

FINANCE & ACCOUNT

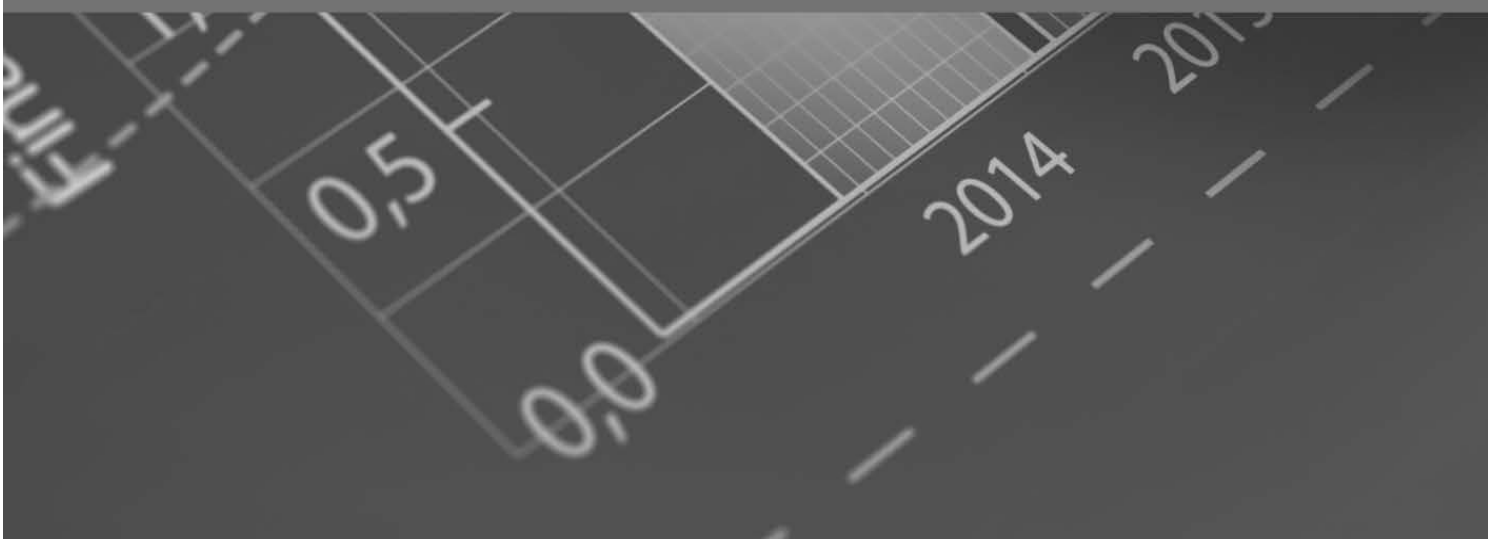
FOR

Senior Secondary School

2



Practice Questions and Answers



EDUBASE

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QUESTIONS

TOPIC: ACCOUNTING FOR DEPRECIATION

DIRECTION: Choose the correct answer from the lettered options.

1. Which of the following causes depreciation?

- (i) wear and tear
- (ii) obsolescence and passage of time
- (iii) fluctuation on prices

- A. i, ii and iii only
- B. i and ii only
- C. ii and iii only
- D. i and iii only
- E. iii only

Bird and Egg ventures decides to dispose off one of its motor vehicle which had originally cost N900,000. The asset was sold after 6 years for N140,000. The partners had estimated a useful life of 8 years for the assets and depreciation is on straight line.

2. What is the total depreciation (accumulated depreciation) at the end of the fourth (4th) year using the straight line method?

- A. ₦100,000
- B. ₦450,000
- C. ₦112,500
- D. ₦400,000
- E. ₦650,000

Bird and Egg ventures decides to dispose off one of its motor vehicle which had originally cost N900,000. The asset was sold after 6 years for N140,000. The partners had estimated a useful life of 8 years for the assets and depreciation is on straight line.

3. What is the total (accumulated) depreciation at the end of the sixth(6th) year?

- A. N600, 000
- B. N450,000
- C. N650,000
- D. N670,000
- E. N675,000

4. A machine cost N12,000 and has a useful life of 4 years, and an expected disposal value of N400. Using the straight line method, what is the annual depreciation?

- A. N3,100
- B. N3,000
- C. N2,900
- D. N2,300
- E. N2,000

5. The straight line depreciation is _____

- A. a fixed sum set aside for the replacement of the assets
- B. a fixed percentage of the balance of the assets at the end of the year
- C. an estimated amount each year
- D. an increase in the value of the assets
- E. a percentage of the cost of the asset is written off each year

6. The cost of an asset less its depreciation gives _____

- A. Net realisable cost
- B. Balance brought forward
- C. Net book value

- D. Balance carried forward
- E. Current market value (CMV)

7. A fixed assets cost ₦200,000 and is expected to have a residual value of ₦5,000 after 5 years. What is the annual depreciation for the second year using the sum of the years digit method?

- A. ₦65, 000
- B. ₦52,000
- C. ₦39, 000
- D. ₦45,000
- E. ₦48,000

8. Which of the following does not belong to the group?

- A. Straight line method
- B. amortization method
- C. annuity method
- D. Reducing balance method

Bird and Egg ventures decides to dispose off one of its motor vehicle which had originally cost N900,000. The asset was sold after 6 years for N140,000. The partners had estimated a useful life of 8years for the assets and depreciation is on straight line.

9. What will be the balance in the disposal account?

- A. A profit of ₦85,000
- B. A loss of ₦100,000
- C. A loss of ₦85,000
- D. A loss of ₦27,500
- E. A profit of 500

10. Where there is provision for depreciation account, fixed assets must be shown in the balance sheet as the

- (i) written down values
- (ii) historical cost less depreciation for a particular period only
- (iii) historical cost less total depreciation to date

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

TOPIC: ACCOUNTS FOR NON PROFIT MAKING ORGANISATIONS

DIRECTION: Choose the correct answer from the lettered options.

1. The accumulated fund account represents _____ in a profit making organisation.
 - A. capital account
 - B. fixed assets account
 - C. shareholders fund
 - D. share premium account
 - E. long term liabilities

2. When the receipt exceeds payment in the receipts and payment account, which of the following is an appropriate treatment for it?
 - A. The excess is taken to the expenditure account as income
 - B. The excess is taken to the balance sheet as current assets
 - C. The excess is taken to the balance sheet as fixed assets
 - D. The excess is taken to profit and loss account and added to gross profit
 - E. The excess is taken to the balance sheet as current liabilities

3. Limitations of the receipts and payments account arise mainly because of the reliance on _____
 - 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.

4. The purchase of a typewriter for office use for N 2,000 is debited to _____
 - A. creditors

- B. bank account
- C. purchases account
- D. Office equipment account

Use the information to answer the question.

5. The receipts and payments account of Acada Club for the year ended 31st December, 1995 is as follows: What is the amount of income credited to income and expenditure account for the year?

Balance b/f	=N= 800	Printing and Stationery	=N= 320
Subscriptions	3,600	Postages and Telephone	160
Donations	650	Rent	1,200
Dance Tickets	1,200	Library books	2,500
		Anniversary dance expenses	945
		Balance c/d	1,125
	<u>6,250</u>		<u>6,250</u>

- A. ₦6,250
- B. ₦5,450
- C. ₦3,600
- D. ₦1,850
- E. ₦1,125

6. 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.

7. Subscriptions received during the year ₦30,000; Subscriptions were last year ₦4,000; Subscriptions received for the year ₦6,000. The subscription receivable account will be ₦6,000. The ₦6,000 subscription received is

- A. current asset.
- B. current liability.
- C. fixed asset.
- D. capital.

Use the information to answer the question.

8. The receipts and payments account of Acada club for the year ended 31st December, 1995 is as follows: What is the total expenses debited to Income and Expenditure Account for the year?

Balance b/f	=N= 800	Printing and Stationery	=N= 320
Subscriptions	3,600	Postages and Telephone	160
Donations	650	Rent	1,200
Dance Tickets	1,200	Library books	2,500
		Anniversary dance expenses	945
		Balance c/d	1,125
	<u>6,250</u>		<u>6,250</u>

- A. ₦6,250
- B. ₦5,125
- C. ₦2,625
- D. ₦2,500
- E. ₦1,125

9. Which of the following is the equivalent of the Receipts and Payment Account?

- A. Income and Expenditure Accounts

- B. Cash Book
- C. Subscriptions Account
- D. profit and Loss Account

10. Subscriptions prepaid by members is recorded in the Balance Sheet of a club as a _____

- A. current liability
- B. current asset
- C. fixed asset
- D. long term liability

11. Subscription in advance is treated in the balance sheet of non-profit making organisation as _____

- A. current assets
- B. fixed assets
- C. current liability
- D. accumulated fund
- E. goodwill

12. Subscription received in advance is an example of_____.

- A. pre-payment
- B. accrual
- C. debtors
- D. provision
- E. reserves

13. Profit and Loss account is to profit making enterprise while _____ is to non profit making enterprise

- A. trial balance
- B. books of original entry

- C. balance sheet
- D. subscription
- E. income and expenditure

14. income and expenditure account include the followings EXCEPT _____

- A. there is adjustment for accruals and prepayments
- B. capital item
- C. balance represent surplus or deficiency
- D. depreciation

15. When income exceeds expenditure, it is called _____

- A. gross profit
- B. net profit
- C. surplus
- D. retained earnings
- E. net income

16. An income and expenditure account is a summary of _____

- A. all outstanding income and expenditure during a period.
- B. revenue received and expenditure during a period.
- C. receipts and payments during a period.
- D. the trading income during a period.

17. 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. receipts and payment account

- C. balance sheet
- D. statement of affairs

18. Subscriptions received during the year ₦30,000; subscriptions were last year ₦4,000; Subscriptions received for the year ₦6,000. What is the subscription to be charged to income and expenditure account?

- A. N36,000
- B. N34,000
- C. N30,000
- D. N20,000

19. The main difference between the ordinary and preference shareholders is that _____

- A. the former receive dividends while the later do not
- B. the later are not members of the company while the former are.
- C. in the case of winding up, the latter are paid first before the former
- D. the former have voting rights while the latter do not.

20. Subscription in advance is treated in the Balance sheet of non-profit making organizations as _____

- A. current asset.
- B. fixed asset.
- C. current liability.
- D. accumulated fund.
- E. goodwill.

21. Profit and loss account is to profit making enterprise what _____ is to non profit making enterprise

- A. trial balance

- B. books of original entry
- C. balance sheet
- D. subscription account
- E. income and Expenditure

22. Subscriptions received in advance are _____

- A. included in the Income and Expenditure Account
- B. not included in the Receipts and Payments Account
- C. shown as a current asset in the Balance Sheet
- D. shown in the Balance Sheet as a current liability

23. In a non profit making enterprise, the cash book is summarised in the form of _____

- A. balance Sheet
- B. income and expenditure account
- C. receipt and expenditure account
- D. receipt and payment account
- E. profit and loss account

24. A non-profit making organization differs from a profit-making one in that _____

- A. it does not earn income.
- B. proceeds from sale of shares form part of it's income.
- C. all it's income is committed.
- D. annual subscription and levies form part of its income.

Use the information to answer the question.

25. The Receipts and payments account of Acada club for the year ended 31st December, 1995 is as follows: What is the capital expenditure of the club for the year?

Balance b/f	=N= 800	Printing and Stationery	=N= 320
Subscriptions	3,600	Postages and Telephone	160
Donations	650	Rent	1,200
Dance Tickets	1,200	Library books	2,500
		Anniversary dance expenses	945
		Balance c/d	1,125
	<u>6,250</u>		<u>6,250</u>

- A. ₦6,250
- B. ₦ 5,450
- C. ₦ 5,125
- D. ₦3,600
- E. ₦2,500

26. Which of the following is NOT true of a non-profit making organization?

- A. Income and Expenditure Account is prepared
- B. Income and Expenditure Account includes accruals and prepayments
- C. Income and Expenditure Account excludes capital receipts and capital payments
- D. Receipts and payments account deals with cash transactions only
- E. Receipts and payments account is a substitute for Income and Expenditure account.

27. A receipts and payments account reveals _____

- A. net profit
- B. surplus
- C. cash in hand
- D. gross profit
- E. net loss

28. Receipts and Payments account of a non-profit making organization is principally a summary of the _____

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

29. A member of a club paid ₦1,000 as his subscription for 1993 and ₦1,200 as subscription for 1994. If the financial year of the society ended on 31st December, 1993, the ₦1,200 will be treated in the balance sheet as _____

- A. current asset.
- B. current liability.
- C. capital.
- D. profit.

30. Where a non-profit making organization prepares the accounts using accruals basis of reporting, the statement showing how well the organization is doing is the _____

- A. appropriation account.
- B. balance sheet.

- C. income and expenditure account.
- D. receipts and payment account.

31. In a non-profit oriented organization, the excess of income over expenditure is _____

- A. added to the capital
- B. added to the accumulated fund
- C. deducted from the capital
- D. deducted from accumulated fund
- E. deducted from the reserve

32. When income exceeds expenditure, it is called _____

- A. gross profit over sales
- B. net profit over expenditure
- C. surplus of income over expenditure
- D. retained earnings
- E. net income

33. The equivalent of a club's profit and loss account is prepared as _____

- A. Receipts and Expenditure Account
- B. Revenue Account
- C. Receipts and Payments Account
- D. Income and Expenditure Account
- E. Club's Trading Account

TOPIC: COMPANY ACCOUNTS

DIRECTION: Choose the correct answer from the lettered options.

1. When shares are issued above their nominal value, the issue is said to be made at _____.

- A. premium
- B. discount
- C. par
- D. grant
- E. gain/profit

2. When shares are sold 'at par' it means they are issued at _____

- A. the market value
- B. the nominal value
- C. a discount
- D. a premium

3. _____ is the document that defines the powers and objectives of the company.

- A. Memorandum of association
- B. Article of association
- C. Certificate of incorporation
- D. Authorised certificate
- E. Share certificate

4. Mr Adamu & Co on 2nd Feb. 2010 makes an issue of 20,000 ordinary shares at a nominal value of ₦ 2 at ₦4. What is the premium on the shares issued assuming all 20,000 was subscribed for?

- A. ₦20,000
- B. ₦15,000
- C. ₦18,000
- D. ₦40,000

5. The following are users of financial statements EXCEPT _____

- A. tax authorities
- B. the public
- C. management
- D. the sick
- E. shares holders

6. Given the following: Mr Alabi bought a fixed asset (motor vehicle) for ₦150,000 which has a life span of 5 yrs. What is the depreciation for the motor vehicle given a provision of 5% for next 5 years?

- A. ₦30,000
- B. ₦25,000
- C. ₦60,000
- D. ₦37,500

7. The following are current liabilities EXCEPT _____

- A. Accrued income
- B. Accrued (expenses)
- C. Corporation dividend
- D. Creditor

8. Another name for quick ratio is _____.

- A. Acid test ratio
- B. Fast ratio
- C. Speedy ratio
- D. Current ratio
- E. Debtors ratio

9. An example of appropriation of profit in a company is _____.

- A. salaries
- B. rent Income
- C. debenture Interest
- D. director's Remuneration
- E. proposed dividend

10. Granada Corporation has net assets of ₦ 600,000 and contributed capital of ₦ 180,000. 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 ₦14 per share.
- B. a book value of ₦ 20 per share.
- C. a deficit of ₦ 420,000.
- D. retained earnings of ₦ 600,000.

11. An example of appropriation of profit in a company is _____

- A. salaries
- B. rent income
- C. debenture interest
- D. director's remuneration
- E. dividend

12. A bond acknowledging a loan to a company under the company's seal, bearing a fixed rate of interest is known as _____

- A. certificate.
- B. agreement.
- C. bank loan.
- D. debenture.

13. The Memorandum of Association contains the following EXCEPT _____

- A. The name of the company
- B. The registered office
- C. The objective of the company
- D. The amount of authorised capital

14. A document which acknowledges that a company owes a person a stated sum of money with an agreement to pay a fixed rate of interest periodically is _____

- A. share certificate
- B. allotment certificate
- C. preference certificate
- D. debenture certificate

15. A share is under-subscribed when _____.

- A. it is offered for sale at less than nominal value.
- B. it is offered for sale at the nominal value.
- C. the number of shares applied for is less than the offer.
- D. it is offered for sale at more than the nominal value.
- E. the number of shares applied for is more than the offer.

16. Current ratio measure _____

- A. The ability of a company to pay its long term creditors when it is due
- B. The ability of a company to pay its tax liability promptly
- C. The ability of a company to meet its short term obligations when they are due
- D. The ability of a company to meet its medium term loans promptly
- E. The ability of company to seek for funds to pay all of its indebtedness promptly

17. The maximum amount which a company can raise by way of selling shares is _____

- A. issued capital.
- B. working capital.
- C. paid-up capital.
- D. shareholders capital.
- E. authorized capital.

18. A stock as a form of capital of a company comprises _____

- A. tons of merchandise
- B. units of goods
- C. units of shares
- D. bundles of ware

19. Dividend proposed by a company is shown in its Balance Sheet as _____.

- A. current asset.
- B. current liability.
- C. long-term liability.
- D. fixed asset.

20. The person who is responsible for the formation of a company is called the _____.

- A. promoter.
- B. sponsor.
- C. shareholder.
- D. director.
- E. subscriber.

21. Given the following

Stock of raw materials as at January = ₦10,000

Purchases ₦25,000

Carriage inwards ₦5,000

Sales ₦50,000

Salesmen's salaries ₦5,000

Closing stock ₦15,000

The calculated cost of goods sold

- A. ₦15,000
- B. ₦25,000
- C. ₦10,000
- D. ₦5,000

Use the following information to answer the question.

The authorized capital of City Entertainments Company is made up of 200,000 2.5% preference shares of Le 60 each and 300,000 ordinary shares of Le 20. All of the ordinary shares have been issued at Le 30 each and fully paid. All the preference shares have been issued at par and fully paid. The directors decided to pay the preference dividend and recommended ordinary dividend of Le 0.10 per share.

22. What is the amount of preference dividend payable for the year?

- A. Le 600,000
- B. Le 500,000
- C. Le 300,000
- D. Le 5,000

23. Opening stock + purchase + carriage inwards - returns inwards =

- A. Cost of goods sold
- B. Cost of goods available for sale
- C. Sales
- D. Gross profit

24. The person who has applied for shares in a company is called _____

- A. an allottee.
- B. a subscriber.
- C. a promoter.
- D. a shareholder.
- E. an applicant.

25. Companies issue shares to the public for the following reasons EXCEPT _____.

- A. to raise additional capital
- B. as part of cost incorporation requirement
- C. to compel people to invest their surplus money instead of banking it
- D. to increase the number of shareholders and increase funds
- E. to redeem preference shares and debenture which have fallen due for redemption

26. The person who has applied for shares in a company is called _____

- A. an allottee
- B. a subscriber

- C. a promoter
- D. a shareholder
- E. an applicant

27. Undistributed profits of a limited liability company is _____.

- A. goodwill
- B. working capital
- C. net profit
- D. retained Earnings
- E. net loss

28. The amount set aside from profit earned by a company which is not meant for distribution or contingency is called _____

- A. dividend
- B. capital redemption reserve fund
- C. shareholders fund
- D. reserves
- E. capital development fund

29. The minimum number of shareholders needed in a public limited company is _____

- A. 2
- B. 4
- C. 7
- D. 9

30. The part of the nominal capital that the company decides to issue out to the public for subscription is called _____

- A. called-up capital

- B. issued capital
- C. paid-up capital
- D. authorised capital
- E. registered capital

31. In a bonus issue of one new share for every four held, a holder of 100,000 shares will get additional share of _____

- A. ₦50,000
- B. ₦25,000
- C. ₦20,000
- D. ₦10,000
- E. ₦24,000

32. Issue of prospectus is an invitation to members of the public to _____.

- A. subscribe for shares
- B. register a company
- C. redeem shares
- D. liquidate a company
- E. sell debenture stock

33. 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.
- E. business policy

34. The maximum number of share holders required to form a public limited company is _____

- A. 50
- B. 150
- C. 80
- D. none of the above

35. What is the required step in the formation of a company?

(i) The documents are stamped only with the registra of companies for verification.

(ii) Get promoters.

(iii) Filing of memorandum and article of association and statement of norminal capital.

(iv) Issue of certificate of incorporation.

