

INSIGHT

EXAMINERS GENERAL COMMENTS

BREACH OF EXAMINATION INSTRUCTIONS

IN SPITE OF THE EXAMINERS' GENERAL COMMENT IN PREVIOUS EDITIONS OF THE "INSIGHT", IT WAS OBSERVED THAT A NUMBER OF CANDIDATES HAVE CONTINUED TO BREACH EXAMINATION INSTRUCTIONS AS STATED BELOW:

- A) BY ATTEMPTING MORE QUESTIONS THAN ALLOWED IN EACH PAPER; AND

- B) BY ATTEMPTING MORE QUESTIONS THAN ALLOWED IN EACH SECTION.

INADEQUATE COVERAGE OF THE SYLLABUS

IT HAS BECOME MANIFEST THAT MANY CANDIDATES DO NOT COVER THE SYLLABUS IN DEPTH BEFORE PRESENTING THEMSELVES FOR THE EXAMINATION. CANDIDATES ARE THEREFORE ADVISED TO BE ADEQUATELY CONVERSANT WITH ALL ASPECTS OF THE SYLLABUS.

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FOREWORD

This issue of **INSIGHT** is published principally, in response to a growing demand, as an aid to:

- (i) Candidates preparing to write future examinations of the Institute of Chartered Accountants of Nigeria (ICAN) at an equivalent level;
- (ii) Unsuccessful candidates in the identification of those areas in which they lost marks and need to improve their knowledge and presentation;
- (iii) Lecturers and students interested in acquisition of knowledge in the relevant subject contained therein; and
- (iv) The profession in improving pre-examination and screening processes, and so the professional performance.

The answers provided in this book do not exhaust all possible alternative approaches to solving the questions. Efforts have been made to use methods, which will save much of the scarce examination time.

It is hoped that the suggested answers will prove to be of tremendous assistance to students and those who assist them in their preparations for the Institute's Examinations.



NOTE

Although these suggested solutions have been published under the Institute's name, they do not represent the views of the Council of the Institute. They are entirely the responsibility of their authors and the Institute will not enter into any correspondence about them.

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AT/122/PI.1

Examination No:.....

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
PART I EXAMINATIONS – SEPTEMBER 2012
BASIC ACCOUNTING PROCESSES AND SYSTEMS**

Time Allowed: 3 hours

Insert your Examination number in the space provided above

SECTION A - (ATTEMPT ALL QUESTIONS)

PART 1 MULTIPLE-CHOICE QUESTIONS (30 MARKS)

Write ONLY the Alphabet (A, B, C, D, or E) that corresponds to the correct option in each of the following questions.

1. Which of the underlisted organisations is not-for-profit?
 - A. Sole Trading
 - B. Partnership
 - C. Limited Liability Company
 - D. Unlimited Liability Company
 - E. Trade Union

2. The concept of accounting that relates costs of a year against the revenues of that year is
 - A. Matching
 - B. Materiality
 - C. Prudence
 - D. Going concern
 - E. Consistency

3. Which of the following is designed to prove the accuracy of the double entry principle?
 - A. Cash Book
 - B. Sales Day Book
 - C. Purchases Day Book
 - D. Ledger Balance
 - E. Trial Balance

4. Which of the following appears on the debit side of the Sales Ledger Control Account?

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- A. Bill Receivable
- B. Bad Debts
- C. Return Inwards
- D. Transfer to Purchase Ledger
- E. Credit Sales

Use the following information to answer questions 5 and 6:

Below is an extract from the books of Baly Manufacturing Company on 31 December 2011:

	Le
Stocks 1 January	
Raw Materials	6,000
Work in progress	3,200
Stocks 31 December	
Raw Materials	7,200
Work in progress	2,100
Raw Materials Purchased	23,000
Factory Rent	2,500
Factory Electricity	10,000
Direct Wages	25,000
Depreciation on plant and machinery	10,000

5. Prime cost of production is
- A. Le 29,000
 - B. Le 48,800
 - C. Le 69,300
 - D. Le 70,400
 - E. Le 46,800
6. Cost of goods manufactured is
- A. Le 29,000
 - B. Le 48,800
 - C. Le 69,300
 - D. Le 70,400
 - E. Le 72,500
7. The authority responsible for setting international accounting standards is called
- A. International Financial Reporting Standards Committee
 - B. International Standards Reporting Committee
 - C. International Accounting Standards Committee
 - D. International Accounting Standards Board
 - E. International Accounting and Financial Reporting Standards Board

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8. Which of the following is an allowance payable to workers at the end of each month?
- A. PAYE
 - B. Pension
 - C. National Housing Funds
 - D. Transport
 - E. Staff Loan
9. The book for recording small incidental expenses is called.....Book
- A. Petty Cash
 - B. Main Cash
 - C. Columnar Cash
 - D. Imprest Cash
 - E. Float
10. Under inventory subsystem, there is a record on file for each stock item and the record fields might include the following **EXCEPT**
- A. Valuation list
 - B. Stock number
 - C. Description
 - D. Standard cost
 - E. Quantity in stock
11. Suspense account is temporarily used to balance the
- A. Trial Balance
 - B. Manufacturing Account
 - C. Trading Account
 - D. Profit and Loss Account
 - E. Balance Sheet
12. The **concept of accounting** that ignores trivial and insignificant errors is concept of
- A. Matching
 - B. Materiality
 - C. Prudence
 - D. Going concern
 - E. Consistency
13. The error committed by the posting of entries into a wrong class of account is Error of
- A. Omission
 - B. Commission
 - C. Principle
 - D. Compensation
 - E. Original Entry

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14. Which of the following is credited to Purchases Ledger Control Account?
- A. Dishonoured Cheque
 - B. Cash Purchases
 - C. Discount Received
 - D. Bills Payable
 - E. Return Outwards

Use the following information to answer questions 15 and 16

A Fixed Asset is purchased for Le 13,700. It is expected to be in use for 6 years with Le 1,700 residual value. Depreciation is on straight line basis.

15. What is the depreciation in Year 3?
- A. Le 2,000
 - B. Le 2,283
 - C. Le 1,700
 - D. Le 7,700
 - E. Le 9,700
16. What is the Net Book value at the end of year 2?
- A. Le 2,000
 - B. Le 2,283
 - C. Le 1,700
 - D. Le 7,700
 - E. Le 9,700
17. The Franciscan Monk that enunciated the basic principle of double entry was
- A. Luca Pacioli
 - B. Lucia Paciolo
 - C. Lucia Pacioli
 - D. Luka Paciolo
 - E. Luka Pacioli
18. Which of the following is a statutory deduction on payroll?
- A. Pay As You Earn
 - B. Union Dues
 - C. Loan Repayment
 - D. Salary Advance
 - E. Cooperative Society contribution
19. Petty cash book **CANNOT** have a credit balance because
- A. Petty cashier cannot handle cheque
 - B. Petty cashier cannot pay out more than he has received
 - C. Petty cash book is not part of the double entry bookkeeping

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- D. It is different from the cash book
E. It is never operated on the imprest system
20. Programs and other operating information used by a computer are contained in
- A. Software
B. Hardware
C. CD rom
D. Audit trail
E. Back up
21. Which of the under-listed organisations is governed by deed?
- A. Social Club
B. Oil Company
C. Benevolent Association
D. Partnership
E. Unlimited Companies
22. The accounting concept that is suggestive of continuous operation of the business for an unforeseeable period of time is
- A. Matching
B. Materiality
C. Prudence
D. Going concern
E. Consistency
23. Where the debit side of an account is understated by ₦100 and the credit side of a corresponding account of the same company is understated by ₦100, the error committed is Error of
- A. Omission
B. Commission
C. Principle
D. Compensation
E. Original entry

Use the following information to answer questions 24 and 25

The following data is an extract from the records of Adade Limited

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		L\$
Jan 1	Debit balance in Sales Ledger	3,720
“	Credit balance in Purchases Ledger	5,000
Jan31	Cash Sales	20,000
“	Return inwards	1,250
“	Cash payment to suppliers	25,000
“	Discount received	120
“	Cash received from debtors	15,350
“	Customer cheque dishonoured	130
“	Credit balance in Purchases Ledger	1,542
“	Debit balance in Sales Ledger	132

24. What is the credit sale for the month?
- A. L\$12,748
 - B. L\$12,882
 - C. L\$13,142
 - D. L\$20,000
 - E. L\$32,882
25. Credit purchase for the month is
- A. L\$18,338
 - B. L\$18,578
 - C. L\$19,990
 - D. L\$21,662
 - E. L\$25,000
26. The user of accounting information interested in PAYE deduction from salaries of employees is
- A. Investors
 - B. Government
 - C. Public
 - D. Creditors
 - E. Analyst
27. Which of the following items is **NOT** shown in the adjusted cash book when preparing a bank reconciliation statement?
- A. Direct lodgment into bank account
 - B. Cheque lodged by the company but credited into wrong account
 - C. Standing order executed by the bank
 - D. Bank charges made by the bank
 - E. Cheques dishonoured by the bank not notified to the company
28. The addition of basic pay and allowances in a payroll system is called.....pay
- A. Basic

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- B. Gross
 - C. Grand
 - D. Net
 - E. Ghost
29. The fields in each record of Sales Ledger sub-system will include the following **EXCEPT**
- A. Customers' account number
 - B. Address
 - C. Credit limit
 - D. Sales analysis
 - E. Responses to enquiries
30. Which of the following errors will be disclosed by the preparation of a Trial Balance?
- A. Failure to record an entry in the journal
 - B. Failure to post part of an entry in the journal
 - C. Failure to post an entire journal
 - D. Posting the debit of a journal entry as a credit and credit as a debit
 - E. Posting of the debit entry of printing and stationery to the debit of carriage inward

PART II SHORT ANSWER QUESTIONS (20 MARKS)

Write the answer that best completes each of the following questions/statements.

1. What is the full meaning of GAAP?
2. The subsidiary book in which returns outward are recorded is known as.....
3. Conservatism principle is also known asConcept.
4. When the trial balance fails to agree, it is usual practice to determine the difference and take the amount into a temporary account called.....
5. Sales Ledger Control Account is also known as
6. A person or firm to whom money is owed is
7. A mechanism which makes a ledger self-balancing through the use of an adjustment account is called
8. Cards slotted into a clocking machine to register arrival and departure of employees every day is called
9. Deductions made by the employer from employee remuneration based on the authority of the employee is called

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10. Opening capital of a not-for-profit organisation is called
11. Accounting can be defined as the process of identifying, measuring and communicating economic information to permit informed judgments and decisions by
12. The liability of a sole trader is
13. The concept that states that income is recognised when and not whenis the accrual concept
14. The value of an asset at end of its useful life is called.....
15. The revenue earned by a company from the sale of goods or provision of services is
16. Cheques which were received from other parties and lodged with the bank but have not been cleared into the firm's account is referred to as.....
17. Gross Salaries less Total Deductions is.....
18. A comprehensive record of employees' remuneration is called
19. A fixed amount regularly held by the petty cashier for the purpose of financing small expenses is called
20. Inventory subsystem generates transactions in respect of purchase, holding and issuing of

SECTION B Attempt Any FOUR Questions

(50 Marks)

QUESTION 1

- a. Bookkeeping and accounting have always been considered to mean the same thing but with a little distinction which results from different functions performed by the practitioners.

You are required to State **FIVE** functions performed by (i) Bookkeepers and (ii) Accountants. (10 Marks)

- b. The main features of an inventory control system are inputs, outputs and files used. List **FIVE** examples of input documents in a typical inventory control system.

