

## JOINT UNIVERSITIES PRELIMINARY EXAMINATIONS BOARD

### 2015 EXAMINATIONS

### ACCOUNTING ESSAY QUESTIONS

**Attempt Four Questions, at least, ONE question from each section**

#### SECTION A: Basic Financial Accounting

##### Question 1

- A. i. What is a Source Document? (1 Marks)  
ii. List and briefly explain five major source documents that can be found in a typical sole proprietorship business Nigeria. (4 Marks)
- B. List four major conditions under which bad debts can be written off. (4 Marks)
- C. Mention the main attributes of a non-current (fixed) asset. (2 Marks)
- D. With clear examples, define the following terms:  
i. Accounting Concept;  
ii. Accounting Basis;  
iii. Accounting Policy; and  
iv. Bookkeeping. (4 Marks)

**(Total: 15 Marks)**

##### Question 2

The following are balances extracted from the books of Muda Manufacturing Company Ltd as at 31st December, 2013:

	₦
Delivery van expenses	125,000
Electricity: Factory	142,950
Office	55,500
Manufacturing wages	2,273,500
General expenses: Factory	282,000
Office	190,800
Sales representative: Commission	393,000
Purchase of raw materials	1,952,700
Rent: Factory	240,000
Office	110,000

Machinery (cost ₦2,500,000)	1,625,000
Office equipment (cost ₦750,000)	550,000
Office salaries	742,250
Debtors	1,418,500
Creditors	972,500
Bank	666,850
Sales	6,825,800
Premises (cost ₦2,500,000)	2,000,000
Stock at 31 December, 2009:	
Raw materials	428,250
Finished goods	1,474,000
Share capital	6,872,800

You are provided with additional information thus:

(a) Stock at 31st December, 2013:

- Raw materials     ₦452,500
- Finished goods    ₦1,560,000

There was no work-in-progress.

(b) Depreciation: Machinery-~~₦~~100,000, Office equipment ₦75,000 and Premises ₦50,000

(c) Manufacturing wages due but unpaid at 31st December, 2010, was ₦15,200, Office Rent Prepaid was ₦5,400.

**Required to prepare:**

(a) The Company's Manufacturing and Statement of Comprehensive Income for the year ended 31 December 2013. **(8 Marks)**

(b) The Statement of Financial Statement Position as at that date. **(7 Marks)**

**Total (20 Marks)**

## SECTION B: Basic Cost and Management

### Question 3

Erora Macopy Nigeria Ltd deals with one product called "Feyikogbon".

The current sales = 2000 units at N200 each.

The costs are:

	₦
Direct Materials.....	114,000
Direct labour .....	36,000
Variable Overhead .....	40,000
Fixed Overhead .....	99,750

Required:

- (a) Determine the contribution per unit of the product **(3 Marks)**
- (b) Using your answer in (a) determine how many units the company must sell in order to break even **(3 Marks)**
- (c) Calculate the additional sales in units required to maintain the current profit level, if the selling price is reduced by 5 percent. **(3 Marks)**
- (d) Calculate the net profit if the sales volume (in units) is increased by 10 percent. **(3 Marks)**
- (e) If the fixed cost increases by N20,000, how many units should be sold in order to earn a profit of N60,000? **(3 Marks)**

**Total (15 Marks)**

### Question 4

Naira and Kobo Limited makes and sells a single product. The following data relate to the year 2011.

Production	2200 units	
Sales	2000 units	₦
Variable manufacturing cost/unit	14.00	
Fixed manufacturing overhead (total)		4400.00
Variable selling and administration overhead/unit	1.00	
Fixed selling and administration overhead	800.00	
Selling price per unit	30.00	

Prepare the company's income statement based on

- (i) Marginal costing principles **(6 Marks)**
- (ii) Absorption costing principles **(6 Marks)**
- (iii) Comment on the profits **(3 Marks)**

**Total (15 Marks)**

## SECTION C: Basic Auditing

### Question 5

The audited financial statements of an entity are of interest to a number of stakeholders. Identify five of these stakeholders and indicate their areas of interest. **(15 Marks)**

### Question 6

- (a) Explain the concept “True and fair view” as it relates to financial reporting. (5 Marks)
- (b) Explain FOUR fundamental differences between Internal and External Auditors. (10 Marks)

**Total (15 Marks)**

## SECTION D: Basic Principles of Nigerian Taxation

### Question 7

- a. What are the rules for ascertaining the assessable profits of a company from a new trade or business under the Companies Income Tax Act, 2004, as amended? (6Marks)
- b. State any option which the taxpayer may exercise, and the manner and the time limit within which such an option is exercisable. (6 Marks)
- c. What are the objectives of an efficient tax administration? (3 Marks)

**Total (15 Marks)**

### Question 8

Mr. Kolelowo has been trading for several years. Recently, he decided to cease business as a result of the economic downturn. He actually ceased trading on 30th June, 2011. He declared the following adjusted profits:

	₦
Yearended31/12/2011	500,000
Yearended31/12/2012	430,000
Periodto30/06/2013	70,000

Required.

