



The Institute of  
Chartered Accountants  
of Nigeria (ICAN)

**FOUNDATION LEVEL EXAMINATION**

**2019**

**Mock Exam**

# **Financial accounting**

## **Answers**

**Section A: 20 marks****A1**      **C****A2**      **B****A3**      **A**

Receivables 5% × ₦2,000,000      =      ₦100,000

Allowance required 4% × ₦100,000      =      ₦ 4,000

Opening provision ₦4,000 × 3/4      =      ₦ 3,000

Increase in allowance      =      ₦ 1,000

**A4**      **D****A5**      **A**

Charge to S of P or L ₦1,800 × 7/12      =      ₦1,050

Prepayment ₦1,800 × 5/12      =      ₦750

**A6**      **C****A7**      **B**

Bank statement overdraft      (825)

Unpresented cheques      (475)

Outstanding deposits      600

Bank error      160

Cash book balance      (540)

**A8**      **A****Cash account**

	₦		₦
Opening balance	50	Bankings – receivables	160,000
Cash from receivables	179,000	Bankings – cash	50,000
Cash sales	50,000	Cash missing (bal fig)	18,950
		Closing balance	100
	<u>229,050</u>		<u>229,050</u>

**Receivables account**

	₦		₦
Opening balance	2,000	Cash received (bal fig)	179,000
Sales (230,000 – 50,000)	180,000	Closing balance	3,000
	<u>182,000</u>		<u>182,000</u>

**A9 D**

	<b>₦</b>
Cost	12,000
Depreciation $\text{₦}12,000 \times 20\% \times 3 \text{ years}$	<u>7,200</u>
Carrying amount at date of sale	4,800
Trade in value	<u>5,000</u>
Profit	<u>200</u>

**A10 B****A11 C****A12 D**

	<b>₦</b>
Carrying amount of disposal (3,000 – 1,500)	1,500
Profit on disposal	<u>500</u>
Proceeds	<u>2,000</u>

**A13 B****A14 A**

	<b>₦</b>
Net profit	180
Add: depreciation	30
Less: profit on sale of non-current asset	(75)
Less: increase in working capital (50 – 40)	<u>(10)</u>
	<u>125</u>

**A15 B****A16 B****A17 A****A18 C****A19 C**

The control account cannot ensure that the personal ledger is free from error. The two totals can agree, but there may be compensating errors in the personal ledger (e.g. the wrong account is debited) or an entry may be missing from both the control account and the ledger.

**A20**      **A**

<b>Non-current assets: Carrying amount</b>			
	<b>₦'000</b>		<b>₦'000</b>
Balance b/d	200	Disposals (25 + 5)	30
		Depreciation charge to statement of profit or loss	20
		Balance c/d	150
	<u>200</u>		<u>200</u>

**Section B: 80 marks****Question B1****(a) Control accounts****Receivables ledger control a/c**

	₦		₦
1.5.98 Bal b/f	47,600	Cash received	31,800
Sales on credit	48,200	Sales returns	1,900
		Revenue adjustment for discount taken	300
		Bad debts written off	2,700
		Contra with suppliers	2,100
		31.5.95 Bal c/f	57,000
	<u>95,800</u>		<u>95,800</u>

**Payables ledger control a/c**

	₦		₦
Cash paid	32,500	1.5.98 Bal b/f	37,400
Purchase returns	700	Purchases	36,500
Discounts received	400		
Contra with customers	2,100		
31.5.98 Bal c/f	<u>38,200</u>		
	<u>73,900</u>		<u>73,900</u>

**(b) Books of prime entry**

- (i) Cash book (receipts)
- (ii) Cash book
- (iii) Sales day book
- (iv) Purchase day book
- (v) Sales returns day book
- (vi) Purchase returns day book
- (vii) Cash book (or journal)
- (viii) Cash book (or journal)
- (ix) Journal
- (x) Journal

(c)

**Provision for doubtful debts a/c**

	₦		₦
Provision write-back	600	1.6.97 Bal b/f	6,300
31.5.98 Bal c/f	<u>5,700</u>		<u>        </u>
	<u>6,300</u>		<u>6,300</u>

**Bad debt expense a/c**

	₦		₦
Bad debts written off	2,700	Provision write-back	600
	<u>        </u>	Charge for year	<u>2,100</u>
	<u>2,700</u>		<u>2,700</u>