(v) Issue of certificate of operation.

- A. (i) and (ii) only
- B. (i), (v) and (iv) only
- C. (ii), (iii) and (iv) only
- D. (iii) and (iv) only

36. A document which acknowledges that a company owes a named person a stated sum of money with the promise that a stated interest rate will be paid periodically is called _____.

- A. Share certificate
- B. Preference Share certificate
- C. Debenture certificate
- D. Allotment certificate
- E. Call certificate

37. 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 share capital and/or premium account.
- C. debit shares account and credit capital account.
- D. credit shares account and debit capital account.
- E. non of the above

38. Mr. Kunle bought 100,000 ordinary shares each for ₦0.50k, and later sold the same share for ₦1.00. calculate the returns

- A. ₦50,000
- B. ₦80,000
- C. ₦55,000
- D. ₦53,000

39. In company accounts, profit after tax is gotten in the _____.

- A. appropriation account
- B. revaluation account
- C. current account
- D. realization
- E. profit and loss account

40. Adex Company Limited issued ordinary shares of ₦1 each to the public at ₦1.20. The shares were issued at _____

- A. a discount.
- B. a profit.
- C. a loss.
- D. par
- E. a premium.

41. The amount for which a business is sold is the _____

- A. goodwill
- B. consolidated fund
- C. purchase consideration
- D. capital reserve

42. Programs installed in computers to facilitate processing of data are _____

- A. hardwares
- B. softwares
- C. magnetic tapes
- D. diskettes

43. EPS is an acronym for _____

- A. Economic Price Stabilisation
- B. Entrepreneurial Profit Status
- C. Entrepreneurial Price Stabilisation
- D. Earnings per Share
- E. Earnings per Shareholder

44. When shares are oversubscribed, the promoter may decide to scale down the number of shareholding. When this is done, the shares are _____

- A. being forfeited
- B. issued at a discount
- C. issued at a premium
- D. issued on a pro-rata
- E. issued at par

45. There are ____ kinds of companies

- A. 1
- B. 2
- C. 3
- D. 4

46. Which of the following reserves is used for bonus shares?

- A. Revaluation reserve
- B. Share premium
- C. Capital redemption reserve fund
- D. General reserve

47. Shares are issued at par when they are _____

- A. issued above their nominal value
- B. issued below their nominal value
- C. issued on pro-rata basis
- D. issued at their nominal value
- E. issued for instalment payments only

48. Patent and trade mark are classified under _____

- A. fixed assets
- B. current assets

- C. intangible assets
- D. wasting assets
- E. investments

49. Which of the following explains the short term solvency of a company?

- A. Shareholders ratio
- B. Debt ratio
- C. Quick/acid test ratio
- D. Earnings per share
- E. Dividend per share

50. The portion of the authorised capital which has not been allotted to members is _____

- A. uncalled capital
- B. paid-up capital
- C. issued capital
- D. authorised capital
- E. unissued capital

51. The private company is defined by _____

- A. section 26 of the company Act, 1948
- B. section 20 of the company Act, 1960
- C. section 15 of the company Act, 1949
- D. section 28 of the company Act, 1948

52. The reward given to a debenture holder is called _____

- A. profit.
- B. reserve.
- C. premium.

- D. dividend.
- E. interest.

53. The authorised share capital of a limited liability company is the number of shares _____

- A. offered for sale
- B. called up
- C. approved in the memorandum of association
- D. subscribed
- E. paid-up

54. The portion of the authorized capital which has not been allotted to members is _____

- A. uncalled capital.
- B. paid-up capital.
- C. issued capital.
- D. authorized capital.
- E. unissued capital.

55. Which of the following best describes current ratio?

- A. $\text{Current assets} - \text{stock} / \text{Current liabilities}$
- B. $\text{Current assets} / \text{current liabilities}$
- C. $\text{Current assets} - \text{stock} - \text{prepayment} / \text{current liabilities}$
- D. $\text{Current assets} / \text{fixed assets}$
- E. $\text{Current assets} / \text{long term liabilities}$

56. Calls in advance are treated in the balance sheet as _____

- A. current asset.
- B. current liability.

- C. fixed asset.
- D. fixed liability.

Use the following information to answer the question.

The authorized capital of City Entertainments Company is made up of 200,000 2.5 % preference shares of Le 60 each and 300,000 ordinary shares of Le 20. All of the ordinary shares have been issued at Le 30 each and fully paid. All the preference shares have been issued at par and fully paid. The directors decided to pay the preference dividend and recommended ordinary dividend of Le 0.10 per share.

57. What is the amount of the share premium?

- A. Le 9,000,000
- B. Le 5,000,000
- C. Le 3,000,000
- D. Le 2,400,000

58. Which of the following is not an appropriation account item for a company?

- A. General reserve
- B. Proposed dividends
- C. Interim dividends
- D. Provision for taxation

59. The class of shareholder who are paid last in the event of winding-up are

- _____
- A. ordinary share holder
 - B. preference share holder
 - C. cumulative preference share holder

- D. redeemable share holder
- E. debenture holder

60. Which of the following is correct about limited liability company?

- (i) Members have power to bind the company together
- (ii) Perpetual succession
- (iii) Certificate of incorporation
- (iv) Wound-up on death of share holder

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

61. Which of the following does not form part of shareholder's fund?

- A. Ordinary shares
- B. Share premium
- C. Retained Profit
- D. Debenture interest

Use the following information to answer the question.

The authorized capital of City Entertainments Company is made up of 200,000 2.5 % preference shares of Le 60 each and 300,000 ordinary shares of Le 20. All of the ordinary shares have been issued at Le 30 each and fully paid. All the preference shares have been issued at par and fully paid. The directors decided to pay the preference dividend and recommended ordinary dividend of Le 0.10 per share.

62. The value of the ordinary share capital to be stated in the balance sheet is

- A. Le 9,000,000
- B. Le 7,200,000
- C. Le 4,800,000
- D. Le 6,000,000

63. The undistributed profits of a limited liability company is _____

- A. goodwill.
- B. working capital.
- C. net profit.
- D. retained earnings.

64. Which of the following refers to the net- worth of a company?

- A. Assets minus liabilities
- B. Fixed assets plus current assets
- C. liabilities plus shareholder's equity
- D. short term liabilities minus short term liabilities
- E. current assets plus goodwill

65. The total amount that has not been called up on the issued share capital is known as _____

- A. calls in arrears
- B. uncalled - up capital
- C. paid up capital
- D. issued capital

66. Payment for shares in excess of nominal value gives rise to _____.

- A. dividend warrant.
- B. revenue reserve.
- C. capital reserve.
- D. share premium
- E. calls-in-arrears.

67. The income accruing to debenture holders is called _____.

- A. dividend
- B. shares
- C. bond
- D. net profit
- E. interest

68. 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 only
 - C. ii and iii only
 - D. iii and iv only

69. costs people incur in the process of opening a new business is known as _____

- A. fixed cost
- B. accrual expense
- C. preliminary expenses
- D. recurrent expenses
- E. capital expenses

70. The part of equity which is payable on winding up is called _____

- A. general reserve.
- B. revenue reserve.
- C. capital reserve.
- D. normal reserve.

71. The measure of a company's ability to pay it's debt quickly is called _____

- A. gross margin ratio.
- B. turnover ratio.
- C. acid test ratio.
- D. return on investment.

The capital structure of a company is as shown: 25,000 shares of N1 each; Retained profit ₦6,250.

72. What is the value of each share?

- A. ₦2.50k
- B. ₦0.25k
- C. ₦0.80k
- D. ₦1.00k
- E. ₦1.25k

73. A debenture holder is a _____

- A. creditor
- B. promoter
- C. debtor
- D. shareholder

74. What are the final accounts of a limited company.

- (i) Trading, profit and loss Account
- (ii) Appropriation Account and
- (iii) Balance sheet

- A. (i) only
- B. (i), (ii) and (iii)
- C. (iii) only
- D. (i) and (ii)

75. In preparing the balance sheet, goodwill is classified as _____

- A. Fixed Assets
- B. Current Assets
- C. Investments
- D. Intangible Assets

76. A certificate of incorporation is usually issued by _____

- A. director of corporate affairs commission
- B. registrar of companies
- C. registra of corporations
- D. director of corporations

77. The document which advertises the sale of shares of a company is a/an _____

- A. prospectus
- B. debenture
- C. statement
- D. invoice
- E. annual report

78. The main classes of shares are _____

- A. preference shares and rights issue.
- B. fixed shares and current shares.
- C. ordinary shares and preference shares.
- D. redeemable shares and irredeemable shares.
- E. public and private shares

79. A private limited company has the following features EXCEPT

- (i) Restricts the right to transfer its shares;
- (ii) Is owned by limited number from 2 to a maximum of 50
- (iii) it can sue and be sued
- (iv) Offers its shares for sales to the public

- A. i only
- B. ii & iv only
- C. i & iv only
- D. ii & iii only
- E. i & iii only

80. 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.

81. which of the following will NOT be a content in the statement of financial position of a company?

- A. Non-current assets
- B. Inventory
- C. Finance charge
- D. Payables
- E. Loan notes

82. The realization concept states that _____

- A. revenue is recognized when ownership of goods passes to the customer and cash payment made
- B. revenue and profit should not be anticipated
- C. similar items should be accounted for in a similar way from one accounting period to another
- D. transactions must be expressed in monetary terms

83. Which of the following is odd among the listed below?

- A. Authorised capital
- B. Called up capital
- C. Reversed capital
- D. Issued capital

84. The types of limited liability companies are Private and Public

- A. TRUE
- B. FALSE

85. The credit side of a balance sheet contains Fixed and Current Assets

- A. TRUE
- B. FALSE

86. Which of the following ratios gives an idea of the liquidity of a firm?

- A. Turnover ratio
- B. Quick ratio
- C. Debt ratio
- D. Dividend yield
- E. Standard deviation

87. When shares are oversubscribed, the promoter may decide to scale down the number of shareholding. When this is done, the shares are being _____

- A. forfeited
- B. issued as a discount
- C. issued on pro rata
- D. issued at par
- E. issued at a premium

TOPIC: DEPRECIATION OF FIXED ASSETS

DIRECTION: Choose the correct answer from the lettered options.

1. The reduction in value of an intangible asset is _____

- A. depletion
- B. depreciation
- C. amortization
- D. appreciation

Use the following information to answer the question.

A motor Car costing D100,000 was depreciated at 20% per annum by the diminishing balance method. Two years later, it was sold for D60,000.

2. The net profit or loss on the sale was _____

- A. D 40,000 profit
- B. D 4,000 profit
- C. D 4,000 loss
- D. D 40,000 loss

Use the following information to answer the question.

A motor Car costing D100,000 was depreciated at 20% per annum by the diminishing balance method. Two years later, it was sold for D60,000

3. The net book value at the time of sale is _____

- A. D 64,000
- B. D 60,000
- C. D 40,000
- D. D 36,000

4. As a basis for assessing present value of fixed assets are shown at _____

- A. selling price
- B. cost price
- C. cost plus residual value
- D. net book value

TOPIC: GOODWILL ACCOUNTS

DIRECTION: Choose the correct answer from the lettered options.

1. There are ___ types of Goodwill

- A. 4
- B. 2
- C. 6
- D. 3

2. Goodwill is an attractive force that brings in customers. True or False?

- A. True
- B. False

3. _____ is the excess of Purchase consideration over the total value of assets less liabilities

- A. Goodwill
- B. Revenue
- C. Capital
- D. Reserve

4. When a company is sold, the amount paid for it is called _____

- A. remuneration
- B. goodwill
- C. capital
- D. purchase consideration

5. _____ often indicates a distress sale to the purchased company

- A. Purchase consideration
- B. net loss

- C. Positive goodwill
- D. Negative goodwill

6. Negative goodwill is recognized by a purchased firm as _____

- A. a loss
- B. a gain
- C. a profit
- D. a liability

7. All assets depreciate EXCEPT land

- A. True
- B. False

8. The following are profit and loss items EXCEPT _____

- A. administrative expenses
- B. selling and distribution expenses
- C. insurance premium
- D. stock

9. When the cost of acquisition exceeds the net assets acquired, it is known as _____

- A. Loss
- B. Profit
- C. Positive goodwill
- D. Negative goodwill

10. When Goodwill is written off, the accounting entry will be _____
- A. Debit Goodwill account and Credit Partners capital account in old profit sharing ratio
 - B. Debit Capital account in old profit sharing ratio and Credit Goodwill account
 - C. Debit Capital account in new profit sharing ratio and Credit Goodwill account
 - D. Debit Goodwill account and Credit Partners capital account in new profit sharing ratio
11. Goodwill is always _____
- A. Depreciated
 - B. Appreciated
 - C. Ammortized
 - D. Impaired
12. The following are methods of Goodwill valuation EXCEPT _____
- A. Number of year
 - B. Super profit
 - C. Number of times of net annual fee income
 - D. Excess of value of a business over the realizable value
13. ____ is not a characteristic of Goodwill?
- A. It fluctuates from day to day
 - B. The value is subjective
 - C. It cannot be sold separately apart from other assets of the business
 - D. It can be valued in monetary terms
14. Positive goodwill is recognized by a purchased firm as a _____
- A. Loss
 - B. Gain

- C. capital
- D. liability

15. The following are balance sheet items EXCEPT _____

- A. Expenses
- B. Asset
- C. Goodwill
- D. Stock

16. The following are final account items EXCEPT _____

- A. Profit and Loss Accounts
- B. Balance Sheet
- C. Cash Book
- D. Trading Account

17. When the net assets acquired at the date of acquisition exceeds the cost of acquisition, it is known as _____

- A. Positive goodwill
- B. Negative goodwill
- C. Loss
- D. Profit

18. The following are part of shareholders fund EXCEPT _____

- A. ordinary shares
- B. preference share
- C. retained profit
- D. debenture interest

19. Goodwill can be valued in more than one way

- A. True
- B. False

20. _____ reflects the value of intangible assets such as a strong brand name, good customer relations, good employee relations and any patents or proprietary technology.

- A. Capital
- B. Goodwill
- C. Debenture Interest
- D. Share holder's fund

21. When a partner dies or retires and the amount due to him is paid, the accounting entry will be _____

- A. Debit Goodwill account and Credit Cash account
- B. Debit cash account and Credit Goodwill account
- C. Debit Capital account and Credit Cash account
- D. Debit Goodwill account and credit Loan account

22. Goodwill is not a tangible asset. True or False?

- A. True
- B. False

23. _____ is an asset that cannot be realized until a business is to be sold

- A. land
- B. royalty
- C. stock
- D. Goodwill

24. Goodwill can be best described as _____

- A. a Liability
- B. an asset
- C. an Income
- D. an Expense

25. The difference between the purchase price and the sum of the fair value of the net assets of a company is called _____

- A. Goodwill
- B. Profit
- C. Revenue
- D. Surplus

26. Reasons why a buyer will be willing to pay an amount over the realizable value of assets includes the following EXCEPT _____

- A. for liquidation optimization
- B. reputation and connection of the business
- C. patent and copy right protection
- D. possession of partial monopoly

27. Double entry is one of the conventions in accounting

- A. True
- B. False

28. When Goodwill is brought into a business, the accounting entry will be _____

- A. debit goodwill account and credit capital account in old profit sharing ratio
- B. debit goodwill account and credit capital account with the new profit sharing ratio
- C. credit goodwill account and debit capital account with the old profit sharing ratio
- D. credit goodwill account and debit capital account with the new profit sharing ratio

29. The characteristic of Goodwill is _____

- (i) It cannot be touched
- (ii) The value is subjective
- (iii) It cannot be sold separately apart from other assets of the business

- A. (i)
- B. (ii)
- C. (iii)
- D. All of the above

30. _____ is an asset that cannot be seen or touched

- A. Fixed Asset
- B. Current Asset
- C. Stock
- D. Goodwill

TOPIC: INCOMPLETE RECORDS AND SINGLE ENTRY

DIRECTION: Choose the correct answer from the lettered options.

1. In a system of incomplete records, the opening capital is determined by preparing _____

- A. statement of affairs
- B. balance Sheet
- C. cash book
- D. trial balance
- E. receipt and payment

2. To ascertain the opening balance of capital where records are incomplete you _____

- A. ascertain the total sales.
- B. compute the opening stock of goods sold.
- C. verify the total purchases.
- D. prepare an opening statement of affairs.

3. The following relates to Chukwuma Okeke & sons: On December 31st, 1993, Cash in hand was ₦ 60, Bank overdraft ₦ 1,100, Debtors ₦ 7,240, Stock ₦ 27,450, Furniture ₦2,000 and creditors ₦ 5,850.

What is the value of its net current asset?

- A. ₦ 28,900
- B. ₦ 27,800
- C. ₦ 29,800
- D. ₦ 34,750

Use the information to answer the question.

3. What is the capital from the opening balance sheet?

Given:

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

A. ₦ 3,600

B. ₦ 2,700

C. ₦ 2,070

D. ₦ 1,520

E. ₦ 1,400

5. One of the shortcomings of single entry procedures is that _____

A. errors may go undetected.

B. profits are estimated.

C. there are no subsidiary books.

D. there is no direct linkage between income and the balance sheet.

E. does not track asset and liability

6. Where records maintained are inadequate to facilitate the preparation of a trading and profit and loss account, this is described as _____

A. cost accounting

B. book-keeping

C. incomplete records

D. double entry

7. What is the accounting definition of prepayments?

- A. Sums of money expected at a future date.
- B. Payments to be made at a future date.
- C. Payments made in respect of a future period .
- D. Payments made at the end of a trading year.

8. A temporary difference in the Trial Balance totals is kept in the _____

- A. Adjustment Account
- B. Suspense Account
- C. Imprest Account
- D. Appropriation Account

Use the information to answer the question.

9. Determine the total fixed asset from the opening balance sheet.

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

- A. ₦ 2,200
- B. ₦ 2,020
- C. ₦ 1,700
- D. ₦ 1,270
- E. ₦ 1,200

10. The fixed assets of Oju stores is ₦750,000, current assets is ₦250,000 while the current liability is ₦450,000. What is it's capital?

- A. ₦600,000
- B. ₦550,000
- C. ₦1,000,000
- D. ₦1,450,000
- E. ₦50,000

11. 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.

12. The simplest form of double entry procedure consists 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.

13. Given: Capital at the beginning ₦20,000; Drawings ₦3,000; Capital at the end ₦30,000; New capital introduced ₦8,000. What is the profit for the period?

- A. ₦ 4,000
- B. ₦ 5,000
- C. ₦6,000
- D. ₦ 8,000

14. Which of the following best explains a situation of incomplete records?
- A. Where a company fails to prepare its statement of affairs.
 - B. Where the debit side of its trial balance is greater or less than the credit side.
 - C. Where there is no purchases and sales value only
 - D. Where there is inadequate information necessary to prepare the accounts
15. In analyzing incomplete records, which of the following should be investigated?
- A. The general ledger
 - B. The purchases day book and sales day book
 - C. The nature of trading activities and the basis on which goods are sold
 - D. The asset register together with the depreciation schedule
16. Where a wrong figure occurs in only one account with the second figure correctly stated, this is an error of _____
- A. transposition
 - B. compensation
 - C. omission
 - D. commission
17. In dealing with incomplete records, fixed assets are posted to _____
- A. opening profit and loss as brought forward figures.
 - B. closing balance sheet as carried forward figures.
 - C. closing balance sheet as brought forward figures.
 - D. closing profit and loss as brought forward figures.

Use the information to answer the question

18. The following relates to Chukwuma Okeke & sons: On December 31st, 1993, Cash in hand was ₦ 60, Bank overdraft ₦ 1,100, Debtors ₦ 7,240, Stock ₦ 27,450, Furniture ₦ 2,000 and creditors ₦5,850.

What is the value of its current asset?

- A. ₦ 36750
- B. ₦ 35,850
- C. ₦ 34,750
- D. ₦ 29,450

TOPIC: MANUFACTURING ACCOUNTS

DIRECTION: Choose the correct answer from the lettered options.

Use the following accounts to answer the question.

