

FINAL ACCOUNT

The account statement which shows the performance and result and state of affairs of any organization is called the final account. It could be also referred to as a published account.

The final account could be explained in two ways;

1. Final account of a trading organization/business
2. Final account of a non-trading organization

The one core interest is the final account of a trading or manufacturing business. There are 5 stages in the final account of trading or manufacturing business.

The first and second stages are called Income State and Trading Profit and Loss Account, while the last is called the Balance Sheet. In other words, the final account is made up of;

Trading Account
Profit and Loss Account
Balance Sheet

Trading Account:

Trading Account is prepared to show the profit or loss known as gross profit or gross loss for the business for the period for which it is covered. It is usually one year period. It is prepared to conform with the rule of double entry. It usually contains the result of operation of a business over a period. Trading account is always a pointer to look at the differences between sales and the cost of sales. It is a revenue account which follows the rules of double entry.

Trading account formula:

1. Average stock = $\frac{\text{Opening stock} + \text{Closing stock}}{2}$
2. Stock available for sale = Opening stock + Net purchases
3. Cost of goods sold = a) Stock available for sale – Cl stock, b) Average stock x rate of turnover.
4. Opening stock = cost of goods sold + closing stock – Net purchases
5. Closing stock = stock available for sale – cost of goods sold
6. Purchases: cost of goods sold + closing stock – opening stock
7. Sales =
 - a) Cost of goods sold + trading expenses + gross profit
 - b) When the percentage of profit is given
 - if on cost, sales will be
 $100 + \% \text{ given (profit)} \times \text{cost of goods sold}$
 - If it is on turnover = $\frac{100}{100\% \text{ given}} \times \text{cost of goods sold}$

$$8. \text{ Rate of turnover} = \frac{\text{cost of goods sold}}{\text{Average stock}}$$

$$9. \text{ \% of G.P on turnover} = \frac{\text{G.P/sale} \times 100}{1}$$

Trading Account Format

Dr		Cr	
Opening stock	xxx	Sales	xxx
Add Purchases	xxx	Less Return Inward	xxx
Add Carriage Inward	<u>xxx</u>		
Less Return Outward	xxx		
Cost of goods available for sale	<u>xxx</u>		
Less closing stock	xxx		
Cost of goods sold	<u>xxx</u>		
Gross profit	<u>xxx</u>		<u>xxx</u>

Format for Profit & Loss Account

Expenses:		G.P ^c / _d	xxx
Rent	xxx	Disc received	xxx
Wages & salaries	xxx	Bank interest	xxx
Insurance paid	xxx	Commission received	xxx
Lighting	xxx	Bad debt recovered	xxx
Heating	xxx	Profit from sales of an asset	xxx
Stationery/postages	xxx	Bills receivable	xxx
Carriage outward	xxx		
Bank charges	xxx		
Advertising/repairs	xxx		
Net profit/loss	<u>xxx</u>		<u>xxx</u>

PROFIT AND LOSS ACCOUNT

This is a financial statement in which the revenue earned by a business is matched against the expenses incurred in earning it; the resulting difference being the profit or loss.

Income or gain are credited while expenses are debited.

The list of balances are extracted from the book of Bunmi.

	N
Stock of the beginning	10,000
Purchases	20,600
Purchase return/return outward	800

Carriage inward	1,200
Sales	30,200
Sales returns	600
Wages	2,000
Salaries	2,500
Insurance premium	1,000
Rent and rate	800
Disc allowed	150
Disc received	360
Commission received	1,500
Closing stock	12,000

You are required to prepare, trading P & L account for Oluwa Bunmi for the year ended 31st December, 2016, using the above information.

PROFIT AND LOSS ACCOUNT

This is a statement which summarizes the true position of a business at a given period of time, usually at the end of accounting period.

BALANCE SHEET

This is a financial statement showing assets, liabilities, owner's equity of the business organization, on a specific or particular date.

It is a point in time in which financial condition of a business entity is determined. The balance sheet consists of two sides; the assets side and the liability or owner's equity side.

All assets has sources represented by liabilities or equities. Any process by which an assets is acquired entails increase in either the liabilities or equities. All assets are financed by liabilities or owner's equity.

The two sides of a balance sheet must always be balanced that is why it is called a BALANCE SHEET.

Balance Sheet Formulae:

- Capital Invested: Actual capital invested into the business by the owner.
- Capital Owned: Capital at the beginning of the year + profit – drawings.
- Capital Employed: Capital owned + the total liabilities.
- Working Capital: Current assets – current liabilities.