(2½ Marks)

(Total 12½ Marks)

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QUESTION 2

The following information relates to Ibusa North East Local Government for February 2012

Salary Table

S/N	Designation/Position	Grade level	Number	Salary Range
i	Chief Personnel Officer	16/4	1	cedi 720,000 x 12,000
ii	Chief Accountant	15/4	1	cedi 600,000 x 9,600
iii	Deputy Chief Accountant	14/2	2	cedi 540,000 x 8,400
iv	Personnel Officers	09/3	5	cedi 300,000 x 6,000
v	Accountant I	09/3	4	cedi 300,000 x 6,000

<u>Allowances applicable to Grades</u>	<u>Housing allowance</u>	<u>Transport allowance</u>
GL 12 and above	cedi 96,000 pa	cedi 60,000 pa
GL 08 to GL 11	cedi 60,000 pa	cedi 48,000 pa

You are required to:

- Prepare Ibusa North East Local Government Council's payroll for the month of February 2012. (10 Marks)
 - Give **FIVE** reasons why the balance in the Cash Book may **NOT** agree with the balance in the Bank Statement. (2½ Marks)
- (Total 12½ marks)**

QUESTION 3

The following Trial Balance was extracted from the books of Jumai Jinaid, a sole trader in Sierra Leone, at 31 December 2011:

	Le	Le
Capital at 1 January 2011		67,800
Purchases and Sales	291,150	392,175
Wages and Salaries	25,080	
Rent and Rate	19,395	
Debtors and Creditors	54,600	36,525
Sundry expenses	3,750	
Drawings	14,250	
Provision for doubtful debts		2,385
Cash at Bank	24,750	
Stocks at 1 January, 2011	61,590	
Motor Vehicle at cost	10,800	
Accumulated depreciation		6,480
	<u>505,365</u>	<u>505,365</u>

The following additional information is available:

- The closing stock was valued for Le 74,505;

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- ii. The rent is Le 9,600 per annum payable half yearly in advance on 31 March and 30 September;
- iii. Depreciation on vehicle is to be provided using straight line method at 20% per annum;
- iv. The provision for doubtful debts of Le 2,385 was the general provision as at 1 January 2011. At 31 December 2011, Jumai Jinaid decided that Le 1,350 of the debts outstanding should be written off as irrecoverable. He also wished to adjust the provision to 5% of the outstanding debts;
- v. Wages of Le 2,250 were outstanding at 31 December 2011.

You are required to:

Prepare the Income Statement of Jumai Jinaid for the year ended 31 December 2011 and a Balance Sheet as at that date. **(12½ Marks)**

QUESTION 4

Boyles Enterprises keeps its books so that a Sales Ledger Control Account and a Purchases Ledger Control Account are shown in the General Ledger and balanced at the end of each month.

The following details are for the month of January 2012:

		L\$
January 1	Dr Balances in Sales Ledger	21,000
“	Dr Balances in Purchases Ledger	252
“	Cr Balances in Sales Ledger	500
“	Cr Balances in Purchases Ledger	15,300
January 31		
	Bills Payable dishonoured	1,350
	Discount Received	135
	Cheque paid to suppliers	10,000
	Cash paid to suppliers	15,000
		L\$
	Return Outwards	230
	Interest charged on overdue balance of customer	25
	Cash collected from customers (including L\$65 bad debt recovered)	8,565
	Cash returned to customers	125
	Amount set off	1,250
	Bad debts	60
	Dishonoured bills receivable	50
	Bill Receivable	1,035
	Discount Allowed	300
	Provision for doubtful debts	105
	Credit Purchases	32,000
	Cheque returned by suppliers	1,256
	Return Inwards	132
	Credit Sales	50,000

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Allowances by customers		165
Cr Balances in Sales Ledger	1,263	
Dr Balances in Purchases Ledger		1,056

You are required to:

Prepare Sales Ledger and Purchases Ledger Control accounts for January 2012.

(12½ Marks)

QUESTION 5

- (a.) What is the main purpose of accounting? (1 Mark)
- (b.) Describe an accounting entity. (1½ Marks)
- (c.) List and explain **FIVE** conventions of accounting. (10 Marks)

(Total 12½ Marks)

QUESTION 6

The balance on 31 December 2011 in the Cash Book of Kola Asakin was a credit of ₦14,205. The balance per bank statement was ₦11,265.

An examination of the cash book and bank statements revealed the following:

- i. A cheque drawn in favour of Kola by Abubakar for ₦3,900 was dishonoured. No entry regarding the dishonoured cheque was made in the cash book;
- ii. Cheques amounting to ₦23,550 was issued by Kola before 31 December but was not presented at that date;
- iii. ₦9,750 received from a customer was credited to Kola's bank account through Interswitch system but no entry was in the cash book;
- iv. Kola paid cheques amounting to ₦10,860 into a branch of his bank on the morning of 31 December but was not recorded in the bank statement;
- v. The total of the payment side of Kola's cash book at the foot of page 17 was ₦182,625 which was carried to the top of page 18 as ₦190,725;
- vi. Bank charges of ₦1,140 was charged by the bank but was not entered in the cash book;
- vii. Kola subscribed for a Gambian trade magazine. The bank made this payment on Kola's behalf. Kola estimated that the forex cost of the subscription was ₦180 and showed it in the cash book as such. The bank statement recorded that the cost was actually ₦210.

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You are required to:

- (a.) Make appropriate adjustments in the cash book; (5 Marks)
 - (b.) Prepare the Bank Reconciliation Statement as at 31 December 2011. (7½ Marks)
- (Total 12½ Marks)**

SUGESTED SOLUTIONS

SECTION A

PART I MULTIPLE-CHOICE QUESTIONS

- 1. E
- 2. A
- 3. E
- 4. E
- 5. E
- 6. D
- 7. D
- 8. D
- 9. A

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- 10. A
- 11. A
- 12. B
- 13. C
- 14. A
- 15. A
- 16. E
- 17. A
- 18. A
- 19. B
- 20. A
- 21. D
- 22. D
- 23. D
- 24. B
- 25. D
- 26. B
- 27. B
- 28. B
- 29. E
- 30. B

Tutorials required:

5.

Opening	9,200
Add Overhead	47,500
Less Closing	<u>(9,300)</u>
	<u>46,800</u>

6.

Opening	9,200
Add Purchase	23,000
Direct Cost	47,500
Less Closing	<u>(9,300)</u>
	<u>70,400</u>

15.

Cost	13,700
Residual Value	<u>1,700</u>
	12,000/6

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No of year	<u>₦ 2,000</u>
16.	
Cost	13,700
Less Depreciation 2yrs @ ₦2,000	<u>(4,000)</u>
	<u>9,700</u>

EXAMINER'S COMMENT

Candidates performed well in this part of the paper. More than 60% of the candidates scored over 20 out of the 30 marks allocated.

SHORT-ANSWER QUESTIONS

1. General Accepted Accounting Principles/Practices
2. Returns outward day book/purchases returns day book
3. Prudence
4. Suspense Account
5. Debtors ledger control Account or Trade receivables control account
6. Creditors or Accounts Payable
7. Control Account
8. Time card or clock card
9. Discretionary Deductions
10. Accumulated fund
11. Users of the Information
12. Unlimited
13. Earned /Received
14. Residual value or scrap value or Salvage value

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15. Revenue Receipts or Revenue Income or Turnover
16. Uncredited cheques
17. Net salaries or Net pay
18. Payroll
19. Cash float
20. Stock or Inventories

EXAMINER'S COMMENT

The candidates' performance in the Short Answer Question part of the paper is also good. 70% of the candidates scored between 11 and 15 marks of the 20 -maximum obtainable marks.

SOLUTION 1

ai FUNCTIONS PERFORMED BY BOOK-KEEPERS

- i. He maintains the financial records of the organization
- ii. He keeps the subsidiary or day books and makes postings to the ledger accounts.
- iii. He draws up a trial balance at the period end and locates differences.
- iv. He keeps the enterprises' cash books
- v. He carries out banking operations –issuing receipts for monies received, makes lodgment to bank, etc.
- vi. He prepares periodic (monthly) bank reconciliation statements
- vii. He prepares payment vouchers
- viii. He prepares the enterprise's pay roll and raises the summary journal
- ix. He prepares adjustment journals with the approval of the Accountant
- x. He keeps stores ledgers
- xi. He prepares the enterprise's financial statements for the Accountants approval

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xii. He files all vouchers and other source documents properly.

aii **FUNCTIONS PERFORMED BY THE ACCOUNTANT**

- i. He designs the accounting system of a new business and continues to engage in its improvement and modification.
- ii. He is responsible for preparing an appropriate chart of Accounts for the enterprise.
- iii. The Accountant supervises and coordinates the work of book-keepers and other accounting personnel in his department
- iv. He personally writes up/supervises the writing up of private and personal accounts which are considered confidential and so not to be handled by accounts clerks /book keepers
- v. He prepares the Income statement and statement of financial position and other relevant statements for Management uses and Board approval.
- vi. He interprets the entity's financial statements and provides relevant and timely information to Management.
- vii. He prepares statistical and other financial data for presentation to management.
- viii. He is at the centre of the establishment of the Internal Control System for the organization as a whole.
- ix. Where the enterprise produces goods and services, he provides costing information for determination of selling prices and product costs and for internal transfer pricing.

1b The examples of input documents in a typical inventory control system include:

- i. Store requisition note
- ii. Price list
- iii. Materials issue note
- iv. Materials return note
- v. Stores receipt note
- vi. Purchase order

EXAMINER'S COMMENT

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The question tests the definition of terms and differences as in question

On the whole, 70% of the candidates attempted the question. The part (a) was well attempted as they were able to give good answers to the differences in functions between the Accountants and the Bookkeepers. However, candidates performed below average in part (b). They appeared not to be conversant with the input documents used in inventory control. For the future candidates should read inventory controls and prepare adequately for questions on this topic.

SOLUTION 2

IBUSA NORTH EAST LOCAL GOVERNMENT PAYROLL FOR THE MONTH OF FEBRUARY 2012

POST	NOTE	BASIC PAY	HOUSING ACCOUNT	TRANSPORT	GROSS PAY
		C	C	C	C
Chief Personnel Officer	1	63,000	8,000	5,000	76,000
Chief Accountant	2	52,400	8,000	5,000	65,400
Deputy Chief Accountant	3	91,400	16,000	10,000	117,400
Personnel Officer	4	130,000	25,000	20,000	175,000
Accountant	5	<u>104,000</u>	<u>20,000</u>	<u>16,000</u>	<u>140,000</u>
Total		<u>440,800</u>	<u>77,000</u>	<u>56,000</u>	<u>573,800</u>

SUMMARY

I	Total Basic salary for the month	C 440,800
ii	Total Housing Allowance for the month	77,000
iii	Total Transport Allowance	<u>56,000</u>
Iv	Total emolument	<u>573,800</u>

WORKINGS NOTES

1	Chief Personnel Officer:	C	C
	Grade level 16		
	Basic salary	720,000 p.a	Or 60,000 pm
	Step 4 @ C12,000	<u>36,000</u>	
		<u>756,000 p.a</u>	Or 63,000 pm
	Housing Allowance	96,000 p.a	Or 8,000 pm
	Transport Allowance	60,000 p.a	Or 5,000 pm

2	Chief Accountant:	C	C
	Grade level 15		
	Basic Salary	600,000 p.a	or 50,000
	Step 4 @ C9,600 p.a	<u>28,800</u>	
		<u>628,800 p.a</u>	or 52,400 pm

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Housing Allowance	96,000 p.a	or	8,000 pm
Transport Allowance	60,000 p.a	or	5,000 pm

3	Deputy Chief Accountant	C		C
	Carade Level 14			
	Number in post 2			
	Basic Salary	540,000 p.a		45,000 p.m
	Step 2 @ C8,400 p.a	8,400		
		<u>548,400</u>		
	For 2 officers	<u>1,096,800 p.a</u>		91,400 pm
	Housing Allowance	96,000		
	In 2 Officers	192,000 p.a		16,000
	Transport Allowance	60,000		
	For 2 officers	<u>120,000 p.a</u>		10,000

4	Personnel Officers	C		C
	Grade Level 09			
	Number in post 5			
	Basic Salary	300,000 p.a		
	Step 3 @C 6,000 p.a	<u>12,000</u>		
		312,000		
	For 5 Officers	<u>1,560,000 p.a</u>		130,000 pm
	Transport Allowance	48,000		
	For 5 Officers	<u>240,000 p.a</u>		20,000 pm
	Housing Allowance	60,000		
	For 5 Officers	<u>300,000 p.a</u>		25,000

5	Accountant	C		C
	Grade Level 09			
	Number in post 4			
	Basic Salary	300,000 p.a		
	Step 3 @C 6,000 p.a	<u>12,000</u>		
		312,000		
	For 4 Officers	<u>1,248,000 p.a</u>		104,000 pm
	Housing Allowance	60,000		
	For 4 Officers	<u>240,000 p.a</u>		20,000 pm
	Transport Allowance	48,000		
	For 4 Officers	<u>192,000 p.a</u>		16,000 pm

b The following are the reasons why the balance in the cash book may **NOT** agree with the balance in the bank statement:

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- i. Unpresented cheques
- ii. Uncredited cheques or lodgments
- iii. Standing orders
- iv. Bank charges
- v. Dishonoured cheques
- vi. Direct debit or debit transfers
- vii. Direct credit or credit transfers or Direct lodgments
- viii. Error by the enterprise or the bank, which may include:
 - Casting errors
 - Mis-statement errors
 - Reversal of a transaction , that is, posting on the wrong side of either the cash book or bank statement
 - Omission of a transaction either on the cash book or bank statement.

