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 course: Accounting For specialized businesses 1)
 course code: ACC 206
 Matriculation Number: 18/sms 02/015
 Department: Accounting

Question & For 4

Salvation Finance Limited

Date	Particulars	Number of shares	Value	Date	Particulars	No of shares	Value
1/3/18	Bank	—	980400	15/3/18	Commission Bank	—	361200
15/3/18	Shares	301000	—	15/3/18	Refund Bank	—	625200
15/3/18	commission shares	154800	—	31/5/18	Sales Bank	250,000	237500
30/4/18	Bank 1st call	—	180600	Balance	—	205800	91065
31/5/18	Prof on sales	—	141745				
31/5/18	Final call	—	12240				
Balance		455800	1,314,985			455,800	1,314,985
Balance		205800	91065				

Working Note

1) ~~Number of shares deposited~~

(2)

1) Cheque deposited

$$0.38 \times 0.86 \times 3,000,000 = 980,400$$

2) Number of Shares to be taken

Number of Shares on offer
Not subscribed by public
Shares unsubscribed

$$\begin{array}{r} 3,000,000 \\ (-2,650,000) \end{array}$$

$$\begin{array}{r} 350,000 \\ \hline 301,000 \end{array}$$

Not to be undertaken $0.86 \times$ unsubscribed

3) Amount due on Application and Allotment of Shares Underwritten

$$(0.38 * 0.8) \times 301,000 = 355,180$$

4) Commission in cash

$$0.86 \times 0.07 \times \text{A} 2 \times 3,000,000 = 361,200$$

Commission in shares

$$0.86 \times 0.03 \times \text{A} 2 \times 3,000,000 = 154,800$$

5) Amount to be refunded to Salvation Finance Ltd

Amount deposited in cheque : 980,400

Amount due on Application & Allot : (355,180)

Amount to be refunded 625,220

6) Amount due on Interest

$$301,000 \times 0.6 = 180,600$$

	#	#
7) <u>Profit of sales of shares</u> -		
Sales proceeds (250,000 × 0.95)		237,500
<u>Cost of shares:</u>		
Amount paid up to date		
301,000 × (0.38 + 0.8 + 0.6)	535,780	
Commission received	(361,200)	
	<u>174,580</u>	
$\frac{230,000}{455,800} \times 174,580$		(95,755)
Profit on sales		<u>141,745</u>

8) Amount due on Final call

$$\cancel{455,800} - \cancel{250,000} = \cancel{205,800}$$

$$301,000 - 250,000 = 51,000$$

$$51,000 \times 0.24 = 12,240$$

Bank A/c

Dr				Cr
15/3	Underwriting	361200	11/3/18 Underwriting	980400
15/3/18	Underwriting	625200	30/04/18 Underwriting	180600
15/3/18	Underwriting	237500	31/05/18 Underwriting	12240

b) Underwriting Commission is ^{commission} paid to ~~the~~ underwriter for taking upon itself the risk of underwriting a percentage of shares from the offer of a company when it is not fully subscribed by the public.

Underwriting Commission in simple terms is payment by ~~the~~ company in shares or cash to another company the underwriting company because the latter ^(i.e. the underwriting company) has agreed to take up a certain percentage of shares which the former has offered if the public does not fully subscribe to it.

While

On Overriding Commission refers to commission paid to an underwriting company/underwriter for finding subscribers for the shares of another company for which it is underwriting. The Overriding Commission is paid by the company offering shares to the underwriting

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Company for finding subscribers for the company's shares

From Application	Shares acquired through
1) It is fixed per share amount based on the number of shares on offer	<u>Underwriting</u> It fluctuates it is based on the number of shares subscribed for by the public
2) It is not based on the number of shares offered by the company	It is based on the number of shares subscribed for by the public

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Question 2 ABUAD FARMS
Statement of Reconciliation as at 31st December

2019		
Value of Assets as at 1st January		
1300 day old chickens @ \$180 each	234,000	
800 2 year old chickens @ \$3480 each	2,784,000	3,018,000
		<u>3,018,000</u>
July 1st 2019		
500, 6 month old chickens as at \$1500 each		750,000
		<u>3,768,000</u>
<u>Dead chickens</u>		
60 @ \$3000		
30 @ \$3000		
30 @ \$2000		
Change in Fair value		2,593,000

Assets as at 31st December 2019		
1240 1 year old chickens @ \$3000 each	3,270,000	
770 2 years old chickens @ \$2000 each	1,540,000	
470 land 1/2 year old chickens @ 3,300 each	1,551,000	6,361,000
		<u><u>6,361,000</u></u>

Working note

(2)

Change in fair value: Closing fair value of assets less
fair value of assets up till July 1st

$$= 6,361,000 - 3,768,000 = 2,593,000$$

- 2) Amount of closing ^{Assets} ~~Inventory~~
- i) 1 year old chickens = 1300 day old chicks - 30 dead chickens
 - ii) 1 1/2 years old chickens = 500 6 month old chickens - 30 dead chickens that would have been 1/2 years old
 - iii) 3 years old chicken = 800 2 years old chickens - 30 dead chickens that would have been 3 years old

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Annual Forms

Statement of Profit or Loss for the year ended
 31st December 2019

	*	*
		6,423,340
Sales: Eggs		
Cost of sales		
Opening Inventory	1,500,000	
Purchases Feed	2,096,570	
Insecticide	156,000	
	<u>3,752,570</u>	
Closing inventory	(1,877,500)	(1,877,500)
		<u>4,545,770</u>
Miscellaneous Income		1450,960
Profit change in fair value		2593,000
		<u>7,589,730</u>
Expenses		
Depreciation: Farmhouse	90,000	
Machinery	157,000	
Staff cost	770,000	
Fuel 2012	260,000	
Marketing cost	168,000	
Repairs	105,000	
	52,500	

expenses cont'd

Insurance

Hire of tractors

Bud debt

Other operating expenses

~~Net loss~~

net profit

77600

100,800

175500

292750

198,9650
~~(27,219,650)~~

~~(19,629,920)~~
5,600,080

Albana Farms

Statement of financial position for the year ended
31st December 2019

	Cost	Accumulated Depreciation	Carrying Value
<u>Non-current Asset</u>			
Land	1,256,785	-	2,810,000 12,567,850
Farm house	27,850,000	(28,290)	27,567,100
Farm machinery	1,329,750	(48,250)	1,280,825
			<u>5,294,320</u>
<u>Current Assets</u>			6,403,000
Biological Assets			3,810,000
			<u>56,753,200</u>
			59,346,200
<u>Current Assets</u>	1,875,000		
Inventory	1,500,000		
Bank and cash	13,146,550		
Receivables	2,578,870		
			17,600,420
			17,225,420
			<u>73,978,620</u>
Total of assets			<u>76,571,620</u> <u>76,946,620</u>

SFP Cont'd

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Equity and Capital

Capital	45,000,000	
net loss profit	56,000,000	
	(19,629,920)	
less drawings	(1,590,000)	
		23,780,080
		49,010,080

Liabilities

payables	1,936,540	
Loan	<u>26,000,000</u>	27,936,540

Total of equity & liabilities		<u>76,946,620</u>
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Question 3

- 1) Freight charges: This is the main source of income for a voyage
- 2) Passage money: This is money charged to passengers in case its a ship carrying passengers on voyage
- 3) Primage: This is ~~extra~~ income charged on voyage in form of surcharge on freight
- 4) Stevedores: These are people who load and unload ships used for voyage
- 5) Tris Bunkers cost This is money used to purchase fuel, coal water used to fuel the ship during voyage.