1. What is the factory cost of production?

Manufacturing and Trading Accounts

	=N=			=N=
Opening Raw Material	10,000	Manufacturing cost c/d	114,000	
Purchases	<u>60,000</u>			
	70,000			
Less closing raw materials	<u>8,000</u>			
	62,000			
Direct Labour	20,000			
Direct Expenses	20,000			
Factory Overhead	12,000			
Manufacturing cost	<u>114,000</u>			<u>114,000</u>
Manufacturing cost b/d	114,000	Sales		X
Purchases	<u>10,000</u>	Less Sales Returns		5,000
Goods available	124,000			
Closing stock	<u>12,000</u>			
Cost of goods sold	<u>112,000</u>			
Gross Profit 20% on Sales	<u>X</u>			<u>X</u>

- A. ₦114,000
- B. ₦102,000
- C. ₦78,000
- D. ₦62,000
- E. ₦60,000

2. Factory cost consist of _____.

- A. direct material and factory overhead
- B. direct labour and direct expenses
- C. direct labour and factory overhead

- D. direct materials, direct labour, direct expenses and factory overhead
- E. direct expenses and factory overhead

Use the following to answer the question

3. What is the prime cost?

	D
Purchase of raw materials	236,500
Returns of raw materials	4,750
Carriage on raw materials	34,500
Stock of raw materials at close	39,500
Factory fuel	150,000
Direct wages	205,000
Indirect wages	31,250
Factory power	105,000
Work-in-progress at start	22,500

- A. D 717, 500
- B. D 431,750
- C. D 286,250
- D. D 270,500

Use the following accounts to answer the question.

4. What is the prime cost?

Manufacturing and Trading Accounts

	=N=		=N=
Opening Raw Material	10,000	Manufacturing cost c/d	114,000
Purchases	<u>60,000</u>		
	70,000		
Less closing raw materials	<u>8,000</u>		
	62,000		
Direct Labour	20,000		
Direct Expenses	20,000		
Factory Overhead	<u>12,000</u>		
Manufacturing cost	<u>114,000</u>		
Manufacturing cost b/d	114,000	Sales	<u>114,000</u>
Purchases	<u>10,000</u>	Less Sales Returns	5,000
Goods available	124,000		
Closing stock	<u>12,000</u>		
Cost of goods sold	<u>112,000</u>		
Gross Profit 20% on Sales	<u>X</u>		<u>X</u>

- A. ₦62,000
- B. ₦70,000
- C. ₦78,000

- D. ₦102,000
- E. ₦144,000

Use the following to answer the question

5. The total factory overhead is

	D
Purchase of raw materials	236,500
Returns of raw materials	4,750
Carriage on raw materials	34,500
Stock of raw materials at close	39,500
Factory fuel	150,000
Direct wages	205,000
Indirect wages	31,250
Factory power	105,000
Work-in-progress at start	22,500

- A. D 318,750
- B. D 286,250
- C. D 255,000
- D. D 236,250

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

- A. direct materials
- B. direct labor
- C. selling expenses
- D. overhead
- E. factory cost

7. 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.

8. Which of the following is considered appropriate in the determination of prime cost?

- A. Direct materials, Direct wages and Direct Expenses
- B. Direct material, Indirect Labour and Factory Overhead
- C. Indirect material, Indirect wages and Indirect Expenses
- D. Prime material, Prime labour and Prime Expenses

9. Which of the following categories of labour cost will be classified as direct?

- A. Accountant's salary
- B. Factory worker's salary
- C. Managing director's salary
- D. Cashier's salary
- E. All of the above

10. The following is given in relation to raw materials;

O = Opening inventory

P = Purchases

R = Purchases returns

C = Carriage

E = Excise duties

I = Import duties

Z = Closing inventory

The cost of raw materials available for use is_____

- A. $O + P + C$
- B. $O + P + C + I - R$
- C. $O + P + E + C - Z$
- D. $O + P + C + R - Z$
- E. $O + P + C - R$

Use the following to answer the question

11. What is the value of raw materials used?

	D
Purchase of raw materials	236,500
Returns of raw materials	4,750
Carriage on raw materials	34,500
Stock of raw materials at close	39,500
Factory fuel	150,000
Direct wages	205,000
Indirect wages	31,250
Factory power	105,000
Work-in-progress at start	22,500

- A. D 270,500
- B. D 265,750
- C. D 236,500
- D. D 226,750

12. Which of the following is not charged to manufacturing account?

- A. Raw materials
- B. Factory wages
- C. Distribution expenses
- D. Direct expenses
- E. Royalties

13. Factory wages are always entered into the _____ account.

- A. sales
- B. manufacturing
- C. profit and Loss
- D. purchases
- E. trading

The correct answer option [B]

Use the following information to answer the question.

14. The value of raw material consumed is _____

	₦
Purchase of raw materials	123,640
Carriage on raw materials	10,000
Closing stock of raw materials	45,000
Factory supervisors salary	30,000
Wages of factory hands	50,000
Royalties paid	18,000
Insurance of factory	62,000
Work-in-progress (opening)	23,000
Raw material returned	12,200

- A. ₦ 121,440
- B. ₦113,390
- C. ₦111,190
- D. ₦101,190

15. In manufacturing organisation, which of the following expenses does not relate to cost of production?

- A. Materials consumed
- B. Direct labour

- C. Direct overhead
- D. Administrative overhead
- E. Work-in-progress

16. Stock of work-in-progress means _____

- A. that work is going on in the factory
- B. the progress of work in the factory is affected by insufficient stock
- C. the stock of materials awaiting to be processed
- D. that it is partly completed and goods awaiting further process
- E. that it is completed, goods awaiting sales

Use the following accounts to answer the question.

17. What is the average stock of finished goods?

Manufacturing and Trading Accounts

	=N=		=N=
Opening Raw Material	10,000	Manufacturing cost c/d	114,000
Purchases	<u>60,000</u>		
	70,000		
Less closing raw materials	<u>8,000</u>		
	62,000		
Direct Labour	20,000		
Direct Expenses	20,000		
Factory Overhead	<u>12,000</u>		
Manufacturing cost	<u>114,000</u>		<u>114,000</u>
Manufacturing cost b/d	114,000	Sales	X
Purchases	<u>10,000</u>	Less Sales Returns	5,000
Goods available	124,000		
Closing stock	<u>12,000</u>		
Cost of goods sold	<u>112,000</u>		
Gross Profit 20% on Sales	<u>X</u>		<u>X</u>

- A. ₦8,000
- B. ₦9,000
- C. ₦10,000

- D. ₦11,000
- E. ₦12,000

18. Factory wages are always entered into the ____ account

- A. sales
- B. manufacturing
- C. profit and Loss
- D. purchases
- E. trading

Use the following accounts to answer the question.

19. What is the sales for the period?

Manufacturing and Trading Accounts

	=N=		=N=
Opening Raw Material	10,000	Manufacturing cost c/d	114,000
Purchases	<u>60,000</u>		
	70,000		
Less closing raw materials	<u>8,000</u>		
	62,000		
Direct Labour	20,000		
Direct Expenses	20,000		
Factory Overhead	<u>12,000</u>		
Manufacturing cost	<u>114,000</u>		
Manufacturing cost b/d	114,000	Sales	<u>114,000</u>
Purchases	<u>10,000</u>	Less Sales Returns	5,000
Goods available	124,000		
Closing stock	<u>12,000</u>		
Cost of goods sold	112,000		
Gross Profit 20% on Sales	<u> X</u>		<u> X</u>

- A. ₦165,000
- B. ₦170,000
- C. ₦140,000
- D. ₦132,000
- E. ₦114,000

20. Which of the following is not part of cost of production?

- A. Wages of operators
- B. Factory power
- C. Advertising
- D. Cost of raw materials

21. A business which converts raw material to finished goods prepares _____

- A. Trading Account and Balance Sheet
- B. Profit and Loss Account and Balance sheet
- C. Balance sheet only
- D. Trading, profit and loss Account and balance sheet
- E. Manufacturing, Trading, Profit and Loss Account and Balance sheet

22. A business which converts raw materials to finished goods prepares_____

- A. trading account and balance sheet.
- B. profit and loss account and balance sheet.
- C. balance sheet only.
- D. trading, profit and loss account and balance sheet.
- E. manufacturing, trading, profit and loss account and balance sheet.

23. Which of the following is a prime cost?

- A. Royalty
- B. Salary
- C. Commission
- D. Discounts allowed

24. In manufacturing companies, wages paid to operations/factory increases the value of _____.

- A. turnover

- B. prime cost
- C. gross profit
- D. net profit
- E. overhead

25. In manufacturing accounts, cost of production are broadly classified into two, namely; _____and _____

- A. direct cost and cost of goods sold
- B. indirect cost and cost of goods sold
- C. direct material cost and production overhead cost
- D. direct material and direct expenses
- E. direct cost and indirect cost

Use the following information to answer the question

26. The total overhead expenses is_____

	₦
Purchase of raw materials	123,640
Carriage on raw materials	10,000
Closing stock of raw materials	45,000
Factory supervisors salary	30,000
Wages of factory hands	50,000
Royalties paid	18,000
Insurance of factory	62,000
Work-in-progress (opening)	23,000
Raw material returned	12,200

- A. ₦142,000
- B. ₦ 115,000
- C. ₦ 110,000
- D. ₦92,000

Use the following information to answer the question

27. The prime cost is _____

	N
Purchase of raw materials	123,640
Carriage on raw materials	10,000
Closing stock of raw materials	45,000
Factory supervisors salary	30,000
Wages of factory hands	50,000
Royalties paid	18,000
Insurance of factory	62,000
Work-in-progress (opening)	23,000
Raw material returned	12,200

- A. ₦199,190
- B. ₦169,190
- C. ₦151,190
- D. ₦146,190

28. When the factory cost of production has been ascertained, manufactured goods are transferred to trading account 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.

Use the following accounts to answer the question.

29. What is the gross profit?

<u>Manufacturing and Trading Accounts</u>		
	=N=	=N=
Opening Raw Material	10,000	Manufacturing cost c/d 114,000
Purchases	60,000	
	70,000	
Less closing raw materials	8,000	
	62,000	
Direct Labour	20,000	
Direct Expenses	20,000	
Factory Overhead	12,000	
Manufacturing cost	114,000	
Manufacturing cost b/d	114,000	114,000
Purchases	10,000	X
Goods available	124,000	Less Sales Returns 5,000
Closing stock	12,000	
Cost of goods sold	112,000	
Gross Profit 20% on Sales	X	X

- A. ₦23,000
- B. ₦28,800
- C. ₦28,500
- D. ₦26,400
- E. ₦22,800

30. A business which converts raw materials to finished goods prepares_____

- A. trading accounts and balance sheet
- B. profit and loss account and balance sheet
- C. balance sheet only
- D. trading, profit and loss account and balance sheet
- E. manufacturing, trading, profit and loss account and balance sheet

Use the following accounts to answer the question.

31. What is the cost of finished goods purchased?

Manufacturing and Trading Accounts

	=N=		=N=
Opening Raw Material	10,000	Manufacturing cost c/d	114,000
Purchases	<u>60,000</u>		
	70,000		
Less closing raw materials	<u>8,000</u>		
	62,000		
Direct Labour	20,000		
Direct Expenses	20,000		
Factory Overhead	12,000		
Manufacturing cost	<u>114,000</u>		<u>114,000</u>
Manufacturing cost b/d	114,000	Sales	X
Purchases	<u>10,000</u>	Less Sales Returns	5,000
Goods available	124,000		
Closing stock	<u>12,000</u>		
Cost of goods sold	112,000		
Gross Profit 20% on Sales	<u>X</u>		<u>X</u>

- A. ₦60,000
- B. ₦50,000
- C. ₦40,000
- D. ₦20,000
- E. ₦10,000

32. Prime cost is made up of:

- (i) cost of direct material purchased
 - (ii) cost of direct labour incurred
 - (iii) cost of direct expenses incurred
 - (iv) cost of production overhead
- A. ii and iii only
 - B. i and iv only
 - C. i, ii, and iii only
 - D. iv only
 - E. i, ii, iii and iv only

33. The depreciation on plant acquired by a manufacturing company is treated as _____

- A. prime cost
- B. administrative expenses
- C. factory overhead
- D. selling and distribution expenses

34. Which of the following is not part of factory overhead?

- A. Factory salaries
- B. Factory lighting and heating
- C. Depreciation of plant and machinery
- D. Depreciation of fixtures and fittings

Use the following accounts to answer the question.

35. What is the total cost of raw materials consumed?

- A. ₦144,000
- B. ₦114,000
- C. ₦70,000
- D. ₦62,000
- E. ₦60,000

TOPIC: PARTNERSHIP

DIRECTION: Choose the correct answer from the lettered options.

Use the information to answer the question.

1. Ade & Okon are in partnership with the following partnership agreement. What is the interest on capital?

	Ade =N=	Okon =N=
Fixed Capital	15,000	25,000
Salary per annum	6,000	8,000
Interest on capital per annum	8%	8%
Profit or losses sharing ratio	40%	60%

The net profit for the year ended 31st December 1990 is =N= 28,000 while drawings are =N= 3,000 and =N= 4,000 for Ade and Okon respectively.

- A. ₦6,400
 B. ₦4,000
 C. ₦3,200
 D. ₦2,000
 E. ₦1,200
2. An outright sale of a partnership amounts to the _____
- A. compensation 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.
3. 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.

4. Beffy's commercial bank issued one hundred and fifty million ordinary shares of ₦0.20k at ₦0.50k per share. And all the shares were called up. How much is debited to bank as sums received from subscribers?

- A. ₦30,000,000
- B. ₦75,000,000
- C. ₦7,500,000
- D. ₦300,000,000
- E. ₦301,000,000

5. What is Ade's share of the profit?

	Ade =N=	Okon =N=
Fixed Capital	15,000	25,000
Salary per annum	6,000	8,000
Interest on capital per annum	8%	8%
Profit or losses sharing ratio	40%	60%

The net profit for the year ended 31st December 1990 is =N= 28,000 while drawings are =N= 3,000 and =N= 4,000 for Ade and Okon respectively.

- A. ₦11,200
- B. ₦7,120
- C. ₦6,480
- D. ₦5,600
- E. ₦4,320

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

- A. 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 interests is frequent and easy to accomplish.
- D. The partnership is complex to form because of many legal and reporting requirements.

7. What is the profit available for distribution?

	Ade =N=	Okon =N=
Fixed Capital	15,000	25,000
Salary per annum	6,000	8,000
Interest on capital per annum	8%	8%
Profit or losses sharing ratio	40%	60%

The net profit for the year ended 31st December 1990 is =N= 28,000 while drawings are =N= 3,000 and =N= 4,000 for Ade and Okon respectively.

- A. ₦17,800
- B. ₦14,000
- C. ₦10,800
- D. ₦7,000
- E. ₦3,800

8. Buffy's commercial bank issued one hundred and fifty million ordinary shares of ₦0.20k at ₦0.50k per share. All the shares were called up. How was the share issued?

- A. At a discount
- B. At a premium
- C. At a profit
- D. At a surplus
- E. At a loss

9. An agreement made by partners to regulate and govern their business activities is known as _____.

- A. partnership act

- B. partnership deed
- C. partnership code
- D. memorandum
- E. article

10. In a partnership, goodwill is recognized when _____

- A. a new partner is admitted.
- B. a partner is dormant.
- C. the business is making huge profit.
- D. the business has good customer relations.
- E. it is a limited partnership.

11. Which of the following is treated under partnership appropriation account?

- A. Interest on loan
- B. Salary of workers
- C. Electricity
- D. Interest on partners capital
- E. Travelling expenses of a partner

12. A nominal partner is someone who _____.

- A. is not liable when dissolution takes effect
- B. invested his time and capital in the firm
- C. lends his name to the business
- D. is very liable as a partner
- E. drafts the partnership deed

13. Which of the following indicate that a partnership business is in place?

- (i) There is no business
- (ii) It is run commonly by the partners

(iii) It has profit-making in view

(iv) Partner's liability is not stated

A. i & ii only

B. ii & iii only

C. i, iii & iv only

D. ii, iii & iv only

Use the following information to answer the question

14. Baba's share of profit is

	ABA	BABA	TOTAL
	₹	₹	₹
Capital	20,000	15,000	35,000
Drawings	2,520	-	2,520
Interest on drawings	504	-	504
Interest on capital	2,000	1,500	3,500
Net profit 31/12/08	-	-	34,636

A. ₹ 16,12

B. ₹ 14,844

C. ₹ 13,764

D. ₹ 13,560

15. A partner who has full powers of participating in the conduct of a partnership business is _____

A. an active partner.

B. a limited partner.

C. a sleeping partner.

D. a nominal partner.

16. Beffy's commercial bank issued one hundred and fifty million ordinary shares of ₦0.20k at ₦0.50k per share. All the shares were called up. What is the nominal value of the shares issued?

A. ₦30,000,000

B. ₦75,000,000

C. ₦300,000,000

D. ₦7,500,000

E. ₦8,500,000

Use the information to answer the question.

17. What is the minimum number of persons that can form a partnership business?

A. 1

B. 3

C. 2

D. 7

E. 12

18. The major distinguishing element between the final accounts of a partnership and a sole trader is the _____

A. drawing account.

B. appropriation account.

C. capital account.

D. creditor account.

19. A legal document drawn up to regulate a partnership business is _____

A. a companies and allied matters decree

- B. a partnership act of 1890
- C. a partnership deed
- D. an articles of association
- E. an act of partnership

20. Where fixed capitals are maintained, partners' drawings are transferred to the _____

- A. credit of Capital Accounts
- B. debit of Capital Accounts
- C. credit of Partners' Current Accounts
- D. debit of partners' Current Accounts

Use the following information to answer the question

21. ABA's share of profit is _____

	ABA	BABA	TOTAL
	₹	₹	₹
Capital	20,000	15,000	35,000
Drawings	2,520	-	2,520
Interest on drawings	504	-	504
Interest on capital	2,000	1,500	3,500
Net profit 31/12/08	-	-	34,636

- A. ₹ 21,504
- B. ₹ 19,792
- C. ₹ 18,352
- D. ₹ 18,080

22. Payment of salaries to partners is a charge to _____

- A. profit and loss account
- B. trading account
- C. an appropriation of interest on current account
- D. appropriation of interest on capital

23. Interest on partners drawing is credited to _____

- A. capital account.
- B. drawing account.
- C. current account.
- D. profit and loss account.
- E. appropriation account.

24. What is Okon's share of the profit?

	Ade =N=	Okon =N=
Fixed Capital	15,000	25,000
Salary per annum	6,000	8,000
Interest on capital per annum	8%	8%
Profit or losses sharing ratio	40%	60%

The net profit for the year ended 31st December 1990 is =N= 28,000 while drawings are =N= 3,000 and =N= 4,000 for Ade and Okon respectively.

- A. ₦16,800
- B. ₦10,680
- C. ₦8,400
- D. ₦6,480

E. ₦4,320

25. In the absence of an agreement, partners share profits _____

- A. based on activeness of a partner
- B. based on capital contribution
- C. on patronage basis
- D. on equal basis

Use the information to answer the question.

26. Blessing, Johnson and Nwankwe entered into partnership sharing profit and loss on the ratio of 3:2:1 respectively. If the profit after appropriations is ₦750,000 . What is Johnson's share?

- A. ₦ 250,000
- B. ₦ 100,000
- C. ₦375,000
- D. ₦125,000
- E. ₦ 115,500

27. Partners' salaries and drawings are usually posted to the _____

- A. Trading Account.
- B. Current Account.
- C. Capital Account.
- D. Partner's Account.

28. A partnership on admitting a new member, revalued the business' land and building from ₦30,000 to ₦70,000. The difference of ₦40,000 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.

29. Which of the following is NOT true of a partnership business without written agreement?

- A. Profits and losses will be shared equally
- B. Interest will not be paid on capital
- C. Interest on drawings is to be at the rate of 5% per annum
- D. Salaries are not allowed to partners
- E. Money in excess of capital agreed to subscribe is to attract an interest of 5% per annum

30. In a professional partnership, membership must be between _____ and _____

- A. 2 and 8
- B. 2 and 10
- C. 2 and 50
- D. 2 and any number
- E. 2 and 20

31. 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.