EXAMINER'S COMMENT

This question tests knowledge of candidates on their ability to prepare payroll. Candidates were unable to prepare for computation of payroll satisfactory. Candidates should prepare payroll properly by reading the 2011PITA and computation therein.

All candidates who attempted the (b) part of the question gave good answers. But this part attracts only 2¹/₂ marks at most.

SOLUTION 3

JUMAI JINAID
INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31,
2011

	Le	Le
Sales		392,175

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COST OF SALES:

Opening inventory	61,590	
Purchases	<u>291,150</u>	
	352,740	
Closing inventory	<u>(74,505)</u>	<u>(278,235)</u>
Gross profit		113,940
OPERATING EXPENSES		
Rent and rates (Wk 1)	16,995	
Depreciation-Motor Vehicles (Wk 2)	2,160	
Bad debts	1,350	
Increase in provision for bad debts (wk 3)	278	
Wages and salaries (Wk 4)	27,330	
Sundry Expenses	<u>3,750</u>	<u>(51,863)</u>
NET PROFIT		<u><u>62,077</u></u>

JUMAI JINAID

**STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31,
2011**

	Le	Le	Le
NON CURRENT ASSETS:	COST	DEP	NBV
Motor Vehicles	<u>10,800</u>	<u>(8,640)</u>	2,160
CURRENT ASSETS:			
Inventory		74,505	
Trade receivables	53,250		
Provision for bad debts (Wk 3)	<u>2,663</u>	50,587	
Prepayment –Rent (Wk 1)		2,400	
Cash at Bank		<u>24,750</u>	
		152,242	
CURRENT LIABILITIES			
Trade payables	36,525		
Accrued wages	<u>2,250</u>	<u>(38,775)</u>	
NET CURRENT ASSETS			<u>113,467</u>
NET ASSETS			<u>115,627</u>
FINANCED BY:			
Capital			67,800
Net profit			<u>62,077</u>
			129,877
Drawings			<u>(14,250)</u>
			<u>115,627</u>

**JUMAI JINAID
WORKING NOTES**

WK 1: Apportionment of rent and rates payment

	Le
Rent and rates paid as per a/c	19,395
Prepaid rent (9,600/2 x 3/6)	<u>(2,400)</u>
Rent and rates expenses for the year	<u>16,995</u>

INSIGHT

Wk 2: Calculation of depreciation on motor vehicles		
Motor vehicles @ cost	10,800	
Depreciation @ 20%	2,160	(Income Statement)
Accumulated depreciation b/f	<u>6,480</u>	(Financial Position)
Wk3: Determination of increase in provision for bad debts		
	8,640	
Debtors as per a/c	54,600	
Bad debt not yet accounted for	<u>(1,350)</u>	
	<u>53,250</u>	
Provision for bad debt at end @ 5%	2,663	
Provision for bad debt at beginning	<u>(2,385)</u>	
	<u>278</u>	
Wk 4: Determination of wages and salaries figure as per income statement		
Wages and salaries as per a/c	25,080	
Accrued wages	<u>2,250</u>	
	<u>27,330</u>	

EXAMINER'S COMMENT

This question tests candidates' knowledge on the topic- preparation of simple final accounts of a sole trader. Not less than 80% of the candidates attempted the question but only one out of every two of the candidates scored 40% of the marks. The preparation of the financial statements should be an area to be mastered by candidates. Candidates should master this part of the syllabus very well to enable them score good mark in the future.

SOLUTION 4

BOYLES ENTERPRISES SALES LEDGER CONTROL ACCOUNT

	L\$		L\$
Balance b/f	21,000	Balance b/f	500
Int. on overdue balance	25	Receipt from customers	8,565
Bad debts recovered	65	Transfer (set off)	1,250
Refund to customers	125	Bad debts	60
Dish Bills receivable	50	Bills Receivable	1,035
Credit sales	50,000	Discount allowed	300
		Returns inwards	132
		Allowance to customers	<u>165</u>

INSIGHT

Balance c/d	<u>1,263</u>	Balance c/d	<u>60,521</u>
	<u>72,528</u>		<u>72,528</u>
Bal b/ f	60,521	Bal b/ f	1,263

PURCHASES LEDGER CONTROL

	L\$		L\$
Balances b/f	252	Balances b/f	15,300
Discount received	135	Bills payable dishonoured	1,350
Cheque paid to suppliers	10,000	Credit purchases	32,000
Cash paid to suppliers	15,000	Cheque returned by suppliers	1,256
Return outwards	230	Balance c/d	1,056
Transfer (set off)	1,250		
Balance c/d	<u>24,095</u>		
	<u>50,962</u>		<u>50,962</u>
Balance c/d	1,056	Balance b/f	24,095

EXAMINER'S COMMENT

The paper tests candidates' knowledge of their ability to prepare Control Accounts 95% of the candidates attempted the question. Over 50% of the candidates who attempted the question got above 60% of the allotted marks. Candidates misposted a few of the entries and also failed to realize that "provision for bad debts" is not to be reflected in Debtors Control Account. Candidates are advised to read more of posting entries and knowledge of provision for bad debts for the future.

SOLUTION 5

- a The main purpose of accounting is to prepare financial statements that will help the various external and internal users to appraise the financial position, financial performance and changes in financial position of the business.
- b Accounting entity which is also called a reporting entity is a clearly defined economic unit which:
- Engages in identifiable economic activities
 - Controls economic resources (for which accounting records are maintained and prepared) and
 - Is distinct from the personal dealings of its owners or employees.

INSIGHT

- c The term “conventions” in accounting includes those customs or traditions which guide accountants while preparing the accounting statements. The most commonly encountered convention is the:
- i. “Historical Cost Convention” This requires that transactions be recorded at the price ruling at the time, and for assets to be valued at their original cost. Under the convention no account is taken of changing prices in the economy. The other conventions in a set of accounts can be summarized as follows:
 - ii. Monetary Measurement Convention: Accountants do not account for items unless they can be quantified in monetary terms. Items that are not accounted for (unless someone is prepared to pay something for them) include things like workforce skill, morale, market leadership, quality of management, etc.
 - iii. Separate Entity Convention: This convention seeks to ensure that private transactions and matters relating to the owners of a business are segregated from transactions that relate to the business.
 - iv. Realisation Convention: Accounting recognizes transactions (and any profits arising from them) at the point of sale or transfer of legal ownership-rather than just when cash actually changes hands.
 - v. Materiality Convention: Materiality refers to the relative importance of an item. According to this convention, only those events or items that have a significant bearing should be recorded and insignificant things should be ignored. What is material is, however, a matter of judgment and it is left to the accountant taking a decision. It should be noted that an item that is material for one concern may be immaterial for another. Similarly, an item that is deemed immaterial in one year may be considered material in the next year.
 - vi. Substance Over Form: Although business transactions are usually governed by legal principles, they are nevertheless accounted for and presented in accordance with their substance and financial reality and not merely with their legal form. Simply, the convention requires that the substance of a transaction supersedes the legal form of such a transaction.

EXAMINER’S COMMENT

This is a 3-part question on accounting theory. The (a) and (b) parts test candidates’ understanding of the main purpose of accounting entity. Above 90% of the candidates attempted the question . At least 50% of the candidates scored more than half of the allotted marks.

INSIGHT

The (c) part is on Accounting Conventions. Accountants are generally not agreed on the differences between concepts and conventions. Indeed the dividing line is thin. Available textbooks did not help matters much as most authors treat the topic as “Concepts and conventions” and used the two terms interchangeably. Candidates were therefore not penalized as long as they stated and described properly any of the well known concepts and conventions.

65% of the candidates scored above 50% of the marks. Candidates are advised to read Accounting convention against future examinations

SOLUTION 6

KOLA ASAKIN ADJUSTED CASH BOOK AS AT DECEMBER 31,2011

	₦		₦
Direct lodgment	9,750	Bal b/f	14,205
Mis-statement error	8,100	Dishonoured cheque	3,900
Bal c/d	<u>1,425</u>	Bank charges	1,140
		Direct debit-understatement	30
	<u>19,275</u>		<u>19,275</u>
		Bal b/d	1,425

KOLA ASAKIN BANK RECONCILIATION STATEMENT AS AT DECEMBER 31, 2011

	₦
Balance as per bank statement	11,265
Add: uncredited cheques	<u>10,860</u>
	22,125
Less: Unpresented cheques	<u>23,550</u>
BALANCE AS PER ADJUSTED CASHBOOK	<u>(1,425)</u>

EXAMINER’S COMMENT

INSIGHT

This question tests candidates' knowledge of Bank Reconciliation preparation. This is another very familiar topic to candidates and also an area in which candidates are expected to be familiar with Bank reconciliation preparation as contained in the syllabus.

About 85% of the candidates attempted the question and did well. However, some 5% of the candidates are yet to grasp the concept of preparation of an adjusted cashbook as a first step in drawing up a Bank Reconciliation Statement.

AT/122/PI.2

Examination No:.....

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
PART I EXAMINATIONS - SEPTEMBER 2012
ECONOMICS**

Time Allowed: 3 hours

Insert your Examination number in the space provided above

SECTION A - (ATTEMPT ALL QUESTIONS)

PART 1 MULTIPLE-CHOICE QUESTIONS (30 MARKS)

Write ONLY the alphabet (A, B, C, D, or E) that corresponds to the correct option in each of the following questions

1. The determinants of market structure **EXCLUDE** the
 - A. Number and nature of sellers
 - B. Size of the market
 - C. Nature of the product
 - D. Condition of entry into and exit from the market
 - E. Number and nature of buyers

2. If demand curve for a good is vertical, the good is described as

INSIGHT

- A. A necessity
B. A luxury
C. Inferior
D. Free
E. Normal
3. Three employees in an organisation whose monthly incomes are ₦1,000; ₦5,000 and ₦10,000 pay a monthly tax of ₦50; ₦250; and ₦500 respectively. The form of taxation applied is.....tax.
- A. Progressive
B. Regressive
C. Proportional
D. Indirect
E. Ad valorem
4. Given that labour and capital are the only factors of production, a firm chooses the least cost combination of input if;
- A. $\frac{MPk}{MPL} = \frac{PL}{Pk}$
B. $\frac{MPk}{Pk} = \frac{MPL}{PL}$
C. $\frac{MPL}{PL} < \frac{MPk}{Pk}$
D. $\frac{MPL}{PL} > \frac{MPk}{Pk}$
E. $\frac{MPL}{Pk} = \frac{MPL}{PL}$
5. A greater burden of tax on a product with high price elasticity of demand rests on the
- A. Producer
B. Consumer
C. Middlemen
D. Tax authority
E. Both producer and consumer
6. Which of the following basic economic concepts **CANNOT** be illustrated with a production possibility curve?
- A. Scarcity
B. Choice
C. Opportunity cost
D. Scale of preference
E. Economic growth

INSIGHT

7. The difference between the Gross Domestic Product (GDP) and the Gross National Product (GNP) is the
- A. Allowance for total depreciation.
 - B. Total interest payment.
 - C. Net income from abroad.
 - D. Total tax and interest payments.
 - E. Net internally generated income.
8. The satisfaction which a consumer derives from the consumption of a commodity is described as
- A. Indifference schedule
 - B. Social benefit
 - C. Consumer equilibrium
 - D. Consumer rationality
 - E. Utility
9. The effect of a price change illustrated by movement along the supply curve is called change in
- A. Quantity supplied
 - B. Law of supply
 - C. Supply curve
 - D. Quantity demanded
 - E. Supply
10. Which of the following items is **NOT** included in calculating the Gross Domestic Product (GDP)?
- A. Income from employment
 - B. Royalties from companies
 - C. Rents on properties
 - D. Earnings from abroad
 - E. Net exports
11. The quantity theory of money predicts that
- A. Low rate of money supply is a major cause of unemployment
 - B. The level of investment is dependent on money supply
 - C. Excess money supply is the major cause of inflation
 - D. Aggregate level of savings depends on demand for money
 - E. The level of investment depends on demand for money

INSIGHT

12. If the total revenue realised from the sale of the first orange is ₦12 and the marginal revenue of the second orange is ₦4, what is the total revenue realised from the sale of the second orange?
- A. ₦48
 - B. ₦8
 - C. ₦16
 - D. ₦3
 - E. ₦20
13. Disposable income in National Income is an income which
- A. Cannot be given again
 - B. Is available for consumption and savings
 - C. Is available for sizeable people
 - D. Must be wasted once and for all
 - E. Is received from the treasury bond
14. Expenditure made by government in acquiring permanent goods and structures is classified as.....expenditure
- A. Recurrent
 - B. Current
 - C. Capital
 - D. Fixed
 - E. Overhead
15. The elasticity of demand for a firm's product is 2. If the firm reduces its price by 20%, its sales volume will increase by
- A. 0.25%
 - B. 0.40%
 - C. 4.00%
 - D. 25.00%
 - E. 40.00%
16. Given the exchange rate of Liberian Dollar (L\$) to Nigerian Naira (₦) as L\$1 = ₦2, it follows that ₦1004.00 will exchange for
- A. L\$1006.00
 - B. L\$2008.00
 - C. L\$502.00
 - D. L\$1002.00
 - E. L\$504.00
17. Which of the following is relevant in solving the problem of unemployment?

