

## **EXAMINERS GENERAL COMMENTS**

### **BREACH OF EXAMINATION INSTRUCTIONS**

IN SPITE OF THE EXAMINERS' GENERAL COMMENTS 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 OBVIOUS 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.

# INSIGHT

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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 with a view to improving their knowledge and presentation in subsequent examinations;
- (iii) Lecturers and students interested in acquisition of knowledge in the relevant subject contained therein; and
- (iv) The profession in a bid to improving pre-examination and screening processes.

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.

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### 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

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## CONTENTS

### PAGE

**BASIC ACCOUNTING PROCESSES AND SYSTEMS** 4 - 30

**ECONOMICS** 31 - 54

**BUSINESS LAW** 55 -  
80

**COMMUNICATION SKILLS** 81 -  
102



# INSIGHT

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AT/162/PI.1      ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA

ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
PART I EXAMINATIONS – SEPTEMBER 2016  
BASIC ACCOUNTING PROCESSES & SYSTEMS

Time Allowed: 3 hours

SECTION A:      PART I      MULTIPLE-CHOICE QUESTIONS  
(30 Marks)

ATTEMPT ALL 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. A company earned Le250,000 profit from goods costing Le1,250,000. The sales margin is
  - A. 50%
  - B. 40%
  - C. 25%
  - D. 20%
  - E. 16.7%
2. The right of a seller to merge a customer's accounts, **ONE** in credit and the other in debit, to arrive at a net balance for that particular customer is a right of
  - A. Balance-off
  - B. Set-off
  - C. Final settlement
  - D. Contra entry
  - E. Sell-off
3. Which of the following functions determines the total cost of production?
  - A. Prime Cost + Indirect Cost + Work-In-Progress
  - B. Raw Materials + Work-In-Progress + Finished Goods
  - C. Raw Materials + Factory Cost + Net Work-In-Progress
  - D. Prime Cost + Work-In-Progress + Percentage of Profit
  - E. Prime Cost + Factory Overheads + Net Work-In-Progress
4. A debit balance on the subscription account of a club is reported in the
  - A. Statement of Financial Position
  - B. Accumulated Fund
  - C. Receipts and Payments Account
  - D. Income and Expenditure Account

## INSIGHT

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- E. Cash Book
5. If a firm's average inventory is ~~₦~~200,000 and the closing inventory is ~~₦~~120,000, what is the opening inventory?
- A. ~~₦~~570,000
  - B. ~~₦~~300,000
  - C. ~~₦~~280,000
  - D. ~~₦~~200,000
  - E. ~~₦~~150,000
6. Revenue items have a maximum duration of
- A. Six months
  - B. Twelve months
  - C. Eighteen months
  - D. Twenty months
  - E. Twenty-four months
7. Which of the following items is **NOT** usually found in a Bank Reconciliation Statement?
- A. Bank Errors
  - B. Adjusted Cash Book Balance
  - C. Bank Balance
  - D. Unpresented Cheques
  - E. Dishonoured Cheques
8. The excess of opening capital over closing capital represents
- A. Gross profit
  - B. Net profit
  - C. Net loss
  - D. Income
  - E. Cost incurred
9. The return payable or receivable on Preference Shares is called
- A. Profit
  - B. Interest
  - C. Bonus
  - D. Dividend
  - E. Commission
10. Which of the following is **NOT** a major computer application package?
- A. Rewriters
  - B. Peachtree
  - C. Bank Master
  - D. Oracle

## INSIGHT

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- E. Page Maker
11. Individual items in the Purchases Day Book are posted to
- A. Credit of suppliers' account
  - B. Credit of customers' account
  - C. Debit of customers' account
  - D. Debit of suppliers' account
  - E. Debit of inventory account
12. When depositing money in a current account with the bank, the document used is a
- A. Cheque book
  - B. Pay-in-slip
  - C. Cash book
  - D. Debit note
  - E. Credit note
13. If ₦5,000 cash is taken from the cash till and banked, the cashbook entry will be
- A. Debit Cash column ₦5,000; Credit Bank column ₦5,000
  - B. Debit Bank column ₦5,000; Credit Cash column ₦5,000
  - C. Debit Cash column ₦5,000 only
  - D. Credit Bank column ₦5,000 only
  - E. Credit Cash column ₦5,000 only
14. Which of the following is correct?
- A. Profit does not alter capital
  - B. Profit reduces capital
  - C. Profit increases capital
  - D. Loss increases capital
  - E. Loss does not alter capital
15. A debit balance of GH¢10,000 in a cash account shows that
- A. There was GH¢10,000 cash on hand
  - B. Cash has been over spent by GH¢10,000
  - C. GH¢10,000 was the total of cash paid out
  - D. The total of cash received was GH¢10,000
  - E. The cash account has been overcast by GH¢10,000
16. Which of these errors would be disclosed by the Trial Balance?
- A. Cheque of ₦9,800 from Mr Samson, correctly posted in the cash book but credited to Mr Samson's account as ₦8,900
  - B. Selling expenses debited to the sales account and credited to the bank account
  - C. Credit sales of ₦30,000 debited to Suppliers account and credited to sales account as ₦30,000