32. A partnership is dissolved based on the following grounds EXCEPT _____

- A. if the capital structure of the business is altered
- B. if entered into for a fixed term, on the expiration of that term

C. if entered into for a single adventure or undertaking, by the termination of that adventure or undertaking

D. the happening of an event which causes the partnership to become illegal

E. by assent of all the partners

33. The decision to dissolve or terminate business activities of a partnership is often referred to as _____

A. closing

B. withdrawal

C. wounding-up

D. liquidation

E. dissolution

34. Where there is no partnership agreement, any contribution in excess of the agreed capital attracts _____

A. no interest at all.

B. interest at the rate of 2.5% per annum.

C. interest at the rate of 5% per annum.

D. interest at the rate of 7.5% per annum.

E. interest at the rate of 10% per annum.

35. Which of the following is not a profit and loss appropriation account item?

A. Staff salaries

B. Interest on capital

C. Interest on money advanced by partners

D. Share of profit

E. Interest on drawings

36. Marhumu and Yusuf are in partnership sharing profits and losses in the ratio of 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 Marhumu and Yusuf. What is the ratio of Marhumu to Idris?

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

Use the following information to answer the question

37. The rate of interest on capital is

	ABA	BABA	TOTAL
	£	£	£
Capital	20,000	15,000	35,000
Drawings	2,520	-	2,520
Interest on drawings	504	-	504
Interest on capital	2,000	1,500	3,500
Net profit 31/12/08	-	-	34,636

- A. 15%
- B. 10%
- C. 8%
- D. 5%

38. A partner's drawing is debited _____

- A. profit and loss appropriation account.
- B. interest account.
- C. loan account.
- D. current account.
- E. trading account.

39. A partner whose liability goes beyond his capital is known as _____

- A. dormant partner
- B. limited partner
- C. general partner
- D. nominal partner

40. When no partnership agreement exist, which of the following governs the situation?

- A. Articles of association
- B. Partnership act 1890
- C. Trade laws
- D. Memorandum of association
- E. Partnership act

41. Under which of the following conditions is a partnership dissolved?

- A. Change of the partnership's head office.
- B. insolvency of the business.
- C. Purchase of a large quantity of fixed assets.
- D. Retirement of a manager who is not a partner.

42. Which of the following sets out the internal regulation of a partnership?

- A. Law
- B. Deed
- C. Regulation
- D. Code
- E. Prospectus

43. Pick out the odd item from the list.

- A. Active or ordinary partner
- B. Sleeping or dormant partner
- C. Norminal or quasi partner
- D. Limited partner
- E. preference partner

44. In a partnership, goodwill is recognised when _____

- A. a new partner is admitted
- B. a partner is dormant
- C. the business is making huge profit
- D. the business has good customer relation
- E. it is a limited partnership

45. The cash realized from the sale of assets on dissolution of partnership is _____

- A. debited to cash account and credited to asset account.
- B. credited to cash account and debited to asset account.
- C. debited to cash account and credited to realization account.
- D. credited to cash account and debited to realization account.
- E. debited to realization account and credited to asset account.

46. Which of the following is debited to partner's current account?

- A. Capital
- B. Interest on capital
- C. Drawings
- D. Share of profit

47. The Partnership deed normally 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.

48. 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.

49. Payment of salaries to partners is _____

- A. a charge to profit and loss account
- B. a charge to trading account
- C. an appropriation of divisible profit
- D. an appropriation of interest on capital
- E. an appropriation of interest on current account

TOPIC: REVALUATION ACCOUNT

DIRECTION: Choose the correct answer from the lettered options.

1. The purpose of a revaluation is to bring into the books the _____ of fixed assets
 - A. Cost
 - B. Fair market value
 - C. Selling cost
 - D. Residual value

2. Revaluation of assets occurs in any of the following circumstances EXCEPT _____
 - A. admission of a new partner
 - B. change in the profit sharing ratio
 - C. when a partner dies
 - D. when a new asset is bought

3. Which method is suitable for the revaluation of property such as land?
 - A. Reducing balance
 - B. Amortisation
 - C. Revaluation Account
 - D. Sum of years digits
 - E. Straight line Method

4. The surplus of the revaluation account is posted to _____
 - A. Partner's current account
 - B. Partner's Profit and Loss account
 - C. Partner's Capital account in the old profit sharing ratio
 - D. Partner's capital account in the new profit sharing ratio

5. _____ is defined as the revaluation of specific assets within a class or all assets within a specific location

- A. Programmed revaluation
- B. Specific revaluation
- C. Selective revaluation
- D. Special revaluation

6. Which of these is a method used in fixed asset depreciation?

- A. Sale and lease back method
- B. Revaluation method
- C. Equity method
- D. Hire purchase method

7. _____ is NOT a method of revaluation of fixed assets

- A. Indexation
- B. Current market price
- C. Appraisal method
- D. Future market price

8. The following are the reasons of revaluation EXCEPT _____

- A. To show the true rate of return on capital employed
- B. To show the fair market value of the assets
- C. To enable proper internal reconstruction
- D. To get the residual value of assets

9. When there is a decrease in asset value, the revaluation account will be _____

- A. Opened
- B. Closed

- C. Credited
- D. Debited

10. Assets revaluation is necessary because of the following EXCEPT _____

- A. Some assets have appreciated
- B. Some assets have been over depreciated
- C. Some assets have been under depreciated
- D. Some assets have been sold

11. An account to which the change in value of a company's asset is credited during a revaluation of assets is _____

- A. asset revaluation account
- B. revaluation account
- C. revaluation Reserve account
- D. capital revaluation account

12. The deficit of the revaluation account is posted to _____

- A. Partner's Capital account in the new profit sharing ratio
- B. Partner's Capital account in the old profit sharing ratio
- C. Partner's Profit and Loss account
- D. Partner's current account

13. The accounting process of asset depreciation using change in value over year is known as _____

- A. revaluation of asset
- B. revaluation method

- C. fixed asset revaluation
- D. depreciation of assets

14. When there is a transfer of loss on revaluation, the accounting entry is _____

- A. debit Capital account and Credit Revaluation account in the old profit sharing ratio
- B. debit Capital account and Credit Revaluation account in the new profit sharing ratio
- C. debit Revaluation account and Credit capital account in the new profit sharing ratio
- D. debit Revaluation account and Credit Capital account in the old profit sharing ratio

15. The method where technical experts are called in to carry out a detailed examination of the assets with a view to determining their fair market value is _____

- A. Current market price
- B. Indexation
- C. Future market price
- D. Appraisal method

16. The following are purpose of revaluation EXCEPT _____

- A. To show the true rate of return on capital employed
- B. To enable proper internal reconstruction, and external reconstruction
- C. To conserve adequate funds in the business for replacement of fixed assets at the end of their useful lives
- D. To know the cost of the assets

17. When there is increase in asset value, the revaluation account will be _____

- A. Debited

- B. Kept in the suspense account
- C. Credited
- D. Closed

18. ____ is NOT a factor to be considered in determining the value of an asset

- A. Date of purchase
- B. Extent of use
- C. Cost of the asset
- D. Future demand for the product

19. Where indices are applied to the cost value of the assets to arrive at the current cost of the assets is known as _____

- A. Current market price
- B. Future market price
- C. Indexation
- D. Appraisal method

20. The assets of any business is revalued to show _____

- A. Future value
- B. Historic value
- C. Past value
- D. Current value

21. ____ are employed to revalue assets

- A. Accountants
- B. Stock brokers
- C. insurance brokers
- D. Tax officials

22. When a revaluation account is opened, the following accounting entries are entered EXCEPT _____

- A. debit Revaluation account and credit Capital account with increase in capital
- B. debit Asset account and Credit Revaluation account with increase in value of assets
- C. debit Revaluation account and Credit Asset account with decrease in assets
- D. debit Liabilities account and Credit Revaluation account with a reduction in the value of liabilities

23. Which of the following is subjected to an impairment test _____

- A. Fixed assets
- B. Current assets
- C. Stock
- D. Goodwill

24. When there is transfer of any profit on revaluation to the old partner's account, the accounting entry is _____

- A. debit Goodwill account and Credit Capital in the old profit sharing ratio
- B. debit Goodwill account and Credit Capital account in the new profit sharing ratio
- C. debit Revaluation account and Credit Capital account in the old profit sharing ratio
- D. debit Revaluation account and Credit Capital account in the new profit sharing ratio

25. In revaluation of assets, the following accounts will be prepared EXCEPT _____

- A. Goodwill account
- B. Balance Sheet
- C. Revaluation account
- D. Capital account of partners

26. The accounting entry for when goodwill is to be written off is _____
- A. debit Revaluation account and Credit Capital account in the old profit sharing ratio
 - B. debit Assets account and Credit Revaluation account
 - C. debit Revaluation account and Credit Assets account
 - D. debit Capital Reserve account and Credit Goodwill account in the new profit sharing ratio
27. Which of these is true of the capital reserve account _____
- A. The capital reserve account has a debit balance
 - B. The capital reserve account is transferred to the P& L account
 - C. The capital reserve account has a credit balance
 - D. The capital reserve account is transferred to the capital redemption reserve fund account
28. _____ is a method of calculating the depreciation of assets by which the asset is depreciated by the difference in its value at the end of the year over its value at the beginning of the year.
- A. Revaluation Method
 - B. Asset revaluation method
 - C. Asset Depreciation method
 - D. Capital Revaluation method
29. When Goodwill is introduced the accounting entries are _____
- A. debit Goodwill account and Credit Capital account
 - B. debit Capital account and Credit Goodwill account
 - C. debit Revaluation account and Credit goodwill account
 - D. debit Goodwill account and Credit Revaluation account

30. The physical wear and tear of fixed assets over time is called _____

- A. revaluation Reserve
- B. depreciation
- C. revaluation Account
- D. erosion

31. Revaluation of assets occurs in any of the following circumstances EXCEPT _____

- A. Admission of a new partner
- B. When a partner retires
- C. Change in the profit sharing ratio
- D. Purchase of a fixed asset

TOPIC: VALUATION OF STOCK

DIRECTION: Choose the correct answer from the lettered options.

1. Opening stock is 1000 units @ ₦2.75/unit, purchases value are 1200 @ ₦3.00 and 320 @ ₦4 in the month of April . And 1200 units were issued in May the same year.

From the above, what will be the closing stock value if the FIFO method is used?

- A. ₦3,600
- B. ₦ 7,630
- C. ₦3,350
- D. ₦4,280

2. Losses that are unavoidable are known as _____

- A. abnormal losses
- B. material losses
- C. wastages
- D. normal losses

3. A single debit note is issued only when _____

- A. value of surplus exceeds value of shortages
- B. value of shortage exceeds value of shortage
- C. surplus exceeds shortages
- D. shortages exceeds surplus

4. The value placed on the closing stock is shown under _____

- A. Current Assets
- B. Fixed Assets
- C. Debtors

D. Current liabilities

Use the information to answer the question.

5. What is the stock valuation method used?

Stock Control Account (Extract) as at January 2000

Date	Receipts			Issues			Balance
	Quantity	Unit Price =N=	Amount =N=	Quantity	Unit Price =N=	Amount =N=	Amount =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	—	—	—	700.00
Jan 15	—	—	—	50	4.00	200.00	560.00
Jan 20	—	—	—	10	X	Y	Z

A. Last In First Out

B. First In First Out

C. Average cost

D. Weighted Average

6. The difference between physical stocks and store ledger is called _____

A. Abnormal losses

B. Deterioration on quantity

C. Material losses

D. Unsuitable storage

7. _____ is one of the examples of a normal losses

A. Evaporation

- B. Pilferage
- C. Issue of later purchase
- D. Unsuitable storage

8. The process of ascertaining the causes of the discrepancies and making appropriate adjustment is known as _____

- A. Adjustment
- B. Evaluation
- C. Reconciliation
- D. Deterioration

9. _____ is the process of making the physical stock quantity agree with the store ledger balances

- A. Stock evaluation
- B. Stock pricing
- C. Stores reconciliation
- D. Store evaluation

10. Which of the following stock valuation methods is suitable under inflationary conditions?

- A. FIFO
- B. LIFO
- C. Simple average
- D. Weighted average

11. The physical counting of the store items and evaluating them is known as _____

- A. stock valuation
- B. stock taking
- C. store taking
- D. store valuation

12. _____ indicates the name and description of deficit items?
- A. Debit note
 - B. Credit note
 - C. Stores ledger account
 - D. Discount note
13. What should be done to find the closing stock at the end of a period?
- A. Stock taking
 - B. Deduct opening stock from cost of goods sold
 - C. Deduct stock of goods sold from sales
 - D. open a new stock account
14. The following factors may be responsible for the discrepancies between physical stock quantities and stores ledger balance EXCEPT _____
- A. Correct entries
 - B. Pilferage
 - C. Wrong placement of stores items
 - D. Incorrect entries
15. Where the value of shortages exceeds value of surplus, _____ will be issued
- A. Debit note
 - B. Discount note
 - C. Credit note
 - D. Surplus note
16. Avoidable losses are called _____
- A. Material losses

- B. Normal losses
- C. Maternal losses
- D. Abnormal losses

17. The purpose of stock taking is to _____

- A. know the number of closing stock
- B. place a value on opening stock
- C. place a value on closing stock
- D. know the number of opening stock

18. Which among the following is an example of abnormal losses?

- A. Evaporation
- B. Breaking bulk
- C. Approximation or estimation
- D. pilferage

19. Stock taking is done _____

- A. yearly
- B. monthly
- C. quarterly
- D. All of the above

20. Stock taking is done by _____

- A. Officials connected with stores department
- B. Stock brokers
- C. Top management
- D. Officials not connected with stores department

21. _____ is apportioned between materials already issued to production and materials in hand at the end of an operating period

- A. purchase cost
- B. Selling cost
- C. Sales
- D. Market price

22. The net balance in the stock adjustment account is closed into _____

- A. Balance sheet at year end
- B. Profit and loss account at year end
- C. Stock account at year end
- D. Stores ledger account

Use the information to answer the question.

23. What is the value of x using LIFO

Stock Control Account (Extract) as at January 2000

Date	Receipts			Issues			Balance
	Quantity	Unit Price =N=	Amount =N=	Quantity	Unit Price =N=	Amount =N=	Amount =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	—	—	—	700.00
Jan 15	—	—	—	50	4.00	200.00	560.00
Jan 20	—	—	—	10	X	Y	Z

- A. ₦4.00
- B. ₦ 5.00
- C. ₦5.50
- D. ₦6.00

24. The process of multiplying the quantity of a particular store item with the relevant price is called _____

- A. store valuation
- B. stock valuation
- C. stock taking
- D. store taking

25. Debiting and Crediting of surpluses is done by _____

- A. Supervisors
- B. Accountant
- C. Management
- D. Cashier

26. What is the value of closing stock using LIFO, where opening stock is 1000 units @ ₦2.75/unit, purchases value are 1200 @ ₦3.00 and 320 @ ₦4 in the month of April. And 1200 units were issued in May. The same year.

- A. ₦ 3,710
- B. ₦ 2,750
- C. ₦ 3,920
- D. ₦7,630

27. Which of the following is not contained in the sales ledger control account?

- A. Receipts from debtors
- B. Returns inwards
- C. Returns outwards
- D. Dishonored cheques
- E. Discount allowed

ANSWERS

TOPIC: ACCOUNTING FOR DEPRECIATION

DIRECTION: Choose the correct answer from the lettered options.

1. Which of the following causes depreciation?

- (i) wear and tear
- (ii) obsolescence and passage of time
- (iii) fluctuation on prices

- A. i, ii and iii only
- B. i and ii only
- C. ii and iii only
- D. i and iii only
- E. iii only

The correct answer is option [B]

Bird and Egg ventures decides to dispose off one of its motor vehicle which had originally cost N900,000. The asset was sold after 6 years for N140,000. The partners had estimated a useful life of 8 years for the assets and depreciation is on straight line.

2. What is the total depreciation (accumulated depreciation) at the end of the fourth (4th) year using the straight line method?

- A. ₦100,000
- B. ₦450,000
- C. ₦112,500
- D. ₦400,000
- E. ₦650,000

The correct answer is option [B]

Bird and Egg ventures decides to dispose off one of its motor vehicle which had originally cost N900,000. The asset was sold after 6 years for N140,000. The partners had estimated a useful life of 8 years for the assets and depreciation is on straight line.

3. What is the total (accumulated) depreciation at the end of the sixth(6th) year?

- A. ₦600, 000
- B. ₦450,000
- C. ₦650,000
- D. ₦670,000
- E. ₦675,000

The correct answer is option [E]

4. A machine cost ₦12,000 and has a useful life of 4 years, and an expected disposal value of ₦400. Using the straight line method, what is the annual depreciation?

- A. ₦3,100
- B. ₦3,000
- C. ₦2,900
- D. ₦2,300
- E. ₦2,000

The correct answer is option [C]

The formular for depreciation using the straight line method is $\frac{\text{Cost} - \text{Disposal Value}}{\text{Number of Years}}$

5. The straight line depreciation is _____

- A. a fixed sum set aside for the replacement of the assets
- B. a fixed percentage of the balance of the assets at the end of the year
- C. an estimated amount each year
- D. an increase in the value of the assets
- E. a percentages of the cost of the asset is written off each year

The correct answer is option [A]

6. The cost of an asset less its depreciation gives _____

- A. Net realizable cost
- B. Balance brought forward
- C. Net book value
- D. Balance carried forward
- E. Current market value (CMV)

The correct answer is option [C]

7. A fixed assets cost ₦200,000 and is expected to have a residual value of ₦5,000 after 5 years. What is the annual depreciation for the second year using the sum of the years digit method?

- A. ₦65, 000
- B. ₦52,000
- C. ₦39, 000
- D. ₦45,000
- E. ₦48,000

The correct answer is option [B]

$$\text{Sum of the years digit} = \frac{N}{Zn} \times (C - RV)$$

Where: N= No of years;

Zn = Sum of the years = (1+2+3+4+5=15);

RV = Residual value;

1st year = $\frac{5}{15} \times (200,000 - 5,000) = 65,000$

2nd years = $\frac{4}{15} \times (200,000 - 5000) = 52,000$

8. Which of the following does not belong to the group?

- A. Straight line method
- B. amortization method
- C. annuity method
- D. Reducing balance method

The correct answer is option [B]

Amortization does not belong to the group because all other options are methods of depreciating an asset while amortization is the paying off of debt in regular

installments over a period of time or the deduction of capital expenses over a specific period of time (usually over the asset's life). More specifically, this method measures the consumption of the value of intangible assets, such as a patent or a copyright.

Bird and Egg ventures decides to dispose off one of its motor vehicle which had originally cost N900,000. The asset was sold after 6 years for N140,000. The partners had estimated a useful life of 8 years for the assets and depreciation is on straight line.

9. What will be the balance in the disposal account?

- A. A profit of ₦85,000
- B. A loss of ₦100,000
- C. A loss of ₦85,000
- D. A loss of ₦27,500
- E. A profit of ₦67,500

The correct answer is option [C]

10. Where there is provision for depreciation account, fixed assets must be shown in the balance sheet as the

- (i) written down values
- (ii) historical cost less depreciation for a particular period only
- (iii) historical cost less total depreciation to date

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

The correct answer is option [C]

TOPIC: ACCOUNTS FOR NON PROFIT MAKING ORGANISATIONS

DIRECTION: Choose the correct answer from the lettered options.

1. The accumulated fund account represents _____ in a profit making organization.

- A. capital account
- B. fixed assets account
- C. shareholders fund
- D. share premium account
- E. long term liabilities

The correct answer is option [A]

2. When the receipt exceeds payment in the receipts and payment account, which of the following is an appropriate treatment for it?

- A. The excess is taken to the expenditure account as income
- B. The excess is taken to the balance sheet as current assets
- C. The excess is taken to the balance sheet as fixed assets
- D. The excess is taken to profit and loss account and added to gross profit
- E. The excess is taken to the balance sheet as current liabilities

The correct answer is option [B]

3. Limitations of the receipts and payments account arise mainly because of the reliance on _____

- 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.

The correct answer is option [A].

4. The purchase of a typewriter for office use for N 2,000 is debited to _____

- A. creditors
- B. bank account
- C. purchases account
- D. Office equipment account

The correct answer is option [D].

Use the information to answer the question.

5. The receipts and payments account of Acada Club for the year ended 31st December, 1995 is as follows: What is the amount of income credited to income and expenditure account for the year?

Balance b/f	=N=	Printing and Stationery	=N=
	800		320
Subscriptions	3,600	Postages and Telephone	160
Donations	650	Rent	1,200
Dance Tickets	1,200	Library books	2,500
		Anniversary dance expenses	945
		Balance c/d	1,125
	<u>6,250</u>		<u>6,250</u>

- A. ₦6,250
- B. ₦5,450
- C. ₦3,600
- D. ₦1,850
- E. ₦1,125

The correct answer is option [B].