INSIGHT

- A. Upward review of reserve requirements
 - B. Reduction of bank lending rate
 - C. Lowering of credit ceiling
 - D. Buying of government securities
 - E. A directive to the banks to make special deposit
18. The lowering of the exchange rate of a currency by the Central Bank is known as
- A. Inflation
 - B. Revaluation
 - C. Devaluation
 - D. Depreciation
 - E. Deflation
19. Which of the following is used to measure inflation?
- A. Price system
 - B. Price legislation
 - C. Price index
 - D. Price discrimination
 - E. Price regulation
20. Which of the following is **NOT** a function of money?
- A. Medium of exchange
 - B. Store of value
 - C. Lender of last resort
 - D. Standard of deferred payment
 - E. Unit of account
21. The unemployment which occurs as a result of under-utilisation of labour is called.....unemployment
- A. Disguised
 - B. Residual
 - C. Seasonal
 - D. Frictional
 - E. Cyclical
22. Countries restrict international trade through the following methods **EXCEPT**
- A. Tariff
 - B. Quota
 - C. Currency revaluation
 - D. Embargo
 - E. Subsidies

INSIGHT

23. Which of the following institutions is **NOT** a member of the World Bank Group?
- A. International Finance Corporation (IFC)
 - B. International Monetary Fund (IMF)
 - C. International Bank for Reconstruction and Development (IBRD)
 - D. Multilateral Investment Guarantee Agency (MIGA)
 - E. International Development Association (IDA)
24. Division of labour in a firm will lead to
- A. A fall in output
 - B. An increase in unit cost
 - C. An increase in output
 - D. A decline in the efficiency of labour
 - E. Separation of ownership from management
25. For many developing nations, obstacles to economic development include the following **EXCEPT**
- A. Corruption
 - B. Political stability
 - C. The dearth of foreign direct investment
 - D. Inappropriate education and training
 - E. Lack of appropriate institutions
26. Which of the following is **NOT** a member of ECOWAS?
- A. Nigeria
 - B. Cameroon
 - C. Ghana
 - D. Liberia
 - E. Togo
27. If fixed cost of production is ₦30,000, variable cost is ₦20,000 and total output is 5000 units, the average cost of production is
- A. ₦4.00
 - B. ₦6.00
 - C. ₦10.00
 - D. ₦12.00
 - E. ₦16.00
28. The highest level of economic integration is the
- A. Common market
 - B. Free trade

INSIGHT

- C. Custom union
 - D. Tariff regime union
 - E. Economic union
29. Which of the following is a limitation to division of labour?
- A. Nearness to the market
 - B. Monotony of work
 - C. The size of the market
 - D. Wages and salaries of the factory workers
 - E. Product's price
30. Strategies available to developing countries to foster economic growth include the following **EXCEPT**
- A. Establishing and implementing the rule of law
 - B. Controlling population growth
 - C. Discouraging foreign direct investment
 - D. Building human capital
 - E. Making peace with neighbours

PART II

SHORT ANSWER QUESTIONS

(20 MARKS)

Write the answer that best completes each of the following questions/statements

1. When the combination of two goods in which a consumer derives equal satisfaction is plotted on a graph, the graph is known as.....
2. The type of unemployment resulting from the introduction of new technology in an economy is called.....

INSIGHT

3. Under perfect competition the firm's supply curve, for price above the minimum value of average variable cost, is exactly the same as the firm's.....curve.
4. The minimum amount of profit that is necessary to keep a firm in business in the long run is generally known as.....
5. Demand for money is alternatively referred to as.....
6. The desire to hold money to take advantage of high prices in the bond and securities market is called.....
7. The difference between Personal Income (PI) and Personal Disposable Income (PDI) is.....
8. The expenditure of a firm on goods and services for the expansion of its productive capacity is known as.....
9. The payments made to the government by those who deal in exploration of natural resources are classified as.....
10. The principle of taxation that enables the tax payer to know how much to be paid as tax as well as when it should be paid is called.....
11. An economy in which all resources are publicly owned and decisions on allocation of resources are taken by the central government is known as.....
12. If price fluctuation leaves quantity demanded of a product unchanged, demand is said to be.....
13. The shift in demand curve brought about by any other factor apart from the commodity's own price illustrates.....
14. The addition to total output due to the addition of an extra unit of the variable input, ceteris paribus, is referred to as.....
15. The operating period of the firm during which at least one of the firm's inputs is fixed while others are variable is called.....
16. An established arrangement by which currencies are bought and sold is called.....
17. Trade within the geographical boundaries of a country is called.....
18. An expansion of a country's productive capacity that makes it possible for each person to have more goods and services is called.....

INSIGHT

19. A member of the World Bank Group whose activities include provision of insurance services as well as direct investment in member countries is the.....
20. Assisting developing member countries in the establishment of a system which facilitates efficient use of foreign exchange is one of the functions of.....

SECTION B

(50 MARKS)

PART I QUESTIONS

MICROECONOMICS

ATTEMPT ANY TWO

QUESTION 1

- a. (i) What is an Indifference Curve? (4½ Marks)
(ii) A typical Indifference Curve must comply with a number of axioms. Identify any **FOUR** of these axioms (4 Marks)
- b. Explain how a consumer attains equilibrium under the Indifference Curve theory using an appropriate diagram. (4 Marks)
- (Total 12½ Marks)

QUESTION 2

- a. Explain the view that the study of economics has both positive and normative aspects. (5 Marks)
- b. Identify the relevance of the knowledge of economics to:
i. An individual;
ii. The firm; and
iii. The government. (7½ Marks)
- (Total 12½ Marks)

QUESTION 3

- a. Outline **FOUR** main features of a perfectly competitive market. (6 Marks)
- b. One of the assumptions of a perfectly competitive market is that all transactions take place at the same place. Identify and explain the features of a perfectly competitive market that justify this assumption. (6½ Marks)
- (Total 12½ Marks)

INSIGHT

PART II - MACROECONOMICS QUESTIONS

ATTEMPT ANY TWO

QUESTION 4

Write short explanatory notes on each of the following:

- a. Net National Product (NNP)
- b. Net Domestic Product (NDP)
- c. Personal Income (PI)
- d. Personal Disposable Income (PDI)
- e. Per Capital Income (PCI) (12½ Marks)

QUESTION 5

- a. Briefly explain the terms **direct** and **indirect** taxes (5 Marks)
 - b. Give **FIVE** reasons why government levy taxes on individuals and firms in a country. (7½ Marks)
- (Total 12½ Marks)

QUESTION 6

To successfully transform the lives of their people, progressive governments in developing countries have long realised the need to plan.

- a. Discuss Development Planning and what it entails. (4½ Marks)
 - b. Discuss **FOUR** reasons developing countries embark on Development Planning. (8 Marks)
- (Total 12½ Marks)

SUGGESTED SOLUTIONS SECTION A

PART I MULTIPLE-CHOICE QUESTIONS

1. B
2. A
3. C
4. B
5. A
6. D
7. C
8. E
9. A
10. D
11. C
12. C
13. B
14. C
15. E

INSIGHT

16. C
17. B
18. C
19. C
20. C
21. A
22. C
23. B
24. C
25. B
26. B
27. C
28. E
29. C
30. C

E3XAMINER'S COMMENT

The questions set are straight forward covering all the topics in the syllabus, and were sufficiently tasking. The candidates put up an impressive performance recording about 72% pass rate.

PART II: SHORT ANSWER QUESTIONS

1. Indifference curve
2. Structural/Technological unemployment
3. Marginal cost
4. Normal profit
5. Liquidity Preference
6. Speculative motive
7. Personal Income Tax
8. Investment expenditure
9. Royalties/Mining rent
10. Principle of certainty
11. Socialist economy/centrally planned economy/command economy
12. Perfectly price inelastic/perfectly inelastic
13. Change in demand
14. Marginal product
15. The Short run period

INSIGHT

16. Foreign Exchange market
17. Domestic trade/internal trade
18. Economic growth
19. Multilateral Investment Guarantee Agency (MIGA)
20. International Monetary Fund (IMF)

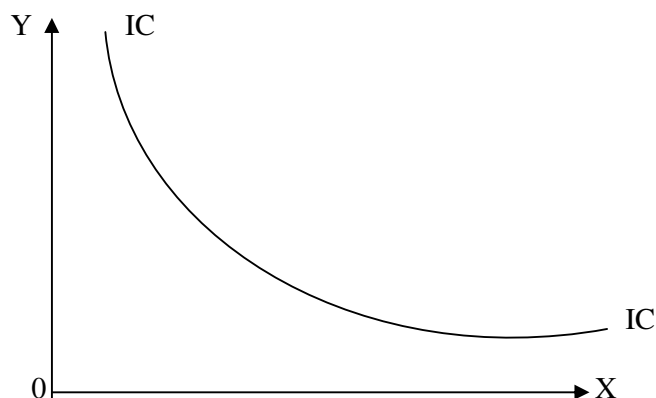
EXAMINER'S COMMENT

The questions set in this part cover the two main branches of economics – micro and macro adequately and fairly. More than 50% of the candidates scored pass marks.

SOLUTION TO QUESTION 1

(a)

- i. An indifference curve is the locus of combinations of two goods (e.g X and Y) which a consumer consumes to maintain the same level of satisfaction. It is a geometrical device for representing consumers' ordering of preference.

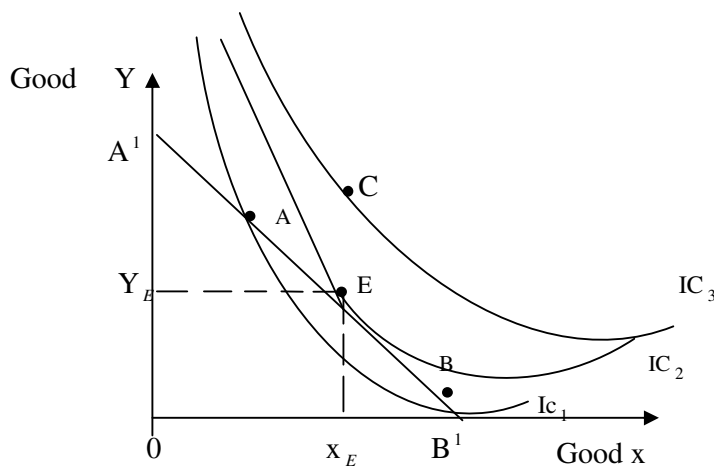


- (ii) The axiom (i.e assumptions) of an indifference curve include:-
 - Indifference curve is downward sloping from left to right
 - It is negatively sloped or the slope of indifference curve (MRCS) is negative.
 - Indifference curves do not intersect
 - A higher indifference curve represents a higher level of satisfaction i.e the further away the indifference curve is from the origin, the higher the level of satisfaction

INSIGHT

- Indifference curve is everywhere dense i.e. continuous (no break in its curve)
- An indifference curve is convex to the origin implying a diminishing marginal rate of substitution.
- It obeys the axiom of transitivity i.e. if X is preferred to Y, and Y is preferred to Z, then X is preferred to Z.

- (b) Under the indifference curve theory of consumer behaviour, utility is maximized and consumer attains equilibrium at the point where the indifference curve is tangential to the budget line.



The consumer equilibrium is attained at point E where the indifference curve IC_2 is tangential to the budget line, A^1B^1 . Therefore, at equilibrium, the consumer consumes Y_E of good Y and X_E of good X.

The consumer can afford to buy any of the combinations of goods X and Y described by points A, E, B with all his money given the budget line A^1B^1 . However, he prefers the combination on point E because it gives him greater utility than any of the combinations A, and B. He should have preferred point C, but this is beyond the limit of his budget.

EXAMINER'S COMMENT

The question tests candidates' understanding of the concept of indifference curve, its assumptions and usefulness. The common pitfall was the inability of most of the candidates who attempted the question to illustrate consumer equilibrium position appropriately with indifference curve – budget line diagram. Only 40% of the candidates who attempted the question scored pass marks.

