

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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INSIGHT

ATS/132/PI.1

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIANS SCHEME OF WEST AFRICA
PART I EXAMINATION – SEPTEMBER 2013
BASIC ACCOUNTING PROCESSES AND SYSTEMS**

Time Allowed: 3 HOURS

SECTION A: PART I

ATTEMPT ALL QUESTIONS)

(30 MARKS)

MULTIPLE-CHOICE QUESTIONS

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 is **NOT** a function of the International Accounting Standards Board?
 - A. Preparation of the final accounts of the Accounting Board
 - B. Promotion of the use of accounting standards
 - C. Application of the accounting standards
 - D. Convergence of International Accounting Standards
 - E. Convergence of National Accounting Standards

2. A legal document drawn up to regulate a partnership business is
 - A. Partnership Regulations
 - B. Partnership Deed
 - C. Memorandum of Association
 - D. Articles of Association
 - E. Partnership Document

3. Which of these is **NOT** true of a Public Limited Liability Company?
 - A. It has unlimited number of shareholders
 - B. The maximum membership is twenty
 - C. There is no restriction on the transfer of its shares
 - D. It can invite the public to subscribe for its shares
 - E. Its shares can be quoted on the stock Exchange

4. Which of the underlisted items is a **REVENUE** expenditure?
 - A. Purchase of furniture and fittings
 - B. Acquisition of library books
 - C. Procurement of office equipment
 - D. Purchase of office stationery
 - E. Cost of office building

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5. Which of these is **NOT** true of the going concern concept?
- A. The owner of the business is to inject more capital for its sustenance
 - B. The company will be in operational existence in the foreseeable future
 - C. The enterprise has no intention to curtail its operations
 - D. The concept can also be called continuity concept
 - E. The enterprise has no intention to liquidate immediately
6. Which of the following will **NOT** be prepared by a sole proprietorship?
- A. Statement of financial position
 - B. Bank Account
 - C. Appropriation Account
 - D. Assets Account
 - E. Statement of comprehensive income
7. When a customer returns damaged goods, he should receive a
- A. Proforma Invoice
 - B. Credit Note
 - C. Debit Note
 - D. Goods Returned Note
 - E. Credit Sales Invoice
8. The Microsoft Office application used for calculations is called
- A. Ms-Dos
 - B. Excel
 - C. Ms-Outlook
 - D. Power point
 - E. Lotus 123
9. Which of the following items is **NOT** shown on a bank statement?
- A. Balance brought forward
 - B. Closing balance
 - C. Returned cheque
 - D. Post dated cheque
 - E. Direct Debit

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10. The Payee of a crossed cheque is

- A. The Drawer's banker
- B. Person named on the cheque
- C. Drawee's banker
- D. The bank cashier
- E. The Drawer of the cheque

Use the following information to answer questions 11 and 12:

| | Le |
|--------------------|---------|
| Inventory at start | 20,000 |
| Inventory at close | 32,000 |
| Purchases | 205,500 |
| Sales | 318,600 |

11. What is the cost of goods sold?

- A. Le125,100
- B. Le153,500
- C. Le193,500
- D. Le215,500
- E. Le217,500

12. The value of goods available for sale is

- A. Le185,500
- B. Le205,500
- C. Le225,500
- D. Le237,500
- E. Le257,500

Use the following information to answer questions 13 and 14:

A paper cutting machine costs ₦375,000. It has an expected life span of 4 years with estimated residual value of ₦9,600.

13. Determine the depreciation for the year using the straight line method

- A. ₦70,912
- B. ₦91,350
- C. ₦93,750
- D. ₦96,150
- E. ₦97,350

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14. What is the Net Book Value of the machine at the end of the first year of Purchase?
- A. ₦274,050
 - B. ₦278,850
 - C. ₦281,250
 - D. ₦283,650
 - E. ₦290,850
15. Discount Allowed is a/an
- A. Credit in the Income Statement
 - B. Asset in the Statement of Financial Position
 - C. Debit in the Income Statement
 - D. Liability in the statement of Financial Position
 - E. Credit to the total Discount Account
16. Net salary is
- A. Basic pay plus allowances plus deductions
 - B. Basic pay plus deductions minus allowances
 - C. Basic pay plus allowances minus deductions
 - D. Basic pay plus allowances only
 - E. Basic pay plus tax plus arrears

Use the following information to answer questions 17 and 18:

| | |
|------------------------------|---------|
| | ¢ |
| Sale of tickets | 150,000 |
| Bar sales | 130,000 |
| Cash purchase of club house | 50,000 |
| Credit purchase of equipment | 30,000 |
| | |
| Electricity bill paid | 2,500 |
| Salaries owed | 1,000 |

17. The receipts and payments account balance is
- A. ₦195,500
 - B. ₦196,500
 - C. ₦197,500
 - D. ₦227,500
 - E. ₦276,000

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23. The value of non-current asset is recorded in a
- A. Real Account
 - B. Impersonal Account
 - C. Nominal Account
 - D. Current Account
 - E. Personal Account
24. Which of the following items is shown on the Trade Receivable Control Account?
- A. Cash Purchases
 - B. Cash Sales
 - C. Credit Sales
 - D. Credit Purchases
 - E. Provision for doubtful debts
25. An amount invested by an entrepreneur to start a business is called
- A. Asset
 - B. Debenture
 - C. Overdraft
 - D. Capital
 - E. Memorandum
26. What is the cost of sales, given sales figure of ₦ 1million with mark-up of $33\frac{1}{3}\%$?
- A. ₦333,333
 - B. ₦ 666,667
 - C. ₦ 750,000
 - D. ₦ 250,000
 - E. ₦ 1,333,333
27. Which of the following will **NOT** lead to dissolution of a partnership?
- A. Change in profit sharing ratio
 - B. When one partner becomes bankrupt
 - C. Withdrawal of a partner
 - D. Death of a partner
 - E. Insanity of a partner

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28. In manufacturing account, one of these costs is factory overhead
- A. Depreciation of factory plants
 - B. Salaries of labourers for production
 - C. Transportation costs of raw materials
 - D. Salary of the Managing Director
 - E. Commission on sales
29. When closing Inventory is overstated
- A. Profit is overstated
 - B. Profit is understated
 - C. Capital is understated
 - D. Non-current asset is understated
 - E. Current asset is understated
30. The excess of opening assets over the liabilities at start of a not-for-profit organisation is
- A. Accumulated fund
 - B. Capital account
 - C. Surplus
 - D. Deficit
 - E. Overdraft

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SECTION A: PART II

ATTEMPT ALL QUESTIONS

(20 MARKS)

SHORT-ANSWER QUESTIONS

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

1. The International Accounting Standards Board has the responsibility for issuing
2. A difference in the trial balance that is divisible by 9 exactly is most likely to be due to
3. An account that temporarily holds an amount until sufficient information is available for it to be posted to the appropriate account(s) is
4. The on-line service that allows customers account to be credited instantly anywhere in the country is known as.....
5. The entity concept distinguishes between the..... and the
6. An enterprise owned and controlled by government is.....
7. Sales Day Book records only.....
8. A unit measure of part ownership of a Company is
9. Data that is structured for a particular purpose is
10. Members of a Limited Liability Company are otherwise referred to as.....
11. The impersonal account is made up of the and accounts.
12. A cheque issued but not shown in the Bank Statement of the drawer is
13. An amount owed, the collection of which is uncertain is considered.....
14. In the statement of financial position of a club, members' subscription paid in advance is classified as.....
15. The amount spent on a company before its incorporation is called.....

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Use the following information to answer questions 16 and 17:

Applescot Enterprises sold goods on credit to Lamido Ventures for ₦500,000 and offered a trade discount of 10%. A further cash discount of 5% is allowed if payment is made within 30 days.

16. What is the invoice value?
17. If payment is made by Lamido Ventures three weeks later, how much is payable for the purchase?
18. An amount set aside from the profit of an entity for a specific purpose is
19. Mr. Okon paid insurance of ₦40,500 for 15 months ended 31 March, 2013. He prepared accounts to 31 December 2012. The amount charged to statement of comprehensive income for 2012 was
20. Rent paid on 31 December 2012 was ₦400,000; Rent owed on 1 January, 2012 was ₦50,000; Rent owed on 31 December, 2012 was ₦30,000. The rent for 2012 was.....

SECTION B: ATTEMPT ANY FOUR QUESTIONS

(50 Marks)

QUESTION 1

The following information has been extracted from the books of accounts of Lizty Services Limited for the year ended 30 September 2012.

| | |
|----------------------------------|---------|
| | ¢ |
| Factory equipment | 560,000 |
| Office equipment | 378,000 |
| Advertising | 20,000 |
| Depreciation for the year: | |
| Factory Equipment | 70,000 |
| Office Equipment | 40,000 |
| Direct Wages | 400,000 |
| Factory Insurance | 10,000 |
| Factory Utilities | 150,000 |
| Indirect Factory Materials | 50,000 |
| Factory Salaries | 250,000 |
| Finished goods at 1 October 2011 | 240,000 |
| Office - Electricity | 150,000 |
| Postages & Telephone | 90,000 |

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| | |
|---|-----------|
| Salaries | 700,000 |
| Raw Materials Purchases | 2,020,000 |
| Raw Materials Inventory at 1 October 2011 | 80,000 |
| Sales | 5,124,000 |
| Work in Progress at 1 October 2011 | 120,000 |

NOTES:

- a. At 30 September 2012, the following inventories were on hand:

| | ¢ |
|------------------|---------|
| Raw Materials | 100,000 |
| Work in Progress | 90,000 |
| Finished Goods | 300,000 |

- b. At 30 September 2012, there was an accrual for postage of C10,000 and it was estimated that C15,000 had been paid in advance for electricity. These items were not included in the books of account for the year ended 30 September 2012.

You are required to:

Prepare Manufacturing account and Income Statement of Lizty Services Limited for the year ended 30 September 2012. (12½ Marks)

QUESTION 2

- a. State **SIX** ways that spreadsheets could be used in business. (3 Marks)
- b. Describe the main features of an Inventory Control sub-system in a computerised accounting system. (9½ Marks)
- (Total 12½ Marks)

QUESTION 3

On 1 January 2013, Sales Ledger balance of C. Ethan was ₦1,200,000 debit while the Purchases ledger balance was ₦485,000 credit.

The transactions of the business in January 2013 were as follows:

| | ₦ |
|---------------------|------------|
| Credit Sales | 17,590,000 |
| Bad debts | 422,500 |
| Dishonoured cheques | 625,000 |
| Credit Purchases | 9,000,000 |
| Return Inwards | 785,000 |

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| | |
|--|-----------|
| Bills Receivable | 2,250,000 |
| Cash received from customers | 7,800,000 |
| Discount allowed | 225,000 |
| Cash paid to supplier | 5,700,000 |
| Discount received | 472,500 |
| Cheque received from customers | 3,750,000 |
| Bills Payable | 1,075,000 |
| Debit balance in Purchase Ledger transferred to Sales Ledger Account | 130,000 |
| Discount allowed but later disallowed | 75,000 |
| Discount received but later withdrawn | 72,500 |

Required: Prepare

- a. The Total Receivables Account (7½ Marks)
- b. The Total Payables Account (5 Marks)
- (Total 12½ Marks)

QUESTION 4

On 31 March 2013, the bank column of John Etete's cash Book showed a debit balance of ₪13,830,000 and a credit balance of ₪21,810,000 in the bank.

Other information on the Cash book and Bank Statement are shown below:

- i. Unpresented cheque ₪18,900,000.
- ii. Uncredited lodgment ₪7,500,000.
- iii. Dishonoured cheque ₪2,190,000.
- iv. A dividend of ₪1,140,000 paid directly to the bank was not recorded in the cash book.
- v. Bank interest and charges of ₪1,260,000 had been charged in the bank statement but not entered in the cash book.
- vi. No entry was made in the cash book for a subscription of ₪300,000 paid by standing order.
- vii. A cheque for ₪810,000 drawn by Mr. K. Atete was charged to Mr. John Etete's account in error in March 2013.

