



BOWEN UNIVERSITY, IWO
(OF THE NIGERIAN BAPTIST CONVENTION)
COLLEGE OF MANAGEMENT AND SOCIAL SCIENCES (COMSS)
ACCOUNTING PROGRAMME
B.Sc. ACCOUNTING DEGREE
2022/2023 FIRST SEMESTER EXAMINATION

COURSE CODE: ACC 403

COURSE TITLE: FINANCIAL REGULATORY FRAMEWORK & ETHICS

TIME: 2½

HOURS

INSTRUCTIONS: ATTEMPT QUESTION 1 AND ANY OTHER 3 QUESTIONS

QUESTION 1.

a. The following trial balance was extracted from the books of **ERIBOW PLC** as at June 30, 2022.

	N'000	N'000
Freehold land and building at valuation 1/7/21	1,065,600	
Office equipment	865,800	
Delivery van	301,400	
Accumulated depreciation at 1/7/21:		
Office equipment		199,800
Delivery van		120,560
Ordinary share capital of 50k each fully paid		790,000
Bank balances	142,310	49,950
Investment income		65,246
Financial assets	244,200	
Dividend paid	119,880	
Cost of sales	995,003	
Distribution costs	161,128	
Gain on translation of foreign operations		47,108
Trade receivables/payables	579,065	353,846
Revenue		2,142,819
Intangibles	50,600	
Administrative expenses	173,727	
Interest on loan notes	14,763	
General reserve		109,809
Deferred tax at 1/7/21		100,078
Inventories at 30/06/2022	622,812	
Retained earnings		231,572
3% redeemable loan notes		843,000
Revaluation reserve-freehold land and buildings		80,500
Share premium		142,000
Suspense account		60,000

5,336,288

5,336,288

Additional information:

- (i) The value of the freehold land and buildings includes a land element of N266, 800,000 and the estimated remaining life of the buildings at July 1, 2021 was 25 years. Depreciation on buildings is charged 65% to cost of sales and 35% to administrative expenses.
- (ii) The revenue includes N69, 250,000 for an item of office equipment disposed on November 30, 2021. The equipment had a carrying value of N46, 060,000 at the date of sale. The equipment cost N75,000,000 when it was acquired three years ago.
- (iii) Included in the cost of sales is N82, 600,000 incurred in the manufacture of a new office equipment which was put to use by **ERIIBOW PLC** on February 1, 2022.
- (iv) All office equipment is depreciated at 15% per annum using reducing balance method and charged to cost of sales while depreciation of all motor vehicles is at 20% per annum on straight line basis and charged to distribution costs. Depreciation is to be charged in full in the year of acquisition and no charge in the year of disposal.
- (v) Following the conclusion of a winding-up proceedings on one of **ERIIBOW PLC'S** customer, it was resolved to write-off the sum of N26,450,000 due from the customer and to make allowance for doubtful receivables of 2½% on the continuing trade receivables.
- (vi) The financial assets are equity instruments held at fair value through profit or loss and have suffered impairment loss of N12, 700,000 at the year end.
- (vii) The 3% redeemable loan notes was issued on October 1, 2021 under terms that provided for a large premium on redemption in 2025. These terms were interpreted by the finance director to mean that the loan notes have effective interest rate of 6½% per annum.
- (viii) The income tax expense for the year ended June 30, 2022 is estimated at N143, 552,000 while the deferred tax payable for same period amounted to N12, 520,000. There was an over provision of N25, 664,000 in respect of income tax for the previous trading year.
- (ix) The suspense account balance represents the corresponding credit entry for shares issued at premium of 15 kobo per share arising on issue of 400,000 ordinary shares made during the year.
- (x) The directors recommended a 20 kobo final dividend per ordinary share for the year and to transfers N38, 900,000 to the general reserve.

Required:

Prepare for **ERIIBOW PLC** the following financial statements:

- i. Statement of profit or loss and other comprehensive income for the year ended June 30, 2022. (10 Marks)
 - ii. Statement of changes in equity for the same period (5 Marks)
 - iii. Statement of financial position as at June 30, 2022 (10 Marks)
- (Total 25 Marks)**

QUESTION 2.

- a. The Conceptual Framework for Financial Reporting sets out the concepts that underlie the preparation and presentation of financial statements and it also considers the various users of these financial statements.

Required:

Identify and discuss the information needs of the different users of financial statements. (10 Marks)

- b. Companies and Allied Matters Act (CAMA) 2020 is the primary source of company law which establishes the requirements for financial reporting by all companies in Nigeria.

Required: Briefly explain FIVE issues which must be contained in a directors' report in accordance with CAMA 2020.

(5 Marks)

(Total 15 Marks)

QUESTION 3.

- a. Using the Kohlberg's stages of moral development, identify and explain the reasons why individuals make their decisions when faced with moral dilemma. (12 Marks)
- b. Explain the criticisms of Kohlberg's stages of moral development. (3 Marks)

Total 15 Marks)

QUESTION 4.

Corporate governance disclosure has become a major requirement in today's business environment. Firms are increasingly becoming obliged to disclose even information that are not mandatory for them to divulge.

Required:

- a. Illustrate how corporate governance disclosure can enhance firm performance. (10 Marks)
- b. Identify the principles of disclosure and communication of corporate governance statements. (5 Marks)

(Total 15 Marks)

QUESTION 5.

- a. All accountants are expected to act ethically in the discharge of their respective duties. In the light of this, evaluate the following concepts as it applies to professional accountancy practice:
 - i. Personal Ethics. (1 Mark)
 - ii. Business Ethics. (1 Mark)
 - iii. Professional Ethics. (1 Mark)
- b. A bankruptcy proceeding is a proceeding by which the state takes possession of the property of a debtor by an officer appointed for that purpose and such property is realized and the proceeds distributed, subject to certain priorities ratably amongst persons to whom the debtor owes money or has incurred pecuniary liabilities.
 1. List the conditions for filing bankruptcy petition against a debtor. (4 Mark)
 2. Objectives of Bankruptcy Laws. (4 Mark)
 3. Legal disabilities of a bankrupt. (4 Mark)

(4 Mark) (Total 15 Marks)

QUESTION 6.

- a. The Financial Reporting Council of Nigeria (FRCoN) is a Federal Government parastatal under the supervision of the Federal Ministry of Industry, Trade and Investment.

Required:

Identify FOUR main objectives of FRCoN as defined in the Act establishing the Institution. (5 Marks)

- b. Explain stakeholders and shareholders theories. (5 Marks)
- c. Discuss FOUR of the different ways in which agency conflict can arise. (5 Marks)

(Total 15 Marks)