SOLUTION TO QUESTION 2

a Economic analysis is divided into two: Positive and Normative

Positive Economics:- Positive economics is concerned with what actually happened, what is happening or what will happen. It is value-free, hence, it is an objective science. In positive economics, problems are identified and predictions are made on the basis of observed facts. The following statements illustrate positive economics

- i. The natural rate of unemployment is eight (8) percent of the labour force
- ii. A two (2) percent increase in national output will reduce unemployment by 0.25 percent.

Normative Economics:- Normative economics, on the other hand, deals with what ought to happen or what should happen. It is not value –free, as a result, it is a subjective science. The statements below belong to normative economics.

- i. Increase in productivity should be the priority of the Federal Government.
- ii. The Federal Government ought to concern itself mostly with solving the problem of unemployment.

b The relevance of economic knowledge to (i) an individual (ii) the firm and (iii) the government are discussed below:

- i **An Individual:-** An understanding of basic economic issues and principles is essential to be a well-informed citizen. Many issues like inflation, minimum wage and family planning appear on daily newspaper, magazines e.t.c. Without some knowledge of economics, it will be difficult to understand the issues involved. Furthermore, the knowledge of economics is required to be a responsible citizen for instance, the knowledge of economics helps an individual to understand the policies of government, creates consciousness and establishes principles which guides the choice of an individual.
- ii. **The Firm:-** With the knowledge of economics, the business executives are able to interpret news and existing government policies such as fiscal, monetary, exchange rate control e.t.c. and take effective decisions towards realizing their business goals.

- iii. **The Government:-** Modern governments, especially in the less developed economies, are confronted with numerous national problems of general unemployment, overpopulation, general under production, inflation,

monitoring national debt, balance of payments deficit and so on. The knowledge of economics enables government policy – makers to regulate and control over population, general prices, general volume of trade, general output to promote sustainable economic growth and improved living standards for the masses of the people.

EXAMINER'S COMMENT

The question explored candidates' knowledge of the two types of economic analysis – positive and normative as well as the relevance of the knowledge of Economics to the three economic decision-making units in the society. 75% of the candidates attempted the question while 52% of them scored pass marks. Those who performed poorly in the question were mostly those who could not differentiate between positive and normative economics.

SOLUTION TO QUESTION 3

- a The four main features of a perfectly competitive market are:
- i **Large number of buyers and sellers:-** No buyer or seller can influence the market situations with his individual action. The buyers and sellers are all price-takers.
 - ii **Homogenous product:-** The products in the market are all identical, hence there is no basis for price-differential.
 - iii **Perfect mobility of resources:-** There is free entry and exit of buyers and sellers into and out of the market. There are no legal or artificial barriers to mobility of production resources.
 - iv **Perfect knowledge of all relevant information about the market:-** All buyers are fully aware of the quality, price and location of products, while all sellers or producers have full knowledge of sources of material inputs and the best available production technology.
- b The features that justify the assumption that all transactions take place at the same price in the perfectly competitive market are:

INSIGHT

- i **The products sold in the market are homogeneous:-** Since the products are the same in shape, size ,or colour, there is every possibility that they would be sold at the same price. The products would have commanded different prices if they were differentiated.
- ii **Perfect knowledge of all relevant information:-** All buyers and sellers have adequate knowledge of existing market conditions. The buyers know all possible alternative locations or where exactly the same type of product can be obtained as well as the ruling market price. All firms also have equal access to productive resources and the same technology. The existence of the perfect knowledge of information in the market make it impossible to sell the goods at different prices hence the assumption is justified.

EXAMINER'S COMMENT

This question on features of a perfectly competitive market was well attempted by candidates. Not less than 60% of the candidates who attempted the question scored pass marks. Poor interpretation of the part (b) of the question explained while some of the candidates lost valuable marks.

SOLUTION TO QUESTION 4

- a **Net National Product (NNP):-** This is obtained as the gross national product (GNP) minus **Capital Consumption allowance** or **depreciation**. NNP is a more meaningful measure of total output than GNP because it tells us how much of the total output we can consume without impairing our productive capacity.
$$\text{NNP} = \text{GNP} - \text{Depreciation}$$
- b **Net Domestic Product (NDP):-** This is the gross domestic product (GDP) minus capital consumption allowance or depreciation.
$$\text{NDP} = \text{GDP} - \text{Depreciation}$$
- c **Personal Income:-** This measures the amount of income individuals actually received in an economy during an accounting period. It is obtained by deducting from national income, income earned but not received (e.g. social insurance contribution, company tax and undistributed profit) and adding income received but not earned (e.g. transfer payments)
$$\text{Personal Income} = \text{National income} - \text{income earned but not received} + \text{income received but not earned.}$$
- d **Personal Disposable Income (PDI):-** This is designed to measure the potential purchasing power of the households. PDI is the difference between the Personal Income and the Personal Income Tax.
$$\text{PDI} = \text{PI} - \text{Personal Income Tax}$$

INSIGHT

- e **Per Capita – Income:-** This is the income per head. It is obtained by dividing the Gross National Product (GNP) by the population of the country. Per

$$\text{capita – income} = \frac{GNP}{Population}$$

Per Capita Income is one of the reliable measures of the standard of living of a country.

EXAMINER'S COMMENT

The question tested candidates' understanding of selected national income accounting concepts. The question is straight forward and was attempted by about 35% of the candidates and the pass rate was about 32%. Candidates are advised to improve on their reading ability since all topics of the syllabus are examinable.

SOLUTION TO QUESTION 5

a

- i **Direct taxes:-** These are levied directly on the income of individuals and business firms. The burden of direct taxes falls on the tax payers. Examples of direct taxes include personal income tax, company income tax, petroleum profit tax, etc. These taxes satisfy the principle of ability-to-pay and are convenient and economical to collect. However, they are prone to evasion

- ii **Indirect taxes:-** These are taxes levied on goods and services. The burden of these taxes first fall on the tax payers (e.g. the producers. Importers etc) who then pass them on to the consumers in the form of higher prices. The ease with which the burden can be transferred depends on the degree of elasticity of demand for the commodity. Indirect taxes could be *specific tax* or *ad-valorem tax*. Examples of Indirect taxes are import duties, excise duties and value added tax (VAT).

b Reasons why government levy taxes on individuals and the firms.

- i **Sources Of Revenue:-** Taxes are major sources of revenue to finance the increasing government expenditure such as expenditure on the provision of socio-economic facilities (e.g. roads, schools, hospitals)

- ii **Redistribution Of Income:-** Through progressive tax system, income is being redistributed from the rich to the poor. The high taxes paid by the rich people are used to provide the infrastructural facilities which the poor masses could have provided and consumed.

- iii **Discourage the production and consumption** of harmful and non-essential goods. Indirect taxes such as custom duties, excise duties and VAT are used to discourage consumption of goods considered harmful for the masses. This is done by increasing the taxes on the goods and thus resulting in the increase in the prices of such goods.

INSIGHT

The higher prices may discourage the consumption of such goods depending on the demand elasticity of such goods.

- iv **Correction of balance of payments deficit:-** Taxes on imports will reduce import values and consequently reduce the deficits on the nation's balance of payments current account.
- v **Protection of Infant Industries:-** High tariffs on certain imported goods will discourage their importation and encourage the consumption of such goods that are locally produced. This helps in protecting and encouraging the newly established local firms and industries.
- vi **A Fiscal tool:** Taxes constitute a fiscal tool for managing the economy depression or period of boom.
- vii **Provision of infrastructural facilities:-** Revenue realized from taxes are used to provide the facilities that enhance the production of goods and services in the economy.

EXAMINER'S COMMENT

The question on taxation is straight forward and was attempted by about 95% of the candidates. About 70% of the candidates who attempted the question scored pass marks. Specifically in the part (b) of the question, those candidates who merely defined direct and indirect taxes without giving examples from their country's tax structure lost some vital marks. It should be noted that it is not sufficient to merely list points or define terms when a question specifically requires explanation.

SOLUTION TO QUESTION 6

- a
 - i A development plan is a long term economic programme designed to achieve some permanent structural changes in an economy. Since development plans are usually for a long period of time which can cover five to twenty years, it normally contains a number of projects which should be completed during the stipulated period.
 - b Developing countries do embark on development planning for the following reasons:
 - i **To achieve a high growth rate:-** The essential ingredients needed for overcoming obstacles to economic development are provided for in a plan
 - ii **To ensure equitable allocation of resources:-** Development Planning focuses on equal allocation of a country's resources to all sectors of the economy. One of the roles of government is the allocation of resources, hence, government performs this function through the use of development plans.

INSIGHT

- iii **To create employment opportunities:-** Development planning aimed at raising the level of economic activities by creating more employment opportunities which will lead to economic growth.
- iv **To stabilize prices:-** A very good development planning will avoid price fluctuations hence, prevent actions that may be inflationary or deflationary.
- v **Increase per capita income:-** Development planning generally aims at increasing per capita income of the country.
- vi **To diversify the economy:-** Good Development planning will aim at diversifying the economy in order to maintain a sustainable economic growth.

EXAMINER'S COMMENT

The question required candidates to explain what is meant by development planning, what it entails and its objectives. Less than 60% of the candidates attempted the question and they recorded a success rate of about 40%.

AT/122/PL.3

Examination No:.....

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
PART I EXAMINATIONS - SEPTEMBER 2012
BUSINESS LAW**

Time Allowed: 3 Hours

Insert your Examination number in the space provided above

SECTION A (ATTEMPT ALL QUESTIONS)

PART 1 MULTIPLE CHOICE QUESTIONS (30 Marks)

Write ONLY the alphabet (A, B, C, D or E) that corresponds to the correct option in each of the following questions

1. "Judicial precedent" as a source of law consists of laws
 - A. Made by the President
 - B. Found in judicial decisions
 - C. Enacted by the Parliament
 - D. Made by Oba-in-Council
 - E. Found in decision of the Chief Judge

INSIGHT

2. Doctrine of Equity means
 - A. Good and bad
 - B. Perfect and right
 - C. Fair and just
 - D. Equal right
 - E. Social justice
3. **ONE** of the ways to prove the existence of customary law before the court is
 - A. Through moon gazing
 - B. By consulting the spiritualist
 - C. By operation of law
 - D. By judicial notice
 - E. By judicial precedent
4. A person can only be appointed as a justice of the Court of Appeal when he has qualified to practice as a legal practitioner for.....years.
 - A. 12
 - B. 15
 - C. 10
 - D. 20
 - E. 18
5. The purpose of Rules of Interpretations of Statutes by the Court is to discover the intention of the
 - A. Court
 - B. Executive
 - C. People
 - D. President
 - E. Parliament
6. For a contract to be valid and enforceable, the element that must be present is
 - A. Love
 - B. Affection
 - C. Promise
 - D. Consideration
 - E. Goodwill
7. An agent appointed only for a specific purpose by the principal is a
 - A. Special agent
 - B. General agent
 - C. Del credere agent
 - D. State agent
 - E. Factor
8. For the purpose of contractual capacity an infant is a person who is below the age of.....years
 - A. 22
 - B. 25

INSIGHT

- C. 24
 - D. 21
 - E. 18
9. A contract can be discharged by
- A. Time
 - B. Rain
 - C. Agreement
 - D. Fraud
 - E. Negligence
10. An agent is someone appointed to act on behalf of another person known as the
- A. Trustee
 - B. Contractor
 - C. Bailee
 - D. Beneficiary
 - E. Principal
11. A situation where Taiwo asked for a price of ₦65,000 for his laptop computer and Sikiru said he could only pay ₦59,000 is
- A. Acceptance
 - B. Modification
 - C. Counter-offer
 - D. Offer
 - E. Inadequate consideration
12. For a bill passed by the Parliament to become law, it must have the assent of the
- A. Executive
 - B. Senate President
 - C. Speaker of the House of Representatives
 - D. President of the Country
 - E. Chief Justice
13. The head of the Court system is the
- A. Chief Judge
 - B. Chief Justice
 - C. Attorney-General of the Country
 - D. Chief Registrar of the Supreme Court
 - E. President of the Court of Appeal
14. Upon incorporation, a company becomes a(n)
- A. Artificial person
 - B. Natural person
 - C. Joint Stock company
 - D. Conglomerate

