



TAIDOB COLLEGE

PRE-JAMB PREPARATORY ASSESSMENT

Financial Accounting

1. The term 'accounting period' is used to refer to the
 - A. time span during which taxes are paid to the Inland Revenue Board
 - B. Budget period, usually one year, relied on by the accountant
 - C. time span, usually one year covered by financial statement
 - D. period within which debtors are expected to settle accounts.

2. Assigning revenues to the accounting period in which goods were sold or services rendered and expenses incurred is known as
 - A. passing of entries
 - B. consistency convention
 - C. matching concept
 - D. adjusting for revenue.

3. The accounting convention which states that 'profit must not be recognized until realized while all losses should be adequately provided for' is termed
 - A. materiality
 - B. objectivity
 - C. consistency
 - D. conservatism.

4. Accounting information is used by investors and creditors of a company to predict
 - A. future cash flows of the company
 - B. future tax payments of the company
 - C. potential merger candidates for the company
 - D. appropriate remuneration for the company's staff.

5. Antics Electronics Company recently bought six generators. Which of the following is the correct method of recording this transaction.
 - A. Debit generator account and credit cash account.
 - B. Debit purchases account and credit cash account.
 - C. Debit cash account and credit purchases account.
 - D. Debit cash account and credit generator account.

6. When a business incurs labour cost in installing a fixed asset, the cost is treated as
 - A. additional cost to the asset
 - B. business wages and salaries
 - C. installation cost of the asset
 - D. business cost of the asset.

7. What is the cardinal rule of the double entry system?
 - A. Debit the increasing account and credit the decreasing account.
 - B. Debit the receiving account and credit the giving account.
 - C. Debit the asset account and credit the liability account.
 - D. Debit the revenue account and credit the expenditure account.

8. Malam Gambo bought a freezer for his shop costing N 10,500. In recording, he debited office expenses account and credited the bank account. What book keeping error has he committed?
 - A. Error of commission
 - B. Error of reversal of entries.
 - C. Error of principle.
 - D. Compensation error.

9. The use of the folio in the ledger is for
 - A. Referencing purposes
 - B. Particulars of the transaction
 - C. the account titles
 - D. Only credit items.

10. **Account of Tanko Nig Ltd.**

Dr.	Cr.
N	N
1/10 Bal. b/f 5,000	2/10 Cash 3,000
Sales 10,000	15/10 Bank 6,500

What is the closing balance of the account shown above?

- A. N5,000
- B. N6,500
- C. N5,500
- D. N15,000.

11. The suspense account is used to correct book keeping errors where the
- A. amount involved is quite significant
 - B. item involved is not material
 - C. item involved is unknown
 - D. error does not affect the agreement of the trial balance.
12. The discount column of a three column cashbook is not balanced off but periodically transferred to the discount accounts because discounts.
- A. are not important in cash book
 - B. are cash items only
 - C. do not form part of double entry
 - D. are used for bank reconciliation.
13. When is a petty cash account debited?
- A. When the fund is established and every time money is spent
 - B. when the fund is established and every time it is replenished
 - C. when the fund is established and when the size of the float is decreased
 - D. Everytime money is drawn from the petty cash.
14. When preparing a bank reconciliation statement, which of the following is deducted from the balance per bank statement?
- A. Bank charges.
 - B. Uncleared cheques
 - C. returned cheques
 - D. Unpresented cheques.
15. The financial position of an organization at a particular time can be ascertained from the
- A. statement of sources and application of funds
 - B. statement of retained earnings
 - C. balance sheet
 - D. profit and loss account.
16. The net profit or loss for the year is determined in the profit and loss account after
- A. deducting purchases from sales
 - B. deducting cost of goods sold from sales and adding administrative expenses
 - C. adding commissions received to gross profit
 - D. eliminating all expenses from gross profit and adding any other income.
- Use the information below to answer questions 24 and 25**
- Chukwuma Okeke did not keep his books based on the double entry principle. On 1st January 1993, Cash in hand was N60, Bank overdraft N1,100, Debtor N7,240, Stock N27,450, Furnishings N2,000 and creditors N6,990. As at 31st December 1993, Cash in hand was N40, Cash at bank was N1,050, Debtors N6,750, Stock N29,180, Furnishings N2,000 and Creditors N6,090.
17. Compute the capital as at 1st January 1993.
- A. N29,800
 - B. N28,900
 - C. N26,700
 - D. N20,800.
18. A trial balance shows provision for doubtful debts, N190 and debtors, N6,000. It is required to write off further N320 as bad debts and maintain the provision at 2½% of debtors. To do this, the profit and loss should show a
- A. credit of N20 and a debit of N100
 - B. credit of N28 and a debit of N300
 - C. credit of N48
 - D. debit entry of N414
19. If a bad debt previously written off is subsequently repaid, the amount collected is recorded as an