You are required to:

- a. Make appropriate adjustments in the cash book. (3 Marks)
- b. Prepare a statement reconciling the adjusted balance in the cash book with the balance shown in the bank statement as at 31 March 2013. (6½ Marks)
- c. State **THREE** reasons for which a bank may dishonour a cheque. (3 Marks)
- (Total 12½ Marks)

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QUESTION 5

Write short notes on the following accounting concepts:

- a. Matching Concept (3½ Marks)
 - b. Entity Concept (3 Marks)
 - c. Historical Cost Concept (3 Marks)
 - d. Periodicity Concept (3 Marks)
- (Total 12½ Marks)**

QUESTION 6

Jacobs Brown, a sole trader, extracted the following trial balance from his books at 31 December 2012.

TRIAL BALANCE AS AT 31 DECEMBER 2012

| | Debit L\$ | Credit L\$ |
|--------------------------------|--------------|---------------|
| Capital at 1 January 2012 | | 260,940 |
| Receivables | 427,370 | |
| Cash in hand | 14,110 | |
| Payables | | 354,040 |
| Furniture and fittings at cost | 422,000 | |
| Discounts allowed and received | 13,040 | 11,750 |
| Inventories at 1 January 2012 | 184,600 | |
| Purchases and sales | 3,879,360 | 4,916,200 |
| Motor vehicles at cost | 457,300 | |
| Electricity | 61,840 | |
| Vehicle running expenses | 28,620 | |
| Rent | 88,410 | |
| General expenses | 74,130 | |
| Bank overdraft | | 198,610 |
| Provision for depreciation: | | |
| Furniture and fittings | | 22,000 |
| Motor Vehicles | | 152,920 |
| Drawings | 265,680 | |
| | 5,916,460 | 5,916,460 |

Additional information:

- a. L\$2,180 was unpaid for motor expenses.
- b. L\$6,800 was prepaid for rent.

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c. Depreciation is to be provided for the year as follows:

Motor vehicles – 20% on cost

Furniture and fittings – 10% reducing balance method

d. Inventory at the close of business was valued at L\$199,260

You are required to:

Prepare Jacobs Brown's Income Statement for the year ended 31 December 2012 and his Statement of Financial position as at that date. **(Total 12½ Marks)**

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SUGGESTED SOLUTION

SECTION A

PART I MULTIPLE-CHOICE QUESTIONS

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

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27. A

28. A

29. A

30. A

Workings

| | | Le |
|-------------------------------|-----------------|----------------|
| Q11. Sales | | 318,600 |
| Inventory at start | 20,000 | |
| Purchases | <u>205,500</u> | |
| Q12. Goods available for sale | 225,500 | |
| Inventory at close | <u>(32,000)</u> | |
| Cost of sales | <u>193,500</u> | 93,500 |
| Gross profit | | <u>125,100</u> |

| | | |
|----------------|--------------------------|--|
| Q.13 | ₤ | |
| Cost | 375,000 | |
| Residual value | <u>(9,600)</u> | |
| | <u>365,400/4 (years)</u> | |

= 91,350 p.a.

| | | |
|--------------|-----------------|--|
| Q14. Year 1 | | |
| Cost | 375,000 | |
| Depreciation | <u>(91,350)</u> | |
| NBV | <u>283,650</u> | |

¢

| | | |
|------------------------|----------------|--|
| Q.17 Sale of Tickets | 150,000 | |
| Bar Sales | <u>130,000</u> | |
| | 280,000 | |
| Purchase of club house | (50,000) | |
| Electricity bill | <u>(2,500)</u> | |
| | <u>227,500</u> | |

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| | ¢ |
|---------------------|----------------|
| 18. Sale of tickets | 150,000 |
| Bar Sales | <u>130,000</u> |
| | 280,000 |
| Electricity bill | (2,500) |
| Salaries (accrued) | <u>(1,000)</u> |
| | <u>276,500</u> |

EXAMINER'S COMMENT

All the questions were straightforward and devoid of ambiguities. Candidates scored over 50% of the marks.

SHORT-ANSWER QUESTIONS SOLUTIONS

1. International Financial Reporting Standards (IFRS)
2. Transposition error
3. Suspense accounts
4. Electronic Fund Transfer
5. Business Entity and the Owner
6. Public corporation
7. Credit sales
8. Share
9. Database
10. Shareholders
11. Real and Nominal Accounts
12. Unpresented cheque
13. Doubtful debt.
14. Current liability
15. Preliminary Expenses or Pre-incorporation Expenses
16. ₦450,000
17. ₦427,500
18. Provision

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19. ₦32,400
20. ₦380,000

Workings

| | | |
|------|---------------------------------|-----------------|
| | ₦ | |
| Q16. | Sales Price | 500,000 |
| | Trade Discount (10%) | <u>50,000</u> |
| | Invoice value | <u>450,000</u> |
| Q17. | Invoice value | ₦450,000 |
| | Discount allowed (5%) | <u>(22,500)</u> |
| | Amount payable | <u>₦427,500</u> |
| Q19. | $40,500 \times \frac{12}{15} =$ | ₦32,400 |
| | | |
| | ₦ | |
| Q20. | Rent paid 31 Dec. 2012 | 400,000 |
| | Rent owed 31 Dec. 2012 | <u>30,000</u> |
| | | 430,000 |
| | Rent owed 1 Jan. 2012 | <u>(50,000)</u> |
| | Rent 2012 | <u>₦380,000</u> |

EXAMINER'S COMMENT

The short answer questions are clear and unambiguous in any form. There were no typographical or other errors. Candidates' performance is encouraging in this section as they scored above 50% of the allotted marks.

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SECTION B

QUESTION 1 Lizty Services Limited

Manufacturing Account and Income Statement for the year ended September 30, 2012

| | ¢'000 | ¢'000 | ¢'000 |
|------------------------------------|-------------|--------------|----------------|
| Sales | | | 5,124 |
| Opening Inventory-Raw Material | | 80 | |
| Purchases | | <u>2,020</u> | |
| Cost of Raw Material Available | | 2,100 | |
| Closing Inventory-Raw Material | | <u>(100)</u> | |
| Cost of Raw Material Consumed | | 2,000 | |
| Direct wages | | <u>400</u> | |
| Prime Cost of Production | | 2,400 | |
| Factory Overheads: | | | |
| Depreciation – fact. Equip. | 70 | | |
| Factory insurance | 10 | | |
| Factory Utilities | 150 | | |
| Ind. Factory materials | 50 | | |
| Factory Salaries | <u>250</u> | 530 | |
| <u>Change in W.I.P</u> | | | |
| Opening W.I.P. | 120 | | |
| Closing W.I.P. | <u>(90)</u> | <u>30</u> | |
| Production Cost | | 2,960 | |
| Opening inventory-F/Goods | | 240 | |
| | | <u>3,200</u> | |
| Closing inventory-F/Goods | | <u>(300)</u> | |
| Cost of sales | | | <u>(2,900)</u> |
| GROSS PROFIT | | | 2,224 |
| Operating Expenses | | | |
| Advertising | | 20 | |
| Depreciation – office equip. | | 40 | |
| Office Electricity (wk 1) | | 135 | |
| Office postages & telephone (WK 2) | | 100 | |
| Office salaries | | <u>700</u> | |
| NET PROFIT | | | <u>(995)</u> |
| | | | <u>1,229</u> |

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WORKINGS

a. Office Electricity expenses

| | ¢'000 |
|------------------|------------|
| Per books | 150 |
| Less: Prepayment | <u>15</u> |
| | <u>135</u> |

b. Postage expenses (office)

| | ¢'000 |
|-----------------------|------------|
| Amount per books | 90 |
| Add: Accrued postages | <u>10</u> |
| | <u>100</u> |

EXAMINER'S COMMENT

This question tested candidates on the preparation of a Manufacturing Account and the Income Statement. Over 90% of the candidates attempted the question (evidence of a familiar topic). More than 70% of the candidates who attempted the question scored over 50%. About 20% appeared not to have fully grasped the concept of classifying costs and 10% have only a faint idea of a manufacturing account preparation.

SOLUTION 2

a. Uses of the spreadsheets

Possible uses of spreadsheet packages in business include the following:

- i. Preparation of cash flow forecasts
- ii. Budgeting and budgetary control
- iii. Preparation of payroll

- iv. Preparation of final statement of comprehensive income
- v. Computation of profit projections
- vi. Recording inventory count records
- vii. Sales marketing analysis
- viii. Calculation of depreciation charges, provision for bad debts, etc.
- ix. Preparation of periodic statements such as customers' statement of account.

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- x. Preparation of sales forecasts
 - xi. Tax budgeting
 - xii. Preparation of sundry schedules of unpaid invoices, receivables, payables, etc.
- b. The following are the main features of an inventory control sub-system in a computerised accounting system:

Inputs

These include data about

- Goods received note (GRN)
- Issues to production (Goods Issue Note)
- Production to finished goods store
- Dispatch notes
- Adjustments, etc

Outputs which could include:

- details of inventory movements
- Inventory balances produced as required
- Inventory valuation lists
- List of slow-moving and obsolete goods

Files Used

The main file is the inventory ledger. A record on the file for each inventory item might include:

- Stock number
- Description
- Standard cost
- Quantity in the inventory
-

EXAMINER'S COMMENT

Candidates' understanding of a computerized accounting system in the area of inventory control was tested. Not more than 30% of the candidates attempted the question and they performed below average. None scored up to 50% of the allotted mark. Computer application should always be studied in their flow from INPUT, PROCESSING and OUTPUT and FILE USAGE. It is suggested that this area of the syllabus is tested again.

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SOLUTION 3

C. ETHAN

TOTAL RECEIVABLE ACCOUNT (JAN 1, 2013)

| | ₹ | | ₹ |
|--------------------|-------------------|----------------------|-------------------|
| Balance b/f | 1,200,000 | Bad debts | 422,500 |
| Credit sales | 17,590,000 | Return inwards | 785,000 |
| Dishonoured cheque | 625,000 | Bills receivable | 2,250,000 |
| Disc. disallowed | 75,000 | Cash from customers | 7,800,000 |
| Contra | 130,000 | Disc. Allowed | 225,000 |
| | | Cheq. From customers | 3,750,000 |
| | | Balance c/d | <u>4,387,500</u> |
| | <u>19,620,000</u> | | <u>19,620,000</u> |
| Balance b/d | 4,387,500 | | |

TOTAL PAYABLES ACCOUNT – JAN 1, 2013

| | ₹ | | ₹ |
|-------------------|------------------|--------------------|------------------|
| Cash to suppliers | 5,700,000 | Balance b/f | 485,000 |
| Discount received | 472,500 | Purchases | 9,000,000 |
| Bills payable | 1,075,000 | Discount cancelled | 72,500 |
| Balance c/d | <u>2,440,000</u> | Contra | <u>130,000</u> |
| | <u>9,687,500</u> | | <u>9,687,500</u> |
| | | Balance b/d | 2,440,000 |

EXAMINER'S COMMENT

The topic tested (control accounts) is a very familiar one. Not less than 98% of candidates attempted the question. The new terminology – Receivables and Payables are still confusing to a few candidates. It should be noted that the following are used interchangeably.

- Total Receivable Account, Total Debtors Account or sales ledger control account.
- Total Payable Account, Total Creditors Account or Purchases Ledger Control Account.

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SOLUTION 4

a. JOHN ETETE

ADJUSTED CASH BOOK – MARCH 31, 2013

| | ¢ | | ¢ |
|---------------------------|-------------------|---------------------------------|-------------------|
| Balance b/f | 13,830,000 | Dish. Cheque | 2,190,000 |
| Dividend-Direct lodgement | 1,140,000 | Bank int. Charges | 1,260,000 |
| | | Standing Order- subscription | 300,000 |
| | | Balance c/d | <u>11,220,000</u> |
| | <u>14,970,000</u> | | <u>14,970,000</u> |
| Balance b/d | 11,220,000 | | |

b. BANK RECONCILIATION STATEMENT AS AT 31 MARCH 2013

| | ¢'000 |
|--|---------------------|
| Balance as per bank | 21,810,000 |
| Add: Uncredited cheques | 7,500,000 |
| Cheque payment debited in error by bank | <u>810,000</u> |
| | 30,120,000 |
| Unpresented cheque | <u>(18,900,000)</u> |
| Balance as per Adj. cash book | <u>11,220,000</u> |

c. REASONS FOR DISHONOURING A CHEQUE BY A BANK

A bank may dishonour a cheque for any of the following reasons:

- i. Where drawer's signature is IRREGULAR
- ii. Where the cheque carries an amount in figure different from the amount in words.
- iii. Where there is insufficient fund in the drawer's account
- iv. Where the cheque is stale, i.e. not presented for payment until after six months.
- v. Where there is a countermand/stop order on the drawer's account
- vi. Where the cheque is undated or unsigned
- vii. Where the cheque has been post-dated

INSIGHT

- viii. Where alterations on the cheque have not been acknowledged by endorsement by the drawer.
- ix. A crossed cheque not opened by the drawer cannot be cashed over the counter.
- x. Where the cheque has been mutilated.
- xi. A cheque drawn on an account that has previously been closed cannot be honoured.
- xii. Death or bankruptcy of the drawer, notice of which the bank had received.