INSIGHT

- E. Partnership
15. An agent who is employed to sell goods or properties publicly on behalf of their owners is known as the
- A. Factor
 - B. Broker
 - C. Auctioneer
 - D. Del credere agent
 - E. Estate agent
16. Goods that are to be grown or manufactured at a later date are known as.....goods
- A. Unascertained
 - B. Subsisting
 - C. Future
 - D. Ascertained
 - E. Existing
17. In a sale of goods transaction, the seller transfers
- A. Possession
 - B. Lien
 - C. Title of ownership
 - D. Merchantability
 - E. Fitness for purpose
18. The right of a seller to retain possession of goods until the price is paid is known as
- A. Stoppage in transitu
 - B. Right of lien
 - C. Right of resale
 - D. Right to withhold delivery
 - E. Right to auction
19. A contract of Hire Purchase can also be described as
- A. Contract of bailment
 - B. Credit sale agreement
 - C. Conditional credit sale
 - D. Lease agreement
 - E. Contract of hire with option to purchase
20. The purpose of carrying on a partnership business is
- A. To make profit
 - B. To share the goods purchased
 - C. The sharing of gross returns
 - D. To declare dividend

INSIGHT

- E. To declare the goodwill of members.
21. A partner who participates in the partnership business is known as.....Partner
- A. General
 - B. Nominal
 - C. Active
 - D. Dormant
 - E. Usual
22. The Head of the Company Registry in your country is known as the
- A. Registrar of Business name
 - B. Registrar of Companies
 - C. Registrar of Titles
 - D. Registrar-General
 - E. Director-General
23. The membership of a public company is
- A. Fifty
 - B. Twenty
 - C. One hundred
 - D. Seven
 - E. Unlimited
24. The object clause of a company is contained in the
- A. Articles of Association
 - B. Memorandum of Association
 - C. Statement of the Authorised Share Capital
 - D. The Regulations
 - E. Articles of Faith
25. A contract of service can also be described as
- A. Master and Servant
 - B. Independent Contractor
 - C. Bailor and Bailee
 - D. Owner and Servant
 - E. Seller and Buyer
26. A person can only enforce a contract in which he has contract

INSIGHT

- A. Privity of
 - B. Collateral
 - C. Conditional
 - D. Bilateral
 - E. Unilateral
27. For a contract of insurance to be valid, the insured must
- A. Be a natural person
 - B. Have a valid driver's licence
 - C. Have a good health
 - D. Pay a premium
 - E. Be a citizen
28. A crime is an offence committed against
- A. A person
 - B. The people
 - C. The state
 - D. The prosecutor
 - E. The Police
29. A contract that has no binding effect on the parties is known as.....contract
- A. Voidable
 - B. Void
 - C. Unenforceable
 - D. Simple
 - E. Special
30. A Bill lacking in material particular is.....Bill
- A. Inland
 - B. Accommodation
 - C. Incomplete or inchoate
 - D. Bearer
 - E. Foreign

PART II SHORT ANSWER QUESTIONS

(20 Marks)

Write the answer that best completes each of the following questions/statements

1. Bye-Laws are laws made by the
2. Decrees are laws made by the

INSIGHT

3. The doctrine of judicial precedent consists of laws found in
4. The highest court in your country is.....
5. Where the words in a statute are clear and unambiguous, the courts are enjoined to apply the
6. An offer may be revoked at any time before
7. Consideration must move from the.....
8. A false statement of fact made by one party, which induces the other party to enter into the contract is known as.....
9. An agent may be defined as someone who has the authority to act on behalf of another person known as the.....
10. When an employee has contributed to the occurrence of an accident, the employer can raise the defence of.....
11. Goods owned and possessed by the seller at the time of the contract is known as
12. *Nemo Dat Quod Non Habet* means
13. In Hire Purchase contract, the owner of the goods only transfers.....
14. The **TWO** of the three parties to a Bill of Exchange are.....and.....
15. A cheque is a bill of exchange drawn on a bank and payable on.....
16. Where a partner does not actively participate in the business of the partnership, such partner is known as
17. The number of members of a private company must not exceed.....
18. A written acknowledgement of indebtedness issued by a company to its loan creditors, usually under a deed, is called.....
19. A body duly appointed by the company to direct and manage the business of the company is known as.....
20. All insurance policies **EXCEPT** life and personal accident are.....

INSIGHT

SECTION B – Attempt any FOUR questions

(50 Marks)

QUESTION 1

(a.) Write short notes, on the following:

- i. Ordinances
- ii. Acts
- iii. Laws

(6 Marks)

(b.) The Governor of Aye State made a law prohibiting night markets in the state. However, the Chairman of Ayedade Local Government Area of the State passed a law in the Local Government authorising the people of the area to continue the night market on the basis that the law made by the State is void and of no effect on the people of Ayedade Local Government. The Governor of Aye State has decided to challenge the law made by the Local Government.

Advise him as to the position of the law.

(5 Marks)

(c.) Would your answer be different if the law prohibiting night market in the State were made by the Federal (Central) Government? (1½ Marks)

(Total 12½ Marks)

QUESTION 2

(a.) Write short notes on the following:

- i. Literal rule of interpretation
- ii. Golden rule of interpretation
- iii. Mischief rule of interpretation

(7½ Marks)

(b.) Under the doctrine of *stare decisis*, the lower court must follow the decision of the higher court, but sometimes, the lower court may refuse to follow the decision of the higher court. State any **THREE** exceptions to the above statement.

(3 Marks)

(c.) Law-making during the military regime is easy and less cumbersome unlike what obtains under the civilian regime. State any **TWO** reasons why this is so.

(2 Marks)

(Total 12½ Marks)

QUESTION 3

INSIGHT

- (a.) Chief Olowo invited his friend Alhaji Solomon to a lunch at his residence in Lekki villa. Chief Olowo contracted the services of Shiftleg Caterers, who collected a sum of ₦80,000.00 for the provision of food. He also employed the services of Tasty Wynes for the supply of assorted wines totalling ₦50,000.00. However, Alhaji Solomon refused to honour the invitation of Chief Olowo.

Chief Olowo has decided to sue Alhaji Solomon for refusing to honour the invitation and also to claim damages against him for the loss sustained. Advise him.

(6 Marks)

- (b.) State the **FOUR** elements that must be present for a valid contract to exist. (4 Marks)

- (c.) Distinguish between condition and warranty in the law of contract.

(2½ Marks)

(Total 12½ Marks)

QUESTION 4

- (a.) Mr. Koffi employed the services of Chief Tulap, Managing Director of Tulap Agency Inc. to assist him to sell his building at Independence Layout. Chief Tulap offered to sell the property to Alhaji Smally for the sum of ₦10million, but without disclosing the identity of Mr. Koffi to Alhaji Smally, as the owner of the property. Upon payment of the sum of ₦10million for the purchase of the property, Chief Tulap absconded with the money, and Mr. Koffi had prevented Alhaji Smally from taking possession of the property.

Alhaji Smally has decided to sue Mr. Koffi for the recovery of the said sum. Advise him.

(7½ Marks)

- (b.) State **FIVE** duties which a bank owes to its customers. (5 Marks)

(Total 12½ Marks)

QUESTION 5

- (a.) Enumerate **FIVE** differences between a partnership and a Limited Liability Company. (5 Marks)

- (b.) The Insurance Act divides insurance business into two main classes. State them. (2 Marks)

- c. i. Explain the factor which distinguishes a contract of service from a contract for services? (1½ Marks)
ii. Explain **TWO** tests for determining the existence of a master and servant relationship. (4 Marks)

(Total 12½ Marks)

QUESTION 6

INSIGHT

- (a.) A company upon incorporation becomes a corporate personality, having perpetual succession and a common seal. From the foregoing, state **FIVE** consequences or benefits that flow from the corporate personality of a company.
(5 Marks)
- (b.) State **THREE** methods of proving the existence of customary law in your country.
(3 Marks)
- (c.) Write short notes on the following:
i. Negligent misstatement
ii. Battery
(4½ Marks)
(Total 12½ Marks)

SUGGESTED SOLUTIONS

SECTION A

PART I MULTIPLE-CHOICE QUESTIONS

1. B
2. C
3. D
4. A
5. E
6. D
7. A
8. D
9. C
10. E
11. C
12. D
13. A or B
14. A
15. C
16. C
17. C
18. B
19. E
20. A
21. A or C
22. D
23. E

- 24. B
- 25. A
- 26. A
- 27. D
- 28. C
- 29. C
- 30. C

EXAMINER'S COMMENT

Multiple Choice Questions are compulsory and adequately covered the scope of the syllabus. Candidates' performance is about 60%.

SHORT-ANSWER QUESTIONS

- 1. Local Government
- 2. Federal Military Government
- 3. Judicial Decisions
- 4. The Supreme Court
- 5. Literal Rule
- 6. Acceptance
- 7. Promise
- 8. Misrepresentation
- 9. Principal
- 10. Contributory negligence
- 11. Existing goods
- 12. You cannot give what you don't have
- 13. Possession
- 14. Drawer, Drawee and Payee
- 15. Demand
- 16. Dormant /Sleeping
- 17. 50
- 18. Debentures
- 19. Board of Director
- 20. Contracts of indemnity

EXAMINER'S COMMENT

Short Answer Questions in this section adequately covered the syllabus. Student performance is about 60%.

SOLUTION 1

- i. Ordinances: These are laws passed by the Nigerian Central legislature before 1st October, 1954.
 - ii. Acts: These are laws enacted by the Federal Parliament in a civilian regime
 - iii. Laws: These are laws made by the State House of Assembly i.e a Civilian regime.
- 1b. Generally, state laws override bye-laws and regulations of local governments. However, the regulation and control of markets, kiosks etc, are specifically within the ambit of local governments by virtue of the Constitution.

Hence, only local governments can make regulations affecting markets.

The government of Aye State would not succeed in any action against Ayedade local government.

- 1c. No, the answer could not be different because the Constitutional provisions is still applicable.

EXAMINER'S COMMENT

This question tests the candidates' understanding of the constitution especially in the area of ordinances, acts and laws.

Over 70% of the candidates attempted this question, which was divided into A, B and C. While performance in A was satisfactory, the overall performance in this question was below average since over 80% of the candidates did not understand the B and C part. The major pitfall is that the candidates did not understand the provisions of constitution. Candidates are advised to study the Nigerian constitution in preparation for future examination.

SOLUTION 2

- A. i. Literal rule: According to this rule, words used in a statute are to be

INSIGHT

giving their ordinary and grammatical meaning as long as such words are not ambiguous.

- ii Golden rule: According to this rule, where the statute to be interpreted is ambiguous or absurd, the court should interpret the statute in such a way as to remove the ambiguity or absurdity
- iii Mischief rule: According to this rule in order to interpret a statute it is necessary for the court to consider:
 - a. How the law stood when the statute was passed,
 - b. What the mischief was for which the old law did not provide.
 - c. The remedy provided by the statute that is being interpreted, and the Court is then to interpret the statute in such a way that would suppress the mischief and advance the remedy – see *Smith vs Hughes*.

B.

The three exceptions where the lower court may refuse to follow the decision of the higher court are:

- i. Where the decision has been distinguished.
- ii. Where the decision was arrived per incuriam i.e mistake.
- iii. Where the decision has been overruled or set aside.

C.

- i. Laws under military regime were made by promulgation i.e by executive fiat
- ii. Military Decrees and edicts do not have to pass through the lengthy process a bill has to pass through.
- iii. It does not need to be assented to by the president

EXAMINER'S COMMENT

The question tests the candidates' understanding of the rules of interpretation of statutes and procedure of making law under the military regime. 30% of the candidates attempted the question and their performance was fair.

The major pitfall was that the candidates did not understand the rules of interpretation of statutes. Candidates are advised to study the interpretation of the statutes for better performance in future examinations.

INSIGHT

SOLUTION 3

- a To constitute a contract, the parties must have the intention that their agreement should give rise to legally enforceable obligations.

In the case of Chief Olowo, the invitation of his friend Alhaji Solomon to have lunch with him in his house could be regarded as a domestic/social agreement.

Thus, the foregoing implies that the parties have not seriously or impliedly stated an intention to create legal relationship

In conclusion, I will advise Chief Olowo that he will not succeed in his action against Alhaji Solomon.

- b
- i Offer
 - ii acceptance
 - iii consideration
 - iv intention to create legal relations.
- c. Condition is a stipulation in a contract the breach of which entitles the injured party to repudiate the contract and sue for damages, whereas a warranty is a stipulation in a contract the breach of which entitles the injured party to sue for damages only and not repudiation of the contract.

EXAMINER'S COMMENT

The question tests Candidates' understanding of elements of a valid contract and also distinguish between condition and warranty.