**Question B2**

- (a) **Atta, Boro and Dimka: Statement of profit or loss and appropriation account for the year ended 30 June 20X9**

	July to Nov ₦	Dec. to June ₦	Total ₦
Gross profit (W1)	54,167	108,333	162,500
<b>Less: Expenses</b>			
Wages and salaries (W2)	22,604	26,396	49,000
Sundry operating expenses (W2)	11,167	16,633	27,800
Bad debt (1:₦)	1,433	2,867	4,300
Manager's bonus (2% x 412,000) (5:7)	2,747	5,493	8,240
Depreciation (W4)	11,166	16,217	27,383
	49,117	67,606	116,723
Net profit	5,050	40,727	45,777
 Interest on capital (W5)			
Atta	417	858	1,275
Boro	333	630	963
Dimka	0	233	233
	(750)	(1,721)	(2,471)
 Partners' salaries (W6):			
Atta	5,000	7,000	12,000
Boro	6,250	8,750	15,000
Dimka	0	7,000	7,000
	(11,250)	(22,750)	(34,000)
Divisible profit/loss	(6,950)	16,256	9,306
 Share of loss (W7):			
Atta	4,170	6,773	2,603
Boro	2,780	5,419	2,639
Dimka	0	4,064	4,064
	6,950	(16,256)	(9,306)
	0	0	0

(b)

Capital accounts							
	<i>Attah</i>	<i>Boro</i>	<i>Dimka</i>		<i>Attah</i>	<i>Boro</i>	<i>Dimka</i>
	₦	₦	₦		₦	₦	₦
G/will (W2)	10,000	8,000	6,000	Bal b/f	25,000	20,000	10,000
				Car			4,000
Bal c/f	29,400	21,600	8,000	G/will	14,400	9,600	
	<u>39,400</u>	<u>29,600</u>	<u>14,000</u>		<u>39,400</u>	<u>29,600</u>	<u>14,000</u>

### Workings

<b>W1) Gross profit</b>		<b>July to Nov.</b>	<b>Dec. to June</b>
	₦	₦	₦
Revenue		412,000	
Less Cost of goods sold			
Opening inventory	41,000		
Purchases	<u>258,000</u>		
Cost of goods av. For sale	299,000		
Closing inventory	<u>-49,500</u>		
Cost of goods sold		<u>249,500</u>	
Gross profit		162,500	
		-	
Apportioned in ratio 1:2		<u>162,500</u>	<u>54,167</u>
		<u>0</u>	<u>108,333</u>
<b>W2) Wages and Salaries</b>		<b>July to Nov.</b>	<b>Dec. to June</b>
	₦	₦	₦
Per trial balance	56,000		
Dimka's sal July to Nov. (12000/12*7)	<u>-7,000</u>		
	49,000		
Dimka's sal Dec. to June (9000/12*5)	<u>-3,750</u>	3,750	
Salary of other partners	45,250		
Apportioned in ratio 5:7	<u>-45,250</u>	<u>18,854</u>	<u>26,396</u>
	<u>0</u>	<u>22,604</u>	<u>26,396</u>

<b>W3) Sundry operating expenses</b>		July to Nov.	Dec. to June
	₦	₦	₦
Per trial balance	27,800		
Repair of Dimka's car	-1,000		1,000
	26,800		
Apportioned in ratio 5:7	-26,800	11,167	15,633
	0	11,167	16,633

<b>W4) Depreciation</b>		July to Nov.	Dec. to June
	₦	₦	₦
On cars:			
Dimka's car (N4000 x 25% x 7/12)	583		583
Other cars (N32000 x 25%) (5:7)	8,000	3,333	4,667
On equipment:			
[40% x (103000 - 56000)] (5:7)	18,800	7,833	10,967
	27,383	11,166	16,217

<b>W5) Interest on capital</b>	Atta	Boro	Dimka
	₦	₦	₦
<b>July to Nov:</b>			
Atta (4% x N25000 x 5/7)	417		
Boro (4% x N20000 x 5/7)		333	
<b>Dec to July:</b>			
Atta (5% x N29400 x 7/12)	858		
Boro (5% x N21600 x 7/12)		630	
Dimka (5% x N8400 x 7/12)			233
<b>Total</b>	1,275	963	233