- a. Compute the assessable profits of Mr. Kolelowo for the relevant years of assessment. **(12 Marks)**
- b. State briefly the cessation rules under Companies Income Tax Act CAPC21LFN2004. **(3 Marks)**

# JOINT UNIVERSITIES PRELIMINARY EXAMINATIONS BOARD

## 2015 EXAMINATIONS

### ACCOUNTING- MSS – J131

#### MULTIPLE CHOICE QUESTIONS

1. The writing off of a bad debt is an example of which concept?
  - A. Substance over form
  - B. Prudence
  - C. Going concern
  - D. Business entity
  
2. Which item should be treated as a capital expenditure?
  - A. The cost of a printer for an existing computer system
  - B. Repair costs to a car
  - C. Rent paid on a factory
  - D. Fuel cost for a generator
  
3. Chike bought goods on credit from Taiwo for ₦10,000, less trade discount of 5%. How would the transaction be recorded in Chike's books?
  - A. Dr. Purchases ~~₦9500~~                      Cr. Taiwo ~~₦9500~~
  - B. Dr. Purchases ~~₦9500~~;                      Cr. Taiwo ~~₦10,000~~  
    Dr. Discount Allowed ~~₦500~~
  - C. Dr. Purchases ~~₦10,000~~                      Cr. Taiwo ~~₦10,000~~
  - D. Dr. Purchases ~~₦10,000~~                      Cr. Taiwo ~~₦9500~~;  
    Dr. Discount Received ~~₦500~~
  
4. Which error will cause an entry in the suspense account?
  - A. An error of principle
  - B. A transposition error when transferring a ledger account balance to the Trial Balance.
  - C. An error of commission where the wrong account name is used for a transaction but the posting is wrongly done.
  - D. An error of original entry.
  
5. How many types of opinion could an Auditor express in respect of a set of audited financial statements?
  - A. 10 possible opinions
  - B. 6 possible opinions
  - C. 5 possible opinions
  - D. 4 possible opinions

6. What are the major assumptions in contribution/sales analysis?
- i. Costs can be identified as either fixed or variable
  - ii Fixed cost per unit is constant as activity rises
  - iii Variable cost per unit changes with the volume of activity
  - IV Volume of activity is the only factor that affects revenue and variable costs.
- A. i and iv
  - B. ii and iii
  - C. iii and iv
  - D. i and ii
7. The authority entrusted with the power to assess and collect petroleum tax in Nigeria is:
- A. State Board of Internal Revenue.
  - B. Federal Board of Inland Revenue.
  - C. Joint Tax Board.
  - D. Body of Appeal Commissioners.
8. A business manufactured 225 units of a product in a month. From the following information, what is the break-even point in units?

	₦
Sales income	1,1250
Variable costs	4500
Fixed overheads	4650

- A. 41units.
  - B. 450 units.
  - C. 155 units.
  - D. 153 units.
9. A method of dealing with overheads, which involves spreading common costs over cost centres on the basis of benefit received, is called
- A. Overhead allocation.
  - B. Overhead absorption.
  - C. Overhead apportionment.
  - D. Overhead analysis.
10. Auditing was derived from the Latin word

- A. Audit.
  - B. Audire.
  - C. Auditory.
  - D. Auditor.
11. The following may disqualify an auditor from being re-appointed, **EXCEPT**
- A. If he is not qualified for re-appointment.
  - B. If he has done his work perfectly well.
  - C. If the shareholders agree to appoint another auditor.
  - D. If he informs his clients by writing of his unwillingness to be re-appointed
12. Which of the following is **NOT** an old form of taxation?
- A. Value added tax
  - B. Zakkat
  - C. Ishakole
  - D. War tax
13. The Federal Inland Revenue Service is charged with the responsibility of assessing and collecting the following taxes, **EXCEPT**
- A. Value added tax.
  - B. Personal income tax of all federal civil servants.
  - C. Export duties.
  - D. Personal income tax of the residence of Federal Capital Territory.
14. The tier of government, vested with the responsibility of collecting tenement rate and slaughter slab fees, is
- A. The Federal Board of Inland Revenue.
  - B. The State Board of Internal Revenue.
  - C. The Local Government.
  - D. The Joint Tax Board.
15. A quantitative expression of a plan of action, prepared in advance of the period to which it relates, is called
- A. Control.
  - B. Budgeting.
  - C Costing.
  - D. Process costing.
16. If the annual demand of inventory is 19,600 units, the order cost is ₦25 and the cost of keeping one unit of inventory is ₦8. What is the economic order quantity (EOQ)?

