5. Purchases Ledger control account is the same as \_\_\_\_\_
6. Subsidiary ledger serves as a supporting ledger for the \_\_\_\_\_ ledger  
Opening Capital plus \_\_\_\_\_ 7 \_\_\_\_\_ less \_\_\_\_\_ 8 \_\_\_\_\_ equals net profit or loss
9. Owners fund is the same as \_\_\_\_\_
10. Goodnight failed to maintain proper records. Her opening capital, closing capital and drawings during the year were ₦450000, ₦520000 and ₦20000. What is the net profit for the period?
11. Cash book is for trading companies, while \_\_\_\_\_ is for non trading companies
12. Capital is for trading companies while \_\_\_\_\_ is for non trading companies
13. The terminology used to explain direct Materials plus direct labour plus direct expenses is \_\_\_\_\_
14. Total \_\_\_\_\_ direct \_\_\_\_\_ cost \_\_\_\_\_ plus \_\_\_\_\_ total \_\_\_\_\_ overheads \_\_\_\_\_ equals \_\_\_\_\_
15. The Manual system of accounting is the \_\_\_\_\_ way of accounting
16. \_\_\_\_\_ system of accounting combines the feature of a calculator and a printer, used for specific commercial activity.
17. \_\_\_\_\_ are partners that are not liable for the debts of the business
18. \_\_\_\_\_ are partners who take part in the management of the business
19. The ideal current ratio for a company is \_\_\_\_\_
20. The ideal quick ratio for a company is \_\_\_\_\_

### SECTION C: ESSAY TYPE QUESTIONS

1. In not more than one sentence each, define the following terms as they relate to Financial Accounting: (i) Accounting ratios, (ii) Work In progress (iii) Suspense Accounts (iv) Single Entry Accounting (v) Amortization (vi) Depletion (vii) Provision for Doubtful Debt (viii) Dormant Partner (ix) Control Accounts (x) State the “Double Entry Principle” (10 Marks)
2. NUASA Sports Club is a Not-For-Profit organisation. It keeps complete record of its transactions. Below is its trial balance for the year ended 30 June 2014?

	DR	CR
Equipment	16,000	
Premises	8,000	
Bar Sales		25,300
Bar Purchases	11,500	
Bar Stock 1/07/2013	3,200	
Bank	4,800	
Subscription received		13,700
Accumulated Fund 1/07/2013		33,500
Secretary Pay	5,100	
Staff Wages	7,300	

Telephone	2900	
Furniture	3,300	
Rent and Rate	3,500	
Cash	2075	
Ground Maintenance Expense	2700	
Window Cleaning	2125	
	<b>72,500</b>	<b>72,500</b>

The following additional information are also provided as at 30<sup>th</sup> June 2014; 1) Bar stocks N5000 (ii) Subscription in arrears amounted to N2100 (iii) Rates prepaid N2070 (iv) Depreciation: Equipment N2600 and furniture N2150.

**Required:** Prepare the receipts and payment account, the bar trading account, and the income and expenditure account of NUASA Sport Club for the year ended 30th June 2015 (20Marks)

# **COVENANT UNIVERSITY**

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

## **2014/2015 OMEGA SEMESTER**

### **ACC 121 MARKING GUIDE**

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#### **SECTION A: MULTIPLE CHOICE QUESTIONS**

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

17. **D**

18. **C**

19. **A**

20. **B**

### **SECTION B: SHORT ANSWER QUESTIONS**

1. Straight line
2. Sum of the years digit
3. Debtors
4. Provisions for bad debt
5. Total Creditors control account
6. General
7. Additiona capital
8. Drawings
9. Capital
10. ₦50,000
11. Receipts and payments Account
12. Accumulated fund
13. Prime cost
14. Cost of production
15. Traditional
16. Mechanical
17. Limited partners
18. Active partners
19. 2:1
20. 1:1

### **Solution to Question 1**

(i) **Accounting ratios**

These are relationships between one or more accounting numbers expressed in terms of one or more other accounting numbers.

Accounting ratios show the relationship between and among numbers in income statement and statement of financial position of an organization.

Ratios are relationship between numbers in a financial statement.