<b>W6) Partners' salaries</b>	Atta	Boro	Dimka
	₦	₦	₦
<b>July to Nov:</b>			
Atta (N12000 x 5/12)	5,000		
Boro (N15000 x 5/12)		6,250	
<b>Dec to July:</b>			
Atta (N12000 x 7/12)	7,000		
Boro (N15000 x 7/12)		8,750	
Dimka (N12000 x 7/12)			7000
<b>Total</b>	12,000	15,000	7,000

<b>W7) Share of profit/loss</b>	<b>Atta</b>	<b>Boro</b>	<b>Dimka</b>
	<b>₦</b>	<b>₦</b>	<b>₦</b>
<b>July to Nov:</b>			
Atta (-6950 x 60)	-4,170		
Boro (-6950 x 40%)		-2,780	
<b>Dec to July:</b>			
Atta (16256 x 5/12)	-6,773		
Boro 162756 x 4/12)		-5,419	
Dimka (16256 x 3/12)			-4,064
<b>Total</b>	<b>-10,943</b>	<b>-8,199</b>	<b>-4,064</b>

**Question B3**

	₦	₦
<b>Cash flows from operating activities</b>		
Net profit before taxation	1,381	
Adjustments for		
Depreciation (111 (W1) + 351)	462	
Profit on disposal (19 (W1) – 5 (W2))	(14)	
	<u>1,829</u>	
Operating profit before working capital changes	1,829	
Increase in trade and other receivables	(323)	
Increase in inventories	(660)	
Increase in trade payables	4	
	<u>850</u>	
Cash generated from operations	850	
Income taxes paid	(255)	
	<u>595</u>	
<i>Net cash from operating activities</i>		595
<b>Cash flows from investing activities</b>		
Purchase of plant	(312)	
Purchase of fixtures and fittings (W2)	(366)	
Proceeds from sale of non-current assets (203 + 95)	298	
	<u>(380)</u>	
<i>Net cash used in investing activities</i>		(380)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of share capital ((4,500 + 900) – (4,200 + 800))	400	
Dividends paid (132 + 168)	(300)	
	<u>100</u>	
<i>Net cash from financing activities</i>		100
<b>Net increase in cash and cash equivalents</b>		315
<b>Cash and cash equivalents at beginning of year</b>		197
<b>Cash and cash equivalents at end of year</b>		<u>512</u>

**Workings**

(1)

**Plant and equipment (carrying amount)**

	₦		₦
Balance b/fwd	2,086	P & E – disposal	184
Bank – purchase	312	Depreciation (bal fig)	111
	<u>2,398</u>	Balance c/fwd	<u>2,103</u>
			<u>2,398</u>

**Plant and machinery – disposal**

	₦		₦
P & E (carrying amount)	184	Bank – proceeds	203
Gain on disposal (bal)	<u>19</u>		
	<u>203</u>		<u>203</u>

(2)

**Fixtures and fittings (Carrying amount)**

	₦		₦
Balance b/fwd	1,381	F & F – disposal	100
Bank – purchase (bal fig)	<u>366</u>	Depreciation	351
	<u>1,747</u>	Balance c/fwd	<u>1,296</u>
			<u>1,747</u>

**Fixtures and fittings – disposal**

	₦		₦
F & F (carrying amount)	100	Bank – proceeds	95
	<u>100</u>	Loss on disposal (bal)	<u>5</u>
			<u>100</u>

(3)

**Taxation**

	₦		₦
Bank – tax paid	555	Balance b/fwd	389
Balance c/fwd	<u>466</u>	I&E a/c	632
	<u>1,021</u>		<u>1,021</u>

(4)

**Dividends paid**

	₦		₦
Bank – dividends paid (bal fig)	300	Balance b/f	132
Balance c/f	<u>154</u>	20X9 dividend	322
	<u>454</u>		<u>454</u>
	<u>454</u>		<u>454</u>

**Question B4**

(a)

<b>Cash and Bank a/c</b>			
	₦		₦
B/fwd	250 *	B/fwd	2,070 *
Sales:		New vehicle	14,200 *
31/03/X9 vehicles	14,600 *	Assistants wages (6 × ₦720)	4,320 †
New vehicle (16,700 × 90%)	15,030 †	Petrol (210,000 × ₦1.74)	365,400 †
Vehicle part sales	37,440 *	Insurance	2,200 *
Petrol sales (210,000 × ₦1.80)	378,000 †	Vehicle parts (suppliers) (W1)	16,570 ‡
		Rent	13,100 *
		Sundries (6 × ₦185)	1,110 †
		Drawings (Bal fig) See Note	17,007 †
		C/fwd (₦9,043 + ₦300)	9,343 *
	<u>445,320</u>		<u>445,320</u>