3(a) was misunderstood by the candidate, which led them to focus on offer and acceptance, instead of intention to create legal relations

3(b) and (c) were understood by the candidates, hence overall performance was above average despite the misconception in 3(a). 98% of the candidates attempted the question and the performance was fair.

Candidates are advised to adequately study the condition for valid contract when preparing for future examinations.

SOLUTION 4

- a. In the law of Agency where the agent does not disclose the identity of his principal, to a third party who entered into a contract with the agent, the agent is liable where he absconds with the Contract sum paid.

INSIGHT

In the instant case Mr. Kofi is not liable for the sum of ₦10 Million paid to Chief Tulap. Alhaji Smally is advised to sue Chief Tulap for the recovery of his ₦10 million, as his action against Mr. Koffi is not likely to succeed even though he is Chief Tulap undisclosed principal.

- b
 - i To honour the customers cheques when properly drawn.
 - ii Duty not to disclose its customer's financial position
 - iii Receiving payments on behalf of its customers
 - iv Rendering statements of accounts to its customers
 - v Safe keeping of its customer's valuables or chattels
 - vi Not to use its customers fund in one account to offset debts in another account without the written consent of the customer.

EXAMINER'S COMMENT

The question was divided into part A (Agency) and B (Duty of Banks). About 80% of the candidates attempted the question. The candidates seemed to be confused as to the distinction between duties of Banks to customers and services usually rendered to customers in the B part of the question. This resulted in a below average performance for the majority of the candidates.

Candidates are advised to make adequate preparation for future examination to avoid the observed confusion.

SOLUTION 5

- a.
 - i A partnership membership is limited to 20, while a private limited company is limited to 50 members and a public company has unlimited membership.
 - ii A partnership is a mere association of people while, a company is a Corporate personality upon incorporation.
 - iii The Company can own property in its own name while in a partnership the property is owned by the partners.

INSIGHT

- iv The Company has a perpetual succession while a partnership business may be terminated on the death of the partners.
 - v The Company has the power to borrow money while a partnership firm cannot use the name of the firm to borrow.
 - vi The liability of a shareholder is limited in a Company while the liability of member in a partnership is unlimited.
- b.
- i Life insurance business.
 - ii. General insurance business.
- c. i The factors that distinguish a contract of services from a contract for services are:
- a. Control factor: under a contract for services, the worker is an independent contractor who is not under the absolute control of the employer, but under the contract of service, the worker is under the absolute control of the employer.
 - b. The power of dismissal: under the contract for services, the employer cannot dismiss the independent contractor, but under the contract of service, the employer can dismiss the worker.
 - ii The Salaries or remuneration paid by the employer to the worker is one of the tests for determining the existence of master servant relationship.

Secondly, the control or instructions are usually given by the employer to the employee or servant as to how the schedule of work is to be carried out.

Thirdly, the master has the power to dismiss the servant or employee.

EXAMINER'S COMMENT

The question was divided into Parts, A, B and C, dealing with comparison between Partnership and Company Law of Insurance, and labour law respectively.

About 70% attempted the question, with most of them doing better in part A, than the other parts. Overall performance on the question is about 60 percent.

Candidates should ensure that they cover the syllabus adequately in preparation for future examinations.

SOLUTION 6

- a.
- i Separate entity
 - ii Perpetual succession
 - iii Can own property on its own
 - iv it has borrowing power
 - v It has limited liability
 - vi It can transfer its share.
- b.
- ❖ Direct oral evidence i.e Chiefs elders, Obas.
 - ❖ Documentary evidence.
 - ❖ By taking judicial notice
- C.
- ❖ **Negligent Misstatement:** This occur whereby a person relied on the advice of a professional such as accountants, bankers and lawyers e.t.c., and sustained or suffered financial loss as a result of the misstatement
 - ❖ **Battery:** This is any direct, intentional application of physical force to another person. In battery, there must be a direct contact, and it is actionable per se.

EXAMINER'S COMMENT

The question is also divided into part A, B and C, testing the candidates' understanding of company law, customary law and Negligence and Battery, respectively.

50% of the candidates attempted the question, but most of them were not able to state the three methods of proving the existence of customary law in their countries, candidates' Performance was above 70%.

Candidates are advised that they cover all the relevant parts of the syllabus to ensure adequate understanding of the requirement of the questions.

INSIGHT

AT/122/PI.4

Examination No:.....

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
PART I EXAMINATIONS - SEPTEMBER 2012
COMMUNICATION SKILLS**

Time Allowed –3 hours

Insert your Examination number in the space provided above

SECTION A (ATTEMPT ALL QUESTIONS)

PART I: MULTIPLE–CHOICE QUESTIONS (20 Marks)

Write ONLY the alphabet (A, B, C, D or E) that corresponds to the correct option in each of the following questions.

1. Which of the following best illustrates the structure of an essay?
 - A. Conclusion, Development, Introduction
 - B. Introduction, Conclusion, Development
 - C. Introduction, Body, Development
 - D. Body, Introduction, Development
 - E. Introduction, Body, Conclusion

2. Which of the following is **NOT** a visual aid?
 - A. Tables
 - B. Drawings
 - C. Figurine
 - D. Flipchart
 - E. Posters

INSIGHT

3. All the following are punctuation marks, **EXCEPT**
- A. Dash
 - B. Apostrophe
 - C. Paradox
 - D. Brackets
 - E. Parenthesis
4. How many syllables does the word “vandalise” contain?
- A. 1
 - B. 2
 - C. 3
 - D. 4
 - E. 5
5. The following words are correctly spelt **EXCEPT**
- A. Matricide
 - B. Matrilinal
 - C. Matrimonial
 - D. Matriarchy
 - E. Matriculate
6. Which of the following sentences indicates that John actually died?
- A. John looked like death when he came back from work
 - B. John was frightened to death when the rioters came to his house.
 - C. John worked himself to death at the conference
 - D. John promised to face death like a warrior
 - E. John was beaten to death in the riot
7. Which of the following is **NOT** an advert on an electronic medium?
- A. Web banner
 - B. Radio jingle
 - C. Public service announcement on radio
 - D. Advert insertion on a home video
 - E. Digital roll-up banner
8. Information received from the field of investigation is contained in the
- A. Terms of reference
 - B. Findings
 - C. Illustration
 - D. Resolutions
 - E. Appendix
9. Which of the following is **NOT** a part of a formal report?
- A. Abstract

INSIGHT

- B. Title page
 - C. Table of illustrations
 - D. Appendix
 - E. Preamble
10. Which of the following is **NOT** a feature of the minutes of a meeting?
- A. Attendance
 - B. Matters arising
 - C. Any other business
 - D. Apologies
 - E. Rules of Order
11. The population that comes in contact with an advert is
- A. Media audience
 - B. Advert frequency
 - C. Target audience
 - D. Advert exposure
 - E. Target population
12. When advertisement is placed in multiple media categories, the method used is
- A. Media strategy
 - B. Target audience method
 - C. Concentration ad
 - D. Media dispersion approach
 - E. Multi-media approach
13. Which of the following types of listening identifies with and shares the feelings of the speaker during a communication encounter?
- A. Emphatic
 - B. Active
 - C. Passive
 - D. Critical
 - E. Evaluative
14. The following are speech features to master, **EXCEPT**
- A. Accent
 - B. Pronunciation
 - C. Intonation
 - D. Orthography

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- E. Projection
15. The 'S' in the SQ3R reading method stands for
- A. Surprise
 - B. Survive
 - C. Survey
 - D. Subscribe
 - E. Submit
16. Writing is an example of..... Communication
- A. Functional
 - B. Intrapersonal
 - C. Receptive
 - D. Productive
 - E. Face-to-Face
17. In communication, any interference en route the transmission process is
- A. Decoding
 - B. Encoding
 - C. Channel
 - D. Noise
 - E. Feedback
18. While Mr. Ashante was reading in the class, a set of students outside were playing football and shouting. The technical name given to the action of these students is.....noise.
- A. Psychological
 - B. Physical
 - C. Linguistic
 - D. Clapping
 - E. General
19. The process of transmitting a message from one person to another through a previously agreed channel is
- A. Language
 - B. Gesture
 - C. Communication
 - D. Illustrations
 - E. Speech

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20. In this sentence, "The man and his entire family came to the party," the underlined expression is a
- A. Clause
 - B. Phrase
 - C. Modifier
 - D. Conjunction
 - E. Preposition

PART II: SHORT ANSWER QUESTIONS (20 Marks)

Write the answer that best completes each of the following questions/statements

1. A listener who listens first and reacts to the message is an listener.
2. The act of looking at the material quickly without carefully reading it to locate specific facts or details is known as
3. The first element of the listening process is
4. The practice of pronouncing words silently during reading is referred to as
5. The primary method of evaluating achievement of both the speaker and the listener in a public speech is through
6. In the sentence, "Biodun is fluent in both French and Portugese", the underlined word is a(n).....
7. Issa repeated the same old mistake. The underlined in this sentence is a(n)
8. Every disappointment is a blessing. The underlined expression in this sentence is the subject of.....
9. Show me a liar and I will show you a thief. "And" in this sentence is a(n).....
10. When a meeting closes or adjourns without a date being set for reconvening; the meeting is said to have adjourned
11. The minutes of a meeting is written by the
12. A list of sources consulted for a formal report is presented in thesection of the report.

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13. The document issued by the Secretary of an organisation to notify members of a scheduled meeting is
14. Feasibility reports are a type of report
15. The one who casts a deciding vote in a meeting is
16. A letter sent to a large number of people within an organisation is known as
17. “Rumour spreads like wildfire,” the figure of speech used here is.....
18. “The boy is an ass”. The expression is a(n).....
19. Another name for informal communication is
20. The use of body language to communicate is

SECTION B:

QUESTION 1 COMPULSORY

COMPREHENSION Marks)

(30

Read the following passage carefully and answer the questions on it.

With gladness and deep sense of appreciation, I write this to narrate what I went through after I left the secondary school five years ago. I thank God that I became successful in the Senior Secondary Certificate Examinations. I remember how my education was sponsored from Junior Secondary Class Two till the end of my stay in the Secondary School. How many books and uniforms were bought for me as well as pocket money which I received several times. How I was called and counselled that I should not give up and that the end would be happy. I cannot forget the kindness and concern that many teachers showed towards my success.

Immediately after the release of the Senior Secondary Certificate Examinations result, having discovered that I passed at credit level seven papers including English Language and Mathematics, I decided to go and look for a clerical job in Lagos. It was there and then that I discovered that what people say about Lagos was true. I found Lagos mystifying. I had never, in life, seen so many people, vehicles and overhead bridges. Many areas and roads in Lagos were too busy. People were always in a hurry. Everybody minded his or her own business. The city was too noisy and the noise was so deafening that I began to wonder how people could cope with it.

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In the first six months, I searched and searched for a clerical job to enable me make a living and save money towards further studies but none was available. Anywhere I went, the answer remained the same, NO VACANCY. It was when I discovered that clerical job was not easy to secure that I decided to approach a young and successful 'Amala' vendor in front of Guinness Plc factory at Ikeja to employ me as her assistant, in serving and collecting money from her numerous and hurrying customers. I tried as much as possible to be honest in my affair with the woman and she was quite appreciative. The woman always provided me three square meals and I became psychologically relieved. After all, I had won the battle against hunger and life must continue.

The woman always closed her sales around seven O'clock in the evening and departed to her home after feeding her son. I always had a stroll down Sanusi Brothers Street, *a factory* about a kilometer from our joint. At the gate of Sanusi Brothers, I always found a bench which I strategically placed and on which I passed the nights. I always woke up and departed to our joint around four in the morning to wash the plates used the previous day and prepare towards the day's routine. I never knew people were noticing my pathetic routine until a young man, one evening, accosted me and told me that a popular hotel on the Lagos Lagoon Bar Beach advertised for the position of an attendant. I later filed my application. Two weeks after, I was interviewed, employed and posted to the Chinese Bar within the hotel.

On a bright Sunday evening, while serving customers at the bar, I noticed a theft escapade perfectly made on a drunk, bald-headed African man by a young and handsome man. I discovered that the young pick-pocket had picked the man's pocket and was trying to make away with the man's money. I quickly alerted the security men who approached, arrested the man and recovered the precious amount from him. When the man gained consciousness, the event was narrated to him by the security men and me. He was highly grateful to me. Later, the man found out from me whether or not I was interested in travelling abroad. I enthusiastically answered yes. The man later obtained my passport and helped me to go through the visa ordeal successfully and sponsored my trip to America.

That was how I got out of the mess in Nigeria. All that happened to me in Lagos transformed my life greatly. It was then that I realised that there was an interesting world beyond the hardships in Nigeria. Life in America is worthwhile. It was an opportunity for an enterprising mind to amass wealth easily.

