

COURSEWARE DEVELOPMENT

Acc 301 Advance Financial Accounting

(3 credits compulsory)

Course Duration: Three hours per week (*45 hours for the 15 weeks*)
Lecturers: Mr. M.O. Salam & R.T Salman (Mrs.)
Qualification: Msc. (Unilorin), M.B.A (Unilorin), ACIT (Associate Chartered of Institute of Taxation Nigeria)
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Office Location: Adekanola Building, 1st Floor, 2nd Room by the right.

Consultation Hours: Thursdays; 12 – 1p.m

Course content:

- ❖ Company accounts; Types of capital, Ordinary shares, Preference shares, debentures and their implication
- ❖ Issue of shares and redemption of preference shares
- ❖ Publication of accounts; Disclosures requirements of the 1990 C.A.M.A
- ❖ Home and overseas Branch Accounts
- ❖ Departmental Accounts
- ❖ Royalty Accounts
- ❖ Accounts of Building Societies
- ❖ Insurance Companies
- ❖ Banks and pension/provident funds

COURSE DESCRIPTION

The course is designed to introduce students in the faculty of Business and Social Science and most especially students in the department of Accounting and Finance advance financial accounting.

The course will introduce the students to the guideline in the preparation of company account as stipulated by 1990 C.A.M.D (Now C.A.M.A) especially the published accounts. Students are taught how to prepare home and overseas branch account, royalty account, insurance companies' accounts, likewise bank and pension/provident funds accounts.

COURSE JUSTIFICATION

This course is a compulsory course for all students studying Accounting and Finance at undergraduate level of Accounting and Finance Department.

COURSE OBJECTIVE

The objective of this course as an integral part of B.sc (Accounting) and B.Sc (Finance) is that at the end of this course, the students are expected to:

- ❖ Develop basic understating about the accounting information and corporate financial report.
- ❖ Prepare financial statement (especially published accounts) based on CAMA 1990.
- ❖ Interpret financial statement
- ❖ Prepare account of specialized transactions.

COURSE REQUIREMENT

This is a compulsory course for all students of Account and Finance departments. In view of this,

- ❖ The students are expected to participate actively in all the activities of this course and they must have minimum of 75% attendance to qualify to write the level examination at the end of the semester.
- ❖ The students are expected to do all the assignments that may be given by the lecturer.
- ❖ They are expected to participate in the class activities to see their level of understanding.

METHOD OF GRADING

1.	Continuous Assessment	30%
2.	Final Examination	70%
	Total	100

COURSE DELIVERY STRATEGIES

Face to face, method of delivery would be adopted to teaching this course in the class.

READING LIST

- ❖ Jennings, A.R (1993) *Financial Accounting 2nd edition* published by Thomson Bedford Row, London U.K
- ❖ Oluyombo, O. (2004) *Financial Accounting with Ease 2nd Edition* Published by King & Queen Associates Ibadan, Nigeria.
- ❖ Ghosh, T.P (2003) *Financial Accounting for Managers*: Published by Taxmann Allied Service (p) Ltd, New Delhi.
- ❖ Aborode, R. (2006) *Advanced Financial Accounting Financial Accounting*, 2nd edition published by Masterstroke consulting Lagos, Nigeria
- ❖ Sehgal A. & Sehgal D. (2003) *Advanced Accounting 2, 3rd Edition* Published by Taxmann Allied Service Ltd. New Delhi

LECTURE NOTE

Week 1-2: Company Accounts

Objective: The students are expected to: Prepare final Account of company to be published according to CAMA 1990.

Description:

- ❖ Definition of a company
- ❖ Types of companies
- ❖ Peculiar features of company's financial statement
- ❖ Preparation of company's final account

Study Question

1. Define a company.
2. Brief explain the different types of company we have.
3. Write short note on four types of reserves.
4. List the accounting standard that stipulates the conduct in which final account of a company should be prepared.
5. What are the disclosures requirements of a public Ltd. Company stipulated by 1990 CAMA

Week 3: Issue of shares

Objective: On completion of this topic, students should be able to:

- ❖ Distinguish between various types of share capital.
- ❖ Understand the provision relating to issue of shares at a discount, utilization of premium account, right issues of shares and potential equity shares
- ❖ Account for issue shares for cash to public and existing shareholders.

- ❖ Account for forfeiture and re-issue of shares.