**(NB one of the above or any good other definition goes for I mark)**

(ii) **Work In progress:** WIP refers to the semi-finished goods which should be included in the cost of goods manufactured.

- (iii) **Suspense Accounts:** A temporal account opened to correct errors not detected by the trial balance. An account kept in abeyance in case of discrepancies in the trial balance until the cause (s) of the errors is detected.
- (iv) **Single Entry Accounting:** This is any system of accounting which does not conform to the two fold aspect of accounting nor follow the principle of double entry.
- It is a system of accounting in which only one effect of a transaction is recorded in the books of accounts
- (v) **Amortization:** Refer to the reduction in the value of intangible assets
- (vi) **Depletion:** Refers to the permanent reduction in the value of mineral assets
- (vii) **Provision for Doubtful Debt:** This is an allowance set aside for debts (debtors) in the balance sheet that might not be collectable
- (viii) **Dormant Partner:** This partner in a partnership business that does not take any active part in the management of the business.
- (ix) **Control Accounts:** Is an account in the nominal ledger which summarizes the transaction in a number of other accounts.
- (x) **Double Entry Principle:** For every debit transaction, there must be a corresponding credit entry, and for every credit transaction, there must be a corresponding debit entry.

## Solution to Question 2

### NUASA SPORT CLUB

#### RECEIPTS AND PAYMENT ACCOUNTS

Details		N	Details	N
Bal b/d	✓	6875	Bar Purchases	11500
Bar Sales		25300	Secretary pay	5100
Subscription	✓	13700	Staff Wages	7300
			Telephone	2900
			Rent and rate	3500
			Ground Maintenance	2700
			Window Cleaning	2125
			Balance c/d	✓ 10750
		<b>45875</b>		<b>45875</b>

**NUASA SPORT CLUB**

**BAR TRADING ACCOUNT FOR THE YEAR ENDED 30/06/2014**

Details	N	Details	N
Opening Bar Stock	3200	Bar Sales	25300
Add Bar Purchases	<u>11500</u>		
	14700		
Less Bar Closing Stock ✓	<u>5000</u>		
	9700		
Gross Profit c/d ✓	<u>15600</u>		
	<b>25300</b>		<b>25300</b>

✓

**NUASA SPORT CLUB**

**INCOME AND EXPENDITURE ACCOUNT/2014**

Details	N	Details	N
Secretary Pay ✓	5100	Bar Profit b/d ✓	15600
Staff Wages ✓	7300	Subscription (13700+2100) ✓	15800
Telephone ✓	2900		
Rent and Rate (3500 + 2070) ✓	5570		
Ground Maintenance ✓	2700		
Window Cleansing ✓	2125		
Depreciation- Equipment ✓	2600		
Depr. Furniture ✓	2150		
Surplus ✓	955		
	<b>31400</b>		<b>31400</b>

Allocate 1 mark for every tick (Total of 20 Marks)

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TITLE OF EXAMINATION: B.Sc EXAMINATION

COLLEGE: BUSINESS AND SOCIAL SCIENCES

SCHOOL: BUSINESS

DEPARTMENT: ACCOUNTING

SESSION: 2014/2015

SEMESTER: OMEGA

COURSE CODE: ACC 129

CREDIT UNIT: 1

COURSE TITLE: ACCOUNTING LABORATORY

INSTRUCTION: ATTEMPT ALL QUESTIONS

TIME: 1 HOUR

## PART I:

A)

	A	B	C	D	F	F	G	H	I	I	K	I
1	Matric No	Student Names	ACC129	ECO121	TMC121	BFN121	BUS121	CST121	Total	Average	Grade	
2	0/AA0/861	Obodo C.	/B	/B	/B	/B	/B	/B				
3												

Use the figure above to write the formula for

1. Sum and Average
2. Grade if

Score	Grade
70 and above	A
60 – 69	B
50 – 59	C
45 – 49	D
Below 45	F

(10 marks)

B) Below are the different account balances for Praise (Your Matric No) Enterprises Nigeria Ltd for two years 2013 and 2014.