6. 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.

The correct answer is option [A].

7. Subscriptions received during the year ₦30,000; Subscriptions were last year ₦4,000; Subscriptions received for the year ₦6,000. The subscription receivable account will be ₦6,000. The ₦6,000 subscription received is

- A. current asset.
- B. current liability.
- C. fixed asset.
- D. capital.

The correct answer is option [A].

Use the information to answer the question.

8. The receipts and payments account of Acada club for the year ended 31st December, 1995 is as follows: What is the total expenses debited to Income and Expenditure Account for the year?

Balance b/f	=N=	Printing and Stationery	=N=
	800		320
Subscriptions	3,600	Postages and Telephone	160
Donations	650	Rent	1,200
Dance Tickets	1,200	Library books	2,500
		Anniversary dance expenses	945
		Balance c/d	1,125
	<u>6,250</u>		<u>6,250</u>

- A. ₦6,250
- B. ₦5,125
- C. ₦2,625
- D. ₦2,500
- E. ₦1,125

The correct answer is option [B].

9. Which of the following is the equivalent of the Receipts and Payment Account?

- A. Income and Expenditure Accounts
- B. Cash Book
- C. Subscriptions Account
- D. profit and Loss Account

The correct answer is option B].

10. Subscriptions prepaid by members is recorded in the Balance Sheet of a club as a _____

- A. current liability
- B. current asset
- C. fixed asset
- D. long term liability

The correct answer is option [A].

11. Subscription in advance is treated in the balance sheet of non-profit making organization as _____

- A. current assets
- B. fixed assets
- C. current liability
- D. accumulated fund
- E. goodwill

The correct answer is option[C]

12. Subscription received in advance is an example of_____.

- A. pre-payment
- B. accrual
- C. debtors
- D. provision
- E. reserves

The correct answer is option [B].

13. Profit and Loss account is to profit making enterprise while _____ is to nonprofit making enterprise

- A. trial balance
- B. books of original entry
- C. balance sheet
- D. subscription
- E. income and expenditure

The correct answer is option [E]

14. Income and expenditure account include the followings EXCEPT _____

- A. there is adjustment for accruals and prepayments
- B. capital item
- C. balance represent surplus or deficiency
- D. depreciation

The correct answer is option [B]

15. When income exceeds expenditure, it is called _____

- A. gross profit
- B. net profit
- C. surplus
- D. retained earnings
- E. net income

The correct answer is option [C]

16. An income and expenditure account is a summary of _____

- A. all outstanding income and expenditure during a period.
- B. revenue received and expenditure during a period.

- C. receipts and payments during a period.
- D. the trading income during a period.

The correct answer is option [B].

The income and expenditure account is like the P & L account while the receipts and payment account is like the cash book

17. 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. receipts and payment account
- C. balance sheet
- D. statement of affairs

The correct answer is option [A].

18. Subscriptions received during the year ₦30,000; subscriptions were last year ₦4,000; Subscriptions received for the year ₦6,000. What is the subscription to be charged to income and expenditure account?

- A. N36,000
- B. N34,000
- C. N30,000
- D. N20, 000

The correct answer is option [A].

19. The main difference between the ordinary and preference shareholders is that _____

- A. the former receive dividends while the later do not
- B. the later are not members of the company while the former are.
- C. in the case of winding up, the latter are paid first before the former
- D. the former have voting rights while the latter do not.

The correct answer is option [C].

20. Subscription in advance is treated in the Balance sheet of non-profit making organizations as _____

- A. current asset.
- B. fixed asset.
- C. current liability.
- D. accumulated fund.
- E. goodwill.

The correct answer is option [C].

21. Profit and loss account is to profit making enterprise what _____ is to nonprofit making enterprise

- A. trial balance
- B. books of original entry
- C. balance sheet
- D. subscription account
- E. income and Expenditure

The correct answer is option [E]

22. Subscriptions received in advance are _____

- A. included in the Income and Expenditure Account
- B. not included in the Receipts and Payments Account
- C. shown as a current asset in the Balance Sheet
- D. shown in the Balance Sheet as a current liability

The correct answer is option [D].

23. In a nonprofit making enterprise, the cash book is summarised in the form of _____

- A. balance Sheet
- B. income and expenditure account
- C. receipt and expenditure account

- D. receipt and payment account
- E. profit and loss account

The correct answer is option [D]

24. A non-profit making organization differs from a profit-making one in that _____

- A. it does not earn income.
- B. proceeds from sale of shares form part of it's income.
- C. all it's income is committed.
- D. annual subscription and levies form part of its income.

The correct answer is option [D].

Use the information to answer the question.

25. The Receipts and payments account of Acada club for the year ended 31st December, 1995 is as follows: What is the capital expenditure of the club for the year?

Balance b/f	=N= 800	Printing and Stationery	=N= 320
Subscriptions	3,600	Postages and Telephone	160
Donations	650	Rent	1,200
Dance Tickets	1,200	Library books	2,500
		Anniversary dance expenses	945
		Balance c/d	1,125
	<u>6,250</u>		<u>6,250</u>

- A. ₦6,250
- B. ₦ 5,450
- C. ₦ 5,125
- D. ₦3,600
- E. ₦2,500

The correct answer is option [E].

The library books of 2,500

26. Which of the following is NOT true of a non-profit making organization?

- A. Income and Expenditure Account is prepared
- B. Income and Expenditure Account includes accruals and prepayments
- C. Income and Expenditure Account excludes capital receipts and capital payments
- D. Receipts and payments account deals with cash transactions only
- E. Receipts and payments account is a substitute for Income and Expenditure account.

The correct answer is option [E].

Because receipts and payments accounts are merely a summary of the cash transactions and so cannot be a substitute for Income and Expenditure account.

27. A receipts and payments account reveals _____

- A. net profit
- B. surplus
- C. cash in hand
- D. gross profit
- E. net loss

The correct answer is option [C].

Options [A] and [E] are revealed in Profit and Loss Account; [D] is revealed in Trading Account and [B] is revealed in Income and Expenditure Account.

28. Receipts and Payments account of a non-profit making organization is principally a summary of the _____

- A. bank entries.

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

The correct answer is option [B].

29. A member of a club paid ₦1,000 as his subscription for 1993 and ₦1,200 as subscription for 1994. If the financial year of the society ended on 31st December, 1993, the ₦1,200 will be treated in the balance sheet as _____

- A. current asset.
- B. current liability.
- C. capital.
- D. profit.

The correct answer is option [B].

30. Where a non-profit making organization prepares the accounts using accruals basis of reporting, the statement showing how well the organization is doing is the _____

- A. appropriation account.
- B. balance sheet.
- C. income and expenditure account.
- D. receipts and payment account.

The correct answer is option [C].

31. In a non-profit oriented organization, the excess of income over expenditure is _____

- A. added to the capital
- B. added to the accumulated fund
- C. deducted from the capital
- D. deducted from accumulated fund

E. deducted from the reserve

The correct answer is option [B]

32. When income exceeds expenditure, it is called _____

- A. gross profit over sales
- B. net profit over expenditure
- C. surplus of income over expenditure
- D. retained earnings
- E. net income

The correct answer is option [C]

33. The equivalent of a club's profit and loss account is prepared as _____

- A. Receipts and Expenditure Account
- B. Revenue Account
- C. Receipts and Payments Account
- D. Income and Expenditure Account
- E. Club's Trading Account

The correct answer is option [D].

TOPIC: COMPANY ACCOUNTS

DIRECTION: Choose the correct answer from the lettered options.

1. When shares are issued above their nominal value, the issue is said to be made at _____.

- A. premium
- B. discount
- C. par
- D. grant
- E. gain/profit

The correct answer is option [A]

2. When shares are sold 'at par' it means they are issued at _____

- A. the market value
- B. the nominal value
- C. a discount
- D. a premium

The correct answer is option [B].

3. _____ is the document that defines the powers and objectives of the company.

- A. Memorandum of association
- B. Article of association
- C. Certificate of incorporation
- D. Authorized certificate
- E. Share certificate

The correct answer is option [A]

4. Mr Adamu & Co on 2nd Feb. 2010 makes an issue of 20,000 ordinary shares at a nominal value of ₦ 2 at ₦4. What is the premium on the shares issued assuming all 20,000 was subscribed for?

- A. ₦20,000
- B. ₦15,000
- C. ₦18,000
- D. ₦40,000

The correct answer is option [D].

5. The following are users of financial statements EXCEPT_____

- A. tax authorities
- B. the public
- C. management
- D. the sick
- E. shares holders

The correct answer is option [D]

Financial statements are formal records of a business' financial activities. These statements provide an overview of a business' profitability and financial condition in both short and long term. There are four basic financial statements

Balance sheet: also referred to as statement of financial position or condition, reports on a company's assets, liabilities and net equity as of a given point in time.

Income statement: also referred to as Profit or loss statement, reports on a company's results of operations over a period of time.

Statement of retained earnings: explains the changes in a company's retained earnings over the reporting period.

Statement of cash flows: reports on a company's cash flow activities, particularly its operating, investing and financing activities.

6. Given the following: Mr. Alabi bought a fixed asset (motor vehicle) for ₦150,000 which has a life span of 5 yrs. What is the depreciation for the motor vehicle given a provision of 5% for next 5 years?

- A. ₦30,000
- B. ₦25,000
- C. ₦60,000
- D. ₦37,500

The correct answer is option [D].

7. The following are current liabilities EXCEPT _____

- A. Accrued income
- B. Accrued (expenses)
- C. Corporation dividend
- D. Creditor

The correct answer is option [A].

8. Another name for quick ratio is _____.

- A. Acid test ratio
- B. Fast ratio
- C. Speedy ratio
- D. Current ratio
- E. Debtors ratio

The correct answer is option [A]

9. An example of appropriation of profit in a company is _____.

- A. salaries
- B. rent Income
- C. debenture Interest

- D. director's Remuneration
- E. proposed dividend

The correct answer is option [E].

10. Granada Corporation has net assets of ₦ 600,000 and contributed capital of ₦ 180,000. 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 ₦14 per share.
- B. a book value of ₦ 20 per share.
- C. a deficit of ₦ 420,000.
- D. retained earnings of ₦ 600,000.

The correct answer is option [B].

11. An example of appropriation of profit in a company is _____

- A. salaries
- B. rent income
- C. debenture interest
- D. director's remuneration
- E. dividend

The correct answer is option [E]

12. A bond acknowledging a loan to a company under the company's seal, bearing a fixed rate of interest is known as _____

- A. certificate.
- B. agreement.
- C. bank loan.
- D. debenture.

The correct answer is option [D].

13. The Memorandum of Association contains the following EXCEPT_____

- A. The name of the company
- B. The registered office
- C. The objective of the company
- D. The amount of authorized capital

The correct answer is option [A].

14. A document which acknowledges that a company owes a person a stated sum of money with an agreement to pay a fixed rate of interest periodically is _____

- A. share certificate
- B. allotment certificate
- C. preference certificate
- D. debenture certificate

The correct answer is option [D].

15. A share is under-subscribed when _____.

- A. it is offered for sale at less than nominal value.
- B. it is offered for sale at the nominal value.
- C. the number of shares applied for is less than the offer.
- D. it is offered for sale at more than the nominal value.
- E. the number of shares applied for is more than the offer.

The correct answer is option [C].

16. Current ratio measure _____

- A. The ability of a company to pay its long term creditors when it is due
- B. The ability of a company to pay its tax liability promptly

- C. The ability of a company to meet its short term obligations when they are due
- D. The ability of a company to meet its medium term loans promptly
- E. The ability of company to seek for funds to pay all of its indebtedness promptly

The correct answer is option [C]

17. The maximum amount which a company can raise by way of selling shares is _____

- A. issued capital.
- B. working capital.
- C. paid-up capital.
- D. shareholders capital.
- E. authorized capital.

The correct answer is option [E].

Issue capital is the share capital issued to shareholders, paid-up capital is that part of the capital which has been paid by shareholders.

18. A stock as a form of capital of a company comprises _____

- A. tons of merchandise
- B. units of goods
- C. units of shares
- D. bundles of ware

The correct answer is option [C].

19. Dividend proposed by a company is shown in its Balance Sheet as _____.

- A. current asset.
- B. current liability.
- C. long-term liability.
- D. fixed asset.

The correct answer is option [B].

20. The person who is responsible for the formation of a company is called the _____.

- A. promoter.
- B. sponsor.
- C. shareholder.
- D. director.
- E. subscriber.

The correct answer is option [A].

21. Given the following

Stock of raw materials as at January = ₦10,000

Purchases ₦25,000

Carriage inwards ₦5,000

Sales ₦50,000

Salesmen's salaries ₦5,000

Closing stock ₦15,000

The calculated cost of goods sold

- A. ₦15,000
- B. ₦25,000
- C. ₦10,000
- D. ₦5,000

The correct answer is option [B].

Use the following information to answer the question.

The authorized capital of City Entertainments Company is made up of 200,000 2.5% preference shares of Le 60 each and 300,000 ordinary shares of Le 20. All of the ordinary shares have been issued at Le 30 each and fully paid. All the preference

shares have been issued at par and fully paid. The directors decided to pay the preference dividend and recommended ordinary dividend of Le 0.10 per share.

22. What is the amount of preference dividend payable for the year?

- A. Le 600,000
- B. Le 500,000
- C. Le 300,000
- D. Le 5,000

The correct answer is option [D].

23. Opening stock + purchase + carriage inwards - returns inwards =

- A. Cost of goods sold
- B. Cost of goods available for sale
- C. Sales
- D. Gross profit

The correct answer is option [B].

24. The person who has applied for shares in a company is called _____

- A. an allottee.
- B. a subscriber.
- C. a promoter.
- D. a shareholder.
- E. an applicant.

The correct answer is option [B].

25. Companies issue shares to the public for the following reasons EXCEPT _____.

- A. to raise additional capital
- B. as part of cost incorporation requirement

- C. to compel people to invest their surplus money instead of banking it
- D. to increase the number of shareholders and increase funds
- E. to redeem preference shares and debenture which have fallen due for redemption

The correct answer is option [C]

26. The person who has applied for shares in a company is called _____

- A. an allottee
- B. a subscriber
- C. a promoter
- D. a shareholder
- E. an applicant

The correct answer is option [B]

27. Undistributed profits of a limited liability company is _____.

- A. goodwill
- B. working capital
- C. net profit
- D. retained Earnings
- E. net loss

The correct answer is option [D]

28. The amount set aside from profit earned by a company which is not meant for distribution or contingency is called _____

- A. dividend
- B. capital redemption reserve fund
- C. shareholders fund
- D. reserves
- E. capital development fund

The correct answer is option [D]

29. The minimum number of shareholders needed in a public limited company is _____

- A. 2
- B. 4
- C. 7
- D. 9

The correct answer is option [C].

30. The part of the nominal capital that the company decides to issue out to the public for subscription is called _____

- A. called-up capital
- B. issued capital
- C. paid-up capital
- D. authorized capital
- E. registered capital

The correct answer is option [B].

31. In a bonus issue of one new share for every four held, a holder of 100,000 shares will get additional share of _____

- A. ₦50,000
- B. ₦25,000
- C. ₦20,000
- D. ₦10,000
- E. ₦24,000

The correct answer is option [B].

To get additional share = $100,000/4 = 25,000$

32. Issue of prospectus is an invitation to members of the public to _____.

- A. subscribe for shares
- B. register a company
- C. redeem shares
- D. liquidate a company
- E. sell debenture stock

The correct answer is option [A]

33. 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.
- E. business policy

The correct answer is option [B].

34. The maximum number of shareholders required to form a public limited company is _____

- A. 50
- B. 150
- C. 80
- D. none of the above

The correct answer is option [D].

35. What is the required step in the formation of a company?

- (i) The documents are stamped only with the registra of companies for verification.
- (ii) Get promoters.
- (iii) Filing of memorandum and article of association and statement of nominal capital.
- (iv) Issue of certificate of incorporation.
- (v) Issue of certificate of operation.

- A. (i) and (ii) only
- B. (i), (v) and (iv) only
- C. (ii), (iii) and (iv) only
- D. (iii) and (iv) only

The correct answer is option [D]

36. A document which acknowledges that a company owes a named person a stated sum of money with the promise that a stated interest rate will be paid periodically is called _____.

- A. Share certificate
- B. Preference Share certificate
- C. Debenture certificate
- D. Allotment certificate
- E. Call certificate

The correct answer is option [C]

37. 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 share capital and/or premium account.
- C. debit shares account and credit capital account.
- D. credit shares account and debit capital account.
- E. none of the above

The correct answer is option [A].

38. Mr. Kunle bought 100,000 ordinary shares each for ₦0.50k, and later sold the same share for ₦1.00. Calculate the returns

- A. ₦50,000
- B. ₦80,000
- C. ₦55,000
- D. ₦53,000

The correct answer is option [A].

39. In company accounts, profit after tax is gotten in the _____.

- A. appropriation account
- B. revaluation account
- C. current account
- D. realization
- E. profit and loss account

The correct answer is option [E].

40. Adex Company Limited issued ordinary shares of ₦1 each to the public at ₦1.20. The shares were issued at _____

- A. a discount.
- B. a profit.
- C. a loss.
- D. par
- E. a premium.

The correct answer is option [E].

41. The amount for which a business is sold is the _____

- A. goodwill
- B. consolidated fund
- C. purchase consideration
- D. capital reserve

The correct answer is option [C].

42. Programs installed in computers to facilitate processing of data are _____

- A. hardwares
- B. softwares
- C. magnetic tapes
- D. diskettes

The correct answer is option [B].

43. EPS is an acronym for _____

- A. Economic Price Stabilization
- B. Entrepreneurial Profit Status
- C. Entrepreneurial Price Stabilization
- D. Earnings per Share
- E. Earnings per Shareholder

The correct answer is option [D]

44. When shares are oversubscribed, the promoter may decide to scale down the number of shareholding. When this is done, the shares are _____

- A. being forfeited
- B. issued at a discount
- C. issued at a premium
- D. issued on a pro-rata
- E. issued at par

The correct answer is option [D]

45. There are ____ kinds of companies

- A. 1
- B. 2
- C. 3
- D. 4

The correct answer is option [B].

46. Which of the following reserves is used for bonus shares?

- A. Revaluation reserve
- B. Share premium
- C. Capital redemption reserve fund
- D. General reserve

The correct answer is option [B].

47. Shares are issued at par when they are _____

- A. issued above their nominal value
- B. issued below their nominal value
- C. issued on pro-rata basis
- D. issued at their nominal value
- E. issued for instalment payments only

The correct answer is option [D]

48. Patent and trade mark are classified under _____

- A. fixed assets
- B. current assets
- C. intangible assets
- D. wasting assets

E. investments

The correct answer is option [C].

49. Which of the following explains the short term solvency of a company?

- A. Shareholders ratio
- B. Debt ratio
- C. Quick/acid test ratio
- D. Earnings per share
- E. Dividend per share

The correct answer is option [C]

50. The portion of the authorized capital which has not been allotted to members is _____

- A. uncalled capital
- B. paid-up capital
- C. issued capital
- D. authorized capital
- E. unissued capital

The correct answer is option [E]

51. The private company is defined by _____

- A. section 26 of the company Act, 1948
- B. section 20 of the company Act, 1960
- C. section 15 of the company Act, 1949
- D. section 28 of the company Act, 1948

The correct answer is option [D].

52. The reward given to a debenture holder is called _____

- A. profit.

- B. reserve.
- C. premium.
- D. dividend.
- E. interest.

The correct answer is option [E].

53. The authorized share capital of a limited liability company is the number of shares _____

- A. offered for sale
- B. called up
- C. approved in the memorandum of association
- D. subscribed
- E. paid-up

The correct answer is option [C].

54. The portion of the authorized capital which has not been allotted to members is _____

- A. uncalled capital.
- B. paid-up capital.
- C. issued capital.
- D. authorized capital.
- E. unissued capital.

The correct answer is option [E].

55. Which of the following best describes current ratio?

- A. $\frac{\text{Current assets} - \text{stock}}{\text{Current liabilities}}$

- B. Current assets/current liabilities
- C. Current assets-stock-prepayment/current liabilities
- D. Current assets/fixed assets
- E. Current assets/long term liabilities

The correct answer is option [B]

56. Calls in advance are treated in the balance sheet as _____

- A. current asset.
- B. current liability.
- C. fixed asset.
- D. fixed liability.