Description: Accounting entries for:

- ❖ Issue of shares at a premium
- ❖ Issue of share at a discount
- ❖ Issue of shares payable in installments
- ❖ Forfeiture and re-issue of shares

Study Questions:

- Write short note on the following
 - Authorized capital
 - Issued capital
 - Called-up capital
 - Paid – up capital
- Differentiate between ordinary shares and preference shares.
- A company had a registered capital of 100,000 divided into 10,000 equity shares of ₦10 each. It decided to issue 6,000 shares for subscription and received applications for 7,000 shares. It allotted 6,000 shares and rejected the remaining applications. Up to 31-12-2001, it has demanded or called ₦9 per share. All shareholders have duly paid the amount called, except one shareholder, holding 500 shares that have paid only ₦7 per share.
 - Prepare the balance sheet assuming there are no other details
 - Journalize the above entries.
 - Open necessary ledgers and prepare a new balance sheet.

Reading List

- Sehgal A. and Sehgal D. (2003) *Advanced Accounting* 3rd edition, published by Taxmann Allied service (p.) Ltd New Delhi pg 1-48.
- Jennings A.R (1993) *Financial Accounting* 2nd edition Published by Letts Educational, Bedford Row, London. Pg 219
- Oluyombo, O. (2004) *Finanical Accounting with Ease* 2nd edition published by Kings & Queen Assocaite Ibadan, Nigeira

Week 4-5: Redemption of preference shares

Objective: On completion of this topic, students should be able to:

- ❖ Know section 158 of C.A.M.A and appreciate the rational behind these provisions.
- ❖ Account for redemption of preference shares.
- ❖ Calculate minimum fresh issue shares to comply with section 158 of CAMA 1990.
- ❖ Ascertain minimum fresh issue of shares to provide funds for redemption of preference shares.
- ❖ To deal with partly paid to preference shares at the time of redemption of preference shares.

Description: Meaning of redemption of redeemable preference shares

- ❖ Condition for redemption of redeemable preference shares as stipulated by section C.A.M.A 1990
- ❖ Accounting section for redemption redeemable preference shares
- ❖ Issuing of fresh shares
- ❖ Using the proceed of fresh issue to redeem the redeemable preference shares.

Study Questions

1. Explain the provisions of the company account regarding redemption of redeemable preference shares.
2. Write a brief note on redemption of preference shares.
3. The following is the balance sheet of Z Ltd. as at 31st March, 2001

LIABILITIES	AMOUNT ₦	ASSETS	AMOUNT ₦
50,000 equity shares of ₦10 each		Fixed Assets	600,000
₦8 per share called – up and paid – up	400,000	Investment	200,000
5,000 13% redeemable preference shares of N 100 each	500,000	Stock	200,000
Premium	98,000	Sundry debtors	200,000
Gen. reserve	90,000	Cash at bank	300,000
P & L Account	112,000		
Creditors	300,000		
Total	1,500,000		1,500,000

The company resolved:

- a. To convert partly paid-up equity shares into fully paid-up on 1st April, 2001 without requiring the shareholders to pay for the same.
- b. To redeem the preference shares on 30th April, 2001 at a premium of 7.5% and for this purpose to issue 3,000 12% preference shares of ₦100 each at a premium of 10% payable in full on application.

The resolutions were carried out for the purpose of the above redemption, on 29th April 2001. The company sold its fixed asset costing ₦300,000 for ₦382,500 and all the investment for ₦260,000.

On 31st May, 2001 all payments were made on redemption except to holders of 200 shares, who could not be traced. On 30th June, 2001, the directors issued filling paid bonus shares to the then shareholders at the rate of 3 for 5 held at a premium of 5%.

You are required to prepare necessary journal entries in the books of the company to record the above transaction.

Reading Lists

1. Jennings A. R. (1993) *Financial Accounting* 2nd edition published Letts Educational, Bedford Row, London. Pg 226-236
2. Sehgal A. and Sehgal D. (2003) *Advanced Account 2*, 3rd Edition, published by Taxmann Allied Service (p) Ltd New Delhi pg 85-133.
3. Oluyombo O. (2007) *Financial Accounting with Ease* end Edition published by kings & Queen Associate; Lagos Nigeria Pg. 375 – 376

Week 6: Accounting for Debenture

Objective: At the end of this topic, students should be able to

- ❖ Distinguish between shares and debentures.
- ❖ Make entries for issue of debentures taking into consideration conditions of redemption of debentures.
- ❖ Record issues of debentures as collateral security.
- ❖ Know the treatment of debenture interest.
- ❖ Work out problems on conversion of debentures.
- ❖ Create debenture redemption reserve as per rules.
- ❖ Apply sinking fund method for redemption of debenture.