<b>Account Name</b>	<b>2006</b>	<b>2007</b>
	<b>₦</b>	<b>₦</b>
Sales	792,481.45	901,787.32
Cost of Good Sold	324,136.24	368,778.34
Total Departmental Expenses	455,543.09	520,572.48
Other Income	3,255.03	3,704.21
Other Expenses	2,740.95	3,107.68
Interest Expenses	1,375.63	1,593.45
Cash	39,416.00	43,537.48
Accounts Receivable	201,134.45	200,628.81
Inventory	94,104.56	98,698.22
Other Current Assets	34,812.15	35,239.98
Fixed Assets	568,311.47	570,904.82
Accounts Payable	70,384.99	70,128.49
Notes Payable	59,355.03	54,254.24
Accrued Current Liabilities	130,936.73	131,574.90
Capital	31,999.71	32,441.03
Retained Earnings	276,341.59	286,795.07

Required to Prepare the Income Statement for the Company in MS Excel and transfer it to MS Word using the camera command button. **Note:** Tax Rate is 15% (30 marks)

**PART 2: The excerpt given below is from (Uwuigbe & Ovia,2011).**

You are required to format the excerpt using a Microsoft word document.

Title: Ethics Education and Accounting Practice

Ethics is the discipline dealing with what is good and bad and with moral duty and obligation principles of conduct governing an individual or a group. Following the accounting scandals like Enron, WorldCom and the recent Nigeria Cadbury plc cases that have painted the accounting profession black, it is however disturbing to know that a profession guided by Ethics is the discipline dealing with what is good and bad and with moral duty and obligation principles of conduct governing an individual or a group. Following the accounting scandals like Enron, WorldCom and the recent Nigerian Cadbury Plc cases that have painted the accounting profession black, it is however disturbing to know that a profession guided by certain codes of ethics, regulated by standards, monitored by recognised regulatory bodies could record a high level of unethical behaviour in recent time (Lindstorm, 2006). The issue of ethics has been long discussed in virtually all disciplines and works of life. In relation to accounting, the application of ethics cannot be overemphasized because it is somewhat the bedrock of the accounting profession. Ethics in the accounting profession can be said to be one of its pillars because, it gives support to the notion that accountancy is a noble profession.

Furthermore the profession is such that it is governed by its own standards and not by government (Verschoor, 2002). There are so many standards that have come to stay in the accounting profession that gives the profession a humble name and made the accountants to be called “noble”. With regard to auditing, the Auditing Practices Board also sets out a number of guidelines on ethics which should be followed by auditors due to the nature of their work. Hence, self-regulation may not seem possible if accountants were not seen to have high standards of professionalism or morals. The nature of both accountants’ and auditors’ work require them to have and show high level of ethics. In the case of auditors, they have to ensure that a true and fair view is being portrayed by the financial accounts of the company they are auditing. Shareholders for instance rely heavily on the annual accounts of a company as they can use this information to make informed decisions on their investment. The opinion of the auditor is so much vital as he is the one to express the truth and fairness of the financial statements or otherwise (Warth, 2000).

A. You are required to follow the details below:

- a. Write your Matriculation Number and Name using header
- b. The Main Heading – Bolden, Center alignment, Font size- 20, Capital letter
- c. All citations in the excerpt should be Italicized (eg *Verschoor, 2002*)
- d. Font: Georgia, Font size: 12 points
- e. Line spacing: 1.0 (single)
- f. Alignment: Justify the body of the excerpt
- g. Margin: Left, Right, Top, Bottom – 0.5
- h. Write in two columnar format the content of paragraph 2
- i. Apply borders to the entire document
- j. Immediately after the second paragraph create a Bibliography list using the reference icon, create a journal reference for the excerpt using the following detail.