EXAMINER'S COMMENT

Bank reconciliation is another very familiar topic to candidates. It is not surprising that more than 80% of candidates attempted the question. Candidates, not unexpectedly, scored over 50% of the marks. However, candidates are sometimes unclear about the order of presentation and cannot properly differentiate one from the other, that is, when the Reconciliation Statement starts with the Bank statement balance OR with the adjusted cash book balance.

SOLUTION 5

a. **Matching Concept**

The matching concept holds that for any accounting period, the earned revenue and all the incurred costs that generated that revenue must be matched and reported for the period. If revenue is carried over from a prior period or deferred to a future period, all elements of cost and expense relating to that revenue are usually carried over or deferred as the case may be.

b. **Entity Concept**

The entity concept states that every economic unit, regardless of its legal form of existence, is treated as a separate entity different from the parties having proprietary interest in it. Therefore, a company is treated as an artificial person having its own assets and liabilities. This concept is a legal reality in limited liability companies.

c. **Historical Cost Concept**

The historical cost concept holds that cost is the appropriate basis for initial accounting recognition of all assets acquisitions, services rendered or received, expenses incurred creditors' and owners interest. For an organisation that is a going concern, the assets acquired will be recorded at cost and not at market or break-up value.

INSIGHT

The cost concept is objective as cost can always be traced to their source documents. However, with passage of time, cost may no more represent the fair value of an asset.

d. **Periodicity Concept**

Although, the results of a business unit cannot be determined with precision until its final liquidation, the business community and users of financial statements require that the business be divided into accounting periods (usually one year) and that changes in position are measured over the periods. For instance, limited liability companies are required to present their financial statements to members of the company annually.

EXAMINER'S COMMENT

Fundamental Accounting Concepts are supposed to be studied by all candidates. Over 80% of the candidates attempted the question and scored at least 50% of the marks.

Lack of clarity of expression prevented candidates from scoring higher marks.

SOLUTION 6

JACOBS BROWN

INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2012

| | | |
|-----------------------|------------------|--------------------|
| | LS | LS |
| Sales | | 4,916,200 |
| Cost of Sales: | | |
| | 184,600 | |
| Opening Inventory | <u>3,879,360</u> | |
| Purchases | 4,063,960 | |
| Closing inventory | <u>(199,260)</u> | <u>(3,864,700)</u> |
| GROSS PROFIT | | 1,051,500 |
| Discount received | | <u>11,750</u> |
| | | 1,063,250 |

INSIGHT

OPERATING EXPENSES:

| | | |
|--|---------------|-----------------------|
| Vehicle running expenses (Wk 10) | 30,800 | |
| Rent (Wk 2) | 81,610 | |
| Depreciation – Motor vehicles (Wk 3) | 91,460 | |
| Depreciation – Furniture and fittings (Wk 4) | 40,000 | |
| Discount allowed | 13,040 | |
| Electricity | 61,840 | |
| General expenses | <u>74,130</u> | <u>(392,880)</u> |
| NET PROFIT | | <u>670,370</u> |

JACOBS BROWN**STATEMENT OF FINACIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 2012**

| | <u>LS COST</u> | <u>LS DEP</u> | <u>LS CARRYING AMOUNT</u> |
|--------------------------------|--------------------|-------------------|-----------------------------------|
| NON-CURRENT ASSETS: | | | |
| Motor vehicles | 457,300 | (244,380) | 212,920 |
| Furniture and fittings | <u>422,000</u> | <u>(62,000)</u> | <u>360,000</u> |
| | <u>879,300</u> | <u>(306,380)</u> | 572,920 |
| CURRENT ASSETS: | | | |
| Inventory | | 199,260 | |
| Receivables | | 427,370 | |
| Prepaid rent | | 6,800 | |
| Cash in hand | | <u>14,110</u> | <u>647,540</u> |
| TOTAL ASSETS | | | <u>1,220,460</u> |
| EQUITY AND LIABILITIES: | | | |
| Owners' equity | | | 260,940 |
| Net profit | | | <u>670,370</u> |
| | | | 931,310 |
| Drawings | | | <u>(265,680)</u> |
| | | | 665,630 |

INSIGHT

CURRENT LIABILITIES:

| | | |
|-------------------------------------|----------------|-------------------------|
| Payables | 354,040 | |
| Accrued motor expenses | 2,180 | |
| Bank overdraft | <u>198,610</u> | <u>554,830</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>1,220,460</u> |

JACOBS BROWN WORKING NOTES

WK 1: Determination of vehicle running expenses figure as per income statement

| | |
|---|---------------|
| | LS |
| Vehicle running expenses as per account | 28,620 |
| Accrued motor expenses | <u>2,180</u> |
| | <u>30,800</u> |

WK 2: Determination of rent figure as per income statement

| | |
|---------------------|----------------|
| Rent as per account | 88,410 |
| Prepaid rent | <u>(6,800)</u> |
| | <u>81,610</u> |

WK 3: Calculation of depreciation on motor vehicles

| | |
|-----------------------|----------------|
| Motor vehicles @ cost | <u>457,300</u> |
| Depreciation @ 20% | <u>91,460</u> |

WK 4: Calculation of depreciation on furniture and fittings

| | |
|--|-----------------|
| Furniture and fittings @ cost | 422,000 |
| Accumulated depreciation on furniture and fittings @ beginning | <u>(22,000)</u> |
| NBV on furniture and fittings | <u>400,000</u> |
| Depreciation @ 10% | <u>40,000</u> |

EXAMINER'S COMMENT

Preparation of the Income Statement of a Sole Trader is also a very familiar topic to candidates. Not less than 90% of candidates' attempted the question and they scored over 50% of the marks. The adjustments were simple enough. However, a number of candidates are yet to grasp the computation of depreciation using the reducing balance method. The straight line methods appear to be the only popular method they are used to. All methods in the syllabus should be studied. They should expect more on this and other methods in future examinations.

INSIGHT

ATS/132/PI.2

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
PART I EXAMINATIONS - SEPTEMBER 2013
ECONOMICS**

Time Allowed: 3 hours

SECTION A: PART I ATTEMPT ALL QUESTIONS (30 MARKS)

MULTIPLE-CHOICE QUESTIONS

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

1. The fundamental economic problem of each society is that resources are scarce in relation to
 - A. Choice
 - B. Opportunity cost
 - C. Their scale of preference
 - D. The demand for them
 - E. Unlimited wants

2. A price floor set above the equilibrium price will
 - A. Have no effect
 - B. Create a surplus
 - C. Lead to a price decrease
 - D. Create a shortage
 - E. Lead to a price increase

3. If the cross-price elasticity of demand coefficient between two goods is negative, it means the two goods are
 - A. Complements
 - B. Close substitutes
 - C. Poor substitutes
 - D. Not related
 - E. Jointly produced

INSIGHT

4. The major function of the price mechanism is to
 - A. Enable producers to make highest profit
 - B. Ensure that the consumer is king
 - C. Ensure that all consumers buy the same quantity of goods
 - D. Allocate scarce resources among competing needs
 - E. Restrict the demand of consumer

5. When combination of two goods on which a consumer derives equal satisfaction is plotted on graph, the result is called
 - A. The production possibility curve
 - B. A demand curve
 - C. The utility curve
 - D. An indifference curve
 - E. An indifference map

6. A firm facing constant return to scale will
 - A. Double its output when it doubles its inputs
 - B. More than double its output when it doubles its inputs
 - C. Less than double its output when it doubles its inputs
 - D. More than double its outputs when it is less than double its input
 - E. Have constant output irrespective of the amount of inputs

7. The marginal product curve and the average product curve will intersect
 - A. At the minimum point of the marginal product curve
 - B. At the minimum point of the average product curve
 - C. At the maximum point of the marginal product curve
 - D. At the maximum point of the average product curve
 - E. At the minimum and maximum point of the average product curve

8. A form of Capital which is used up in the process of production is called
 - A. Circulating Capital
 - B. Shared capital
 - C. Liquid Capital
 - D. Fixed Capital
 - E. Issued Capital

INSIGHT

9. The charging of different prices to different groups of buyers for the same goods and services is called
- A. Price determination
 - B. Price discrimination
 - C. Product differentiation
 - D. Monopolistic competition
 - E. Perfect competition
10. Which of the following is not **TRUE** of the equilibrium condition under perfect competition?
- A. MC is rising
 - B. MC curve cuts AC curve from below
 - C. $MC = AC$
 - D. $MR > AR$
 - E. $AC = MR = AR$
11. If 502.75 million tonnes of grains are produced annually by a population of 88.5 million people, the per capita grains production will be
- A. 6.00 tonnes
 - B. 5.68 tonnes
 - C. 0.60 tonnes
 - D. 0.57 tonnes
 - E. 0.176 tonnes
12. Given the consumption in an economy as $C = 100 + 0.75Y$.
If $Y = C + S$ and $Y = \text{R}1500$, how much is saved?
- A. ~~R~~375
 - B. ~~R~~1,400
 - C. ~~R~~1,125
 - D. ~~R~~425
 - E. ~~R~~275

INSIGHT

13. Which item of the following price indices is used to adjust nominal gross domestic product for the effect of price inflation?
- A. The wholesale price index
 - B. The product price index
 - C. The GDP deflator
 - D. The consumer price index
 - E. The final good deflator
14. In a three sector economy, national income is
- A. $C + I + (X - M)$
 - B. $C + I + G$
 - C. $C + I + S$
 - D. $C + S + (X - M)$
 - E. $C + X - M$
15. The market for very short term loan is called
- A. Micro finance bank
 - B. Money market
 - C. Stock market
 - D. Foreign exchange market
 - E. Capital market
16. Which of the following is **NOT** a function of a Central Bank?
- A. Formulation of Monetary Policies
 - B. Lender of the last resort
 - C. Banker to the government
 - D. Issuance and distribution of currency
 - E. Acceptance of demand and time deposits from individuals and corporate customer.
17. An increase in money supply without a corresponding increase in output of goods and services in the economy will lead to
- A. Deflation
 - B. Inflation
 - C. Stagflation
 - D. Deregulation
 - E. Capitalization

INSIGHT

18. Which of the following is an item of government recurrent expenditure?
- A. Construction of hospital
 - B. Telecommunication projects
 - C. Provision of science equipment
 - D. Wages and Salaries
 - E. Road Construction
19. An ad-valorem tax is a tax on
- A. The appreciation in the value of land
 - B. The total value of income of an individual
 - C. Imported goods and services
 - D. The weight of an imported item
 - E. A certain percentage of the value of a commodity
20. A system of taxation where the tax rate increases as the tax base increases is
- A. Proportional tax
 - B. Progressive tax
 - C. Regressive tax
 - D. Incremental tax
 - E. Indirect tax
21. The causes of unemployment in any economy can be traced to the following, **EXCEPT**
- A. Rapid population growth
 - B. Dependence on inappropriate foreign technology
 - C. Rural-urban income differentials
 - D. Low level of foreign direct investment
 - E. Reduction in national output
22. **ONE** of the measures for reducing unemployment in any developing economy is
- A. Maintaining poor database of the unemployed people
 - B. Promoting geographical immobility of labour
 - C. Discouraging education and training of manpower
 - D. Providing essential services in the rural areas
 - E. Preventing acquisition of knowledge and skills in entrepreneurship