- A. income in the profit and loss account
 - B. income in the balancesheet
 - C. addition cash in the profit and loss account
 - D. expense in the balance sheet.
20. The major difference between the receipt and payment account and the income and expenditure account is that while the former
- A. is kept by the treasurer, the latter is not
 - B. deals with all receipt and payments in the year regardless of the time it relates to the latter is for just that year
 - C. is a T-account the latter is not
 - D. is not in the ledger, the latter is.
21. The following information relates to a hockey club:

Subscription owing at the beginning	40
Subscription owing at the end	35
Subscription received in the advance at the beginning	15
Subscription received During the period	2,560

N

The amount to be shown in the income and expenditure account would be

- A. N 2,500
 - B. N 2,540
 - C. N 2,570
 - D. N 2,590.
22. The net profit from the trading account of a non-profitmaking organization would be treated as income in the
- E. income and expenditure account
 - F. receipt and payment account
 - G. balance sheet
 - H. statement of affairs

Use the information below to answer questions 32 and 33.

Ada and Udo are lawyers who went into partnership as Ado & Co. Ada brought cash of N12,000, furnishing worth N18,000 and a motor vehicle worth N70,000 Udo on the other hand brought in cash N10,000, his building valued at N05,000 and a personal computer worth N135,000.

23. What is the capital of Ado & Co.? A. N22,000 B. N100,000
C. N150,000 D. N250,000.
24. What is the profit sharing ratio if it is based on capital contributed by Ada and Udo?
A. 2:1 B. 3:2
C. 2:3 D. 1:2
25. The major distinguishing element between the final accounts of a partnership and a sole trader is the
I. drawings account B. appropriation account
C. capital account D. creditors account.
26. Good will appears in the books of a business only if it has been
J. purchased at a certain price
K. raised in connection with the admission of a new partner
L. raised to account for the true value of a business on the death of a partner
M. raised in order to prevent the balance sheet showing that the business is insolvent.
27. Kayode, Akpan and Kachalla are in partnership. Their respective capital accounts had the following balances: N40,000 N50,000 and N70,000. The partners agree to admit Wamo as a new partner with a one-fifth interest in the partnership capital in exchange for N50,000 cash. Wamo's equity in the resulting partnership is
A. N32,000 B. N50,000
C. N42,000 D. N50,000.

28. Under which of the following conditions is a partnership dissolved?
- A. Change of the partnership's headoffice.
 - B. Admission of a new partner.
 - C. Purchase of a large quantity of fixed assets.
 - D. Retirement of a manager who is not a partner.
29. 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.

Use the information below to answer questions 39 and 40

A limited liability company has an authorized share capital of N 50 million split into 100 million shares. 80 million shares were offered for subscription at 60k per share payable in full on application. These have been fully subscribed and issued.

30. What is the nominal value of each share?
- A. N2 B. N0.80 C. N0.60 D. N0.50
31. What is the issued capital?
- A. N40million B. N48million
C. N50million D. N80million.
32. 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.
33. An advantage of using accounting ratio is that they
- A. can be easily calculated
B. facilitate decision-making
C. are stipulated by law
D. show errors and frauds.
34. The process of bookkeeping includes records produced from?
- A. ledgers
B. source documents
C. minutes of meeting
D. intuitive reasoning
35. The purchase ledger control account of a company had an opening balance of N45,600 credit and closing balance of N72,600 credit. The company made payments of 437,000 to credit suppliers during the period: and had discount received of N18,600 on this account. What were the credit purchase for the period?
- A. N509,600
B. N482,600
C. N428,600
D. N481,400
36. Which of the following accounting records are source documents?
- A. Journal and ledgers
B. Sales invoice and cash book
C. Cash book and debit note
D. Sales invoice and debit note
37. Accounting information is used by investors and creditors of a company to predict
- A. future cash flows of the company
B. future tax payments of the company
C. potential merger candidates for the company

- D. appropriate remunerations for the company's staff
38. The receipt from a special tax levy to pay maturing interest obligation are recorded in
- A. capital fund project
 - B. Debt Service Fund
 - C. Tax Assessment Fund
 - D. Special Revenue Fund
39. The principle use of control accounts is to
- A. localize error within the ledger
 - B. prevent fraud
 - C. increase sales
 - D. record assets and liabilities
40. An instrument which allows public officers to increase expenditure within a year is
- A. statutory allocation
 - B. supplementary budget
 - C. virement
 - D. warrant