Uwuigbe, Olubukunola Ranti; Ovia Ebikaboere, Ethics and Accounting Education in Nigeria: A study of Selected Universities, Indian Journal of Commerce & Management Studies: 2011, page: 23-27

**B.** Ensure your document does not exceed one page

**(30 mark)**

## Marking Guide for ACC 129

### PART 1

A)

#### Solution

1

Sum = Sum(c2:h2)      Average = Average(C2:H2)      (5 mks)

Grade

=if(j2>=70,"A",if(And(J2>=60,J2<70),"B",if(And(J2>=50,J2<60),"C",if(And(J2>=45,J2<50),"D","F"))))      (5 mks)

B)

<b>Praise Enterprises Nigeria Ltd.</b>		
<b>Income Stateemnt</b>		
<b>For the Year Ended Dec. 31 2014 (N 000's)</b>		
	2013	2014
Sales	901,787.32	832,984.64
Cost of Good Sold	368,778.34	324,136.24
<b>Gross Profit</b>	<b>533,008.98</b>	<b>508,848.40</b>
Total Departmental Expenses	50,572.48	55,543.09
Other Income	7,670.35	4,255.03
Other Expenses	3,107.68	2,740.95
<b>Earnings Before Interest and Taxes (EBIT)</b>	<b>486,999.17</b>	<b>454,819.39</b>
Interest Expenses	1,593.45	1,375.63
<b>Earnings Before Tax</b>	<b>485,405.72</b>	<b>453,443.76</b>
Income Taxes	72,810.86	68,016.56
<b>Net Income</b>	<b>412,594.86</b>	<b>385,427.20</b>
Notes:		
Tax Rate	15%	15%

Gross Profit      3 mks

Earnings Before Interest and Taxes (EBIT)      3 mks

Earnings Before Tax      3 mks

Net Income	3 mks
Layout	3 mks
Rest of the body	15 mks
	<b>30mks</b>

# ETHICS EDUCATION AND ACCOUNTING PRACTICE

Ethics is the discipline dealing with what is good and bad and with moral duty and obligation principles of conduct governing an individual or a group. Following the accounting scandals like Enron, WorldCom and the recent Nigerian Cadbury Plc cases that have painted the accounting profession black, it is however disturbing to know that a profession guided by certain codes of ethics, regulated by standards, monitored by recognised regulatory bodies could record a high level of unethical behaviour in recent time (*Lindstorm, 2006*). The issue of ethics has been long discussed in virtually all disciplines and works of life. In relation to accounting, the application of ethics cannot be overemphasized because it is somewhat the bedrock of the accounting profession. Ethics in the accounting profession can be said to be one of its pillars because, it gives support to the notion that accountancy is a noble profession.

Furthermore the profession is such that it is governed by its own standards and not by government (*Verschoor, 2002*). There are so many standards that have come to stay in the accounting profession that gives the profession a humble name and made the accountants to be called “noble”. With regard to auditing, the Auditing Practices Board also sets out a number of guidelines on ethics which should be followed by auditors due to the nature of their work. Hence, self-regulation may not seem possible if accountants were not seen to have high standards of professionalism or morals. The nature of both accountants’ and auditors’ work require them to have and show high level of ethics. In the case of auditors, they have to ensure that a true and fair view is being portrayed by the financial accounts of the company they are auditing. Shareholders for instance rely heavily on the annual accounts of a company as they can use this information to make informed decisions on their investment. The opinion of the auditor is so much vital as he is the one to express the truth and fairness of the financial statements or otherwise (*Warth, 2000*).

## Bibliography

Uwuigbe, O. R., & Ovia, E. (2011). Ethics and Accounting Education in Nigeria : A Study of Selected Universities. *Indian Journal of Commerce & Management Studies*, 23 -27.

C. You are required to follow the details below:

k. Write your Matriculation Number and Name using header

**(2marks)**

l. The Main Heading – Bolden, Center alignment, Font size- 20, Capital letter

**(4 marks)**

m. All citations in the excerpt should be Italicized (eg *Verschoor, 2002*)

**(3 marks)**

n. Font: Georgia, Font size: 12 points

**(4 marks)**

o. Line spacing: 1.0 (single)

**(2 marks)**

p. Alignment: Justify the body of the excerpt

**(3 marks)**

q. Margin: Left, Right, Top, Bottom – 1”inch

**(2 marks)**

r. Write in two columnar format the content of paragraph 2

**(3 marks)**

s. Apply borders to the entire document

**(2 marks)**

t. Using the reference icon, create a journal reference for the excerpt using the

following detail.

**(4marks)**

D. If the document does not exceed one page

**(1 mark)**

Total Marks allocated

**(30 mark)**