BALANCE SHEET FORMAT

	₦	₦	Fixed Asset	
Capital		xxx	L & B	xxx
Add: Net Profit	xxx		MV	xxx
			Less: Dep. if any F x F	xxx
Less Drawings	xxx		Goodwill	xxx
Liabilities			P & M	xxx
% Debenture	xxx		Less: Dep. if any	xxx
			CURRENT ASSET	xxx
CURRENT LIABILITIES:			Stock	xxx

Mortgage loan	xxx		Debtors	xxx	
Creditors	xxx		Cash at Bank	xxx	
Bills Payable	xxx		Cash in Hand	xxx	
Income in Advance	xxx		Bills Receivable	xxx	
Accrued Expenses	xxx	<u>xxx</u>	Payment in advancement	xxx	
			Income in Arrears	xxx	<u>xxx</u>
		<u>xxx</u>			<u>xxx</u>

Prepare the Balance Sheet for Richmond from the figures given below which are his balances as at 31st December, 2016.

Particulars	Dr	Cr
Capital		12,000
Hand & B	9,235	
Mortgage on premises		5,545
Drawings	1,500	
P & L account balance		1,800
F & F	2,560	
MV	1,731	
Closing stock	1,500	
Debtors	5,737	
Creditors		3,677
Cash book balance/cash in hand	759	

Answers

Trading profit and loss account for Oluwa Bunmi for the year ended 31st December, 2016

Dr	₦	₦	Cr	₦	₦
Opening stock		10,000	Sales		30,200
Added purchases	20,600		Less return inward		600
Add carriage inward	<u>1,200</u>				
	21,800				
Less return outward	<u>800</u>				
Cost of goods available for sale	21,000				
Less closing stock	<u>12,000</u>				
Cost of goods sold		<u>9,000</u>			
Gross profit		<u>10,600</u>			
		<u>29,600</u>			<u>29,600</u>
Expenses:					
Wages	2,000		Gross profit c/d		10,600
Salaries	2,500		Discount received	360	
Insurance premium	1,000		Commission received	<u>1,500</u>	<u>1,860</u>
Rent and rate	800				
Discount allowed	150	<u>6,450</u>			
Net profit		<u>6,010</u>			
		<u>12,460</u>			<u>12,460</u>

Balance sheet for Richmond as at 31st December, 2016

Dr					Cr
	₦	₦	Fixed Asset	₦	₦
Capital		12,000	L & B	9,235	
Add net profit	<u>1,800</u>	<u>13,800</u>	F & B	2,560	
Less drawings		<u>1,500</u>	NA/VI	<u>1,731</u>	<u>13,526</u>
		12,300			
Long Term Liabilities:			Current Asset		
Mortgage on premises	5,545		Stock	1,500	
			Debtors	5,737	
Current Liabilities:			Cash in hand	<u>759</u>	<u>7,996</u>
Creditors	<u>3,677</u>	<u>9,222</u>			
		<u>21,522</u>			<u>21,522</u>

ADJUSTMENT

A trading profit and loss adjustment are also known as additional information or footnote that should be treated twice, first, in the P & L account and second, in balance sheet.

Basically they are four types of adjustment:

1. Payment in advance
2. Payment in arrears
3. Provision for bad debt
4. Provision for depreciation

After a business has been extracted, some extra information is given and it is usually treated in two ways:

1. Profit & Loss
2. Balance Sheet

Advance Account Treatment: For payment in advance, the said amount is being deducted from the transaction concerned in the profit and loss, thereby adding it in the balance sheet. At such, it is deducted in the P & L, but added in the balance sheet.

Provision for Bad Debt: Bad debt is the actual debt that has been written off. An irrecoverable debt and it is treated as an expense in the trading profit and loss account. Therefore provision for bad debt affects Debtors in the balance sheet. It is added to the debtors list.

Depreciation: This can be defined as the fall in the value of an asset. It is also known as the wear and tear of assets.

TRADING PROFIT AND LOSS ACCOUNT ADJUSTMENT

Example 1

The following balance was drawn by Uyinme & Sons Ltd on the 1st December, 2016.

	1/12/2016	Dr	Cr
Capital			40,000
Purchases		81,500	

Stock (1/1/2016)	5,200	
Wages	6,165	
Sales		108,850
Creditors		15,100
Salaries	3,780	
Debtors	6,750	
Motor Van	18,000	
Cash @ Bank	6,735	
Electricity & phone bills	890	
Rate	2,250	
Building	38,000	
Discount received		1,050
Discount allowed	610	
Rent income		3,200
Commission income		1,800
Cash in hand	120	

The following additional information is also available:

1. Stock in trade on 31/12/2016 5,460
2. Wages & salaries outstanding are 490 & 640 respectively
3. Rate have been paid for 15 months up to 31st March, 2017
 $\frac{2,250}{15} = 150$ (13 x 150 = 450)
4. Commission is due from client 300 for jobs already completed
5. One of the tenant have already paid rent for 1/1/2017 for 200

Required:

- a) Prepare trading P & L account and a balance sheet as at 31st December, 2016.