(b) **Statement of profit or loss for six months ended 30 September 20X9**

	₦	₦
Revenue (W2)		447,120
Less: Cost of sales (W3)		<u>(410,073)</u>
Gross profit		37,047
Less: Expenses		
Rent and rates	13,100	
Petrol assistants (6 × ₦720)	4,320	
Sundry expenses (6 × ₦185)	1,110	
Depreciation (13,240 × 12 ½ % × 6/12)	827	
Insurance premiums (2,200 × 6/12)	<u>1,100</u>	
		<u>20,457</u>
Net profit		<u><u>16,590</u></u>

### Statement of financial position at 30 September 20X9

	₦	₦
<b>Tangible non-current assets</b>		
Plant and equipment	Cost (per Q)	16,720
	Depreciation (3,480 + 827)	<u>(4,307)</u>
		12,413
<b>Current assets</b>		
Inventories	Vehicles for resale	1,025
	Vehicle parts (W4)	5,952
	Petrol	5,500
		<u>12,477</u>
Prepayment (insurance)	1,100	
Cash and bank (9,043 + 300)	<u>9,343</u>	
		<u>22,920</u>
		<u>35,333</u>
<b>Capital and reserves</b>		
At 1 April 20X9		32,020
Profit for period (per statement of profit or loss)		16,590
Drawings (per part (a))		<u>(17,007)</u>
At 30 September 20X9		31,603
<b>Current liabilities</b>		
Trade payables		3,730
		<u>35,333</u>

#### Workings

##### (1) Trade payables

	₦
Opening balance	3,100
Purchases	17,200
Closing balance	<u>(3,730)</u>
Amount paid	<u>16,570</u>

##### (2) Revenue

Vehicles held at 31/03/X9 (14,600 + 2,050)	16,650
new (16,700 – 10%)	15,030
Vehicle parts	37,440
Petrol (210,000 × ₦(1.74 + 0.06))	<u>378,000</u>
	<u>447,120</u>

(3) **Cost of sales**

	₦	₦
Opening inventory (per Q)		23,700
Purchases		
Trade-in	2,050	
New vehicle, Parts, Petrol (per (a)) (14,200 + 17,200 + 365,400)	396,800	
	<u>          </u>	398,850
		<u>422,550</u>
Closing inventory		
Trade-in (50% × 2,050)	1,025	
Parts and petrol (W4)	5,952	
Petrol	5,500	
	<u>          </u>	12,477
		<u>410,073</u>

Note to markers:

**The same marks MUST be awarded for alternative presentation of calculation, eg:**

<i>Vehicles held at 31/03/X9</i>	12,600
<i>new</i>	14,200
<i>Parts (45% × 37,440)</i>	16,848
<i>Petrol (5,500 + (210,000 × ₦1.74) – 5,500)</i>	365,400
<i>Write down in value of closing inventory (2,050 × 50%)</i>	1,025†
	<u>410,073</u>

(4) **Vehicle parts**

	₦
Opening inventory	5,600
Purchases	17,200
Closing inventory	(5,952) (bal)
	<u>          </u>
Cost of sales (45% × 37,440)	<u>16,848</u>

**Question B5****(a) Journal entries**

		<b>Dr</b>	<b>Cr</b>
		<b>₦</b>	<b>₦</b>
(1)	Dr TB difference <sup>1</sup>	180	
	Cr Revenue		180
	Being transposition error – sales of ₦18,421 posted to revenue account as ₦18,241.		
(2)	Dr Payables ledger control	43	
	Cr TB difference		43
	Being contra with receivables ledger omitted from payables ledger control.		
(3)	Dr Dividends	1,200	
	Cr TB difference		1,200
	Being preferred dividend paid on 28 September 20X9.		

**(b) Statement of profit or loss for the year ended 30 September 20X9**

	<b>₦</b>
Revenue (W1)	370,394
Cost of sales (W2)	(303,113)
	<u>67,281</u>
*Gross profit	67,281
Distribution costs (W2)	(20,183)
Administrative expenses	(23,292)
	<u>23,806</u>
*Profit from operations	23,806
Finance cost/Loan interest ( $18\frac{3}{4}\% \times 5,250$ )	(984)
	<u>22,822</u>
*Net profit	<u><u>22,822</u></u>

<sup>1</sup> Or other suitable designation eg “suspense a/c”.