INSIGHT

23. Which of the following actions will **NOT** promote globalization?
- A. Removal of trade barriers
 - B. Upgrading economic infrastructure
 - C. Facilitating free movement of people across border
 - D. Nationalizing most private business enterprises
 - E. Easing restriction on inflow of foreign direct investment
24. Which of the following is **NOT** a case in favour of Protectionism?
- A. To protect infant industries
 - B. To expand domestic employment
 - C. To promote dumping
 - D. To correct balance of payments deficit
 - E. To enhance national security
25. If the Terms of Trade (TOT) of a country is less than 100, the country is said to record
- A. Favourable TOT
 - B. Unfavourable TOT
 - C. Trade deficit
 - D. Trade surplus
 - E. Balance TOT
26. Strategies open to developing countries to foster their economic growth include all of the following **EXCEPT**
- A. Establishing and implementing the new rule of law
 - B. Controlling population growth
 - C. Discouraging foreign direct investment
 - D. Building human capital
 - E. Making peace with neighbours
27. Which of the following statements is **NOT** correct in the description of the developing economies?
- A. They are overpopulated
 - B. Labour productivity is high
 - C. Primitive technologies dominate production
 - D. Exports are mostly primary products
 - E. Unemployment and underemployment are widespread

INSIGHT

28. For most developing nations, obstacles to economic development include all 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
29. Increased output resulting from structural and technological change in an economy implies
- A. Economic development
 - B. Economic growth
 - C. Internal economies of scale
 - D. Economic boom
 - E. Diseconomies of scale
30. Which of the following is **NOT** a problem of economic planning in West Africa?
- A. Lack of good statistical data
 - B. Political instability
 - C. Inadequate Manpower
 - D. Corruption
 - E. Non availability of raw materials

INSIGHT

SECTION A: PART I ATTEMPT ALL QUESTIONS

(20 MARKS)

SHORT ANSWER QUESTIONS

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

1. The slope of production possibility curve is sometimes called.....
2. The type of demand associated with two goods that are substitutes is.....
3. The supply of palm oil and palm kernel is described as.....
4. Utility is considered measurable under the cardinalist approach with the use of a subjective unit called.....
5. A line which shows the various combinations of two inputs that a firm can buy with an amount of money, given the unit price of each input is known as.....
6. The factor of production that has the highest degree of mobility is.....
7. The rate at which one input can be substituted for another while holding the total output level constant is called the.....
8. The type of market structure in which consumers pay the lowest price to obtain a product is called the.....
9. The factors or components of national income that tend to reduce the amount of planned spending on domestic goods and services are called.....
10. The approach of measuring national income figures in which the aggregate of all economic agents spending on goods and services is used to obtain the GDP at market price is called.....
11. The market for long-term loan is called.....

INSIGHT

12. The horizontal portion of demand for money curve is called.....
13. Indirect taxes are taxes levied on.....
14. Those individuals in an economy who are either employed or actively seeking employment are referred to as.....
15. A systematic record of all payments to and receipts from foreign countries during a specific time period, usually a year is called.....
16. The Official reduction in the value of a country's currency relative to foreign currencies is called.....
17. A sustained increase in real national income and per capita real national income provides a measure of.....
18. An economic arrangement where many countries of the same economic policies and ideologies come together and form a common policy where trade barriers and restrictions are removed is referred to as.....
19. The European Economic Community (EEC) was an example of a.....
20. The measurement of economic growth which involves the ratio of GNP to population is known as.....

INSIGHT

SECTION B: ATTEMPT FOUR QUESTIONS IN ALL (50 MARKS)

PART I MICROECONOMICS - ATTEMPT ANY TWO QUESTIONS

QUESTION 1

“Economics has been defined as a social science concerned with efficient allocation of scarce resources to satisfy unlimited human wants”

- a. Mention and explain the **TWO** main branches of economics. (6 Marks)
 - b. Explain fully why economics is generally regarded as a social science. (6½ Marks)
- (Total 12½ Marks)

QUESTION 2

A common occurrence in most countries in the West African sub-region is government ownership and control of some business enterprises. From this perspective, explain **FIVE** reasons for government participation in business activities. (12½ Marks)

QUESTION 3

An hypothetical consumer is faced with the budget constraint specified as $Y = 3Q_A + 4Q_B$ where Y = money income; A = quantity of commodity A and B is quantity of commodity B consumed. {Price of A and B in Naira (₦)}

- a. From the budget constraint, state
 - i. The price of commodity A (2 Marks)
 - ii. The price of commodity B (2 Marks)
 - b. Given that the money income is ₦1,200
 - i. Sketch the budget line with commodity A on the horizontal axis and commodity B on the vertical axis; (2½ Marks)
 - ii. Determine the quantity of commodity A consumed if 60 units of B is consumed; (2 Marks)
 - iii. Determine the amount of money income unspent if 100 units of A and 80 units of B are bought and consumed; and (2 Marks)
 - iv. Determine the extra amount of money the consumer will need to purchase 250 units of commodities A and B. (2 Marks)
- (Total 12½ Marks)

INSIGHT

PART II: MACROECONOMICS

ATTEMPT ANY TWO QUESTIONS

QUESTION 4

- a. i. Distinguish clearly between the Gross Domestic Product (GDP) and the Gross National Product (GNP); (2 Marks)
- ii. Which of GDP and GNP is a better measure of the performance of the economy, and why? (2½ Marks)
- b. With appropriate mathematical expressions, explain each of the following:
- i. Marginal Propensity to save (2 Marks)
- ii. Average Propensity to consume (2 Marks)
- iii. Investment multiplier (2 Marks)
- iv. Aggregate demand in the open economy (2 Marks)
- (Total 12½ Marks)**

QUESTION 5

- a. What is a foreign exchange market? (2½ Marks)
- b. Distinguish between the following pairs of concepts:
- i. Currency appreciation and currency revaluation (5 Marks)
- ii. Currency depreciation and currency devaluation (5 Marks)
- (Total 12½ Marks)**

QUESTION 6

- a. Define the term "Public Debt?" (2 Marks)
- b. List two categories of Public Debt. (3 Marks)
- c. "Any government like any family, can spend a little more than it earns in a year." Based on this view, give **FIVE** reasons why government incurs debts (7½ Marks)
- (Total 12½ Marks)**

INSIGHT

SUGGESTED SOLUTIONS

SECTION A

PART I MULTIPLE-CHOICE QUESTIONS

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

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- 26. C
- 27. B
- 28. B
- 29. B
- 30. E

EXAMINER'S COMMENT

The questions set in this part provide a good coverage of the two main branches of economics – microeconomics and macroeconomics. About 62 percent of the candidates scored 50 percent and above, of the marks allocated to this part.

PART II SHORT-ANSWER SOLUTIONS

- 1. The marginal rate of transformation
- 2. Competitive demand
- 3. Joint supply
- 4. Utils
- 5. Isocost
- 6. Labour
- 7. Marginal rate of technical substitution
- 8. Perfect competition
- 9. Leakages or withdrawals
- 10. Expenditure method/approach
- 11. Capital market
- 12. Liquidity trap
- 13. Goods and services
- 14. Labour force
- 15. Balance of payments
- 16. Currency devaluation
- 17. Economic growth
- 18. Economic integration
- 19. Common market

20. Per capita income

EXAMINER'S COMMENT

Topics in microeconomics and macroeconomics were equally covered by the questions selected for this part. About 59 percent of the candidates scored pass marks.

SOLUTION 1

- a. The two main branches of economics are:- i. Microeconomics and (ii) Macroeconomics

Microeconomics is concerned with the behaviour of individual consumers and firms and how individual markets and industries are organised. As a branch of economics, it examines how relative prices are determined and how resources are allocated to the production of particular goods and services, how the goods and services are distributed among people, how intensively and effectively the resources are used. All these are exhaustively discussed in five distinct theories:

- i. The theory of price
- ii. The theory of production
- iii. Theory of consumer behaviour
- iv. theory of distribution
- v. Welfare economics

Macroeconomics: is the study of the economy as a whole. It deals with national income, the aggregate level of employment, the general price level, total expenditure (i.e. consumption) savings and investment in the economy, total imports and exports and the demand for and the supply of money. It analyses the causes and prescribes possible solutions to the problems of low per capital income, unemployment, inflation and deflation, low levels of savings and investment, problems of payment deficits in international trade and economic fluctuations.

- b. The method of study in economics is scientific and its generalisations establish cause and effect relationships like in all other sciences, but not a physical science like physics, chemistry and biology. The conditions which make chemistry and physics valid can be produced through controlled laboratory experiment because the object of study is inanimate matter. This is not possible in economics.

In economics, the object of study is human economic behaviours, which is not stable and hence cannot be predicted with absolute certainty. This explains why economics is regarded as a social science.

INSIGHT

EXAMINER'S COMMENT

The question tests the candidates' knowledge of the nature and scope of economics. The question was attempted by about 98 percent of the candidates, with about 96 percent of them able to identify microeconomics and macroeconomics as the two main branches of economics. 60 percent of the candidates scored pass marks (50% and above of the marks allocated to the question). The common pitfall was inability of some of the candidates to realise that economics is regarded as a science because scientific method is adopted in the study of the economic behaviours of individuals, firms and government.

SOLUTION 2

The reasons why government participates in business activities include the following:

- i. **Large capital requirement:** Some desirable economic activities require a large capital for their successful take off, but the private businessmen may be unable to raise such capital. In such cases, government usually takes up such undertakings for the benefit of the entire nation e.g. education, and medical services.
- ii. **Provision of social services:** It is only the government that can provide certain essential services and ensure that they are evenly spread among members of the public at moderate prices. Such services include potable water supply, public transportation, postal services and education.
- iii. **Government monopoly:** Government may decide to because they are sole producer of some goods and services in order to avoid duplication waste and exploitation through high prices and super-normal profit making by the private sectors.
- iv. **Security reasons:** Government may be forced to own some key reasons e.g. defence, and civil services.
- v. **The need to stabilise the economy:** Government participate in business activities in order to stabilise the economy. Government need to check the fluctuations in output, employment, incomes and prices that tend to characterise business cycle.
- vi. **Inequality in income distribution:** Government participates in the economy due to the fact that the income distribution obtained via the market is in many cases unequal. The distribution of income in a market economy is based on each person's contribution to production and ability to generate resources. Thus, in any given economy, the state of initial income distribution depends on factor and wealth endowments.

EXAMINER'S COMMENT

The question explored candidates understanding of the reasons why government directly engages in business activities. About 77 percent of the candidates attempted the question, with less than 10 percent scoring pass marks. Most of the candidates who failed misinterpreted the question. In future, candidates should be very careful in the interpretation of questions of this nature to avoid poor performance.

SOLUTION 3

a. A typical consumer budget constraint is expressed as:

$$Y = P_A Q_A + P_B Q_B$$

$$\text{Therefore: Given } Y = \text{R}3Q_A + \text{R}4Q_B$$

i. Price of commodity A (P_A) = ~~R~~3

ii. Price of commodity B (P_B) = ~~R~~4

b. Given $Y = 3Q_A + 4Q_B$

$$\text{If } Q_A = 0$$

$$Y = 4Q_B$$

$$1200 = 4Q_B$$

$$Q_B = \frac{1200}{4} = 300$$

Therefore;

$$\text{If } Q_B = 0$$

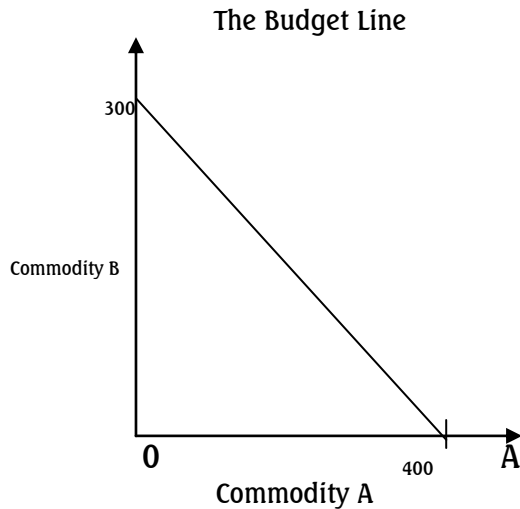
$$Y = 3Q_A$$

$$1200 = 3Q_A$$

$$Q_A = \frac{1200}{3} = 400$$

INSIGHT

i.



ii.

$$3Q_A + 4Q_B = Y$$

$$3Q_A + 4(60) = 1200$$

$$3Q_A + 240 = 1200$$

$$3Q_A = 1200 - 240$$

$$3Q_A = 960$$

$$Q_A = \frac{960}{3}$$

$$Q_A = 320$$

iii.

| | | |
|----------------|---|---|
| Amount unspent | = | Consumer's Income - Amount spent |
| | = | $Y - (3Q_A + 4Q_B)$ |
| | = | $\text{N}1200 - \text{N}(3(100) + 4(80))$ |
| | = | $\text{N}1200 - (\text{N}300 + 320)$ |
| | = | $\text{N}1200 - \text{N}620$ |
| | = | $\text{N}580$ |

iv.