Trading Profit & Loss Account for Uyinme for the ended 31/12/2016

Dr			Cr
	₺	₺	₺
Opening stock		5,200	108,850
Add: Purchases	81,500		
		86,700	
Wages (615 + 490)	6,655		
Cost of goods avail. For sale		93,335	
Less closing stock		<u>5,460</u>	
		87,895	
Gross profit (108,550-87,895)		<u>20,955</u>	
		<u>108,850</u>	<u>108,850</u>
<u>Expenses:</u>			
Salaries (3,780 + 640)	4,420		Gross profit c/d 20,955
Electricity & phone bills	890		Discount received 150
Rate (2,250 - 450)	1,800		Rent income (3,200-200) 3,000
Discount allowed	<u>610</u>	<u>7,720</u>	Commission income (1800+300) 2,100
Net profit (27,105 – 7,720)		<u>19,385</u>	
		<u>27,105</u>	<u>27,105</u>

Dr

Uyinme balance sheet as at 31st December, 2016

Cr

	N	N		N
Capital		40,000	Fixed Asset:	
Add: Net profit		<u>19,385</u>	Building	38,000
		59,385	Motor van	<u>18,000</u>
				56,000
Short term Liabilities:			Current Asset:	
Creditors	15,100		Stock	5,460
Accruals (490 + 640)	1,130		Debtors	6,750
Rent owed	<u>200</u>	<u>16,530</u>	Cash @ Bank	6,735
			Cash in Hand	120
			Commission Owed	300
			Prepayment	<u>450</u>
		<u>75,815</u>		<u>75,815</u>

Assignment

From the following trial balance extracted from the books of Richmond Rita on the 31st December, 2017, you are required to prepare trading P & L account for the year ended 31st December, 2017 and the balance sheet as at that date.

Particulars	Dr	Cr
Stock (Jan)	7,245	
Purchases	9,172	
Sales		12,936
Leasehold land & building	4,000	
Fixtures & fittings	500	
Return inward	194	
Return outward		213
Rent receivable		90
Advertising	424	
Rate	124	
Sundry debtors/creditors	1,680	1,040
Bad debt	104	
Provision for bad debt		60
Salaries	1,720	
Carriage inward	95	
Carriage outward	121	
Disc allowed/received	153	139
Postage & stationery	127	
Drawings	360	
Cash in hand	29	
Cash at bank	430	
Capital		6,000

Additional Information:

- a) Provision for bad debt stands @ 5% of sundry debtors
- b) Salaries owing as at 31st December amounted to N30
- c) Rite Richmond's tenant owned them $\frac{1}{4}$ (one quarter) rent
- d) Rate paid in advance amounted to N31
- e) Goods valued N40 was withdrawn by Rita and was not entered in the books of account.
- f) Unused stock of stationery was valued at N59

- g) N200 of advertising expenses is to be carried forward
- h) Leasehold land & building is to be depreciated at 5% and F & F 10% per annum
- i) Stock as at 31st Dec. 2017 was valued at N1,369

Control accounts are account kept for credit sales and credit purchases.

In other words, this account is basically kept for debtors & creditors. As such there are two types of control account.

- a) Sales ledger control account (total debtors control account)
- b) Purchases ledger control account (total creditors control account)

In sales ledger control account, anything that will reduce the debtor's indebtedness should be credited in his account. While for anyone that will increase the debtor's indebtedness should be debited in his account. Debtors control account is an asset account.

In purchase ledger control account, anything that will increase creditor's income should be debited in his account, while anything that will reduce creditor's income should be credited in his account. It is also pertinent to note that it is the debtor that keeps the books of the creditor and vice versa for accurate reckoning of transactions. E.g. Record the following transaction in the appropriate book for ABC Ltd.

- 1) Balances (Debit & Credit)
- 2) Purchases
- 3) R/I
- 4) R/O
- 5) Sales
- 6) Bad debt
- 7) Disc all
- 8) Disc received
- 9) Payment to creditors
- 10) Receive from debtors
- 11) Setoff
- 12) Dishonoured cheque

Solution

Sales ledger		Control (total D)		Purchases ledger		Control account	Total C
Balance B/F	xxx	R/I	xxx	R/O	xxx	Bal. B/F	xxx
Sales	xxx	Bad debt	xxx	DIS RCC	xxx	Purchase	xxx
Dishonoured Cheque	xxx	Disc all	xxx	Payment C	xxx		
		Receive from D	xxx	Bill Payable	xxx		
		Bill Receivable	xxx	Set off	xxx		
		Setoff	xxx				
	xxx		xxx		xxx		xxx

Note: For any contra entry purchase control account is a dr balance while sales control account is a cr balance.