The correct answer is option [B].

Use the following information to answer the question.

The authorized capital of City Entertainments Company is made up of 200,000 2.5 % preference shares of Le 60 each and 300,000 ordinary shares of Le 20. All of the ordinary shares have been issued at Le 30 each and fully paid. All the preference shares have been issued at par and fully paid. The directors decided to pay the preference dividend and recommended ordinary dividend of Le 0.10 per share.

57. What is the amount of the share premium?

- A. Le 9,000,000
- B. Le 5,000,000
- C. Le 3,000,000
- D. Le 2,400,000

The correct answer is option [C].

58. Which of the following is not an appropriation account item for a company?

- A. General reserve
- B. Proposed dividends

- C. Interim dividends
- D. Provision for taxation

The correct answer is option [C]

59. The class of shareholder who are paid last in the event of winding-up are _____

- A. ordinary share holder
- B. preference share holder
- C. cumulative preference share holder
- D. redeemable share holder
- E. debenture holder

The correct answer is option [A]

60. Which of the following is correct about Limited Liability Company?

- (i) Members have power to bind the company together
- (ii) Perpetual succession
- (iii) Certificate of incorporation
- (iv) Wound-up on death of share holder

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

The correct answer is option [B]

61. Which of the following does not form part of shareholder's fund?

- A. Ordinary shares
- B. Share premium

- C. Retained Profit
- D. Debenture interest

The correct answer is option [D].

Use the following information to answer the question.

The authorized capital of City Entertainments Company is made up of 200,000 2.5 % preference shares of Le 60 each and 300,000 ordinary shares of Le 20. All of the ordinary shares have been issued at Le 30 each and fully paid. All the preference shares have been issued at par and fully paid. The directors decided to pay the preference dividend and recommended ordinary dividend of Le 0.10 per share.

62. The value of the ordinary share capital to be stated in the balance sheet is _____

- A. Le 9,000,000
- B. Le 7,200,000
- C. Le 4,800,000
- D. Le 6,000,000

The correct answer is option [D].

63. The undistributed profits of a limited liability company is _____

- A. goodwill.
- B. working capital.
- C. net profit.
- D. retained earnings.

The correct answer is option [D].

64. Which of the following refers to the net- worth of a company?

- A. Assets minus liabilities
- B. Fixed assets plus current assets

- C. liabilities plus shareholder's equity
- D. short term liabilities minus short term liabilities
- E. current assets plus goodwill

*The correct answer is option [A]
shareholders' equity equals assets minus liabilities. Shareholder's equity is the net worth of a company.*

65. The total amount that has not been called up on the issued share capital is known as _____

- A. calls in arrears
- B. uncalled - up capital
- C. paid up capital
- D. issued capital

The correct answer is option [B].

66. Payment for shares in excess of nominal value gives rise to _____.

- A. dividend warrant.
- B. revenue reserve.
- C. capital reserve.
- D. share premium
- E. calls-in-arrears.

The correct answer is option [D].

67. The income accruing to debenture holders is called _____.

- A. dividend
- B. shares
- C. bond
- D. net profit
- E. interest

The correct answer is option (E)

68. 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 only

C. ii and iii only

D. iii and iv only

The correct answer is option [B].

69. Costs people incur in the process of opening a new business is known as _____

A. fixed cost

B. accrual expense

C. preliminary expenses

D. recurrent expenses

E. capital expenses

The correct answer is option [C].

70. The part of equity which is payable on winding up is called _____

A. general reserve.

B. revenue reserve.

C. capital reserve.

D. normal reserve.

The correct answer is option [B].

71. The measure of a company's ability to pay its debt quickly is called _____

- A. gross margin ratio.
- B. turnover ratio.
- C. acid test ratio.
- D. return on investment.

The correct answer is option [C].

The capital structure of a company is as shown: 25,000 shares of N1 each; Retained profit ₦6,250.

72. What is the value of each share?

- A. ₦2.50k
- B. ₦0.25k
- C. ₦0.80k
- D. ₦1.00k
- E. ₦1.25k

The correct answer is option [E]

Value of shares = Shareholders fund / No. of shares issue

Shareholders fund = 25,000 + 6,250 = 31,250

No. of shares issue = 25,000

Value of share = $\frac{31,250}{25,000} = \text{₦}1.25\text{k}$

73. A debenture holder is a _____

- A. creditor
- B. promoter
- C. debtor

D. shareholder

The correct answer is option [A].

74. What are the final accounts of a limited company.

(i) Trading, profit and loss Account

(ii) Appropriation Account and

(iii) Balance sheet

A. (i) only

B. (i), (ii) and (iii)

C. (iii) only

D. (i) and (ii)

The correct answer is option [B].

75. In preparing the balance sheet, goodwill is classified as _____

A. Fixed Assets

B. Current Assets

C. Investments

D. Intangible Assets

The correct answer is option [D].

76. A certificate of incorporation is usually issued by _____

A. director of corporate affairs commission

B. registrar of companies

C. registrar of corporations

D. director of corporations

The correct answer is option [B]

77. The document which advertises the sale of shares of a company is a/an _____

- A. prospectus
- B. debenture
- C. statement
- D. invoice
- E. annual report

The correct answer is option [A]

A prospectus is a legal document that institutions and businesses use to describe the securities they are offering for participants and buyers. A prospectus commonly provides investors with material information about mutual funds, stocks, bonds and other investments, such as a description of the company's business, financial statements, biographies of officers and directors, detailed information about their compensation, any litigation that is taking place, a list of material properties and any other material information. In the context of an individual securities offering such as an initial public offering, a prospectus is distributed by underwriters or brokerages to potential investors.

78. The main classes of shares are _____

- A. preference shares and rights issue.
- B. fixed shares and current shares.
- C. ordinary shares and preference shares.
- D. redeemable shares and irredeemable shares.
- E. public and private shares

The correct answer is option [C].

79. A private limited company has the following features EXCEPT

- (i) Restricts the right to transfer its shares;
- (ii) Is owned by limited number from 2 to a maximum of 50
- (iii) it can sue and be sued
- (iv) Offers its shares for sales to the public

- A. i only

- B. ii & iv only
- C. i & iv only
- D. ii & iii only
- E. i & iii only

The correct answer is option [C]

80. 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.

The correct answer is option [D]. This is because, it is the right of the preference shareholder i.e. the preference shareholder is entitled to a specified percentage rate of dividend, before the ordinary shareholders receive anything.

81. which of the following will NOT be a content in the statement of financial position of a company?

- A. Non-current assets
- B. Inventory
- C. Finance charge
- D. Payables
- E. Loan notes

The correct answer is option [C].

82. The realization concept states that _____

- A. revenue is recognized when ownership of goods passes to the customer and cash payment made

- B. revenue and profit should not be anticipated
- C. similar items should be accounted for in a similar way from one accounting period to another
- D. transactions must be expressed in monetary terms

The correct answer is option [A].

83. Which of the following is odd among the listed below?

- A. Authorized capital
- B. Called up capital
- C. Reversed capital
- D. Issued capital

The correct answer is option [C]. A reserved capital is not a capital but a type of account on a municipality's or company's balance sheet that is reserved for long-term capital investment projects or any other large and anticipated expense(s) that will be incurred in the future. This type of reserve fund is set aside to ensure that the company or municipality has adequate funding to at least partially finance the project.

84. The types of limited liability companies are Private and Public

- A. TRUE
- B. FALSE

The correct answer is option [A].

85. The credit side of a balance sheet contains Fixed and Current Assets

- A. TRUE
- B. FALSE

The correct answer is option [A].

86. Which of the following ratios gives an idea of the liquidity of a firm?

- A. Turnover ratio

- B. Quick ratio
- C. Debt ratio
- D. Dividend yield
- E. Standard deviation

The correct answer is option [B].

87. When shares are oversubscribed, the promoter may decide to scale down the number of shareholding. When this is done, the shares are being _____

- A. forfeited
- B. issued as a discount
- C. issued on pro rata
- D. issued at par
- E. issued at a premium

The correct answer is option [C].

TOPIC: DEPRECIATION OF FIXED ASSETS

DIRECTION: Choose the correct answer from the lettered options.

1. The reduction in value of an intangible asset is _____

- A. depletion
- B. depreciation
- C. amortization
- D. appreciation

The correct answer is option [A].

Use the following information to answer the question.

A motor Car costing D100,000 was depreciated at 20% per annum by the diminishing balance method. Two years later, it was sold for D60,000.

2. The net profit or loss on the sale was _____

- A. D 40,000 profit
- B. D 4,000 profit
- C. D 4,000 loss
- D. D 40,000 loss

The correct answer is option[C].

Use the following information to answer the question.

A motor Car costing D100,000 was depreciated at 20% per annum by the diminishing balance method. Two years later, it was sold for D60,000

3. The net book value at the time of sale is _____

- A. D 64,000
- B. D 60,000
- C. D 40,000
- D. D 36,000

The correct answer is option [A].

4. As a basis for assessing present value of fixed assets are shown at _____

- A. selling price
- B. cost price
- C. cost plus residual value
- D. net book value

The correct answer is option [D].

TOPIC: GOODWILL ACCOUNTS

DIRECTION: Choose the correct answer from the lettered options.

1. There are ___ types of Goodwill

- A. 4
- B. 2
- C. 6
- D. 3

The correct answer is option [B]. positive and negative goodwill

2. Goodwill is an attractive force that brings in customers. True or False?

- A. True
- B. False

The correct answer is option [A]

3. _____ is the excess of Purchase consideration over the total value of assets less liabilities

- A. Goodwill
- B. Revenue
- C. Capital
- D. Reserve

The correct answer is option [A]

4. When a company is sold, the amount paid for it is called _____

- A. remuneration
- B. goodwill
- C. capital
- D. purchase consideration

The correct answer is option [D]

5. ____ often indicates a distress sale to the purchased company

- A. Purchase consideration
- B. net loss
- C. Positive goodwill
- D. Negative goodwill

The correct answer is option [D]

6. Negative goodwill is recognized by a purchased firm as _____

- A. a loss
- B. a gain
- C. a profit
- D. a liability

The correct answer is option [A]

7. All assets depreciate EXCEPT land

- A. True
- B. False

The correct answer is option [A]

8. The following are profit and loss items EXCEPT _____

- A. administrative expenses
- B. selling and distribution expenses
- C. insurance premium
- D. stock

The correct answer is option [D]

9. When the cost of acquisition exceeds the net assets acquired, it is known as _____

- A. Loss
- B. Profit
- C. Positive goodwill
- D. Negative goodwill

The correct answer is option [C]

10. When Goodwill is written off, the accounting entry will be _____

- A. Debit Goodwill account and Credit Partners capital account in old profit sharing ratio
- B. Debit Capital account in old profit sharing ratio and Credit Goodwill account
- C. Debit Capital account in new profit sharing ratio and Credit Goodwill account
- D. Debit Goodwill account and Credit Partners capital account in new profit sharing ratio

The correct answer is option [C]

11. Goodwill is always _____

- A. Depreciated
- B. Appreciated
- C. Amortized
- D. Impaired

The correct answer is option [D]

12. The following are methods of Goodwill valuation EXCEPT _____

- A. Number of year
- B. Super profit
- C. Number of times of net annual fee income
- D. Excess of value of a business over the realizable value

The correct answer is option [C]

13. _____ is not a characteristic of Goodwill?
- A. It fluctuates from day to day
 - B. The value is subjective
 - C. It cannot be sold separately apart from other assets of the business
 - D. It can be valued in monetary terms

The correct answer is option [A]

14. Positive goodwill is recognized by a purchased firm as a _____
- A. Loss
 - B. Gain
 - C. capital
 - D. liability

The correct answer is option [B]

15. The following are balance sheet items EXCEPT _____
- A. Expenses
 - B. Asset
 - C. Goodwill
 - D. Stock

The correct answer is option [A]

16. The following are final account items EXCEPT _____
- A. Profit and Loss Accounts
 - B. Balance Sheet
 - C. Cash Book
 - D. Trading Account

The correct answer is option [C]

17. When the net assets acquired at the date of acquisition exceeds the cost of acquisition, it is known as _____

- A. Positive goodwill
- B. Negative goodwill
- C. Loss
- D. Profit

The correct answer is option [B]

18. The following are part of shareholders fund EXCEPT _____

- A. ordinary shares
- B. preference share
- C. retained profit
- D. debenture interest

The correct answer is option [D]

19. Goodwill can be valued in more than one way

- A. True
- B. False

The correct answer is option [A]

20. _____ reflects the value of intangible assets such as a strong brand name, good customer relations, good employee relations and any patents or proprietary technology.

- A. Capital
- B. Goodwill
- C. Debenture Interest

D. Shareholder's fund

The correct answer is option [B]

21. When a partner dies or retires and the amount due to him is paid, the accounting entry will be _____

- A. Debit Goodwill account and Credit Cash account
- B. Debit cash account and Credit Goodwill account
- C. Debit Capital account and Credit Cash account
- D. Debit Goodwill account and credit Loan account

The correct answer is option [C]

22. Goodwill is not a tangible asset. True or False?

- A. True
- B. False

The correct answer is option [A]

23. _____ is an asset that cannot be realized until a business is to be sold

- A. land
- B. royalty
- C. stock
- D. Goodwill

The correct answer is option [D]

24. Goodwill can be best described as _____

- A. a Liability
- B. an asset
- C. an Income
- D. an Expense

The correct answer is option [B]

25. The difference between the purchase price and the sum of the fair value of the net assets of a company is called _____

- A. Goodwill
- B. Profit
- C. Revenue
- D. Surplus

The correct answer is option [A]

26. Reasons why a buyer will be willing to pay an amount over the realizable value of assets includes the following EXCEPT _____

- A. for liquidation optimization
- B. reputation and connection of the business
- C. patent and copy right protection
- D. possession of partial monopoly

The correct answer is option [A]

27. Double entry is one of the conventions in accounting

- A. True
- B. False

The correct answer is option [B]. Double entry is a concept and not a convention

28. When Goodwill is brought into a business, the accounting entry will be _____

- A. debit goodwill account and credit capital account in old profit sharing ratio
- B. debit goodwill account and credit capital account with the new profit sharing ratio
- C. credit goodwill account and debit capital account with the old profit sharing ratio
- D. credit goodwill account and debit capital account with the new profit sharing ratio

The correct answer is option [A]

29. The characteristic of Goodwill is _____

- (i) It cannot be touched
- (ii) The value is subjective
- (iii) It cannot be sold separately apart from other assets of the business

- A. (i)
- B. (ii)
- C. (iii)
- D. All of the above

The correct answer is option [D]

30. _____ is an asset that cannot be seen or touched

- A. Fixed Asset
- B. Current Asset
- C. Stock
- D. Goodwill

The correct answer is option [D]

TOPIC: INCOMPLETE RECORDS AND SINGLE ENTRY

DIRECTION: Choose the correct answer from the lettered options.

1. In a system of incomplete records, the opening capital is determined by preparing

- A. statement of affairs
- B. balance Sheet
- C. cash book
- D. trial balance
- E. receipt and payment

The correct answer is option [A]

2. To ascertain the opening balance of capital where records are incomplete you

- A. ascertain the total sales.
- B. compute the opening stock of goods sold.
- C. verify the total purchases.
- D. prepare an opening statement of affairs.

The correct answer is option [D]. In the statement of affairs you deduct total assets at the beginning of the year from opening balance of liabilities to get opening capital.

Use the information to answer the question.

3. What is the capital from the opening balance sheet?

Given:

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

E. ₦ 1,400

The correct answer is option [B].

4. The following relates to Chukwuma Okeke & sons: On December 31st, 1993, Cash in hand was ₦ 60, Bank overdraft ₦ 1,100, Debtors ₦ 7,240, Stock ₦ 27,450, Furniture ₦2,000 and creditors ₦ 5,850.

What is the value of its net current asset?

A. ₦ 28,900

B. ₦ 27,800

C. ₦ 29,800

D. ₦ 34,750

The correct answer is option [B]. Net current asset is current assets - current liabilities.

5. One of the shortcomings of single entry procedures is that _____

A. errors may go undetected.

B. profits are estimated.

C. there are no subsidiary books.

- D. there is no direct linkage between income and the balance sheet.
- E. does not track asset and liability

The correct answer is option [B].

6. Where records maintained are inadequate to facilitate the preparation of a trading and profit and loss account, this is described as _____

- A. cost accounting
- B. book-keeping
- C. incomplete records
- D. double entry

The correct answer is option [C].

7. What is the accounting definition of prepayments?

- A. Sums of money expected at a future date.
- B. Payments to be made at a future date.
- C. Payments made in respect of a future period.
- D. Payments made at the end of a trading year.

The correct answer is option [C].

8. A temporary difference in the Trial Balance totals is kept in the _____

- A. Adjustment Account
- B. Suspense Account
- C. Imprest Account
- D. Appropriation Account

The correct answer is option [B].

Use the information to answer the question.

9. Determine the total fixed asset from the opening balance sheet.

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

- A. ₦ 2,200
- B. ₦ 2,020
- C. ₦ 1,700
- D. ₦ 1,270
- E. ₦ 1,200

The correct answer is option [A].

10. The fixed assets of Oju stores is ₦750,000, current assets is ₦250,000 while the current liability is ₦450,000. What is it's capital?

- A. ₦600,000
- B. ₦550,000
- C. ₦1,000,000
- D. ₦1,450,000
- E. ₦50,000

The correct answer is option [B]

Capital = Assets - Liability

N750,000 + N250,000 - N450,000 = N550,000

11. 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.

The correct answer is option [B].

The statement of affairs is used to ascertain the capital (the difference between assets and liabilities).

12. The simplest form of double entry procedure consists 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 transactions are described in chronological order.

The correct answer is option [B].

13. Given: Capital at the beginning ₦20,000; Drawings ₦3,000; Capital at the end ₦30,000; New capital introduced ₦8,000. What is the profit for the period?

- A. ₦ 4,000
- B. ₦ 5,000
- C. ₦6,000
- D. ₦ 8,000

The correct answer is option [B].

14. Which of the following best explains a situation of incomplete records?

- A. Where a company fails to prepare its statement of affairs.
- B. Where the debit side of its trial balance is greater or less than the credit side.

- C. Where there is no purchases and sales value only
- D. Where there is inadequate information necessary to prepare the accounts

The correct answer is option [D].

15. In analyzing incomplete records, which of the following should be investigated?

- A. The general ledger
- B. The purchases day book and sales day book
- C. The nature of trading activities and the basis on which goods are sold
- D. The asset register together with the depreciation schedule

The correct answer is option [C].

16. Where a wrong figure occurs in only one account with the second figure correctly stated, this is an error of _____

- A. transposition
- B. compensation
- C. omission
- D. commission

The correct answer is option [B].

17. In dealing with incomplete records, fixed assets are posted to _____

- A. opening profit and loss as brought forward figures.
- B. closing balance sheet as carried forward figures.
- C. closing balance sheet as brought forward figures.
- D. closing profit and loss as brought forward figures.

The correct answer is option [C].

Use the information to answer the question

18. The following relates to Chukwuma Okeke & sons: On December 31st, 1993, Cash in hand was ₦ 60, Bank overdraft ₦ 1,100, Debtors ₦ 7,240, Stock ₦ 27,450, Furniture ₦ 2,000 and creditors ₦5,850.

What is the value of its current asset?

- A. ₦ 36750
- B. ₦ 35,850
- C. ₦ 34,750
- D. ₦ 29,450

The correct answer is option [C].

Current asset=value of cash in hand+bank+stock (60+7,240+27,450) = 34,750

Furniture is a fixed asset, so is not added.

TOPIC: MANUFACTURING ACCOUNTS

DIRECTION: Choose the correct answer from the lettered options.

Use the following accounts to answer the question.

1. What is the factory cost of production?

Manufacturing and Trading Accounts

	=N=		=N=
Opening Raw Material	10,000	Manufacturing cost c/d	114,000
Purchases	60,000		
	70,000		
Less closing raw materials	8,000		
	62,000		
Direct Labour	20,000		
Direct Expenses	20,000		
Factory Overhead	12,000		
Manufacturing cost	114,000		114,000
Manufacturing cost b/d	114,000	Sales	X
Purchases	10,000	Less Sales Returns	5,000
Goods available	124,000		
Closing stock	12,000		
Cost of goods sold	112,000		
Gross Profit 20% on Sales	X		X

- A. ₦114,000
- B. ₦102,000
- C. ₦78,000
- D. ₦62,000
- E. ₦60,000

The correct answer is option [A].