Let Y_1 stands for the actual consumer's money income, while Y_2 stands for the amount of money required to buy 250 units of commodities A and B.

Extra amount of money needed

$$= Y_2 - Y_1$$

$$= \text{N}(3(Q_A) + 4Q_B) - \text{N}1,200$$

$$= \text{N}(3(250) + 4(250)) - \text{N}1,200$$

$$= \text{N}(750 + 1000) - \text{N}1,200$$

$$= \text{N}(1750 - 1200)$$

$$= \text{N}550$$

INSIGHT

EXAMINER'S COMMENT

The question tests the concept of budget line, in the theory of consumer behaviour. About 11% of the candidates attempted the question and about 80 percent of them scored pass marks. The inability of the candidates who performed poorly could not differentiate between horizontal axis and vertical axis accounted for their poor performance. Candidates' are advised to ensure that they cover the entire syllabus.

SOLUTION 4

- a.i. Gross Domestic Product (GDP) is the monetary value of all the goods and services produced within an economy either by the citizens or foreigners. It excludes earnings of citizens abroad. The Gross National Product, (GNP) on the other hand is the monetary value of all the goods and services produced by the citizens of a country whether they reside in the country or abroad. The difference between the GDP and the GNP lies in the Net-Income from Abroad.
- ii. GNP is a better measure of the performance of the economy than the GDP. The reason is that the GNP considers the monetary value of goods and services produced by citizens within and outside the country. It is commonly used to determine the per-capita income (GNP), which is a good measure of human welfare.
- b. i. **Marginal propensity to save (MPS)** is the degree of responsiveness of changes in savings brought about by a unit change in income. $MPS = \frac{\Delta S}{\Delta Y}$
- ii. **Average propensity to consume (APC)** is a measure or proportions of income spend on consumption of goods and services. $APC = \frac{C}{Y}$
- iii. **Investment multiplier expenses** the change in national income caused by the changes in investment multiplier $= \frac{\Delta Y}{\Delta I} = \frac{1}{1-b}$ or $\frac{1}{1-mpc}$ or $\frac{1}{MPS}$
- iv. An open economy encourages external trade, therefore its aggregate demand is specified as $Y = C + I + G + (X - M)$, where C = consumption expenditure, I = investment expenditure, G = Government, X = Export, M = Import, $(X - M) =$ Net Export.

EXAMINER'S COMMENT

The question tests candidates' understanding of selected basic concepts in national income accounting and e.g equilibrium national income determination. About 80 percent of the candidates attempted the question with about 60 percent

INSIGHT

of them scoring 'half or more' of the marks allocated. Those who performed poorly in this question were mostly those who could not identify correctly which of GDP and GNP is a better measure of the performance of the macroeconomy. It is desirable that in future candidates should not restrict themselves to only the definitions of the GDP, GNP and other national income measures but also strive to understand their specific relevance.

SOLUTION 5

- a. A foreign exchange market is an established arrangement by which currencies are brought and sold. It is a market in which the money (currency) of one nation can be used to purchase (can be exchanged for) the money of another nation.
- b. In a flexible or floating exchange rate regimes,
 - i. **Currency appreciation** is said to occur if there is a rise in its market price due to market forces. As a result, the currency will buy more foreign exchange in the foreign exchange market. This occur under a flexible or floating exchange rate regime. On the other hand, currency revaluation is the term for official increase in the value of a country's currency relative to foreign currencies e.g. given initial naira exchange rate as \$1 = ₦100, the exchange rate might be fixed at \$1 = ₦80. This occurs in a fixed exchange rate system.
 - ii. **Currency depreciation** is a decline in the value of one currency relative to another country. Currency depreciation occurs when a unit of one currency buys fewer units of another currency. This occurs in a floating exchange rate system. On the other hand, Currency Devaluation is a deliberate downward adjustment in the official exchange rate established, or pegged, by a government against a specified standard, such as another currency or gold. This occurs in a fixed exchange rate system. For example, given initial naira exchange rate as \$1 = 100, might be officially reviewed and fixed at \$1 = ₦150

EXAMINER'S COMMENT

The question tests candidates' knowledge of the foreign exchange market, as well as the specific concepts of currency appreciation, currency revaluation, and currency depreciation. The question was attempted by about 92 percent of the candidates. About 38 percent of the candidates scored pass marks. The bulk of those who scored poor marks did so because they defined foreign exchange market as 'a place' or 'where' buying and selling of currencies takes place.

INSIGHT

To the economists, a market is not a specific geographical location but an arrangement which bring buyers and sellers into contact. Candidates are expected to prepare well for future examination to ensure excellent performance.

QUESTION 6

- a. Public debt refers to the total outstanding debt obligations or accumulated borrowing of the government. Public debt can be classified into internal debts and external debts.
- b. The internal debts are the domestically issued securities such as treasury bills, treasury certificate, government bonds and stocks etc.

External debts are the total amount owned to foreign creditors. These creditors include Paris Club, London Club of creditors and Multilateral Creditors like the World Bank (GROUP), International Monetary Fund (IMF), African Development Bank, (ADB) etc.

Thus, the public debt of a nation is the total amount owned to overseas governments and residents (external debts) and the amount owned to its citizens (internal debts).

- c. Reasons why governments incur debts
 - i. **To finance deficit budgets:-** Government borrows from either internal sources, external sources or both to finance major capital projects that resulted to the deficit budget.
 - ii **To service outstanding debts:-** Governemnt can borrow from either internal and external sources to pay accrued interests on outstanding debts or repayment of debts.
 - iii. **To finance balance of payments disequilibrium:-** If a country is experiencing persistent balance of payments – IMF deficits such country may decide to borrow from international financial institutions like MF to finance the BOP deficit.
 - iv. **To finance huge capital projects:-** Government may borrow to finance investment or huge capital projects which have good potential and prospects to accelerate economic growth and development.
 - v. **To finance war:-** Government may decide to borrow to finance civil wars within the country or war between countries.
 - vi. **To meet unforeseen emergencies** Government may borrow to mitigate the adverse consequences of natural disasters such as flood,

INSIGHT

- vii. earthquake, fire disasters, as well as to stop further spread of epidemics and take care of the affected people such as natural disaster, epidemics etc.
- viii. **To finance social-economic needs:-** Government may borrow to provide socio-economic infrastructures such health and education facilities, pipe-borne water, etc.

EXAMINER'S COMMENT

The question examines candidates' understanding of public debt. Candidates were expected to explain what is meant by public debt and why government incurs debt. About 86 percent of the candidates attempted the question with about 73 percent of them scoring pass marks. The poor performance recorded by about 27 percent of the candidates was due to their complete ignorance of the requirements of the question. Candidates should cover the entire syllabus to ensure better performance in future examinations.

INSIGHT

AT/132/PI.3

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
PART I EXAMINATIONS - SEPTEMBER 2013
BUSINESS LAW**

Time Allowed: 3 hours

SECTION A: PART I ATTEMPT ALL QUESTIONS (30 MARKS)

MULTIPLE-CHOICE QUESTIONS

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

1. Which of the following may **NOT** be contained in the memorandum or note of a hire purchase agreement?
 - A. Hire Purchase Price
 - B. Amount of instalment
 - C. Date of delivery of the goods
 - D. Deposit paid or payable
 - E. Interest rate (if any)

2. Which of the following is **NOT** an element of a valid contract?
 - A. Intention to create legal relations
 - B. Acceptance
 - C. Mutuality
 - D. Offer
 - E. Consideration

3. The parties to a civil action on appeal are the appellant and.....
 - A. Plaintiff
 - B. Defendant
 - C. Defender
 - D. Respondent
 - E. Petitioner

4. Which of the following is **NOT** a contract of indemnity?
 - A. Personal Accident Insurance
 - B. Motor Vehicle Insurance
 - C. General Accident Insurance

INSIGHT

- D. Miscellaneous Insurance
 - E. Fire Insurance
5. Which of the following is **NOT** a domestic source of law?
- A. National Statutes
 - B. Customary Law
 - C. Islamic Law
 - D. Case Law or Judicial precedents
 - E. English Common Law
6. The following are means of proving customary law **EXCEPT**
- A. Evidence
 - B. Use of Assessors
 - C. Judicial Notice
 - D. Enactment
 - E. Authoritative writings
7. Which of the following is **NOT** a type of International Law?
- A. Treaty
 - B. Convention
 - C. Protocols
 - D. Decree
 - E. Charter
8. Which of the following is **NOT** an invitation to treat?
- A. Display of goods
 - B. Invitation to tender
 - C. Auction sale
 - D. Advertisement of goods in a catalogue
 - E. Sale at a discount
9. Agency may be created in the following ways, **EXCEPT** by
- A. Agreement
 - B. Necessity
 - C. Ratification
 - D. Estoppel
 - E. Incapacity

INSIGHT

10. The duties imposed on an agent in favour of the principal are the following **EXCEPT**
- A. Full performance
 - B. Due care and diligence
 - C. Good Faith
 - D. Acting personally
 - E. Delegation of authority
11. Dissolution of partnership may not be by
- A. Expiration of time
 - B. Completion of undertaking
 - C. Notice by Partner
 - D. Death or Bankruptcy of Partner
 - E. Lack of interests
12. The following are types of Bills of Exchange **EXCEPT**
- A. Demand Bills
 - B. Bearer Bills
 - C. Order Bills
 - D. Postage Stamps
 - E. Inchoate Bills
13. The minimum qualification of a judge of a superior court is.....
- A. 10 years at the bar
 - B. 12 years at the bar
 - C. 15 years at the bar
 - D. 18 years at the bar
 - E. 20 years at the bar
14. Which of the following is **NOT** a professional agent?
- A. Attorney
 - B. Factor
 - C. Broker
 - D. General partner
 - E. Estate Valuer

INSIGHT

15. Which of the following is not an **EXCEPTION** of the Doctrine of *nemo dat, quod non habet*?
- A. Sale by seller in possession
 - B. Sale by buyer in possession
 - C. Sale by non-owner
 - D. Purchase in a market overt
 - E. Sale by Agents
16. The Principle of Law on which a judicial decision is based is called
- A. Obiter dictum
 - B. Legacy
 - C. Ratio decidendi
 - D. Stare decisis
 - E. Res judicate
17. Which of the following persons cannot join in the formation of a company?
- A. A person above 18 years
 - B. A person of unsound mind
 - C. A person who is not declared bankrupt
 - D. A company which is a going concern
 - E. A person who is a serving director
18. Formal decisions of a company at its board meetings are contained in
- A. Memorandum and Articles of Association
 - B. Internal Memorandum
 - C. Queries
 - D. Resolutions
 - E. Bulletin
19. Which of the following is **TRUE** of Hire Purchase Agreement?
- A. Goods must be imported
 - B. Agreement must relate to consumer goods only
 - C. Hirer and owner must be registered under the Companies Act
 - D. Agreement must have consent of the Governor
 - E. Agreement does not involve the hirer in a legal obligation to buy the goods

INSIGHT

20. Which of the following is **NOT** a function of the Body that registers Companies in your Country?
- A. Administers the Companies Act
 - B. Arranges or conducts investigation into the affairs of the company
 - C. Establishes and maintains company registries and office in all states
 - D. Appoints promoters for companies
 - E. Performs such other functions as may be specified by the Act or any other enactment
21. Which of the following is **NOT** a remedy available to the buyer of goods?
- A. Rejection of goods and repudiation of the contract
 - B. Damages for non-delivery
 - C. Specific performance
 - D. Contract not severable and buyer has accepted the goods
 - E. Detinue and conversion
22. A contract may be discharged in the following circumstances, **EXCEPT** by
- A. Performance
 - B. Agreement
 - C. Self-induced breach
 - D. Frustration
 - E. Accord and Satisfaction
23. Which of the following is **NOT** a common ground for the dismissal of an employee?
- A. Disobedience
 - B. Incompetence
 - C. Pregnancy
 - D. Commission of crime
 - E. Drunkenness and violence
24. Which of the following is **NOT** a Partner under the law?
- A. General Partner
 - B. Limited Partner
 - C. Active Partner
 - D. Partner by Estoppel
 - E. Dormant/sleeping partner