Deborah include the following items in their books for the year ended 2017. The sales ledger balance of Deborah was N16,220 while the purchase ledger balance was N6,310. Consider the following transaction and record them in the appropriate account.

Sales day book	101,005
Purchase daybook	52,606
Sales R dB	1,040
Contra entry	1,551
Bad debt	2,150

In cash book:

Sales ledger items	9,643
Purchase ledger items	152

In cash book cr:

Purchase ledger item	49,200
Sales ledger item	1,400
Discount allowed	1,920
Discount received	867
Purchase ledger dr balance as at 31 st	65
Sales ledger cr balance as at 31 st	244

Require:

Prepare memorandum control account for sales and purchase ledger.

Solution

SALES LEDGER ACCOUNT (DEBTORS)

Balance b/f	16,220	Balance b/f	244
Sales	101,005	Sales return	1,040
Transfer item	1,400	Contra	1,551
		Bad debt	2,150
		Discount allowed	1,920
		Transfer	96,434
		Balance c/d	<u>15,630</u>
	<u>118,869</u>		<u>118,869</u>
Balance b/f	15,630	Balance c/d	244

PURCHASE LEDGER ACCOUNT (DEBTORS)

Contra	1,557	Balance b/f	6,310
Discount recorded	867	Purchases	52,606
Transfer	49,200	Transfer	157
Balance c/d	<u>7,575</u>	Balance c/d	<u>65</u>
	<u>59,193</u>		<u>59,193</u>
Balance c/f	65	Balance b/d	7,575

Prepare the necessary control account from the following information for the year ended 31st December, 2017.

	₦
Purchases	15,327
Bad debt written off	220
Bills payable	2,170
Bills receivable	5,000
Interest charge to customers	8
Purchases returns	89
Payment to creditors	22,538
Receive from debtors	14,308
Bills receivable dishonoured	575
Sales return	301
Discount allowed	526
Discount received	327
Cash repaid to debtors	75
Cheque from debtors returned unpaid	25
Sales and purchase ledger contra	1,017
Bills payable returned for non-payment	150
Sales	20,051
Bad debt recovered including in cash from debtors	9
Creditors Balance as at (1 Jan. 2017)	5,751
Debtors Balance as at (1 Jan. 2017)	4,141

Rita Richmond trading profit and loss account for the year ended 31st Dec.

Dr			2017			Cr
	₦	₦		₦	₦	
Opening stock		7,245	Sales	12,936		
Add: Purchases	9,172		Less: R/I	<u>194</u>		
Carriage Inwards	<u>95</u>	<u>9,267</u>				12,742
		16,512	Gross Loss			2,188
Less: Return outward	213					
Cost of goods avail. for sale		16,299				
Less: Closing stock	1,369	<u>14,930</u>				<u>14,930</u>
Expenses:						
Gross loss d/d		2,188	Discount received	139		
Advertising (424 + 200)		624	Net loss	5,333		
Rate (124 - 31)		93				
Bad debts		104				
Salaries (1,720 + 30)		1,750				
Discount allowed		153				
Provision for bad debt		3				
Depreciation L & L		200				
F & F		50				
Carriage outward		121				
Postage & stationery (124+59)		<u>186</u>				
		<u>5,472</u>		<u>5,472</u>		

Rita Richmond balance sheet as at 31st December, 2018

	₦			₦
Capital	6,000	Fixed Asset:		
Less: net loss	<u>5,533</u>	Land & building	4,000	
	667	Less: depreciation	<u>200</u>	3,800
Less: drawings	<u>400</u>	F & F	500	
	267	Less: Depreciation	<u>50</u>	<u>450</u>
				4,250
Current Liabilities:		Current Assets:		
Sundry creditors	1,040	Stock	1,369	
Rent owing	23	Debtors	1,080	
Salaries owing	30	Rent receivable	90	
			3,139	
		Less: provision for bad debt	60	3,079
		Cash in hand		29
		Cash at bank		<u>430</u>
	<u>7,785</u>			<u>7,785</u>

Dr	Sales Ledger Account (Debtors)	Cr
Balance b/f		301
Sales	20,051	526
Dishonoured cheque	25	1,017
Dishonoured bills	575	220
Bad debt recovered	9	5,020
		14,308
		8
		75
		<u>3,326</u>
	<u>24,801</u>	<u>24,801</u>
Balance b/f	3,326	

MANUFACTURING ACCOUNT

Manufacturing here means the production of goods from raw materials. When we talk about manufacturing account we mean the production of raw material and selling them/such goods while trading is concerned with buying of readymade goods and selling them. Just like the Tale of the wholesaler, manufacturing account is been prepared by the manufacturer or producer to find out what profit is made in the manufacturing processes and also to find out the cost involved in the manufacturing processes.