Factory Cost is the total of all the Direct and Indirect manufacturing cost. In this case you have Direct mat. 62,000 Direct Labour 20,000, Direct Exp. 20,000 and factory overhead 12,000 which is = 114,000

Use the following to answer the question

2. What is the prime cost?

	D
Purchase of raw materials	236,500
Returns of raw materials	4,750
Carriage on raw materials	34,500
Stock of raw materials at close	39,500
Factory fuel	150,000
Direct wages	205,000
Indirect wages	31,250
Factory power	105,000
Work-in-progress at start	32,500

A. D 717, 500

B. D 431,750

C. D 286,250

D. D 270,500

The correct answer is option [B].

Use the following accounts to answer the question.

3. What is the prime cost?

Manufacturing and Trading Accounts

Opening Raw Material	=N= 10,000	Manufacturing cost c/d	=N= 114,000
Purchases	60,000		
	<u>70,000</u>		
Less closing raw materials	8,000		
	<u>62,000</u>		
Direct Labour	20,000		
Direct Expenses	20,000		
Factory Overhead	12,000		
Manufacturing cost	<u>114,000</u>		<u>114,000</u>
Manufacturing cost b/d	114,000	Sales	X
Purchases	10,000	Less Sales Returns	5,000
Goods available	<u>124,000</u>		
Closing stock	<u>12,000</u>		
Cost of goods sold	<u>112,000</u>		
Gross Profit 20% on Sales	X		<u>X</u>

A. ₦62,000

B. ₦70,000

C. ₦78,000

D. ₦102,000

E. ₦144,000

The correct answer is option [D].

Prime Cost is the total of all the Direct items.

4. Factory cost consist of _____.

- A. direct material and factory overhead
- B. direct labour and direct expenses
- C. direct labour and factory overhead
- D. direct materials, direct labour, direct expenses and factory overhead
- E. direct expenses and factory overhead

The correct answer is option [D]

Use the following to answer the question

5. The total factory overhead is

	D
Purchase of raw materials	236,500
Returns of raw materials	4,750
Carriage on raw materials	34,500
Stock of raw materials at close	39,500
Factory fuel	150,000
Direct wages	205,000
Indirect wages	31,250
Factory power	105,000
Work-in-progress at start	22,500

- A. D 318,750
- B. D 286,250
- C. D 255,000
- D. D 236,250

The correct answer is option [B].

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

- A. direct materials
- B. direct labor
- C. selling expenses
- D. overhead
- E. factory cost

The correct answer is option [D].

7. 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.

The correct answer is option [C].

8. Which of the following is considered appropriate in the determination of prime cost?

- A. Direct materials, Direct wages and Direct Expenses
- B. Direct material, Indirect Labour and Factory Overhead
- C. Indirect material, indirect wages and Indirect Expenses
- D. Prime material, Prime labour and Prime Expenses

The correct answer is option [A].

9. Which of the following categories of labour cost will be classified as direct?

- A. Accountant's salary
- B. Factory worker's salary
- C. Managing director's salary
- D. Cashier's salary
- E. All of the above

The correct answer is option [B].

10. The following is given in relation to raw materials;

O = Opening inventory

P = Purchases

R = Purchases returns

C = Carriage

E = Excise duties

I = Import duties

Z = Closing inventory

The cost of raw materials available for use is_____

- A. $O + P + C$
- B. $O + P + C + I - R$
- C. $O + P + E + C - Z$
- D. $O + P + C + R - Z$
- E. $O + P + C - R$

The correct answer is option [B]

Use the following to answer the question

11. What is the value of raw materials used?

	D
Purchase of raw materials	236,500
Returns of raw materials	4,750
Carriage on raw materials	34,500
Stock of raw materials at close	39,500
Factory fuel	150,000
Direct wages	205,000
Indirect wages	31,250
Factory power	105,000
Work-in-progress at start	32,500

- A. D 270,500
- B. D 265,750
- C. D 236,500
- D. D 226,750

The correct answer is option [D].

12. Which of the following is not charged to manufacturing account?

- A. Raw materials
- B. Factory wages
- C. Distribution expenses
- D. Direct expenses
- E. Royalties

The correct answer option [C]

Use the following information to answer the question.

13. The value of raw material consumed is _____

	₦
Purchase of raw materials	123,640
Carriage on raw materials	10,000
Closing stock of raw materials	45,000
Factory supervisors salary	30,000
Wages of factory hands	50,000
Royalties paid	18,000
Insurance of factory	62,000
Work-in-progress (opening)	23,000
Raw material returned	12,200

- A. ₦ 121,440
- B. ₦113,390
- C. ₦111,190
- D. ₦101,190

The correct answer is option [D].

14. Factory wages are always entered into the _____ account.

- A. sales
- B. manufacturing
- C. profit and Loss
- D. purchases
- E. trading

The correct answer option [B]

15. In manufacturing organization, which of the following expenses does not relate to cost of production?

- A. Materials consumed
- B. Direct labour

- C. Direct overhead
- D. Administrative overhead
- E. Work-in-progress

The correct answer is option [D]

Use the following accounts to answer the question.

16. What is the average stock of finished goods?

Manufacturing and Trading Accounts

	=N=		=N=
Opening Raw Material	10,000	Manufacturing cost c/d	114,000
Purchases	60,000		
	70,000		
Less closing raw materials	8,000		
	62,000		
Direct Labour	20,000		
Direct Expenses	20,000		
Factory Overhead	12,000		
Manufacturing cost	114,000		114,000
Manufacturing cost b/d	114,000	Sales	X
Purchases	10,000	Less Sales Returns	5,000
Goods available	124,000		
Closing stock	12,000		
Cost of goods sold	112,000		
Gross Profit 20% on Sales	X		X

- A. ₦8,000
- B. ₦9,000
- C. ₦10,000
- D. ₦11,000
- E. ₦12,000

The correct answer is option [D].

17. Stock of work-in-progress means _____

- A. that work is going on in the factory

- B. the progress of work in the factory is affected by insufficient stock
- C. the stock of materials awaiting to be processed
- D. that it is partly completed and goods awaiting further process
- E. that it is completed, goods awaiting sales

The correct answer is option [D]

Use the following accounts to answer the question.

18. What is the sales for the period?

Manufacturing and Trading Accounts

	=N=		=N=
Opening Raw Material	10,000	Manufacturing cost c\ld	114,000
Purchases	60,000		
	70,000		
Less closing raw materials	8,000		
	62,000		
Direct Labour	20,000		
Direct Expenses	20,000		
Factory Overhead	12,000		
Manufacturing cost	114,000		114,000
Manufacturing cost b\ld	114,000	Sales	X
Purchases	10,000	Less Sales Returns	5,000
Goods available	124,000		
Closing stock	12,000		
Cost of goods sold	112,000		
Gross Profit 20% on Sales	X		X

- A. ₦165,000
- B. ₦170,000
- C. ₦140,000
- D. ₦132,000
- E. ₦114,000

The correct answer is option [C].

Gross Profit is expressed as a percentage of sales value (margin), where the sales value is not given, then convert the gross profit as a percentage of cost of sales (mark up). Hence where margin is 20% Of sales= 20/100 Of sales= 1/5 Of sales, converting to markup will be 1/5-1 of cost of sales value= 1/4 of cost of sales value =25% of cost sales. This means the gross profit can be derived by getting 25% of the cost of sales. Thus 25/100* 112,000= N28,000.00. Adding back the gross profit to the cost of sales, gives the sales value. N(28,000+112,000)= N140,000.00

19. Which of the following is not part of cost of production?

- A. Wages of operators
- B. Factory power
- C. Advertising
- D. Cost of raw materials

The correct answer is option [C].

20. A business which converts raw material to finished goods prepares _____

- A. Trading Account and Balance Sheet
- B. Profit and Loss Account and Balance sheet
- C. Balance sheet only
- D. Trading, profit and loss Account and balance sheet
- E. Manufacturing, Trading, Profit and Loss Account and Balance sheet

The correct answer is option [E]

21. Factory wages are always entered into the _____ account

- A. sales
- B. manufacturing
- C. profit and Loss
- D. purchases
- E. trading

The correct answer is option [B]

22. A business which converts raw materials to finished goods prepares _____

- A. trading account and balance sheet.
- B. profit and loss account and balance sheet.
- C. balance sheet only.
- D. trading, profit and loss account and balance sheet.
- E. manufacturing, trading, profit and loss account and balance sheet.

The correct answer is option [E].

23. Which of the following is a prime cost?

- A. Royalty
- B. Salary
- C. Commission
- D. Discounts allowed

The correct answer is option [A].

24. In manufacturing companies, wages paid to operations/factory increases the value of _____.

- A. turnover
- B. prime cost
- C. gross profit
- D. net profit
- E. overhead

The correct answer option [B]

Use the following information to answer the question

25. The total overhead expenses is _____

	₦
Purchase of raw materials	123,640
Carriage on raw materials	10,000
Closing stock of raw materials	45,000
Factory supervisors salary	30,000
Wages of factory hands	50,000
Royalties paid	18,000
Insurance of factory	62,000
Work-in-progress (opening)	23,000
Raw material returned	12,200

- A. ₦142,000

- B. ₦ 115,000
- C. ₦ 110,000
- D. ₦92,000

The correct answer is option [D].

Factory supervisor's salary 30,000 + insurance of factory 62,000 = 92000

26. In manufacturing accounts, cost of production are broadly classified into two, namely; _____and _____

- A. direct cost and cost of goods sold
- B. indirect cost and cost of goods sold
- C. direct material cost and production overhead cost
- D. direct material and direct expenses
- E. direct cost and indirect cost

The correct answer is option [E]

Use the following information to answer the question

27. The prime cost is _____

	N
Purchase of raw materials	123,640
Carriage on raw materials	10,000
Closing stock of raw materials	45,000
Factory supervisors salary	30,000
Wages of factory hands	50,000
Royalties paid	18,000
Insurance of factory	62,000
Work-in-progress (opening)	23,000
Raw material returned	12,200

- A. ₦199,190
- B. ₦169,190
- C. ₦151,190
- D. ₦146,190

The correct answer is option [D].

28. When the factory cost of production has been ascertained, manufactured goods are transferred to trading account 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.

The correct answer is option [D].

Use the following accounts to answer the question.

29. What is the gross profit?

Manufacturing and Trading Accounts

	=N=		=N=
Opening Raw Material	10,000	Manufacturing cost c/d	114,000
Purchases	<u>60,000</u>		
	70,000		
Less closing raw materials	<u>8,000</u>		
	62,000		
Direct Labour	20,000		
Direct Expenses	20,000		
Factory Overhead	<u>12,000</u>		
Manufacturing cost	<u>114,000</u>		
Manufacturing cost b/d	114,000	Sales	<u>114,000</u>
Purchases	<u>10,000</u>	Less Sales Returns	5,000
Goods available	124,000		
Closing stock	<u>12,000</u>		
Cost of goods sold	112,000		
Gross Profit 20% on Sales	<u> X</u>		<u> X</u>

- A. ₦23,000
- B. ₦28,800
- C. ₦28,500

D. ₦26,400

E. ₦22,800

The correct answer is option [A].

Sales is N140,000 less sales returns of N5,000 gives a net sales of N135,000. When cost of sales which is N112,000 is deducted from net sales the outcome is the gross profit. Hence $N(135,000 - 112,000) = N23,000$

Use the following accounts to answer the question.

30. What is the cost of finished goods purchased?

Manufacturing and Trading Accounts

	=N=		=N=
Opening Raw Material	10,000	Manufacturing cost c/d	114,000
Purchases	<u>60,000</u>		
	70,000		
Less closing raw materials	<u>8,000</u>		
	62,000		
Direct Labour	20,000		
Direct Expenses	20,000		
Factory Overhead	<u>12,000</u>		
Manufacturing cost	<u>114,000</u>		
Manufacturing cost b/d	114,000	Sales	<u>114,000</u>
Purchases	<u>10,000</u>	Less Sales Returns	5,000
Goods available	124,000		
Closing stock	<u>12,000</u>		
Cost of goods sold	<u>112,000</u>		
Gross Profit 20% on Sales	<u>X</u>		<u>X</u>

A. ₦60,000

B. ₦50,000

C. ₦40,000

D. ₦20,000

E. ₦10,000

The correct answer is option [E].

31. Prime cost is made up of:

(i) cost of direct material purchased

(ii) cost of direct labour incurred

(iii) cost of direct expenses incurred

(iv) cost of production overhead

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

The correct answer is option [C]

32. The depreciation on plant acquired by a manufacturing company is treated as

- _____
- A. prime cost
 - B. administrative expenses
 - C. factory overhead
 - D. selling and distribution expenses

The correct answer is option [C].

33. Which of the following is not part of factory overhead?

- A. Factory salaries
- B. Factory lighting and heating
- C. Depreciation of plant and machinery
- D. Depreciation of fixtures and fittings

The correct answer is option [D].

Use the following accounts to answer the question.

34. What is the total cost of raw materials consumed?

- A. ₦144,000
- B. ₦114,000
- C. ₦70,000

D. ₦62,000

E. ₦60,000

The correct answer is option [D].

Opening stock + purchases + carriage inwards - closing stock = cost of raw materials consumed.

35. A business which converts raw materials to finished goods prepares_____

A. trading accounts and balance sheet

B. profit and loss account and balance sheet

C. balance sheet only

D. trading, profit and loss account and balance sheet

E. manufacturing, trading, profit and loss account and balance sheet

The correct answer is option [E]

TOPIC: PARTNERSHIP

DIRECTION: Choose the correct answer from the lettered options.

Use the information to answer the question.

1. Ade & Okon are in partnership with the following partnership agreement. What is the interest on capital?

	Ade =N=	Okon =N=
Fixed Capital	15,000	25,000
Salary per annum	6,000	8,000
Interest on capital per annum	8%	8%
Profit or losses sharing ratio	40%	60%

The net profit for the year ended 31st December 1990 is =N= 28,000 while drawings are =N= 3,000 and =N= 4,000 for Ade and Okon respectively.

- A. ₦6,400
- B. ₦4,000
- C. ₦3,200
- D. ₦2,000
- E. ₦1,200

The correct answer is option [C].

2. An outright sale of a partnership amounts to the _____

- A. compensation 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.

The correct answer is option [A].

3. 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.

The correct answer is option [C].

4. Buffy's commercial bank issued one hundred and fifty million ordinary shares of ₦0.20k at ₦0.50k per share. And all the shares were called up. How much is debited to bank as sums received from subscribers?

- A. ₦30,000,000
- B. ₦75,000,000
- C. ₦7,500,000
- D. ₦300,000,000
- E. ₦301,000,000

The correct answer is option [B].

5. What is Ade's share of the profit?

	Ade =N=	Okon =N=
Fixed Capital	15,000	25,000
Salary per annum	6,000	8,000
Interest on capital per annum	8%	8%
Profit or losses sharing ratio	40%	60%

The net profit for the year ended 31st December 1990 is =N= 28,000 while drawings are =N= 3,000 and =N= 4,000 for Ade and Okon respectively.

- A. ₦11,200
- B. ₦7,120
- C. ₦6,480
- D. ₦5,600
- E. ₦4,320

The correct answer is option [E].

Profit = 28,000 - 14,000 - 3,200 = 10,800. Where 14,000 is the annual salary and 3,200 is the interest on capital per annum. So Ade's share of profit will be 40% of 10,800 which is = 4,320

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

- A. 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 interests is frequent and easy to accomplish.
- D. The partnership is complex to form because of many legal and reporting requirements.

The correct answer is option [B].

7. What is the profit available for distribution?

	Ade =N=	Okon =N=
Fixed Capital	15,000	25,000
Salary per annum	6,000	8,000
Interest on capital per annum	8%	8%
Profit or losses sharing ratio	40%	60%

The net profit for the year ended 31st December 1990 is =N= 28,000 while drawings are =N= 3,000 and =N= 4,000 for Ade and Okon respectively.

- A. ₦17,800
- B. ₦14,000
- C. ₦10,800
- D. ₦7,000
- E. ₦3,800

The correct answer is option [C].

Profit = 28,000 - 14,000 - 3,200 = 10,800. Where 14,000 is the annual salary and 3,200 is the interest on capital per annum

8. Buffy's commercial bank issued one hundred and fifty million ordinary shares of ₦0.20k at ₦0.50k per share. All the shares were called up. How was the share issued?

- A. At a discount
- B. At a premium
- C. At a profit
- D. At a surplus
- E. At a loss

The correct answer is option [B]

9. An agreement made by partners to regulate and govern their business activities is known as _____.

- A. partnership act
- B. partnership deed
- C. partnership code
- D. memorandum
- E. article

The correct answer is option [B]

10. In a partnership, goodwill is recognized when _____

- A. a new partner is admitted.
- B. a partner is dormant.
- C. the business is making huge profit.
- D. the business has good customer relations.
- E. it is a limited partnership.

The correct answer is option [D].

11. Which of the following is treated under partnership appropriation account?

- A. Interest on loan
- B. Salary of workers

- C. Electricity
- D. Interest on partners capital
- E. Travelling expenses of a partner

The correct answer is option [D].

12. A nominal partner is someone who _____.

- A. is not liable when dissolution takes effect
- B. invested his time and capital in the firm
- C. lends his name to the business
- D. is very liable as a partner
- E. drafts the partnership deed

The correct answer is option [C]

Use the following information to answer the question

13. Baba's share of profit is

	ABA	BABA	TOTAL
	€	€	€
Capital	20,000	15,000	35,000
Drawings	2,520	-	2,520
Interest on drawings	504	-	504
Interest on capital	2,000	1,500	3,500
Net profit 31/12/08	-	-	34,636

- A. € 16,12
- B. € 14,844
- C. € 13,764
- D. € 13,560

The correct answer is option [B].

14. Which of the following indicate that a partnership business is in place?

- (i) There is no business
- (ii) It is run commonly by the partners
- (iii) It has profit-making in view
- (iv) Partner's liability is not stated

- A. i & ii only
- B. ii & iii only
- C. i, iii & iv only
- D. ii, iii & iv only

The correct answer is option [B].

15. A partner who has full powers of participating in the conduct of a partnership business is _____

- A. an active partner.
- B. a limited partner.
- C. a sleeping partner.
- D. a nominal partner.

The correct answer is option [A].

16. Buffy's commercial bank issued one hundred and fifty million ordinary shares of ₦0.20k at ₦0.50k per share. All the shares were called up. What is the nominal value of the shares issued?

- A. ₦30,000,000
- B. ₦75,000,000
- C. ₦300,000,000
- D. ₦7,500,000

E. ₦8,500,000

The correct answer is option [A]

Use the information to answer the question.

17. What is the minimum number of persons that can form a partnership business?

A. 1

B. 3

C. 2

D. 7

E. 12

The correct answer is option [C].

18. The major distinguishing element between the final accounts of a partnership and a sole trader is the _____

A. drawing account.

B. appropriation account.

C. capital account.

D. creditor account.

The correct answer is option [B].

19. A legal document drawn up to regulate a partnership business is _____

A. a companies and allied matters decree

B. a partnership act of 1890

C. a partnership deed

D. an articles of association

E. an act of partnership

The correct answer is option [C]

20. Where fixed capitals are maintained, partners' drawings are transferred to the _____

- A. credit of Capital Accounts
- B. debit of Capital Accounts
- C. credit of Partners' Current Accounts
- D. debit of partners' Current Accounts

The correct answer is option [A].

Use the following information to answer the question

21. ABA's share of profit is _____

	ABA	BABA	TOTAL
	£	£	£
Capital	20,000	15,000	35,000
Drawings	2,520	-	2,520
Interest on drawings	504	-	504
Interest on capital	2,000	1,500	3,500
Net profit 31/12/08	-	-	34,636

- A. £ 21,504
- B. £ 19,792
- C. £ 18,352
- D. £ 18,080

The correct answer is option [B].

22. Payment of salaries to partners is a charge to _____

- A. profit and loss account
- B. trading account
- C. an appropriation of interest on current account
- D. appropriation of interest on capital

The correct answer is option [C]

23. Interest on partners drawing is credited to _____

- A. capital account.
- B. drawing account.
- C. current account.
- D. profit and loss account.
- E. appropriation account.