INSIGHT

25. Which of the following is **NOT** required of a holder in due course?
- A. Acceptance of instrument prior to maturity
 - B. Acceptance of bill for value
 - C. Acceptance in good faith
 - D. Acceptance with no knowledge of any defect
 - E. Suing on the bill in his own name
26. Which of the following is **NOT** included in the Memorandum of Association/Regulation/Articles of Incorporation of a company?
- A. The name of the company
 - B. The Registered office of the company
 - C. Nature of business or businesses
 - D. The name of the first company secretary
 - E. That the company is a private or public company
27. Which of the following is **NOT** acceptable to support an action for negligence?
- A. Defendant owed him duty of care
 - B. Defendant failed to exercise the duty of care
 - C. Plaintiff has suffered injury
 - D. Injury was caused by inevitable accident
 - E. Defendant foresaw the damage or loss as likely to result from this negligence
28. The minimum number of persons that can register a company in your country is
- A. 2
 - B. 3
 - C. 4
 - D. 5
 - E. 1
29. Which of the following is **NOT** a ground for winding-up of a company?
- A. Fradulent trading
 - B. Resolution
 - C. Reduction of membership below minimum number
 - D. Court order
 - E. Possibility of abuse of limited liability system

INSIGHT

30. The duties of an employee include the following **EXCEPT**
- A. Duty of care
 - B. Duty of loyalty
 - C. Duty of personal service
 - D. Duty to obey the employer's lawful orders
 - E. Duty to indemnify the employer

SECTION A: PART II

ATTEMPT ALL QUESTIONS

(20 Marks)

SHORT ANSWER QUESTIONS

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

1. What effect has frustration on a contract?
2. A contract that is illegal is prohibited by common law or by.....
3. In the law of contract, the price that is paid for the other party's promise or act is called.....
4. The exchange of a promise for a promise is called
5. An agency coupled with interest is
6. An announcement, not directed to a specific individual or group, seeking potential offerors for goods or services advertised is known as.....
7. An incorrect statement innocently made by a party to the contract is called.....
8. Goods or services necessary for maintaining an infant's health, safety, education or welfare are called
9. A promise of reward for acts that have already been performed without expectation for an agreed payment of any kind is called
10. A person that is subject to the command of another as the manner in which he works is called a.....
11. A company that must not have share capital is called.....
12. When a wrong is done to a company, the proper plaintiff is.....

INSIGHT

13. What is required when a business is proposed to be carried on in a name that is not the true surname and forename of the proprietor?
14. Appeals lie from the Court of Appeal to
15. In insurance law, the person that stands to benefit from the preservation of a subject-matter is said to have in it
16. Under Hire Purchase law, property is temporarily transferred to the hirer while title still resides with the
17. A seller's statement of fact about the goods he or she is selling is called.....
18. A seller's statutory right to interrupt delivery of goods shipped by a common carrier when buyer's insolvency becomes apparent is called
19. What is the minimum number of trustees/directors that a charitable organisation must incorporate?
20. An unconditional written instrument to settle a debt within a specified time is called

SECTION B: ATTEMPT ANY FOUR QUESTIONS (50 Marks)

QUESTION 1

- a. Partnership contract is based on confidence, good faith and trust between the partners. Explain briefly, **THREE** fiduciary duties arising from the relationship of partners. (7½ Marks)
 - b. Explain **TWO** circumstances in which, a non-partner will benefit from the profits of a partnership. (5 Marks)
- (Total 12½ Marks)**

QUESTION 2

- a. Define Hire Purchase and state **THREE** of its characteristics. (5 Marks)
- b. State **THREE** abuses which the Hire Purchase Act seeks to remedy. (3 Marks)

INSIGHT

- c. Jude entered into contract of hire purchase to buy a stereo set. He signed an agreement to pay the price in 15 equal instalments. He paid only 5 instalments and sold the stereo to his friend Peter. Jude has not paid the instalments for three months. The owner has approached you for advice as to his legal rights. Advise him. (4½ Marks)
(Total 12½ Marks)

QUESTION 3

- a. What is discharge of contract? (3 Marks)
- b. Enumerate **THREE** ways a contract may be discharged. (3 Marks)
- c. Robertson let his flat behind the National Stadium to Benson to watch a world cup football match. The visiting Brazilian team was unavoidably absent on the day of the match due to unforeseen circumstances, and the match was inevitably cancelled. Robertson who had received a part payment of the rent from Benson is insisting on collecting the balance. Advise the parties as to their legal rights. (6½ Marks)
(Total 12½ Marks)

QUESTION 4

- a. State **FOUR** remedies of an unpaid seller against the buyer. (4 Marks)
- b. Explain **THREE** characteristics that distinguish hire purchase from sale of goods. (4½ Marks)
- c. Explain **TWO** instances when property passes in a sale of specific goods. (4 Marks)
(Total 12½ Marks)

QUESTION 5

- a. State **FOUR** sources of law in your country. (4 Marks)
- b. Distinguish binding precedent from merely persuasive precedent. (4 Marks)
- c. Explain **THREE** reasons for which a court may refuse to follow precedent. (4½ Marks)
(Total 12½ Marks)

INSIGHT

QUESTION 6

- a. Define a Director and state **FOUR** of his duties. (6½ Marks)
- b. State **SIX** reasons for which a Director shall vacate office. (6 Marks)
- (Total 12½ Marks)

SUGGESTED SOLUTIONS

SECTION A

PART I MULTIPLE-CHOICE QUESTIONS

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

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21. E
22. C
23. C
24. D
25. E
26. D
27. D
28. A
29. E
30. E

EXAMINER'S COMMENT

The questions covered the entire syllabus. All the candidates attempted the questions. More than 75% of the candidates scored more than 50% of the marks allocated. The commonest pitfall was candidates' inadequate understanding of the meaning and implication of basic legal principles.

SHORT-ANSWER QUESTIONS

1. Discharge
2. Statute
3. Consideration
4. Executory Consideration
5. Irrevocable
6. Invitation to treat
7. Innocent Misrepresentation
8. Necessaries
9. Past Consideration
10. Servant
11. Company Limited by guarantee
12. The Company
13. Business Name Registration

INSIGHT

14. The Supreme Court
15. Insurable Interest
16. Owner
17. Warranty
18. *Stoppage in transitu*
19. Two
20. Promissory Note

EXAMINER'S COMMENT

The question tests candidates' understanding of key legal principles as well as the meaning and implication of legal terms. It covers the entire syllabus. All the candidates attempted the questions and more than 75% of them passed.

SOLUTION 1

- (a) A Partnership is regarded as a fiduciary relationship. It is a relationship which is based on confidence, good faith and trust between the parties. There is therefore a general duty on all parties to act honestly in all transactions involving the firm.
The fiduciary duties of partners include the following:
- (i) The partners must render true accounts of all receipts and payments made or received on behalf of the firm.
 - (ii) The partners must give full information to each other on all matters affecting the firm. It is a breach of this duty to conceal material information, which must be volunteered.
 - (iii) The partners must not make secret profit from transactions made on behalf of the firm, or from using its properties, name or confidential information. This must be disclosed and cannot be kept without the consent of the other parties.
 - (iv) A partner is not allowed to engage in a competing business (to that of the partnerships) without the consent of his colleagues
- (b) The Partnership Act/Law stipulates that in the following situation, a person may receive part of the profits of an undertaking without being a partner.
- (i) When a creditor receives payments by installments out of the profits of a business

INSIGHT

- (ii) When an employee or agent is given a share of the profits of a firm e.g as in productivity motivation scheme.
- (iii) When the widow or child of a deceased partner is given an annuity out of the profits of a partnership
- (iv) When the seller of a business receives payment for its good-will in form of periodic payments out of a firm's profits.

EXAMINER'S COMMENT

The question tests candidates' understanding of the duties of partners. About 55% of the candidates attempted the question and 60% of them scored more than 50% of the marks obtainable.

SOLUTION 2

- (a) A contract of hire purchase is a contract under which the owner of goods transfers the possession of the goods to the hirer in consideration of instalmental payments and which gives the hirer an option to purchase the goods at the end of the hire period or after the payment of the stated installments.

Hire Purchase has the following Characteristics:

- (i) The owner merely transfers possession in the goods to the hirer.
 - (ii) The hirer is not under any legal obligation to buy the goods but has an option to exercise as to whether to buy the goods or not.
 - (iii) All payments before the exercise of the option are by way of rental installment only.
 - (iv) If the hirer wants to exercise the option to buy, the owner cannot refuse to sell as long as the hirer has duly paid all installments.
 - (v) It involves a bailment of goods.
- (b) The abuses that the Hire Purchase Act seeks to remedy include the following:
 - (i) The common law right of owners to repossess once the hirer defaults in payment regardless of how many installments have been promptly paid.
 - (ii) The fact that a defaulting hirer is not entitled to any money even if the owner sold the repossessed goods at an amount in excess of the balance on the hire purchase.
 - (iii) The absence of a right by a defaulting hirer to redeem the repossessed goods if he is able to raise money to pay (after repossession but before resale by the owner.)

INSIGHT

- (iv) The attitude of some owners to supply poor quality goods to the hirer and hide under exclusion clauses contained in the hire purchase agreement.
 - (v) The fact that hirers were made to sign hire purchase agreement, copies of which were never given to them
- (c) Property in the goods remains with the owner during the currency of the hire purchase agreement and only passes to the hirer after he has paid the final installment and has exercised the option to purchase the goods.

With regards to title, the *nemo dat quod non habet* rule applies, and the hirer cannot pass a good title to a third party during the currency of the hire purchase agreement. If he sells the goods to another person, the owner may recover them from that person.

In view of the above position of the law, Jude has no power to sell the stereo set to Peter. As such the owner can still recover it from Peter since the hirer has defaulted in paying the outstanding installments.

My advice to the parties is that the property in the stereo remains with the owner during the currency of the hire purchase agreement and the title can pass to the hirer only after he has paid the final installment as well as exercised his option to purchase the stereo.

EXAMINER'S COMMENT

The question tests candidates' understanding of the nature of hire purchase contract, the abuses that the Hire Purchase Act rectifies and prohibition of sale of goods by the hirer before full payment of the instalments due. About 90% of the candidates attempted the question of which about 50% scored more than half of the marks obtainable. The candidates' major pitfall was lack of understanding of the characteristics and implication of hire purchase.

SOLUTION 3

- (a) Discharge of contract means that the legal relationship between the parties has ended. Thus, the parties are no longer bound to each other.
- (b) A contract may be discharged in any of the following ways:
 - i By agreement ;
 - ii By performance;
 - lii By breach;
 - iv. By frustration;
 - v. By lapse of time;
 - vi. By operation of law; and

INSIGHT

- vii. By death, if the identity of one of the parties matters.
- (c) There was a valid agreement between Robertson and Benson because there was an offer, acceptance and consideration, (the part payment); and intention to create legal relations.

However, the contract was deemed to be discharged by frustration due to the absence of the Brazilian team and the cancellation of the football match which was unforeseen. The parties, particularly Benson, are released from further obligation under the contract.

EXAMINER'S COMMENT

The question tests candidates' understanding of discharge of contract and the means thereto. About 99% of the candidates attempted it, and about 90% of them scored more than 50% of the marks obtainable.

SOLUTION 4

- (a) The remedies of a seller against the buyer are as follows;
 - (i) An action or suit for the price;
 - (ii) Damages for non-acceptance;
 - (iii) *Stoppage in transitu*
 - (iv) Right of lien;
 - (v) Right of re-sale
- (b) A hire-purchase agreement under the Hire-Purchase Act differs from a sale of goods in the following ways.
 - (i) In hire-purchase contracts, the goods are initially only bailed not sold to the hirer. The hirer at that stage has only possession and no title to the goods. The owner is therefore allowed in some circumstances to seize the goods from the hirer. In sale of goods, title passes to the buyer when the contract is executed.
 - (ii) The hirer is not bound to buy the goods hired. He may return the goods to the owner at any time and discontinue payment of installments.
 - (iii) The hire purchase agreement gives the hirer an option to purchase the goods (for a very minimal amount) after paying off all the agreed installments.
- c) The parties shall be deemed to have intended property in specific goods to pass.

INSIGHT

- (i) When the contract is made; or
- (ii) When the seller puts the goods into a deliverable state;
- (iii) When the seller performs acts required of him for the purpose of determining the price of the goods; or
- (iv) When, in the case of goods delivered to the buyer on sale or return basis, the buyer retains the goods. In the above situations, property in the goods will be deemed to have passed to the buyer.