I am currently a Journalism undergraduate in one of the popular American Universities. I combine studies with part-time job in one of the petrol stations as a

petrol attendant. I intend to marry a serious Nigerian at the completion of my course.

(An extract from Akinbode, J. O.'s *Modern English Usage*. Pp. 149 – 157)

- a. According to the passage, what assistance did the writer receive when he was in the Secondary School? (4 Marks)
- b. How would you describe the family background of the writer? (3 Marks)
- c. What was the social status of the writer? (3 Marks)
- d. What was the writer's academic performance when he was in Secondary School? (3 Marks)

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- e. State any **FOUR** qualities of the writer. (4 Marks)
- f. How would you describe the gesture of those who assisted the writer when he was in the secondary school? (3 Marks)
- g. ...after I left the Secondary School five years ago.
- i. What is the grammatical name of this expression? (2 Marks)
- ii. What is its function? (2 Marks)
- h. Give another word or expression for each of the following words as used in the passage:
- i. Appreciation
- ii. A hurry
- iii. Business
- iv. Numerous
- v. Departed
- vi. Transformed

(6 Marks)

(Total 30 Marks)

SECTION C: ATTEMPT ANY TWO QUESTIONS (30 MARKS)

QUESTION 2

Organisations use report writing to drive their operations, as such reports serve diverse purposes. **Discuss any FIVE of such purposes reports serve in a business organisation.**
(15 Marks)

QUESTION 3

You have been invited to address a group of newly qualified Accounting Technicians at an induction course on the topic, “Challenges of a Budding Accountant in a Depressed Economy”.

Discuss any FIVE speaking skills that you would employ to make your delivery effective.
(15 Marks)

QUESTION 4

- A. Give the homophone of each on the following words:
- i. Ewe
- ii. Know
- iii. Raw
- iv. Fore
- v. Meat
- vi. Gnaw

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- vii. Roll
 - viii. Soul
- (8 Marks)

B. Give another word that is similar in meaning to each of the following words:

- i. Invaluable
- ii. Nascent
- iii. Likelihood
- iv. Phobia
- v. Obligation
- vi. Indolent
- vii. Objective

(7 Marks)

(Total 15 Marks)

QUESTION 5

The Management of the Institute you work for met recently. It deliberated and resolved to re-organise the Institute by setting an agenda for punctuality, professionalism and customer satisfaction as its watchwords. It was, therefore, decided that a circular be issued to all staff and trainees, informing them of this decision to transform the Institute into a world-class accounting-technician training Institute.

As the Director of the institute, write an appropriate circular.

(15 Marks)

SUGGESTED SOLUTIONS

SECTION A

PART I MULTIPLE-CHOICE QUESTIONS

- 1. E
- 2. C
- 3. C
- 4. C
- 5. B
- 6. E
- 7. E
- 8. B
- 9. E

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10. E
11. C
12. D
13. A
14. D
15. C
16. D
17. D
18. B
19. C
20. B

EXAMINER'S COMMENT

The Multiple Choice Questions test candidates' familiarity with concepts. All candidates attempted the question. 80% of the candidates scored above 40%.

PART II SHORT-ANSWER SOLUTION

1. Active
2. Scanning
3. Hearing
4. Vocalisation/sub-vocalization
5. Questioning/feedback/question and answer session/asking question
6. Adjective
7. Noun phrase/object/phrase
8. The verb 'is'/'is'
9. (Co-ordinating) Conjunction

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10. Sine die/indefinitely
11. Secretary
12. References/bibliography
13. Notice of meeting
14. Analytical
15. (The) Chairman/Chairperson
16. Circular
17. Simile
18. Metaphor
19. Grapevine/rumour
20. Kinesics

EXAMINER'S COMMENT

This part tests candidates' grasp of theory and concepts. All candidates attempted this question. About 60% of them scored above average mark here.

SECTION B

SOLUTION 1

- a The assistance the writer received were:
 - i. The writer was sponsored throughout his/her secondary school education
 - ii. Teachers showed concern and kindness towards him/her.
 - b The writer comes from a poor family.
 - c The writer was an undergraduate as well as a part-time employee.
 - d The academic performance of the writer was good.
- OR

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The writer was brilliant.

- e The writer was honest, determined, serious, hard working, enterprising, dogged, appreciative, intelligent
- f They were very kind and charitable.
- g
 - i Adverbial clause (of time)
 - ii It modifies the phrasal verb “went through”.
- h
 - i gratitude, thankfulness, gratefulness, thanks
 - ii Haste
 - iii. Affair, problem, activity
 - iv. Many
 - v Left, went
 - vi Changed

EXAMINER’S COMMENT

The question tests comprehension of a given passage. All candidates attempted this question. The pass rate for this question is 40%. Most candidates were unable to express themselves. Also their interpretational skills were limited. It is recommended that candidates should master reading skills to enable them understand what they read in order to respond to questions adequately.

SOLUTION 2

The following are the purposes that reports serve in a business organization:

- a **Performance evaluation and appraisal for promotion:** Reports are used as a tool for evaluating and appraising staff performance for the purpose of promotion. Through the staff appraisal report, staff are scored and rated on different aspects of on-the-job performance and utility to the organization. Within the framework of such reports, their recommendation for promotion is made in consonance with staff score on performance.
- b **Communicate Output and Productivity:** Reports are used by workers to communicate output and production output of a shift at work, output of a unit or department are presented in reports that give daily, weekly, monthly and annual outlook of what is produced. This report enables the organization to rate individual, unit, departmental and organizational productivity.
- c **Communicate progress:** Reports are used to communicate progress. Sometimes an individual, unit, department and committee may be saddled with a job with so many milestones. The job may also have a long duration. In these cases, it is ideal, after the task has been undertaken for some time and certain milestones have been reached, to

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write progress report to communicate what has been done, what is yet to be done, challenges being faced and needs of the executors of the job.

- d **Analyse feasibility:** Reports are written to analyse feasibility of projects and proposals. A proposed project needs to be analysed to ascertain its feasibility. It is improper to undertake a project without having any analysis of its feasibility. This is because a feasibility report shows viability, prevents waste and guides the would-be project undertakers.
- e **Analyse products and procedures:** A report is also written to evaluate and analyse products and procedures. Products are analysed to communicate their nature, capability, acceptability, marketability, strengths and weaknesses. Procedures are analysed for their usefulness, appropriateness, strengths and weaknesses. The analysis of the report shows how viable the products and procedures are and communicates areas in which improvement is needed.
- f **Monitor and control operations:** Reports are written to monitor and control operations. Reports indicate compliance and deviations and as such serve as tools for monitoring operations and organizational performance. Reports give a good overview and as such are useful for monitoring. Also, reports indicate crucial factors and elements within a situation, department or task and as such are useful as a means of control.
- g **Aid Decision-making:** Reports aid decision-making. This is because they provide needed information on all aspects of organization life. Also, incidents, occurrences and output in all departments are available through reports performing and non-performing units, departments and equipment, areas of lack and surplus are communicated glaringly by reports. This way, reports tend to highlight decisions that should be made and provide critical input for decision-making.
- h **Help generate new ideas:** Reports are used to examine situations in order to evaluate and determine appropriateness of procedures, events and occurrences. In this process, there is usually the possibility for new ideas to emerge as suggestions for the future and recommendations. Reports thereby serve to generate new ideas.
- i **Help to expose hidden facts:** Reports are usually written after investigations and researches. They usually bring hidden facts into the limelight and all aspects of the matter under investigation are properly illuminated in this process.

EXAMINER'S COMMENT

The question tests the purposes for which report are written. 65% of candidates attempted this question while 15% of them scored above 40%. Most candidates seemed to have fallen into the habit of predicting the pattern of questions to be expected on a topic, hence they appeared to tailor their answers to their conception. They were, therefore, unable to respond to the question as expected. It is recommended that

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candidates should study from a variety of perspectives to discourage them from predicting and permutation.

SOLUTION 3

The following are speaking skills which a speaker would employ to make his/her delivery effective:

(i) **Understanding the message/subject matter:**

It is good that a speaker has the mastery of the message/subject matter. This would enable him/her to achieve his/her objectives. It is also essential that the speaker has a knowledge of the nature of his listeners and the purpose of the communication. To do this, the speaker should ask himself/herself the following questions:

- (a) Who are the members of the audience?
- (b) What exactly do they intend to gain from me?
- (c) How do I communicate my message to the audience?
- (d) How long should my communication with the audience last?
- (e) Where is the venue of the ceremony?
- (f) Why do I need to communicate with the audience?

(ii) **Having knowledge of the audience:**

The speaker should have a foreknowledge of the audience's interests, presumptions and values. The speaker would ask himself or herself: What do the members of the audience have in common? What makes each member unique?

(iii) **Assessing the subject matter:**

The speaker should assess what he/she wishes to communicate on. One way of doing this is to ask oneself about career success. One should know if and when one has successfully communicated what one has in mind.

(iv) **Language use:**

The speaker should decide how best he/she can convey his/her message. Language is important here. The speaker should choose his/her words and non-verbal cues with the audience in mind. He/she should plan a beginning, a middle and an end of the speech appropriately.

(v) **Use of audio-visual aids:**

The speaker needs to acquire necessary skills for handling different and relevant audio-visual aids in order to ensure he brings the message home to the audience.

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(vi) **Timing:**

Timing is important. The speaker should develop a sense of time so that each stage of his/her speech delivery will receive adequate time. There should be a time to speak and a time to listen to his audience. The speaker should know when his/her time is up and conform accordingly.

EXAMINER'S COMMENT

This question tests speech skills. 20% of the candidates attempted this question. 5% of them scored 40% and above. The candidates present methods of speech delivery as against speech skills. It is recommended that candidates should study all communication skills and be able to distinguish between speech delivery and speech skills in future examinations.

SOLUTION 4

a

- i You
- ii No
- iii Roar
- iv Four
- v Meet
- vi Nor
- vii Role
- viii Sole

b

- i Useful, precious, priceless, irreplaceable, vital, helpful, instrumental, important, valuable, unique, treasured, inestimable, rare, choice.
- ii Young, new, emerging, budding, promising, embryonic, blossoming, growing, burgeoning.
- iii Probability, tendency, possibility, prospect, chance, chances, odds.
- iv Fear, paranoia, terror, dread, horror, fight, obsession, anxiety
- v. Duty, responsibility, requirement, compulsion, commitment, onus, debt, promise, contract, agreement, gratitude, acknowledgement
- vi. Lazy, slothful, languid, lax, laguid.
- vii. Unbiased, purpose, aim, goal, fair, detached, neutral, unbiased, unprejudiced, independent, dispassionate, disinterested, real, factual, tangible, factbased, intention, intent, reason, point.

EXAMINER'S COMMENT

The question tests vocabulary. 80% of the candidates attempted this question and 70% of them scored above 40%. This kind of question is a booster, so candidates should pay more attention to this aspect of the syllabus to remedy poor performance in other areas.

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SOLUTION 5

FOLLEY FULLEY INSTITUTE Office of the Director

FROM: Kimuyon Kokode FCA

REF NO: FFI/DIR/GEN Vol. 1-113

Date: February 4, 2012

TO: ALL STAFF AND TRAINEES

SUBJECT: AGENDA OF TIMELINESS, PROFESSIONALISM AND CUSTOMER SATISFACTION

This is to inform all members of staff and trainees that Management, at her weekly meeting held on Wednesday, February 1, 2012, resolved to work towards attaining higher standards of operation with regard to timeliness, professionalism, and customer satisfaction in order to transform the Institute into a world-class establishment.

In pursuit of these ideals, management hereby specifies the following guidelines:

- i Every member of staff must be at his/her duty post by 7.30 a.m.
- ii Members of staff must dress formally and wear appropriate identification tags.
- iii Management forbids all staff from making unauthorized comments, promises and representations on behalf of the Institute.
- iv Clients are expected to be treated with utmost respect bearing in mind that the “customer is king”.
- v All members of staff are expected to display high sense of responsibility and commitment to the Institute and its clients.

Please take proper note of these directives and co-operate with the Committee set up to implement and monitor compliance with these decisions of Management.

Kimuyon Kokode
Director

EXAMINER’S COMMENTS

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This question tests writing skills i.e. writing of circular. 20% of the candidates attempted this question. 15% of the candidates scored above average, Most candidates scored highly on format here but very low on expression and content. Many of them did not know what was required for the content of the circular. It is recommended that candidates should pay more attention to contents of circulars, in preparing for future examinations.