Purpose of the Manufacturing

The very first and actual purpose of a manufacturing account is to ascertain the real cost of producing a good. This can be obtained through the following processes:

1) To ascertain the cost of material used or consumed in the production process.

	£
Opening stock of raw materials	xxx
Add: purchase of raw materials	xxx
Add: carriage inward of raw materials	xxx
Less: R/O of inward of raw materials	xxx
Total material available	xxx
Less: closing stock raw material available	xxx
Cost of material consumed	xxx

Note: Total purchases of raw materials + carriage inward of materials less R/O of raw materials is equal to net purchases.

In the manufacturing, showing the cost of production will always show the opening & closing stock of raw materials, wages of factory workers and other production expenses such as fuel, lighting, power, factory rent, depreciation of factory overheads, rent is frequently put here rather than P & L account. In additional item will be unfinished or partly finished goods. They are valued at the beginning and at the end of trading or accounting period. These unfinished goods according to the kind of product will mostly be found in the TB as well as the Balance sheet as work in progress (W.I.P), while that of building or any form of engineering work will be classified as uncompleted contract. The cost of manufacturing goods is divided into four broad categories;

1. Prime Cost: This includes the cost of direct material, labour and expenses incurred in producing a finished product. It actually varies with the volume of production.
2. Factory Overheads: This kind of overheads are direct consequence of the process of production and as such it forms part of the goods sold, e.g. factory fuel, power, salaries, insurance, depreciation of lands & machinery in the factory.
Therefore, prime cost & factory overhead are added to arrive at the production cost or cost of goods manufactured.
3. Selling and Distribution Overheads: These expenses are incurred after the goods have been manufactured. As such, they do not form part of the production cost. E.g. salesman salaries, carriage outward, commission, depreciation of delivery of vehicles, etc.

Administrative Overhead: These expenses do not form part of the production cost, they are purely administrative expenses: e.g. office rent, stationery, office insurance, postages, depreciation on office equipment, etc.

In the calculation of profit of a manufacturing company, it involves the preparation of three final accounts:

1. The manufacturing account: This is drawn up to calculate the production cost.
2. The trading account: This is prepared to compare gross profit. Production cost is transferred to trading account where it is deducted from sales to ascertain gross profit.
3. The P & L Account: This one is used to compare what is known as the net profit. The gross profit from trading account is forwarded to P & L account where other

expenses such as selling, distribution, administrative overheads are deducted from gross profit to ascertain the net profit.

Stock: In manufacturing concern we will sure have three sets of opening & closing stock. They are as follows;

- 1) Stock of raw materials
- 2) Stock of work in progress or unfinished goods
- 3) Stock of finished goods

It is pertinent to note that, if the closing stock of W.I.P is > the opening stock of W.I.P, the difference is deducted from the cost of raw materials used. If the reverse is the case, it is added to the cost of raw materials.

Example:

The following balances were extracted from Richmond Textile Industry on 31st Dec. 2017

Stock (1/1/2012)	₹	₹	
Raw materials	14,330		
W.I.P		1,370	
Finished goods		22,650	
Stock: (31/12/2017)			
Raw materials	17,340		
W.I.P		2,110	
Finished goods		26,290	
Purchase of raw materials			234,560
Carriage on raw materials			9,870
Direct wages			76,600
Salaries factory			24,000
Office			41,900
Sales			16,500
Light & power: factory			38,450
Office			2,540
Advertisement			6,500
C/O			11,220
Sales of finished goods			350,000

Required:

Prepare the company's manufacturing & trading & profit & loss account.