EXAMINER'S COMMENT

The question tests candidates' understanding of the rights of an unpaid seller, the distinction between hire purchase and sale of goods as well as passing of property in specific goods. About 80% of the candidates attempted it, and 50% of them passed. The candidates' major pitfall was the lack of understanding of the underlying principles.

SOLUTION 5

- (a) The sources of law in Nigeria include
 - (i) English law, i.e common law, the doctrines of equity and Statutes of General Application;
 - (ii) Nigeria Legislation i.e the Constitution, Ordinances, Acts, Decrees, Laws, Edicts, Bylaws;
 - (iii) Customary Law;
 - (iv) Case law or judicial precedents.
- (b) A binding precedent is a past decision of a superior court which must be followed by other courts below it while a persuasive decision is a past decision of a court which another court is not bound to follow but may be persuaded to follow e.g. decisions of courts on the same level in the hierarchy of courts, a dissenting judgment, e.t.c.
- (c) A court may refuse to follow a precedent for the following reasons:
 - (i) Where the decision was reached *per incuriam*, i.e in error or by mistake.
 - (ii) Where there are two or more conflicting past decisions of the court, the court will overrule one and choose the one it would follow.
 - (iii) Where there is a precedent or decision which has been reversed or overruled by a superior court, the reversed decision no longer constitutes a precedent.

INSIGHT

EXAMINER'S COMMENT

The question tests candidates' understanding of the source of national laws. More than 90% of the candidates attempted the question and about 80% of them passed.

SOLUTION 6

- (a) A director is a person duly appointed by the company to direct and manage the business of the company. The word "director" also includes any person on whose instruction and directions the director is accustomed to act.

The duties of a Director include the following:

- (i) Duty to act towards the company in good faith.
- (ii) Duty to exercise his powers for proper purpose.
- (iii) Duty to act bona fide for the benefit of the company.
- (iv) Duty not to make secret profit.
- (v) Duty not to allow personal interest to conflict with duties; and
- (vi) Duty of skill, care and diligence.

- (b) A person who is already a director shall vacate his office if

- (i) He does not pay for his qualification shares (if any) within two months of his becoming a director.
- (ii) He becomes bankrupt or makes any arrangement or composition with his creditors.
- (iii) He becomes prohibited for having been convicted of any offence in connection with the promotion, formation, operation or management of a company.
- (iv) He becomes of unsound mind.
- (v) He resigned his office by notice in writing to the company.
- (vi) Any period fixed in the articles for the duration of the directorship expires.
- (vii) The director ceases to hold his qualification shares.
- (viii) Any additional provision for vacation of the office in the articles becomes applicable.
- (ix) A receiver is appointed to take over the management of the company following a debenture holder's action against the company.
- (x) The court orders that the company should be wound up.

INSIGHT

EXAMINER'S COMMENT

This question tests candidates' understanding of the meaning and duties of company director as well as the conditions upon which a director must vacate his office. About 90% of the candidates attempted the question and more than 65% of them scored more than 50% of the marks obtainable.

INSIGHT

ATS/132/PI.4

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
PART I EXAMINATIONS – SEPTEMBER 2013
COMMUNICATION SKILLS**

Time Allowed –3 hours

SECTION A: PART I ATTEMPT ALL QUESTIONS (20 Marks)

MULTIPLE-CHOICE QUESTIONS

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

1. **ONE** of the following is **NOT** a duty of the Chairman of a meeting
 - A. Calling for motion
 - B. Regulating debates
 - C. Arranging meeting venues
 - D. Setting up committees
 - E. Fixing the date of meeting
2. What does one engage in when one is reading aloud?
 - A. Study reading
 - B. Assurance reading
 - C. Skimming
 - D. Scanning
 - E. Vocalisation
3. **ONE** of the following is **NOT** a function of analytical reports
 - A. Evaluate procedure
 - B. Assess projects
 - C. Review employee performance
 - D. Report an accident
 - E. Examine the feasibility of a project
4. Informational reports do **NOT** contain
 - A. Recommendations
 - B. Feedback
 - C. Data
 - D. Facts
 - E. Business plans and goals

INSIGHT

5. **ONE** of the following is **NOT** a medium of advertising
- A. Events
 - B. Websites
 - C. Newspapers
 - D. Telephone
 - E. Market segmentation
6. What are the categories of adverts in use called?
- A. Typification
 - B. Media conglomerates
 - C. Advert grappling
 - D. Direct response media
 - E. Media mix
7. Which of the following does **NOT** enhance effective listening?
- A. Selecting a conducive environment
 - B. Familiarity with the issue of discourse
 - C. Faulty medium of communication
 - D. Cooperation with the speaker
 - E. Concentration on the discourse
8. Speaking is an example of?
- A. Receptive communication
 - B. Participatory communication
 - C. Productive communication
 - D. Functional communication
 - E. Intrapersonal communication
9. Whenever a public speech is to be delivered, the following factors must be considered, **EXCEPT**
- A. Appearance of the speaker
 - B. Composure of the speaker
 - C. Audience attire
 - D. Facial expression
 - E. Gestures

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10. The major objective of scanning is to encourage
- A. Correctness
 - B. Literacy
 - C. Accuracy
 - D. Speed
 - E. Accountability
11. What is the term for different writing characters on computer called?
- A. Arial
 - B. Font
 - C. Calligraphy
 - D. Alphabetic style
 - E. Illocution
12. What type of communication involves the use of words?
- A. Kinesics
 - B. Non-verbal
 - C. Verbal
 - D. Graphic
 - E. Proxemics
13. Which of the following does **NOT** refer to the reaction of a receiver to a message?
- A. Reply
 - B. Response
 - C. Reception
 - D. Feedback
 - E. Impairment
14. Which essay type could best present the process of flying an aircraft from Lagos to Accra?
- A. Narrative
 - B. Expository
 - C. Descriptive
 - D. Argumentative
 - E. Feature

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15. Written communication is **NOT** used in one of the following
- A. Reports
 - B. Telegram
 - C. Personal letters
 - D. Facial expression
 - E. Circulars
16. "Penitent" is another word for
- A. Unrepentant
 - B. Repentant
 - C. Lazy
 - D. Wicked
 - E. Cowardly
17. Which of the following pairs of words consists of homophones?
- A. "Flower" and "Flour"
 - B. "Flour" and "Floor"
 - C. "Flower" and "Floor"
 - D. "Flour" and "Flair"
 - E. "Flair" and "Flower"
18. Which of the following terms refers to 'Dear Sir' or 'Dear Madam' in a letter?
- A. Subscription
 - B. Description
 - C. Protocol
 - D. Reference
 - E. Salutation
19. In report writing, information, concepts and data can be presented using all of these visuals **EXCEPT**
- A. Diagram
 - B. Flowchart
 - C. Photograph
 - D. Data card
 - E. Bar chart

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20. An essay that tells a story is said to be
- A. Argumentative
 - B. Expository
 - C. Speculative
 - D. Descriptive
 - E. Narrative

SECTION A: PART II: ATTEMPT ALL QUESTIONS (20 Marks)

SHORT ANSWER QUESTIONS

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

1. Listening in a way that shows consideration for the feelings, needs and point of view of the speaker is listening.
2. Choreography is part of Under non-verbal communication.
3. A short version of a piece of writing that gives the main points or ideas is
4. The people who listen to the presentation at a seminar are known as
5. The sentence which introduces the main idea of a paragraph is called sentence.
6. The grapevine channel uses the method of communication more than any other method.
7. A statement showing alarm, strong emotions or any kind of excitement is referred to as statement.
8. The party that has the responsibility for receiving feedback in a communication process is
9. When a sentence contains one main clause and one subordinate clause, it is said to be a(n) sentence.
10. In report writing, interview is a type of

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11. A statutory committee existing to handle issues in an organisation from time to time is committee.
12. The portion of the report in which the writer states what is on the field which can be verified by another and found to be so is
13. Billboards and neon signs are types of advertising.
14. At a meeting, encouraging agreement and consensus at the expense of dissent and objective discussion is a problem that arises from
15. In a report, additional information supplied about a concept at the bottom of a page is referred to as
16. Meeting of people in different locations facilitated electronically with visuals and video over the internet is
17. A short story that represents a particular virtue or vice that is purposely told to teach a lesson is a(n)
18. The two formats in which an address in letter writing could be laid out are and
19. Cross functionality is a major merit of.....channel of communication.
20. A letter written by management to a member of staff to request for explanation of a misconduct is a

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SECTION B:

QUESTION 1

COMPULSORY

COMPREHENSION

(30 Marks)

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

Organizing a presentation involves the same tasks as organizing a written message: Define your main idea, limit your scope, select a direct or an indirect approach, and outline your content. As you work through these tasks, keep in mind that audiences for oral presentations are more or less trapped in your time frame and sequence. When reading written reports, audiences can skip back and forth, backing up if they miss a point or become confused and jumping ahead if they aren't interested in a particular part or are already familiar with the content. However, other than interrupting you, presentation audiences have no choice but to listen to your content in the exact order in which you present it.

For instance, your presentation is a proposal and you believe your audience will be hostile to both your proposal and to you. So you plan to structure your proposal using an indirect approach. Simple enough, members of your audience have already heard of your ideas through other channels and they like it. Yet they still have to sit through an extended presentation of your materials so that you can convince them to accept the idea they already accept. With a printed report, your audience would simply have skipped ahead, but they can't do that with an oral presentation. Consequently, organizing your presentation becomes even more important.

If you've ever heard a speaker struggle to get his or her main point across ("What I really mean is..."), you know how frustrating such an experience can be for an audience. To avoid that struggle, figure out the one message you want audience members to walk away with. Then compose a one-sentence summary that links your subject and purpose to your audience's frame of reference, much as an advertising slogan points out how a product can benefit consumers. Ensure each of the statements puts a particular slant on the subject, one that directly relates to the audience's interests. By focusing on your audience's needs and using the "you" attitude, you help keep their attention and convince them that your points are relevant. For example, a group of new employees will be much more responsive to your discussion of plant safety procedures if you focus on how the procedure can save lives and prevent injuries, rather than focusing on company rules, saving the company money, or conforming to Occupational Safety and Health Administration (OSHA) guidelines.

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Effective presentations not only focus on the audience's needs but also tailor the material to the time allowed which is often strictly regulated. Moreover, in many situations, multiple presenters are scheduled to speak one after the other, so time allotments are rigid, permitting little or no flexibility. If you overestimate the amount of material you can cover within your allotted time, you are left with only unpleasant alternatives: rushing through your presentation, skipping some of the information you've so carefully prepared and even trying to steal a few minutes from the next presenter. Or if you don't have enough material prepared to fill your time slot, you might be left standing in front of the audience trying to ad lib information you haven't prepared.

Limiting your scope also involves matching your message with your audience's needs and expectations. Studies show that audience attention levels and retention rates drop sharply after 20 minutes, and venture capitalists (investors who fund many new companies) expect entrepreneurs to get to the point within 15 minutes. In addition, if you try to cover too many details in a presentation, you can leave the audience feeling confused and frustrated. Often, a better approach is to explain important concepts in your oral presentation and refer your audience to printed documents or websites for supporting details.

Once you've decided on the right amount of information to cover, do your best to estimate the time required to present that material or to estimate the amount of material you can cover within a fixed amount of time. The only sure way to do this is to practice. As an alternative to a complete practice run, you can try several techniques for estimating time requirements. First, if you are in one of those rare situations in which you are reciting your material verbatim or reading from a prepared script, you can divide your word count by 125 (if you speak slower than average) or 150 (if you're faster than average) to get a rough idea of how many minutes you'll need. Most speakers can comfortably deliver between 125 to 150 words per minute. Second, you can measure how long it takes to talk through a small portion of your presentation, then extrapolate how long the entire presentation will take. This method isn't terribly accurate, but it can help identify major timing problems. Third, after you get some experience giving presentations with either overhead transparencies or electronic slides, you'll get a feel for the time you typically need to cover a single slide. For instance, if you have 20 minutes, plan on roughly six or seven slides. If you're whipping through slides faster than that, chances are your slides are too simple or you're not engaging the audience with enough discussion about each one.