- ❖ Differentiate between ex-interest and cum – interest quotations and record three transactions in the books of account.

Course Description: Meaning/Definition of Debenture

- ❖ Illustration to show accounting entries for issues of debentures
- ❖ Different between shares and debentures
- ❖ Issue of debenture for consideration other than cash.
- ❖ Issue of debenture on collateral security for loan
- ❖ Treatment of discount on issue of debenture
- ❖ Interest on debentures
- ❖ Redemption of debenture
- ❖ Sources of redemption of debenture
- ❖ Sinking fund for redemption

Study Question

1. What are the characteristics of a debenture?
2. Write a note on Debenture redemption reserve.
3. What are convertible Debentures
4. Define issue of debentures as a collateral security and show the treatment in the balance sheet.
5. Explain the followings:
 - A. Secured and unsecured debenture
 - B. Redeemable and irredeemable debentures
 - C. First and second debentures
 - D. Registered and bearer debenture.
6. Explain with example, ex-interest and cum-interest quotation.

Reading Lists

1. Oluyombo O. (2007) *Financial Accounting with ease*, 2nd edition, published by Kings & Queen Associates Lagos, Nigeria pg 382 - 397
2. Sehgal A. & Sehgal D. (2003) *Advance Accounting 2*, 3rd edition published by Taxmann Allied service (P) ltd New Delhi pg. 137 – 203.
3. Jennings A. R. (1993) *Financial Accounting*, 2nd edition published by Lelst Educational, London. Pg – 232 -240

Week 7: Branch Accounts

Objective: On the completion of this topic, students should be able to

- ❖ Distinguish between dependent and independent branches
- ❖ Calculate branch office in head office books on cost basis by using debtor system, stock and debtor system and final accounts system.
- ❖ To determine branch profit in head office books on wholesale price basis
- ❖ Do accounting in the books of branch having independent system of accounting.
- ❖ Incorporate branch results in head office books to present consolidated picture to users of accounting information.
- ❖ Convert into home currency the results of foreign branches.

Description: Meaning of concepts such as branches dependent, independent branches

- ❖ Accounting entries with stock & debtor system
- ❖ Accounting entries with debtor's system
- ❖ Final account system (Cost basis)
- ❖ Final account system (wholesale price basis)
- ❖ Intra-branches transaction

❖ Accounting for foreign branches

Study Questions:

1. What is the different between a 'Dependent and independent branch?
2. Explain is the different between 'branch accounts' maintained under debtor system and final account system?
3. What are the main accounts prepared under stock & debtor system? Explain.
4. What journal entries are passed in the books of head office for incorporation of branch trial balance?
5. The transit items (goods & cash) are not the only reasons for difference in the branch account of Head Office Account, explain. How are the two accounts reconciled?
6. What is the treatment of normal and abnormal loss under
 - a. Debtor system
 - b. Stock & Debtor
 - c. Final account system
7. What are the steps involved in converting the trial balance of a foreign branch? Explain the steps involved in incorporating the foreign branch trial balance in head office books.
8. Explain a branch operating on wholesale basis.
9. Atlantic paper products sent goods to Bophal branch at cost price plus 25%. You are given the following additional information:

	₦
Opening stock at branch at its cost	5,000
Good sent to branch its invoice price	20,000
Loss in transit at invoice price	2,500
Theft at invoice price	1000
Loss in weight (normal) at invoice price	500
Sales	25,500
Expenses	8,000
Closing stock at branch at cost to branch	6,000
Claims received from the insurance company for loss in transits	2,000

Required:

- (i) Branch stock Account
- (ii) Branch Adjustment Account
- (iii) Branch profit & loss account.

Reading Lists

1. Aborode Remi (2006) *Advanced financial accounting*, 2nd edition published by master stroke consulting, Lagos Nigeria. Pg. 425-433.
2. Hoyle J.B (1987) *Advanced Accounting*, 2nd edition published by Business publication, Inc. Plano, Texas. Pg 375 – 390
3. Sehgal A. & Sehgal D. (2003) *Advanced Accounting*, 3rd Edition, published by Taxmanna's Allied Service (p) Ltd. New Belhi pg. 1022 – 1105

Week 8: Departmental Accounts.

Objective: At the and of the topic, the students should be able to

- ❖ Maintain books in columnar form for department wise information.
- ❖ Ascertain departmental profit/loss
- ❖ Account for inter-department transactions.