RICHMOND MANUFACTURING ACCOUNT

Dr	For the year Ended 31/3/2017		Cr
	₹	₹	
Opening stock of RM		14,330	Cost of goods manufactured
Add: Purchase of RM	234,560		379,930
Add: Carriage Inward	9,870	<u>244,430</u>	
RM Available		258,760	
Less Closing Stock		<u>17,340</u>	
Cost of RM Issued		241,420	
Less: Excess of CL Stock of WIP			

Over the OP. stock of WIP	(2,110-1,370)	<u>840</u>	
RM Cost of finished goods		240,880	
Direct Wages		<u>76,600</u>	
Prime Cost		317,480	
Factory Overhead	24,000		
Lighting	<u>38,450</u>	<u>62,450</u>	
		<u>379,930</u>	<u>379,930</u>

Richmond Profit and Loss Account for the year Ended 31/12/2018				
Dr			Cr	
	₦	₦		
Opening stock of finished goods		22,650	Sales of finished goods	550,000
Add: Cost of goods manufactured		<u>379,950</u>		
Cost of goods available for sale		402,580		
Less: Closing stock of finished goods		<u>26,290</u>		
Cost of sale		376,290		
Gross profit		<u>173,710</u>		
		<u>550,000</u>		<u>550,000</u>
Selling & Dist Overhead:			G.P c/d	173,710
Carriage Outward	11,220			
Salesman Salary	16,500			
Advertisement	6,500			
Admin. Overhead:				
Office Salaries	4,900			
Lighting & Power	2,540	78,660		
Net Profit		<u>95,050</u>		
		<u>173,710</u>		<u>173,710</u>

Assignment:

The following transaction relates to the operation of Aniekan Plc, a manufacturing company for the year ended 31st December, 2017.

Beginning Stock	₦	₦
Raw material	5,400	
WIP		2,000
Invoice price of RM		
Purchase		83,500
Transit insurance on purchase		860
Landing charge		8,400
Carriage on purchase		640
Factory machinery and equipment		750,000
Factory building		150,000
Insurance on factory installation		4,100
Direct wages		29,000
Factory maintenance		6,500
Water rate and electricity		7,100
Supplies purchases		8,500
General expenses		5,600

On Dec. 31 st the following item were in stock		
R/M	9,600	
WIP		3,400
Supplies	1,500	
Beginning stock of finished goods		12,000
Purchase of finished goods		680,000
Carriage and freight of finished goods		13,600
Sales of finished goods		211,300
Discount allowed		14,000
Received		
Capital account		500,000
Debtors		240,000
Creditors		150,000
Cash in hand & at bank		50,000
Bank loan (8% interest paid)		245,000
Salaries		485,000
Office equipment		80,000
F & F		50,000
Rent & insurance		40,000
Vehicles		175,000
Electricity & power		32,400
Closing stock of finished goods		11,100

The fixed assets are to be depreciated as follows:

Building	5%
M & Equipment	10%
F & F	12.5%
Vehicle	20%

Required:

1. Prepare a manufacturing account
2. Prepare trading profit and loss account
3. The balance sheet as at 31st December, 2018

ANIEKAN MANUFACTURING ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2016

Dr	₦	₦		Cr
Opening stock of R/M		5,400	Cost of goods manufactured /production cost of goods	229,300
Add: purchase	83,400			
c/i	640			
Landing charge	8,400			
Transit insurance	860	<u>93,300</u>		
R/M available		98,700		
Less: c/s of R/M		<u>9,600</u>		
R/M issued		89,100		
Less: Excess of C/S WIP over Excess of OP/S of WIP (340-2000)		<u>1,400</u>		
R/M cost of finished goods		87,700		
Direct wages		<u>29,000</u>		
Prime cost		116,700		
Factory Overhead:				

Insurance installation	4,100		
Maintenance	6,500		
Water, rate & etc.	7,100		
Supplies	8,500		
General expenses	5,600		
Depreciation building	7,500		
Machineries	75,000	<u>112,800</u>	
Cost of goods produced		<u>229,500</u>	<u>229,300</u>

TRADING PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2016

Dr	₦	₦		Cr
Opening stock of finished goods		12,000	Sales of finished goods	2,011,300
Add: purchase of finished goods		680,000		
Carriage and freight		13,600		
Cost of goods manufactured		229,500		
Cost of goods available for sale		935,100		
Less: closing stock of finished goods		<u>11,100</u>		
Cost of goods sold		924,000		
Gross profit (211,300 – 925,500)		<u>1,087,300</u>		
		<u>2,011,300</u>		<u>2,011,300</u>
Expenses:			Gross profit b/d	1,087,300
Discount allowed	14,000		Discount received	27,200
Salaries	485,000			
Rent & insurance	40,000			
Electricity & power	32,400			
Interest on loan	19,600			
Depreciation				
Office equipment	80,000			
	(8% of			
	245,000)			
Furniture & fittings	6,250			
Vehicle	<u>35,000</u>	<u>640,250</u>		
Net profit (1,114,500 – 640,250)		<u>474,250</u>		
		<u>1,114,500</u>		<u>1,114,500</u>