- A. 350 units.
  - B. 330 units.
  - C. 320 units.
  - D. 325 units.
17. The costing technique, used for short-term decision-making by managers, is
- A. Absorption.
  - B. Labour.
  - C. Marginal.
  - D. Material.
18. If the hourly rate is ₦3, the agreed rate of production per hour is 60 units, the actual number of hours taken is 6 hours and the units produced is 480 units; what is the worker's pay under the Rowan Bonus Scheme?
- A. ₦22
  - B. ₦22.5
  - C. ₦25
  - D. ₦21
19. The following are advantages of the NPV method in project evaluation, **EXCEPT** that
- A. It ignores risk and management attitude towards risk.
  - B. It considers the time value of money.
  - C. It helps managers to either accept or reject a project.
  - D. It is used to rank projects under capital rationing decision.
20. The Canon of taxation includes the following, **EXCEPT**
- A. Flexibility.
  - B. Certainty.
  - C. Realistic.
  - D. Equity.
21. A sale should be recognised when the goods or services have been provided and the invoice sent out, rather than when the sale is agreed. Which accounting concept does this illustrate?
- A. Realization concept.
  - B. Consistency concept.
  - C. Going concern concept.
  - D. Materiality concept.
22. The account in which each partner's contribution is recorded and kept is called \_\_\_\_\_ Account.
- A. Current
  - B. Partnership
  - C. Capital
  - D. Contribution account



23. Which of the following is shown in the statement of comprehensive income of a company?
- A. Premium on issue of shares.
  - B. Proceeds from issue of shares.
  - C. Auditor's remuneration.
  - D. Proposed dividend.
24. If the accrued wages of a business, amounting to ₦1,800, is not recorded, then
- A. The profit will be overstated by ₦1,800 and liability understated by N1,800.
  - B. The profit will be understated by ₦1,800 and liabilities understated by N1,800.
  - C. The two sides of the Trial Balance will differ by ₦1,800.
  - D. The profit will be overstated by ₦1,800 and the cash balance will also be overstated by ₦1,800.
25. The responsibilities of the directors in relation to the accounting functions of the company fall under the following headings, **EXCEPT**
- A. Safe-guarding the company's assets and preventing errors and fraud in the company.
  - B. Defining the concepts of materiality and tolerable errors for the auditor.
  - C. Ensuring that the company keeps proper accounting records, as defined in legislation.
  - D. Setting up an internal control system in the company.
26. The removal of an auditor before the expiration of his/her term requires a special resolution and a notice of
- A. 14 days.
  - B. 21 days.
  - C. 28 days.
  - D. 30 days.
27. Which of these is NOT true about the removal of an auditor?
- A. Notice of intention to remove auditor must be sent to the auditor
  - B. CAC must be notified within 14 days of removal of company's auditor
  - C. The auditor has the right to send representations to members who receive notice of AGM
  - D. The auditor can only be removed when he/she has completed his/her tenure.
28. The common name given to Statement of Comprehensive Income and Statement of Financial Position is
- A. Prime accounts.
  - B. Final accounts.
  - C. Closing accounts.
  - D. End-of-the-year account.
29. N50 cash taken from the cash till and banked is posted as follow:
- A. Debit Cash ₦50 and Credit Bank ₦50
  - B. Debit Bank ₦50 and Credit Cash ₦50
  - C. Debit Cash ₦50 and Credit Cash ₦50
  - D. Debit Bank ₦50 and Credit Bank ₦50
  - E.