The correct answer is option [E].

24. What is Okon's share of the profit?

	Ade =N=	Okon =N=
Fixed Capital	15,000	25,000
Salary per annum	6,000	8,000
Interest on capital per annum	8%	8%
Profit or losses sharing ratio	40%	60%

The net profit for the year ended 31st December 1990 is =N= 28,000 while drawings are =N= 3,000 and =N= 4,000 for Ade and Okon respectively.

- A. ₦16,800
- B. ₦10,680

C. ₦8,400

D. ₦6,480

E. ₦4,320

The correct answer is option [D].

Profit = 28,000 - 14,000 - 3,200 = 10,800. Where 14,000 is the annual salary and 3,200 is the interest on capital per annum. So Okon's share of profit will be 60% of 10,800 which is = 6,480

25. In the absence of an agreement, partners share profits _____

A. based on activeness of a partner

B. based on capital contribution

C. on patronage basis

D. on equal basis

The correct answer is option [B].

Use the information to answer the question.

26. Blessing, Johnson and Nwankwe entered into partnership sharing profit and loss on the ratio of 3:2:1 respectively. If the profit after appropriations is ₦750,000. What is Johnson's share?

A. ₦ 250,000

B. ₦ 100,000

C. ₦375,000

D. ₦125,000

E. ₦ 115,500

The correct answer is option (A)

27. Partners' salaries and drawings are usually posted to the _____

A. Trading Account.

B. Current Account.

- C. Capital Account.
- D. Partner's Account.

The correct answer is option [B].

28. A partnership on admitting a new member, revalued the business' land and building from ₦30,000 to ₦70,000. The difference of ₦40,000 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.

The correct answer is option [B].

29. Which of the following is NOT true of a partnership business without written agreement?

- A. Profits and losses will be shared equally
- B. Interest will not be paid on capital
- C. Interest on drawings is to be at the rate of 5% per annum
- D. Salaries are not allowed to partners
- E. Money in excess of capital agreed to subscribe is to attract an interest of 5% per annum

The correct answer is option [D]. This is according to Section (24) of the Partnership Act of 1890 which applies where there is no partnership agreement.

30. In a professional partnership, membership must be between _____ and _____

- A. 2 and 8
- B. 2 and 10
- C. 2 and 50
- D. 2 and any number

E. 2 and 20

The correct answer is option [C]

31. 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.

The correct answer is option [A].

32. A partnership is dissolved based on the following grounds EXCEPT _____

- A. if the capital structure of the business is altered
- B. if entered into for a fixed term, on the expiration of that term
- C. if entered into for a single adventure or undertaking, by the termination of that adventure or undertaking
- D. the happening of an event which causes the partnership to become illegal
- E. by assent of all the partners

The correct answer is option [A]

33. The decision to dissolve or terminate business activities of a partnership is often referred to as _____

- A. closing
- B. withdrawal
- C. wounding-up
- D. liquidation

E. dissolution

The correct answer is option [E]

34. Where there is no partnership agreement, any contribution in excess of the agreed capital attracts_____

- A. no interest at all.
- B. interest at the rate of 2.5% per annum.
- C. interest at the rate of 5% per annum.
- D. interest at the rate of 7.5% per annum.
- E. interest at the rate of 10% per annum.

The correct answer is option [C].

Where there is no partnership agreement, Section (24) of the Partnership Act of 1890 will apply.

35. Which of the following is not a profit and loss appropriation account item?

- A. Staff salaries
- B. Interest on capital
- C. Interest on money advanced by partners
- D. Share of profit
- E. Interest on drawings

The correct answer is option [A].

36. Marhumu and Yusuf are in partnership sharing profits and losses in the ratio of 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 Marhumu and Yusuf. What is the ratio of Marhumu to Idris?

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

D. 25% : 25%

The correct answer is option [A]

Use the following information to answer the question

37. The rate of interest on capital is

	ABA	BABA	TOTAL
	£	£	£
Capital	20,000	15,000	35,000
Drawings	2,520	-	2,520
Interest on drawings	504	-	504
Interest on capital	2,000	1,500	3,500
Net profit 31/12/08	-	-	34,636

A. 15%

B. 10%

C. 8%

D. 5%

The correct answer is option [B].

38. A partner's drawing is debited _____

A. profit and loss appropriation account.

B. interest account.

C. loan account.

D. current account.

E. trading account.

The correct answer is option [D].

39. A partner whose liability goes beyond his capital is known as _____

A. dormant partner

- B. limited partner
- C. general partner
- D. nominal partner

The correct answer is option [C].

40. When no partnership agreement exist, which of the following governs the situation?

- A. Articles of association
- B. Partnership act 1890
- C. Trade laws
- D. Memorandum of association
- E. Partnership act

The correct answer is option [B]

41. Under which of the following conditions is a partnership dissolved?

- A. Change of the partnership's head office.
- B. insolvency of the business.
- C. Purchase of a large quantity of fixed assets.
- D. Retirement of a manager who is not a partner.

The correct answer is option [B].

42. Which of the following sets out the internal regulation of a partnership?

- A. Law
- B. Deed
- C. Regulation
- D. Code
- E. Prospectus

The correct answer is option [B]

43. Pick out the odd item from the list.

- A. Active or ordinary partner
- B. Sleeping or dormant partner
- C. Norminal or quasi partner
- D. Limited partner
- E. preference partner

The correct answer is option [E]

44. In a partnership, goodwill is recognized when _____

- A. a new partner is admitted
- B. a partner is dormant
- C. the business is making huge profit
- D. the business has good customer relation
- E. it is a limited partnership

The correct answer is option [D]

45. The cash realized from the sale of assets on dissolution of partnership is _____

- A. debited to cash account and credited to asset account.
- B. credited to cash account and debited to asset account.
- C. debited to cash account and credited to realization account.
- D. credited to cash account and debited to realization account.
- E. debited to realization account and credited to asset account.

The correct answer is option [E].

46. Which of the following is debited to partner's current account?

- A. Capital
- B. Interest on capital
- C. Drawings

D. Share of profit

The correct answer is option [C].

47. The Partnership deed normally 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.

The correct answer is option [A].

48. 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.

The correct answer is option [A].

49. Payment of salaries to partners is _____

- A. a charge to profit and loss account
- B. a charge to trading account
- C. an appropriation of divisible profit
- D. an appropriation of interest on capital
- E. an appropriation of interest on current account

The correct answer is option [A.] A partner is a part owner of a partnership venture. When a partner gets involved in the day to day administration and management of the business, he receives a periodic reward called salary. He is so paid because he contributed his physical and mental efforts in the realization of the profit of the entity.

TOPIC: REVALUATION ACCOUNT

DIRECTION: Choose the correct answer from the lettered options.

1. The purpose of a revaluation is to bring into the books the _____ of fixed assets

- A. Cost
- B. Fair market value
- C. Selling cost
- D. Residual value

The correct answer is option [B]

2. Revaluation of assets occurs in any of the following circumstances EXCEPT _____

- A. admission of a new partner
- B. change in the profit sharing ratio
- C. when a partner dies
- D. when a new asset is bought

The correct answer is option [D]

3. Which method is suitable for the revaluation of property such as land?

- A. Reducing balance
- B. Amortization
- C. Revaluation Account
- D. Sum of years digits
- E. Straight line Method

The correct answer is option [B]. Note: land does not depreciate but appreciates in value. The method of valuation of land is amortization

4. The surplus of the revaluation account is posted to _____

- A. Partner's current account
- B. Partner's Profit and Loss account
- C. Partner's Capital account in the old profit sharing ratio
- D. Partner's capital account in the new profit sharing ratio

The correct answer is option [C]

5. _____ is defined as the revaluation of specific assets within a class or all assets within a specific location

- A. Programmed revaluation
- B. Specific revaluation
- C. Selective revaluation
- D. Special revaluation

The correct answer is option [C]

6. Which of these is a method used in fixed asset depreciation?

- A. Sale and lease back method
- B. Revaluation method
- C. Equity method
- D. Hire purchase method

The correct answer is option [B]

7. _____ is NOT a method of revaluation of fixed assets

- A. Indexation
- B. Current market price
- C. Appraisal method
- D. Future market price

The correct answer is option [D]

8. The following are the reasons of revaluation EXCEPT _____

- A. To show the true rate of return on capital employed
- B. To show the fair market value of the assets
- C. To enable proper internal reconstruction
- D. To get the residual value of assets

The correct answer is option [D]

9. When there is a decrease in asset value, the revaluation account will be _____

- A. Opened
- B. Closed
- C. Credited
- D. Debited

The correct answer is option [D]

10. Assets revaluation is necessary because of the following EXCEPT _____

- A. Some assets have appreciated
- B. Some assets have been over depreciated
- C. Some assets have been under depreciated
- D. Some assets have been sold

The correct answer is option [D]

11. An account to which the change in value of a company's asset is credited during a revaluation of assets is _____

- A. asset revaluation account
- B. revaluation account
- C. revaluation Reserve account
- D. capital revaluation account

The correct answer is option [C]

12. The deficit of the revaluation account is posted to _____

- A. Partner's Capital account in the new profit sharing ratio
- B. Partner's Capital account in the old profit sharing ratio
- C. Partner's Profit and Loss account
- D. Partner's current account

The correct answer is option [B]

13. The accounting process of asset depreciation using change in value over year is known as _____

- A. revaluation of asset
- B. revaluation method
- C. fixed asset revaluation
- D. depreciation of assets

The correct answer is option [B]

14. When there is a transfer of loss on revaluation, the accounting entry is _____

- A. debit Capital account and Credit Revaluation account in the old profit sharing ratio
- B. debit Capital account and Credit Revaluation account in the new profit sharing ratio
- C. debit Revaluation account and Credit capital account in the new profit sharing ratio
- D. debit Revaluation account and Credit Capital account in the old profit sharing ratio

The correct answer is option [A]

15. The method where technical experts are called in to carry out a detailed examination of the assets with a view to determining their fair market value is _____

- A. Current market price
- B. Indexation
- C. Future market price
- D. Appraisal method

The correct answer is option [D]

16. The following are purpose of revaluation EXCEPT _____

- A. To show the true rate of return on capital employed
- B. To enable proper internal reconstruction, and external reconstruction
- C. To conserve adequate funds in the business for replacement of fixed assets at the end of their useful lives
- D. To know the cost of the assets

The correct answer is option [D]

17. When there is increase in asset value, the revaluation account will be _____

- A. Debited
- B. Kept in the suspense account
- C. Credited
- D. Closed

The correct answer is option [C]

18. _____ is NOT a factor to be considered in determining the value of an asset

- A. Date of purchase
- B. Extent of use
- C. Cost of the asset
- D. Future demand for the product

The correct answer is option [D]

19. Where indices are applied to the cost value of the assets to arrive at the current cost of the assets is known as _____

- A. Current market price
- B. Future market price
- C. Indexation
- D. Appraisal method

The correct answer is option [C]

20. The assets of any business is revalued to show _____

- A. Future value
- B. Historic value
- C. Past value
- D. Current value

The correct answer is option [D]

21. ____ are employed to revalue assets

- A. Accountants
- B. Stock brokers
- C. insurance brokers
- D. Tax officials

The correct answer is option [A]

22. When a revaluation account is opened, the following accounting entries are entered EXCEPT _____

- A. debit Revaluation account and credit Capital account with increase in capital
- B. debit Asset account and Credit Revaluation account with increase in value of assets
- C. debit Revaluation account and Credit Asset account with decrease in assets
- D. debit Liabilities account and Credit Revaluation account with a reduction in the value of liabilities

The correct answer is option [A]

23. Which of the following is subjected to an impairment test _____

- A. Fixed assets
- B. Current assets
- C. Stock
- D. Goodwill

The correct answer is option [D]

24. When there is transfer of any profit on revaluation to the old partner's account, the accounting entry is _____

- A. debit Goodwill account and Credit Capital in the old profit sharing ratio
- B. debit Goodwill account and Credit Capital account in the new profit sharing ratio
- C. debit Revaluation account and Credit Capital account in the old profit sharing ratio
- D. debit Revaluation account and Credit Capital account in the new profit sharing ratio

The correct answer is option [C]

25. In revaluation of assets, the following accounts will be prepared EXCEPT _____

- A. Goodwill account
- B. Balance Sheet
- C. Revaluation account
- D. Capital account of partners

The correct answer is option [A]

26. The accounting entry for when goodwill is to be written off is _____

- A. debit Revaluation account and Credit Capital account in the old profit sharing ratio
- B. debit Assets account and Credit Revaluation account
- C. debit Revaluation account and Credit Assets account

D. debit Capital Reserve account and Credit Goodwill account in the new profit sharing ratio

The correct answer is option [D]

27. Which of these is true of the capital reserve account _____

- A. The capital reserve account has a debit balance
- B. The capital reserve account is transferred to the P& L account
- C. The capital reserve account has a credit balance
- D. The capital reserve account is transferred to the capital redemption reserve fund account

The correct answer is option [C]

28. ____ is a method of calculating the depreciation of assets by which the asset is depreciated by the difference in its value at the end of the year over its value at the beginning of the year.

- A. Revaluation Method
- B. Asset revaluation method
- C. Asset Depreciation method
- D. Capital Revaluation method

The correct answer is option [A]

29. When Goodwill is introduced the accounting entries are _____

- A. debit Goodwill account and Credit Capital account
- B. debit Capital account and Credit Goodwill account
- C. debit Revaluation account and Credit goodwill account
- D. debit Goodwill account and Credit Revaluation account

The correct answer is option [D]

30. The physical wear and tear of fixed assets over time is called _____

- A. revaluation Reserve
- B. depreciation
- C. revaluation Account
- D. erosion

The correct answer is option [B]

31. Revaluation of assets occurs in any of the following circumstances EXCEPT _____

- A. Admission of a new partner
- B. When a partner retires
- C. Change in the profit sharing ratio
- D. Purchase of a fixed asset

The correct answer is option [D]

TOPIC: VALUATION OF STOCK

DIRECTION: Choose the correct answer from the lettered options.

1. Opening stock is 1000 units @ ₦2.75/unit, purchases value are 1200 @ ₦3.00 and 320 @ ₦4 in the month of April. And 1200 units were issued in May the same year.

From the above, what will be the closing stock value if the FIFO method is used?

- A. ₦3,600
- B. ₦ 7,630
- C. ₦3,350
- D. ₦4,280

The correct answer is option [D]

FIFO is a stock valuation method where stock that first arrived are issued first. Hence the name First In First Out

2. Losses that are unavoidable are known as _____

- A. abnormal losses
- B. material losses
- C. wastages
- D. normal losses

The correct answer is option [D].

3. A single debit note is issued only when _____

- A. value of surplus exceeds value of shortages
- B. value of shortage exceeds value of shortage
- C. surplus exceeds shortages
- D. shortages exceeds surplus

The correct answer is option [A].

Use the information to answer the question.

4. What is the stock valuation method used?

Stock Control Account (Extract) as at January 2000

Date	Receipts			Issues			Balance
	Quantity	Unit Price =N=	Amount =N=	Quantity	Unit Price =N=	Amount =N=	Amount =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	—	—	—	700.00
Jan 15	—	—	—	50	4.00	200.00	560.00
Jan 20	—	—	—	10	X	Y	Z

- A. Last In First Out
- B. First In First Out
- C. Average cost
- D. Weighted Average

The correct answer is option [A].

5. The value placed on the closing stock is shown under _____

- A. Current Assets
- B. Fixed Assets
- C. Debtors

D. Current liabilities

The correct answer is option [A].

6. The difference between physical stocks and store ledger is called _____

- A. Abnormal losses
- B. Deterioration on quantity
- C. Material losses
- D. Unsuitable storage

The correct answer is option [C].

7. The process of ascertaining the causes of the discrepancies and making appropriate adjustment is known as _____

- A. Adjustment
- B. Evaluation
- C. Reconciliation
- D. Deterioration

The correct answer is option [C].

8. _____ is the process of making the physical stock quantity agree with the store ledger balances

- A. Stock evaluation
- B. Stock pricing
- C. Stores reconciliation
- D. Store evaluation

The correct answer is option [C].

9. Which of the following stock valuation methods is suitable under inflationary conditions?

- A. FIFO
- B. LIFO

- C. Simple average
- D. Weighted average

The correct answer is option [A]. Inflationary conditions are conditions in which there is a continuous rise in price of goods and services. In valuating stock, the method to use would be one that would enable the firm maximize profit.

10. _____ is one of the examples of a normal losses

- A. Evaporation
- B. Pilferage
- C. Issue of later purchase
- D. Unsuitable storage

The correct answer is option [A].

11. The physical counting of the store items and evaluating them is known as _____

- A. stock valuation
- B. stock taking
- C. store taking
- D. store valuation

The correct answer is option [B].

12. _____ indicates the name and description of deficit items?

- A. Debit note
- B. Credit note
- C. Stores ledger account
- D. Discount note

The correct answer is option [B].

13. What should be done to find the closing stock at the end of a period?

- A. Stock taking

- B. Deduct opening stock from cost of goods sold
- C. Deduct stock of goods sold from sales
- D. open a new stock account

The correct answer is option [A]

14. The following factors may be responsible for the discrepancies between physical stock quantities and stores ledger balance EXCEPT_____

- A. Correct entries
- B. Pilferage
- C. Wrong placement of stores items
- D. Incorrect entries

The correct answer is option [A].

15. Where the value of shortages exceeds value of surplus, _____ will be issued

- A. Debit note
- B. Discount note
- C. Credit note
- D. Surplus note

The correct answer is option [C].

16. Avoidable losses are called _____

- A. Material losses
- B. Normal losses
- C. Maternal losses
- D. Abnormal losses

The correct answer is option [D].

17. The purpose of stock taking is to _____

- A. know the number of closing stock
- B. place a value on opening stock
- C. place a value on closing stock
- D. know the number of opening stock

The correct answer is option [C].

18. Which among the following is an example of abnormal losses?

- A. Evaporation
- B. Breaking bulk
- C. Approximation or estimation
- D. pilferage

The correct answer is option [D].

19. Stock taking is done _____

- A. yearly
- B. monthly
- C. quarterly
- D. All of the above

The correct answer is option [D].

20. Stock taking is done by _____

- A. Officials connected with stores department
- B. Stock brokers
- C. Top management
- D. Officials not connected with stores department

The correct answer is option [D].

21. _____ is apportioned between materials already issued to production and materials in hand at the end of an operating period

- A. purchase cost
- B. Selling cost
- C. Sales
- D. Market price

The correct answer is option [A].

Use the information to answer the question.

22. What is the value of x using LIFO

Stock Control Account (Extract) as at January 2000

Date	Receipts			Issues			Balance
	Quantity	Unit Price =N=	Amount =N=	Quantity	Unit Price =N=	Amount =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	—	—	—	700.00
Jan 15	—	—	—	50	4.00	200.00	560.00
Jan 20	—	—	—	10	X	Y	Z

- A. ₦4.00
- B. ₦ 5.00
- C. ₦5.50
- D. ₦6.00

The correct answer is option [D].

23. The net balance in the stock adjustment account is closed into _____

- A. Balance sheet at year end
- B. Profit and loss account at year end
- C. Stock account at year end
- D. Stores ledger account

The correct answer is option [B].

24. The process of multiplying the quantity of a particular store item with the relevant price is called _____

- A. store valuation
- B. stock valuation
- C. stock taking
- D. store taking

The correct answer is option [B].

25. Debiting and Crediting of surpluses is done by _____

- A. Supervisors
- B. Accountant
- C. Management
- D. Cashier

The correct answer is option [C].

26. What is the value of closing stock using LIFO, where opening stock is 1000 units' @ ₦2.75/unit, purchases value are 1200 @ ₦3.00 and 320 @ ₦4 in the month of April. And 1200 units were issued in May. The same year.

- A. ₦ 3,710

B. ₦ 2,750

C. ₦ 3,920

D. ₦7,630

The correct answer is option [A].

LIFO is a stock valuation method where stock that last arrived are issued first. Hence the name Last In First Out

27. Which of the following is not contained in the sales ledger control account?

A. Receipts from debtors

B. Returns inwards

C. Returns outwards

D. Dishonored cheques

E. Discount allowed

The correct answer is option [C]. Because it is a returns of goods purchased and not sold and cannot be contained in anything about sales.