ANIEKAN PLC BALANCE SHEET AS AT 31ST DECEMBER, 2017

Dr			COST	DEP	NBV	Cr
			₦	₦	₦	
Capital	500,000	Fixed Assets				
Add: Net profit	<u>474,250</u>	Factory machines	750,000	75,000	67,500	
	974,250	Factory building	150,000	7,500	142,500	
		Office equipment	80,000	8,000	72,000	
Current Liabilities:		F & F	50,000	6,250	43,750	
Creditors	150,000	Vehicle	175,000	35,000	<u>140,000</u>	
	<u>19,600</u>					1,073,250
	169,600					
Long Term Liabilities:		Current Asset:				
Bank loan	<u>245,000</u>	Stock:				
	<u>414,600</u>					

Finished goods	11,000	
Supplies	1,500	
WIP	3,400	
R/M	<u>9,600</u>	25,600
Cash in hand & @ bank		50,000
Debtors		<u>240,000</u>
		<u>315,600</u>
<u>1,388,850</u>		<u>1,388,850</u>

ACCOUNT OF NON-TRADING ORGANIZATION

As long as we prepare the trading P & L account for trading companies to know the performance, i.e. (if the company is making profit or loss) during the year and also the Bs to find out how they spend financially. It is very important to non-trading organizations to prepare an account to find out how the members are faring, and make sure the fund being contributed by members are properly utilized and not misappropriated or embezzled. E.g. of non-profit organization are clubs, churches, association, union, etc. This people in place of CB, they prepare receipt and payment account and in place of P&L, they prepare income and expenditure account.

Books kept by Non-profit Organization

1. Register of members
2. Minute books for recording of proceedings
3. Cash receipt which is being issued when a club member pays any form of money
4. Cash payment: kept when people are working in the club. It takes care of their wages and salaries.
5. General journal

Account prepared by Non-Profit Organization

Ledger account
 Receipt and payment account
 Final account
 Income and expenditure account
 Balance sheet

Note: Treatment of some special items in income and expenditure account.

1. **Legacy:** This legacy is a form of decrease to a social club, therefore you debit receipt and payment account, and credit income and expenditure account, because it is a capital receipt unless it is otherwise stated. If it is regarded as capital Y, the next treatment after receipt and payment account is in the 13 sheet.
2. **Donations:** This donations are gift from members, corporate bodies or any other person, we therefore Dr receipt and payment account and it is also treated as capital receipt. However, D is Cr to income and expenditure account.
3. **Life membership fee:** It is a lump sum paid by members for his/her subscription. Here it is treated as capital receipt.

4. **Entrance fee:** Entry or registration fee is paid once on entry by members. It is also regarded as capital receipt. We Dr R & P account.
5. **Sales of whole asset of a club:** Cash received from the sales of whole assets is Dr to R&P account. If it is a loss, it is Dr to income and expenditure account while if it is a gain, it is Cr in income and expenditure account.
6. **Sales of whole newspaper and magazine:** This is treated as income or revenue receipt. Therefore you Dr R&P account and Cr income and expenditure account.
7. **Sales of Sport Materials:** Debit R&P account and credit income and expenditure account.
8. **Special fund:** This sort of fund is not treated in income and expenditure account, it is rather opened in the balance sheet. Asset side and any expenses are deducted from fund account on the liability side. So, income from such investment is also added to accumulated fund account

Example 1:

The AJU Sport Club took off on the 1st June, 2003 and earned in the 30th May, 2004. Their receipt and payment for the year was as follows:

Dr	Receipt and payment		Cr
Particulars	N	Particulars	N
Subscription	9,450	Rent and rate	1,500
2003 – 2004		Stationery & printing	760
2004 – 2005	520	Equipment repairs	2,400
		Furniture purchases	4,660
Entrance fee:	2,360	Salaries & wages	2,600
Bar taking	10,120	Bar purchases	7,950
Equipment hire	970	Post office deposit	2,250
Sundries	190	General & sundry expenditure	2,070
Post office interest	40	Newspaper & magazines	180
Gift for furniture	2,000	Cash in hand	280
		Cash at bank	<u>1,000</u>
	<u>25,650</u>		<u>25,650</u>

You are required to prepare an income and expenditure account for the year ended 30th May, 2004 and a balance sheet as at that date, taking into account the following:

- a) N50 owing by member for hiring of equipment
- b) Bar creditors as at 30th May 2004 was N50
- c) General Expenses unpaid N100
- d) Depreciation of equipment by N200 and furniture by N460
- e) Bar stocks as at 30th May, 2004 was Nil

AJU SPORT CLUB
INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 30TH MAY 2004

