

## FIRST TERM SCHEME OF WORK FOR SS3

### FINANCIAL ACCOUNTING

WEEKS	TOPICS
1	REVISION
2	Preparation of company income statement
3	Appropriation account of a company – Goodwill preliminary expenses, reserves, dividend, bonuses
4	Company balance sheet – vertical and ‘T’ formats
5	Capital markets <ul style="list-style-type: none"><li>- Meaning, reasons for regulation, types of regulation, condition of enlisting in capital market</li></ul>
6	Security and exchange commission <ul style="list-style-type: none"><li>- Functions, objectives, protection of investors, tools of regulation, registration, surveillance and monitoring, investigations, enforcement, rule making</li></ul>
7	Nigeria Stock Exchange <ul style="list-style-type: none"><li>- Definition, functions, operations</li><li>- Members (jobbers, brokers etc)</li><li>- Abuja stock/commodity exchange</li></ul>
8	Hire purchase/instalment payment account <ul style="list-style-type: none"><li>- Sellers and hirers ledger</li><li>- Goods account, finance house</li><li>- Hire purchase account/interest account</li></ul>
9.	Consignment Account <ul style="list-style-type: none"><li>- Meaning, terminologies (Decredere commission)</li><li>- Consignor and consignee accounts</li><li>- Accounting entries in the books of the consignee</li></ul>
10	Joint Venture <ul style="list-style-type: none"><li>- Meaning, differences between joint venture and partnership</li><li>- Joint venture (individual account)</li><li>- Joint venture memorandum account</li></ul>
11	REVISION
12	EXAMINIATION

## WEEK TWO

### TOPIC: PREPARATION OF COMPANY INCOME STATEMENT

#### CONTENTS

- a. Profit and loss appropriation account and its uses
- b. Treatment of goodwill and preliminary expenses
- c. Amount transferred to reserve for bonuses and dividends
- d. Preparation of company's balance sheet
- e. Analysis or interpretation of the final account of company using simple ratios

#### DEFINITION OF TERMS

The following terms are defined as they have been used in this book:

**PROFIT AND LOSS APPROPRIATION ACCOUNT:** this is an account where the profit after tax is being distributed. The directors will approve the distribution in form of dividend, transfer to reserves etc. It is prepared after the profit and loss account.

**DIVIDENDS:** this is an amount paid to shareholders of a company from the profit after tax as a reward for investing in the company. Dividend can be paid as an interim dividend or final dividend.

**Interim dividend:** is the amount that the company's board of directors approved for payment before the accounting year ended, that is during the financial year. It is based on certain percentage as approved. NOTE that interim dividend is paid to only the ordinary shareholders.

**Final dividend:** is the dividend paid at the end of the financial year as proposed by the directors during the annual general meeting.

**RESERVE:** this is an amount set aside from the profit of an organisation for either a general or a specific purpose. It is called specific purpose reserve when it is for capital reserve, while it is called general purpose reserve if it is just kept to reduce the dividend declaring power.

#### PRELIMINARY EXPENSES

These are expenses incurred on the formation of company. All expenses incurred prior to commencement of company operation are termed preliminary expenses.

#### DISTRIBUTABLE PROFIT

The companies and allied matters Act 1990 defines the amount of profit that may be legally distributed by a company. Certain reserves are not distributable under the provisions of the companies and Allied matters Act 1990. The more common reserve so classified are as follows:

- a. The share premium account
- b. The capital redemption reserve
- c. Any reserves which the company is prohibited from distributing. Examples of such reserve are statutory reserves (in case of banks and other deposit houses). Reserves for small scale industries appropriated from profit and revaluation surplus. Distributable reserves are the credit balance in the profit and loss account or a general reserve account.
- d. Unappropriated profit is the amount of profit carried forward as a credit balance on the profit and loss account. it is shown as a reserve in the balance sheet.

Format of profit and loss account

XYZ Company Ltd

Trading, profit and loss account for the year ended 19x4

Sales			XX
Less: cost of sales			XX
Gross profit			<u>XX</u>
Less: Admin expenses	XX		
Director's emolument		XX	
Salaries	XX		
Rents		XX	
Rates		XX	
Insurance		XX	
Electricity		XX	
Repairs and maintenances		XX	
Telephone		XX	
Postages and stationery		XX	
Legal and professional charges	XX		
Depreciation:			
Freehold land and building		XX	
Furniture and fittings		<u>XX</u>	XX
<b>SELLING AND DISTRIBUTION EXPENSES</b>			
Carriage outwards		XX	
Motor expenses		XX	
Depreciation of motor expenses		<u>XX</u>	XX
<b>FINANCIAL EXPENSES</b>			

Interest on debentures	xx	
Bank interest		xx
Discount allowed		xx
Bad debts		xx
Provision for doubtful debt	xx	xx
Profit before taxation		xxx

FORMAT OF APPROPRIATION ACCOUNT AND BALANCE SHEET

XYZ AND COMPANY LTD

PROFIT AND LOSS APPROPRIATION ACCOUNT...