30. In cost accounting, the total of direct labour cost, direct material cost and direct expense is referred to as
- A. Factory cost .
  - B. Total cost.
  - C. Prime cost.
  - D. Selling cost.
31. The bonus to be paid under the Rowan Scheme is determined as follows:
- A. Half the time saved, multiplied by the hourly rate.
  - B. Time taken, divided by time allowed, multiplied by both the time saved and the hourly rate.
  - C. One third the time saved, multiplied by the hourly rate.
  - D. Hours worked, multiplied by the hourly rate.
32. An Accountant in public practice can offer all the following services, EXCEPT
- A. Preparation of Annual Financial Statements.
  - B. Corporate financial advice.
  - C. Taxation.
  - D. Performing executive accounting functions.
33. The scope and nature of an auditor's contractual obligation to a client is set out in the
- A. Management letter.
  - B. Scope paragraph of the auditor's report.
  - C. Engagement letter.
  - D. Circularisation letter.
34. An auditor, who is expected to practise the profession, should be
- A. A body corporate.
  - B. An officer of the company.
  - C. A member of a recognised professional accountancy body.
  - D. A servant of the company.
35. Which Agency of Government is responsible for the taxation of Limited Liability Companies in Nigeria?
- A. Education Tax Fund Office.
  - B. Federal Inland Revenue Service Board.
  - C. Federal Inland Revenue Service.
  - D. State Internal Revenue Service.

36. The title of the head of the Federal Inland Revenue Service Board is
- A. Executive Chairman.
  - B. President.
  - C. Director.
  - D. Director-General.
37. The legislations, passed by Acts of National and State Assemblies and Bye-laws by Local Government authorities in a democratic government, are called
- A. Statute laws.
  - B. Common laws.
  - C. General laws.
  - D. Government laws.
38. Ola Enterprises commenced business on 1<sup>st</sup> March, 2011 and it prepared its accounts to 31<sup>st</sup> October each year. The basis period for the determination of the assessable profit for the first tax year is
- A. 1<sup>st</sup> March, 2011 to 31<sup>st</sup> December, 2011.
  - B. 1<sup>st</sup> March, 2012 to 31<sup>st</sup> December, 2012.
  - C. 1<sup>st</sup> March, 2011 to 31<sup>st</sup> October, 2011.
  - D. 1<sup>st</sup> March, 2010 to 31<sup>st</sup> December, 2011.
39. What is the accounting principle that states "Anticipate no profit but provide for all possible losses"?
- A. Accrual concept.
  - B. Matching concept.
  - C. Prudence concept.
  - D. Realisation concept.
40. Which of the following source documents is received from a supplier of goods in relation to goods returned by a customer?
- A. Return inward note.
  - B. Credit note.
  - C. Debit note.
  - D. Return outward note.
41. The means of reducing or eliminating variations in accounting practice, in order to introduce a degree of uniformity into financial reporting, is

- A. Accounting standards.
  - B. Accounting concepts.
  - C. Accounting manuals.
  - D. Accounting statements.
42. In a business enterprise that has not kept proper books of accounts, what does an increase in capital at the end of the year over capital at the beginning of the year represent?
- A. Increase in capital.
  - B. Decrease in capital.
  - C. Underutilization of resources.
  - D. Improved operating performance.
43. In relation to cost accounting, which of the following is **CORRECT**?
- A. Information is mainly produced for external use.
  - B. The purpose of information is to record financial performance.
  - C. Time period is historical and futuristic.
  - D. It is regulated by legal requirements.
44. A supervisor's salary of N200,000 per month in a factory in Akwa Ibom is an example of a
- A. Mixed cost.
  - B. Step cost.
  - C. Variable cost.
  - D. Fixed cost.
45. When the marginal revenue equals the marginal cost, then the
- A. Profit is minimized.
  - B. Profit is equal to zero.
  - C. Profit is maximized.
  - D. Loss is minimized.
46. The following are different branches of accounting, **EXCEPT**
- A. Cost accounting.
  - B. Management accounting.
  - C. Financial Accounting.
  - D. Cash Accounting.
47. Which of the following is **NOT** part of auditors' duties during stocktaking?
- A. Carrying out test count and recording his sample for subsequent check against sheets.
  - B. Carrying out cut-off tests.
  - C. Taking note of special items like damaged stocks, obsolete stocks and slow-moving items.

- D. Obtaining photocopies of sheets or extract items from rough stock sheets for comparison with the final stock records.
48. What should an auditor do when he/she discovers a material misstatement? He/She should
- A. Disregard the material misstatement.
  - B. Correct the error before he writes the final audit report.
  - C. Issue an unqualified report.
  - D. Communicate the misstatement to the appropriate level of management on timely basis and consider the need to report it to those charged with governance.
49. The following are the objectives of taxation, **EXCEPT**
- A. To provide fiscal tool for stimulating economic growth and development.
  - B. To promote healthy competition among different tiers of government.
  - C. For revenue generation to meet the needs of government.
  - D. To redistribute income wealth in order to reduce inequality.
50. A quorum is formed at any meeting of the State Internal Revenue Board where there is in attendance
- A. The Chairman and three other members.
  - B. The Chairman or a Director and two other members.
  - C. The Chairman or a Director and four other members.
  - D. The Chairman and seven other members.