Dr	₦	₦	₦	₦	Cr
Rent & rate		1,500	Subscription		9,450
Stationery & printing		760	Bar taking		10,120
Salaries & wages		2,600	Sundries		190
Bar purchases:			Equipment hire	970	
Cash	7,950		Add: Arrears	<u>50</u>	1,020
Credit	<u>50</u>	8,000	Post office interest		<u>40</u>
Gen. Exp. & Sundries	2,070				
Add: Arrears	<u>100</u>	20,170			
Newspaper & magazine		180			
Dep: Equipment		200			
Furniture		460			
Excess of Income over Expenditure surplus		4,950			
		<u>20,820</u>			<u>20,820</u>

AJU SPORT CLUB
BALANCE SHEET AS AT 30TH MAY 2004

		<u>Assets:</u>	
Capital:		Cash in hand	280
Gift	2,000	Cash @ bank	1,000
Surplus	<u>4,950</u>	Post office deposit	2,250
Accumulated fund for 30 th May	6,950	Equipment hire unpaid	50
Liabilities:		Equipment	2,400
Entrance fee	2,360	Less: depreciation	(200)
May sub prepared	520		2,200
Gen. exp. unpaid	100	Furniture	4,600
Bar creditors	<u>50</u>	Less: depreciation	(460)
	<u>9,980</u>		<u>4,200</u>
			<u>9,980</u>

BANK RECONCILIATION STATEMENT

This is the book which the Bank prepares showing the transactions between itself and customers. As a matter of necessity, the balance of Cashbook and the Bank statement must be equal. When there is difference in the balances, there is far need for reconciliation.

There Bank Reconciliation Statement can be defined as a statement that is being prepared to reconcile the disagreement of the Cashbook and that of Bank statement. This

reconciliation is necessary in order to test the accuracy of the posting in the Cashbook, by reconciling the balance of the Cashbook with that of Bank statement.

Reasons for Disagreement between Cashbook and Bank Statement

These are some timing and information differences which can cause disagreement:

1. Unpresented cheque
2. Uncredited cheque
3. Dishonoured cheque
4. Bank cheques/interest
5. Standing order
6. Dividend
7. Credit transfer
8. Direct debit
9. Undercasting and overcasting of the cashbook balance

Preparation of Banks Reconciliation Statement format A. When starting with the balance of CB/balance/per cashbook.

BANK RECONCILIATION STATEMENT AS AT 31ST DECEMBER, 2017

Balance as per Cash Book	₹		₹
Add: Unpresented cheques			XXXX
Credit transfer	XXXX		
Dividend	XXXX		
Undercasting of the CB Balance	<u>XXXX</u>		<u>XXXX</u>
Less: Uncredited cheques	XXXX		
Bank charges	XXXX		
Bank commission	XXXX		
Standing order	XXXX		
Dishonoured cheque	XXXX		
Overcasting of the receipt side of the CB	XXXX		<u>XXXX</u>
Balance as per B/statement			XXXX

Format B

On the other hand, if you want to start with balance as per Bank Statement

Balance as per Bank Statement	₹		₹
Add: Uncredited cheques	XXXX		
Bank commission	XXXX		
Standing order	XXXX		
Dishonoured cheque	XXXX		
Overlasting of the receipt side of the CB	XXXX		XXXX
Less: Unpresented cheque	XXXX		
Credit transfer	XXXX		
Dividend	XXXX		
Undercasting of CB total	XXXX		<u>XXXX</u>
Balance as per CB			XXXX

BANK OVERDRAFT

This is a situation whereby the cashbook balance might have been overdrawn; the cashbook will show a Cr balance if so happens. So the adjustment needed to R the disagreement is a complete opposite of when the cashbook shows a Dr balance.

Overdraft as per Cashbook

(We do exactly what we did in balance as per bank statement). Format B or you use overdraft as per bank statement which you use for Format A.

FARM ACCOUNT

Farm accounting has assumed a different dimension in recent time in Nigeria. This is because there has been clamour by government for people to take up farming as a source of livelihood. As such, farm accounting cannot be overlooked.

Therefore accountant needs to prepare and face this part of accounting seriously. Most of the present farms in Nigeria today engaged in mixed farming. These are:

Palm plantation
Plantain plantation
Cocoa plantation
Fish farming
Cassava farming
Poultry farming
Animal husbandry

In this farm accounting, we will only focus on the prime stage of financial accounting. We will prepare B/Account.

1. Recording of transaction
2. Preparation of production trading P & L account
3. Balance sheet

An attempt will be made to the analysis of accounting data for management use.

Objectives of Farm Accounting

1. It provides accounting data which enables farmers to improve on their investment pattern.
2. Maintaining a proper accounting record also helps the farmer to obtain loan from banks and access other benefit accrued to him/her.
3. It also help the farmers to deal with the method of investment in the business and also ascertain the result achieved during the period of the accounting year.