## INSIGHT

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- D. A purchase of ~~₦~~40,000 was omitted entirely from the books
- E. A cash sales of ~~₦~~52,000 was debited to the customer and credited to cash account

17. **UNITY CLUB ACCOUNT RECORDS**

	₦	₦
Sales of Tickets		250,000
Bar sales		280,000
Cash purchases of Club house	100,000	
Credit purchases of motor vehicle		80,000
Electricity bill paid	5,000	
Salaries owed		10,000

The receipts and Payments Account balance is

- A. ~~₦~~425,000
  - B. ~~₦~~449,000
  - C. ~~₦~~475,000
  - D. ~~₦~~485,000
  - E. ~~₦~~505,000
18. If the cost price of inventory is L\$90,000 and the selling price is L\$120,000, then
- A. Mark-up is 25 percent
  - B. Margin is  $33\frac{1}{3}$  percent
  - C. Margin is 20 percent
  - D. Mark-up is  $33\frac{1}{3}$  percent
  - E. Mark-up is 30 percent
19. Mr. Newman's basic salary per annum is Le24,000 and allowances per month is Le3,000. His tax payable for the month is Le550. If he assumed duty on 1 December 2015, what is his net pay for the month of December 2015?
- A. Le 3,000.00
  - B. Le 3,550.00
  - C. Le 4,450.00
  - D. Le 5,000.00
  - E. Le 5,550.00
20. Where the owner of a business takes goods from inventory for his own personal use, what accounting concept would apply in treating the transaction?
- A. Relevant concept
  - B. Captialisation concept
  - C. Money measurement concept



## INSIGHT

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- D. Entity concept  
E. Realisation concept
21. In the absence of a partnership agreement, which of the following statement is applicable regarding partners' remuneration?
- A. No remuneration will be paid to a partner  
B. Partner's remuneration shall be 5% of profit  
C. Remuneration will be paid equally to partners  
D. Remuneration will be paid based on capital contributed  
E. Partner's remuneration shall be 10% of profit
22. Which of the following is **NOT** a source for acquiring application packages?
- A. Internet  
B. Ministry of Information Technology  
C. Computer Bureaux/Internet Cafe/Software retailers  
D. Specialist Software houses  
E. Computer manufacturers
23. The accrual concept gives rise to the following **EXCEPT**
- A. Prepayments  
B. Trade payables  
C. Cash expenses  
D. Trade Receivables  
E. Expenses owed
24. The following information relates to Mensa Enterprises
- |                                | GH¢     |
|--------------------------------|---------|
| Opening capital                | 700,000 |
| Additional capital contributed | 200,000 |
| Drawings                       | 25,000  |
| Closing capital                | 980,000 |
- Calculate Mensa's profit
- A. GH¢ 55,000  
B. GH¢ 80,000  
C. GH¢ 105,000  
D. GH¢ 225,000  
E. GH¢ 455,000

## INSIGHT

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25. A cheque's counterfoil serves as
- A. A Receipt
  - B. Evidence of sales made
  - C. Evidence of receipt from debtors
  - D. Bank statement balances
  - E. Evidence of payment made
26. Which of the following books serves as a ledger?
- A. Sales Day Book
  - B. Cash Book
  - C. Journal
  - D. Returns Inwards Book
  - E. Returns Outwards Book
27. The formula for calculating bonus under the Halsey Premium Plan is
- A.  $\frac{\text{Time saved}}{\text{Time allowed}} \times \text{Time taken} \times \text{Time rate}$
  - B.  $\text{Time rate} \times \text{Time taken} + 50\% \text{ of } (\text{Time saved} \times \text{Time rate})$
  - C.  $\text{Time taken} \times \text{Time rate} + \text{Bonus}$
  - D.  $50\% \text{ of } (\text{Time saved} \times \text{Time rate})$
  - E.  $\frac{\text{rate}}{50\% \text{ of Time allowed}}$
28. Which of the following is classified as a statutory deduction in the preparation of employee payroll?
- A. Special retirement fund
  - B. Interest on loan deductions
  - C. Senior staff association dues
  - D. Pay-As-You-Earn deductions
  - E. Unretired travel advance
29. Which of the following is an example of capital expenditure?
- A. Stationery expenses
  - B. Travelling expenses
  - C. Preliminary expenses
  - D. Plant refurbishment
  - E. Vehicle maintenance