- a. Give the passage a suitable title. (2 Marks)
- b. In **TWO** sentences, one for each, mention **TWO** of the tasks associated with organizing a presentation. (4 Marks)

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b. Analyze the following sentences into main and sub-ordinate clauses

- i. My opinion is that she will die soon.
- ii. That he will come is certain.
- iii. While I was working, he was playing.
- iv. If that is the fact, I am very sorry.
- v. Although he is poor, he is honest.

(10 Marks)

(Total 15 Marks)

QUESTION 4

The practice of advertising involves the use of media and is targeted at a particular audience. In this practice, a number of terminologies are used.

Explain each of the following terminologies associated with advertising:

- a. Target Audience (3 Marks)
- b. Media Planning (3 Marks)
- c. Electronic Media (3 Marks)
- d. Print Media (3 Marks)
- e. Outdoor Advertising Media (3 Marks)

(Total 15 Marks)

QUESTION 5

- a. What is noise? (3 Marks)
- b. Explain, with examples, any **THREE** types of noise in communication.

(12 Marks)

(Total 15 Marks)

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SUGGESTED SOLUTIONS

SECTION A

PART I MULTIPLE-CHOICE QUESTIONS

1. C

2. E

3. D

4. A

5. E

6. E

7. C

8. C

9. C

10. D

11. B

12. C

13. E

14. C

15. D

16. B

17. A

18. E

19. D

20. E

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EXAMINER'S COMMENT

All candidates attempted this section. The questions covered all parts of the syllabus. Candidates' performance was good as about 75% of them scored above average here. For a better performance in future, candidates should try and familiarize themselves with all the various parts of the syllabus.

PART II: SHORT-ANSWER QUESTIONS

1. empathic
2. kinesics
3. *précis*/summary/abstract
4. participants/audience/listeners
5. topic
6. oral/verbal
7. exclamatory/interjectory
8. sender/encoder/speaker
9. complex
10. method of investigation/information gathering
11. standing
12. findings
13. outdoor
14. group-think
15. footnote
16. Video conferencing/teleconferencing
17. parable/allegory
18. block, indented/slanting/slant

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19. horizontal

20. query

EXAMINER'S COMMENT

All candidates attempted this section. The questions covered all parts of the syllabus. The performance here was poor as about 35% scored above average mark. Candidates should attempt to study concepts and terms in the syllabus for a better performance in future examinations

SOLUTION 1

- a. Any of the following:
- i. Making effective oral presentation.
 - ii. Principles/Art of oral presentation.
 - iii. preparing and delivering effective oral presentation.
 - iv. Organising a presentation.
 - v. Time management and structure of oral presentation.
 - vi. Guidelines to effective presentation.
- b.
- i. The presenter needs to define his main point.
 - ii. He needs to limit the scope of his presentation.
 - iii. He should decide on a style of presentation.
 - iv. He should prepare an outline of his material.
- c. The speaker is expected to bear in mind that his audience will be constrained by his time frame and sequence/pattern of his presentation.
- d. In an oral presentation, the audience has to follow the speaker systematically whereas the reader can flip over unwanted materials in a written presentation.
- e.
- i. The speaker should identify his main theme
 - ii. The speaker should link his subject to his audience's frame of reference.
- f.
- i. The speaker should tailor his thematic expressions to the audience's needs and interests.
 - ii. The speaker should address the speech to his audience directly to convince them of its relevance to them.
- g.
- i. The speaker should calculate the time he needs for his presentation.
 - ii. He should determine how long it would take to cover small part of his material and use this as basis for calculating how long the entire presentation will take.

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- iii. He should determine the time he needs for the presentation of all the slides by the time a single slide takes.

- h.
 - i. The speaker may have to rush through his presentation.
 - ii. He may have to skip some of his points.
 - iii. He may overshoot the time allotted to him

EXAMINER'S COMMENT

The question tests candidates' understanding of comprehension passage. All the candidates attempted the question. Candidates' performance was average. About 55% scored above average mark. Their common short-comings were inability to:

- i. understand the passage read;
- ii. adhere strictly to instructions as demanded by the rubrics of the question.
- iii. to express themselves in simple language.

Candidates should learn how to obey instructions and how to answer comprehension questions.

SOLUTION 2

TEXT OF A SPEECH DELIVERED BY MR. JOHNSON KOFI ON THE 10TH ANNIVERSARY CELEBRATION OF ATAMPONG, APONGTAM AND PARTNERS HELD AT THE CORPORATE HEADQUARTERS ON SATURDAY, 15TH AUGUST, 2013

Mr. Chairman,
Special Guests,
The Management, Atampong, Apongdam and Partners,
Invited Guests,
Gentlemen of the Press,
Distinguished Ladies and Gentlemen.

It gives me great pleasure to join you today in celebrating the 10th Anniversary of the establishment of Atampong, Apongdam and Partners (AAP), a household name in accounting circles within this country.

AAP has experienced steady growth within the last decade. From its humble beginnings in a four-room bungalow within the metropolis, it now has branches all over the country and officially commissioned its corporate headquarters recently. The venue of this celebration is, indeed, an integral part of the five-hectare estate that houses the headquarters.

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I was reliably informed that the accounting firm is planning to expand its operations across the West African sub-region. What are the prospects of the success of the planned expansion?

The key elements to consider are preparedness, ability to deliver and experience.

In terms of preparedness, AAP has enjoyed steady growth over the years. This is clear evidence of careful planning. I am sure AAP will look before it leaps. The ability to deliver is the second element. I would like to say that, given the firm's antecedents, AAP has no problem in this direction. With its robust financial standing, the caliber of its leadership and the zeal and commitment of its staff, AAP is poised to succeed. Experience is also very much available at AAP. I am sure the experience over the last decade in matters relating to interpersonal and inter-ethnic collaboration would be very useful in expanding AAP's frontiers across West Africa.

Ladies and gentlemen, kindly join me in wishing AAP a happy anniversary celebrations and best wishes in all its endeavours.

Thank you and God bless.

EXAMINER'S COMMENT

The question tests candidates' knowledge of speech writing. About 20% of the candidates attempted the question. The performance was average as about 50% of them scored above average mark. The candidates' shortcomings were the inability to present their writing in a speech format and poor expression. Candidates should study more on speech writing and improve their language skills to perform better in future.

SOLUTION 3

a. We waited for about two hours to cross the borderu, but the frontier police and the custom officers were preparing for official inspectionu, so we just had to waitu. We had a two-week holiday in Babylonia and enjoyed itu, but this sort of delay seemed typical of the Babylonian attitude towards peopleu. Curiouslyu, they appeared to love animals and never allowed to suffer any kind of crueltyu, but often we would see beggars lying on the pavementsu, with no one bothering about them at all.

- | b. | Main Clause | Sub-ordinate Clause |
|------|-----------------|------------------------|
| (i) | My opinion is | that she will die soon |
| (ii) | (It) is certain | that he will come |

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- | | |
|----------------------|---------------------|
| (iii) He was playing | while I was working |
| (iv) I am very sorry | If that is the fact |
| (v) He is honest | although he is poor |

EXAMINER'S COMMENT

The question tests candidates' knowledge of punctuation marks and clause analysis. About 90% of the candidates attempted the question. The performance was good as about 80% scored above average mark. Candidates should pay more attention to the use of punctuation marks and sentence structures generally to better their performance in future examinations.

SOLUTION 4

- a. **Target Audience**
The target audience of advertising is the group or market segment on which the advert is focused. It could be adults, children, teens, young adults and the advertising message is designed with their tastes, preferences and characteristics in mind. Having a target audience enables the advertiser to maximize the reach of his funds. This is because the message would be well focused and would not be a broad appeal which may miss the mark. Generally, target audience can be segmented through demography, income level, age and psychography.
- b. **Media Planning**
Media Planning involves some crucial elements as to where and when one wishes to advertise, i.e. location and geography and the timing of the adverts. Media planning also involves deciding on the media mix that would enable one to maximize the reach. The media mix is the combination of advertising channels employed in the advertising campaign to meet the desired marketing plan. Part of media planning is the strategy which includes the allocation of advertising budget across locations, time and media categories to realize the advertising objective.
- c. **Electronic Media**
These are media of advertising that transmit their information electronically. These include the traditional types like radio, television, film, video and movies. Other non-traditional electronic media include CDs, DVDs, Video consoles, SMS.
- d. **Print Media**
These are media of advertising that present their information using the physical, printed word. These include newspapers, magazines, books, brochures, pamphlets, handbills, posters, etc.

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f. **Outdoor Advertising Media**

These are media of advertising that used outdoors in commercial and non-commercial areas. These include billboards, placards, neon signs, sign writing, digital video boards. Outdoor advertising media are in different forms. There are electronic and non-electronic media of advertising as diverse elements are utilized to make outdoor adverts attractive and appealing.

EXAMINER'S COMMENT

The question tests candidates' knowledge of terms used in advertising. About 55% of the candidates attempted the question. The performance was average as about 55% of them scored 50% and above of the allocated marks. Candidates' shortcoming was their inability to define/explain the terms clearly and properly. Candidates should familiarize themselves with concepts and terms relating to advertisement if they want to improve their performance in future examinations.

SOLUTION 5

- a. Noise is the technical term for any impediment to communication that distorts and makes received message different from sent message. Noise reduces the fidelity of communication, impairs and impedes the flow of communication. Noise occurs at any stage of the communication process. Noise should be eliminated or reduced to the barest minimum in the communication process. The speaker and receiver should ensure that noise does not adversely affect communication.
- bi. **Physical Noise:-** Physical noise refers to any external noise that affects the communication process. Physical noise consists of actual disturbances that can be seen or felt by participants in a communication encounter as an impediment to their communication. If the physical noise is removed, communication will be free and unimpeded. Examples of physical noise include shouting, machine sounds, siren blares, radio hums, loud clapping.
- ii **Psychological Noise:-** Psychological noise refers to impediment that affects the communication process which emanates from within the individual in a communication task. This kind of noise, though cannot be seen physically, can disturb the sending and the reception of messages. Examples of psychological noise include depression, tiredness, sickness, fatigue and other emotional disabilities.
- iii. **Linguistic Noise:-** Linguistic noise refers to the inability to use the language effectively and accurately for communication. It is evidenced in the failure of either the sender or the receiver to use or understand the language in which the message is communicated. This may occur as a result of lack of

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good communication skills. Linguistic noise may arise at any of the levels of language e.g. phonology, semantics and morphology .

- iv. **Phonological Noise:-** Phonological noise is the unskillful and defective use of the sounds of language in a way that compromises its resultant quality. This may be to the extent that the articulation of a combination of sounds results in a pronunciation different from the actual or intended one. e.g. 'So' instead of 'show' or 'tin' instead of 'thin' etc.
- v. **Semantic Noise:-** Semantic noise is the use of words in a way in which the intended meaning or concept is not represented. This may occur as a result of the use of unfamiliar words, ambiguous words and wrong choice of words. For example, when we say a car is "tech", what is meant is the car is "rickety". This may mean another thing to somebody else. Semantic noise may also occur when familiar words are used in a strange way. For example, when we say "yesterday's religious service was 'bloody'" and what is meant is "it was spiritually uplifting." This may also not mean the same to somebody else too.
- vi. **Morphological Noise:** Morphological noise may occur when words or word parts are combined in a wrong way to generate new, strange words. While it is acceptable to generate new words from existing words, such an exercise must be done according to the rules of the language in question. Where rules are not followed but new words are generated, it results in morphological noise. For example the word "unyesterday" is a strange word generation.
- vii. **Sociological Noise:-** This is a barrier created when people of diverse social and educational backgrounds are involved in a communication encounter. The educated man speaking to a group of non-literate people will either speak above or below them. This will cause misunderstanding between the speaker and the listeners as they will not be operating on the same field of experience. The speaker will have to go an extra mile to make his communication understood. For example, a shop floor worker summoned to the office of the Chief Executive Officer(CEO) will almost faint with fear before he has a communication encounter with the CEO as a result of the social gap between them. This may not bring out the best of the shop floor worker.

EXAMINER'S COMMENT

The question tests candidates' knowledge of barriers to effective communication. About 55% of them attempted the question. The performance was poor as about 35% of them scored above average mark here. Candidates' shortcoming was the inability to distinguish the different types of noise from one another. Candidates should concentrate on studying a particular system of noise classification rather

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than focusing on diverse systems which can lead to confusion as reflected in their performance in this examination.