Description:

- ❖ Reason for departmental accounts
- ❖ Allocation and apportionment of expenses
- ❖ Inter – department transfer
 - a. Transfer pricing
 - b. Unrealized profit on stock

Study Questions:

1. Discuss the various bases used for appointment of common expenses to different departments.
- 2a. what is inter-departmental transaction?
- b. how are they accounted for, in the books?
3. In departmental accounts, how will you deal with inter-departmental transfer when one department transfer good to another department at a profit? Illustrate your answer.
4. X Ltd has a factory which has two manufacturing departments A and B. Part of the output of 'A' department is transferred to 'B' depot for the processing and balance is directly transferred to the selling department. The entire production of B dept is transfer to the selling dept. inter-department stock transfers made as follows:

A dept to B dept at 20% over departmental cost

A dept to selling dept at 30% over departmental cost

B dept to selling dept at 25% over

The following information was given for the year ending 31/12/01

	DEPT A		DEPT B		SELLING DEPT	
	M.T.	₦	M.T	₦	M.T	₦
Opening stock	60	60, 000	20	40, 000	50	160, 000
Raw material consumption	100	110, 000	30	30, 000	-	-
Labour charges	-	60, 000	-	80, 000	-	-
Sales	-	-	-	-	-	600, 000
Closing stock	40	-	60	-	60	-

Out of total production in A Dept, 30 M.T were for transfer to selling dept and the balance to B dept. the per tonne material and labour consumption in A dept on production to be transferred directly to the selling dept. 200 percent of the labour and material consumption on product meant for B Dept. prepare department profit & loss account.

Reading List

1. A shock Shehgal A. & Sehgal D. (2003) *Advanced Accounting 1*, 3rd edition, published by Taxamann Allied (p.) Ltd New Delhi pg 1121 - 1141
2. Aborode Remi (2006) *Advanced financial Accounting: 2nd edition* published by Masterstroke consulting Lagos, Nigeria pg 512 – 524.
3. Oluyombo O. (2007) *Financial Accounting with Ease: 2nd edition* published by Kings & Queen associates, Lagos Nigeria. Pg. 334-344

Week 9: Royalty Accounts

Objective: At the end of the topic, the students should be able to:

- ❖ Know what royalty is
- ❖ Prepare royalty payable account and royalty receivable account
- ❖ Know what minimum payment is in relation to royalty.
- ❖ Explain short working, short working re-coupled and short working written off.

Description:

- ❖ Accounting arrangement for royalty payable
- ❖ Accounting arrangement for royalties receivable

Study Question

1. What bring about royalty?
2. Distinguish between royalties payable and royalties receivable.
3. Write short note on:
 - a. Minimum payment
 - b. Short working
 - c. Amount payable
 - d. Short working re-couped
 - e. Short working written off

READING LIST

1. Jennings A.R (1993) *Financial Accounting*, 2nd edition published by Letts educational, London ps 183 – 188
2. Oluyombo O. (2007) *Financial accounting with Ease*, 2nd edition published by Kings & Queen associate, Lagos Nigeria pg. 308 – 322.

Week 10-11: Account of Insurance Companies

Objective: At the end of this topic, the students should be able to:

- ❖ Understand the meaning of insurance, different types of insurances and various policies issue there under.
- ❖ Understand the general terms used in insurances business.
- ❖ Understand the requirement as to financial statements of various insurance businesses as per format set out by insurance regulatory act.
- ❖ Prepare the financial statements of life insurance companies and as certain the profit of life insurance business by preparing valuation balance sheet.
- ❖ Prepare the financial statements of general insurance companies and as certain the profit of a general insurance business by preparing separate revenue account for every line of activity.

Description:

- ❖ Meaning of insurance
- ❖ Different types of insurance policies
- ❖ Financial statement of insurance companies
- ❖ Account of life insurance business.
- ❖ Ascertain of profit under life insurance business
- ❖ Account of general insurance business
- ❖ Ascertain of profit under general insurance business

Study Questions:

1. What is the different between life insurance and general insurance business?
2. What are the main financial statements prepared under life insurance business and general insurance business?
3. What are the various policies issued under life insurance business?
4. What are the various policies issues under general insurance business?
5. What is reserve for unexpired risk and additional risk reserve? How does it help in ascertaining the result of a general insurance business?
6. Differentiate between re-insurance and co-insurance.

Reading Lists

1. Sehgal A. & Sehgal D. (2003) *Advanced Accounting 2*, 3rd edition published by Taxmann Allied service (p) Ltd, New Delhi. Pg 957 -1020
2. Aborode Remi (2006) *Advanced Financial Accounting 2nd* edition published by Master Stroke Consulting Lagos, Nigeria pg. 106 – 115.