## Statement of financial position as at 30 September 20X9

	<i>Cost</i>	<i>Depreciation</i>	
	₦	₦	₦
<b>Tangible non-current assets</b>			
Factory/Property	40,400	8,399	32,001
Office equipment	34,776	20,904	13,872
Delivery vehicles	19,721	8,441	11,280
	<u>94,897</u>	<u>37,744</u>	57,153
<b>Current assets</b>			
Inventory		29,371	
Trade receivables (W3)		<u>25,500</u>	
			54,871
<b>Total assets</b>			<u>112,024</u>
<b>Capital and reserves</b>			
Ordinary shares			20,000
Preferred shares			20,000
Accumulated profits (13,831 + 22,822 – 1,200 – 5,406)			<u>30,047</u>
			70,047
<b>Non-current liabilities</b>			
18 <sup>3</sup> / <sub>4</sub> % loan (20Y3)			5,250
<b>Current liabilities</b>			
Trade payables (19,794 – 43)		19,751	
Dividend payable (25% × (22,822 – 1,200))		5,406	
Accrued expenses (interest)		984	
Bank overdraft		<u>10,586</u>	
			36,727
<b>Equity and liabilities</b>			<u>112,024</u>

**Workings****(1) Revenue**

	₦
Per trial balance	371,935
Invoices posted twice	(1,427)
Journal 1 (credit note misposted)	(294)
Journal 2 (sales transposition)	180
	<u>370,394</u>

**(2) "Cost of sales" basis of analysis**

	<i>Cost of sales</i> ₦	<i>Administration</i> ₦	<i>Distribution</i> ₦
Opening inventory	31,332		
Purchases	<u>237,411</u>		
	268,743		
Closing inventory	<u>(29,371)</u>		
	239,372		
Per Q: wages, salaries, etc	62,731	20,844	16,423
Depreciation			
factory (2½% × ₦40,400)	1,010		
office equip <sup>†</sup> (15% × (34,776 – 18,456))		2,448	
delivery vehicles (25% × (19,721 – 4,681))			<u>3,760</u>
	<u>303,113</u>	<u>23,292</u>	<u>20,183</u>

**(3) Receivables ledger control a/c**

	₦		₦
Per trial balance	27,221*	Invoices posted twice	1,427*
		Credit note misposted (2 × 147)	294*
		Balance c/fwd	<u>25,500</u>
	<u>27,221</u>		<u>27,221</u>

**(4) Trial balance difference (Suspense a/c)**

	₦		₦
Per trial balance	1,063	Journal 3	43
Journal 2	<u>180</u>	Journal 4	<u>1,200</u>
	<u>1,243</u>		<u>1,243</u>

**Question B6****Statement of profit or loss for the year ended 30 June 20X8**

	<b>₦ 000</b>	<b>₦ 000</b>
Revenue (74 + 16,427 + 3,024 + 54)		19,579
Opening inventory	1,142	
Purchases (14,700 + 1,606 + 470)	16,776	
	<u>17,918</u>	
Closing inventory	<u>(1,542)</u>	
		<u>(16,376)</u>
Gross profit		3,203
Less Expenses		
Rent (500 – 100)	400	
Rates (84 + 30)	114	
Electricity	92	
Wages	742	
Sundry expenses	156	
Depreciation ((3,192 – 1,142) + 80) × 10%)	213	
Loan interest (5% × ₦1,000,000)	50	
		<u>(1,767)</u>
Net profit		<u>1,436</u>

**Statement of financial position at 30 June 20X8**

	<b>₦ 000</b>	<b>₦ 000</b>
Non-current assets		
Fixtures and fittings ((3,192 – 1,142) + 80) × 90%		1,917
Current assets		
Inventory	1,542	
Receivables	74	
Prepaid rent	100	
Bank	2,657	
Cash in hand	54	
		<u>4,427</u>
		<u>6,344</u>
Capital account	<b>₦ 000</b>	<b>₦ 000</b>
Capital introduced		5,000
Profit for the year		1,436
		<u>6,436</u>
Drawings (1,122 + 520)		<u>(1,642)</u>
		4,794
Non-current liability		
Loan		1,000
Current liabilities		
Trade payables	470	
Accrued expenses (30 + 50)	80	
		<u>550</u>
Total capital and liabilities		<u>6,344</u>