Week 12 – 13: Banking companies' accounts

Objective: On the completion of this topic, the students should be able to:

- ❖ Understand the meaning of banking business and some salient points of banking regulating act.
- ❖ Understand the need for liquidity norms in banking business.
- ❖ Understand the need for solvency norms.
- ❖ Understand the requirement as to the accounts of banking companies as laid out by act.
- ❖ Understand the conservative technique of ascertaining the profit of banking companies.

Description;

- ❖ Meaning/definition of banking
- ❖ Types of banks
- ❖ Important provisions concerning conduct of banking business in Nigeria
- ❖ Requirement as to strong financial management
- ❖ Requirement of banking companies as to accounts and audit
- ❖ Preparation of financial statements
- ❖ Disclosure of accounting policies
- ❖ Peculiar points needed for final account of banking business.

Study Questions

1. What are the major functions performed by the bank?
2. Discuss the salient provision concerning conduct of banking business in Nigeria.
3. What is the significance of capital adequacy ratio?
4. How can a bank improve its capital adequacy ratio?
5. Show the accounting treatment of
 - a. Collection of bills
 - b. Discounting of bills
 - c. Acceptance, endorsement and guarantee
6. Detail down the asset classification and provision requirements in the case of banks.

Reading Lists

1. A shock Shehgal A. & Sehgal D. (2003) *Advanced Accounting 2*, 3rd edition, published by Taxmann Allied (p.) Ltd New Delhi pg 816 - 890
2. Aborode Remi (2006) *Advanced Financial Accounting: 2nd* edition published by master stroke consulting Lagos, Nigeria pg 91 – 105

Week 14 – 15: Revision

Revision Questions:

1. Define a company.
2. Brief explain the different types of company we have.
3. Write short note on 4 type of reserves.
4. A company had a registered capital of 100,000 divided into 10,000 equity shares of ₦10 each. It decided to issue 6,000 shares for subscription and

received applications for 7,000 shares. It allotted 6,000 shares and rejected the remaining applications. Up to 31-12-2001, it has demanded or called ₦9 per share. All shareholders have duly paid the amount called, except one shareholder, holding 500 shares that have paid only ₦7 per share.

- a. Prepare the balance sheet assuming there are no other details
- b. Journalize the above entries.
- c. Open necessary ledgers and prepare a new balance sheet.
5. Write a brief note on redemption of preference shares.
6. The following is the balance sheet of Z Ltd. as at 31st March, 2001

LIABILITIES	AMOUNT ₦	ASSETS	AMOUNT ₦
50, 000 equity shares of ₦10 each		Fixed Assets	600,000
₦8 per share called – up and paid – up	400,000	Investment	200,000
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Premium	98,000	Sundry debtors	200,000
Gen. reserve	90,000	Cash at bank	300,000
P & L Account	112,000		
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The company resolved:

- c. To convert partly paid-up equity shares into fully paid-up on 1st April, 2001 without requiring the shareholders to pay for the same.
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The resolution were carried out for the purpose of the above redemption, on 29th April 2001. The company sold its fixed asset costing ₦300, 000 for ₦382,500 and all the investment for ₦260,000.

On 31st May, 2001 all payments were made on redemption except to holders of 200 shares, who could not be traced. On 30th June, 2001, the directors issued filling paid bonus shares to the then shareholders at the rate of 3 for 5 held at a premium of 5%.

You are required to prepare necessary journal entries in the books of the company to record the above transaction.

7. Write a note on Debenture redemption reserve.
8. What are convertible Debentures
9. Define issue of debentures as a collateral security and show the treatment in the balance sheet.
10. Explain the followings:
 - a. Secured and unsecured debenture
 - b. Redeemable and irredeemable debentures
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11. What is the different between a 'Dependent and independent branch? Explain is the different between 'branch accounts' maintained under debt
12. In departmental accounts, how will you deal with inter-departmental transfer when one department transfer good to another department at a profit? Illustrate your answer.

13. X Ltd has a factory which has two manufacturing departments A and B. Part of the output of 'A' department is transferred to 'B' depot for the processing and balance is directly transferred to the selling department. The entire production of B dept is transfer to the selling dept. inter-department stock transfers are made as follows:

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Closing stock	40	-	60	-	60	-

Out of total production in A Dept, 30 M.T were for transfer to selling dept and the balance to B dept. the per tonne material and labour consumption in A dept on production to be transferred directly to the selling dept. 200 percent of the labour and material consumption on product meant for B Dept. prepare department profit & loss account.

15. What are the main financial statements prepared under life insurance business and general insurance business?