# INSIGHT

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30. The provision for bad and doubtful debts is an example of the application of the concept of
- A. Consistency
  - B. Prudence
  - C. Accruals
  - D. Materiality
  - E. Realisation

**SECTION A: PART II SHORT-ANSWER QUESTIONS  
(20 Marks)**

**ATTEMPT ALL QUESTIONS**

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

1. The full meaning of ABWA is .....
2. Another name for the quality of being honest and having strong principles is .....
3. The two common accounting bases are..... and .....
4. The instruction given to a bank by its customers to make payments to third parties at particular times on their behalf is .....
5. The excess of the cost of goods available for sale over the value of closing inventory is .....
6. A firm's expense not paid for which benefits have been enjoyed in the accounting period is referred to as .....
7. If goods costing Le80,000 is sold at a mark-up of 25%, what is its sales value?
8. The excess of the purchase consideration over the net book value of business asset is .....

## INSIGHT

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9. A unit of capital held by each member of a company is called .....
10. A motor vehicle costing L\$1,500,000 has an estimated useful life of 5 years and a residual value of L\$100,000. The depreciation charge for each year under the straight line method would be.....
11. The global body responsible for developing and issuing International Accounting Standards is .....
12. The account in which the partners' share of profit or loss is determined is known as .....
13. What is the accounting entry for recording the provision for discount from creditors?
14. State the formula for calculating depreciation under the straight line method .....
15. The purpose of preparing the Income Statement is to ascertain .....
16. The main source of income for clubs and associations is .....

Use the following information to answer questions 17 and 18.

	N'000
Cash at bank	90,000
Rent unpaid	10,000
Trade receivable	50,000
Cash in hand	1,000
Trade payables	70,000
Accrued salaries	80,000

17. Determine the Current Assets.
18. What is the value of Current Liabilities?

## INSIGHT

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19. The process of locating and eliminating errors from an excel program is .....
20. The body charged with the responsibility of incorporating Limited liability companies in your country is.....

**SECTION B:                      ATTEMPT ANY FOUR QUESTIONS**  
**(50 Marks)**

**QUESTION 1**

In the weeks of August 2015, James Enterprises, a dealer in Furniture and Fittings issued the following invoices to his customers. The invoice numbers are Z0082 to Z0087.

1. DATE	DESCRIPTION OF GOODS	N
2/08/2015	Lucky and Sons	
	12 tables @ N1,000	12,000
	4 wall clocks @ N1,300	5,200
2. 3/08/2015	Michael Enterprises	
	25 chairs @ N1,000	25,000
3. 10/08/2015	Yogo Ventures	
	40 chairs @ N1,000	40,000
	50 wall clocks @ N1,300	<u>65,000</u>
		105,000
	Trade discount @ 5%	<u>(5,250)</u>
	<u>99,750</u>	
4. 12/08/2015	Nikky John	
	2 wall clocks @ N1,300	2,600

# INSIGHT

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1. DATE	DESCRIPTION OF GOODS	₦
5. 13/08/2015	Richard and Co. 10 wall clocks @ ₦1,300	13,000
6. 14/08/2015	Anan Enterprises 100 wooden chairs @ ₦1,000	100,000 <u>104,000</u>
	80 wall clocks @ ₦1,300	204,000
		<u>10,200</u>
	Trade discount @ 5%	<u>193,800</u>

You are required to prepare the analytical sales day book of James Enterprises for the weeks with sales ledger codes ranging from SL111 to SL116.

**(Total 12½ Marks)**

## QUESTION 2

Accounting concepts and conventions are the basic assumptions that underlie the preparation of Financial Statements.

**Required:**

Write short notes on the following concepts and conventions:

- Entity Concept
- Consistency Concept
- Accrual Concept
- Materiality Concept
- Historical Cost Convention

**(Total 12½ Marks)**

## QUESTION 3

- Explain why an allowance may be made for doubtful debts.  
(3 marks)

- A business started trading on 1 January, 2014. During the two years ended 31 December 2014 and 2015, the following debts were written off to the Bad debts account on the dates stated.

L\$		
31 May 2014	Eddy Clark	17,500
31 October 2014	T.	23,000
31 January 2015	Bamanga	19,000

# INSIGHT

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	A. Alele	
30 June 2015	P. Dyke	7,500
31 October 2015	H. Williams	33,900

On 31 December 2014 the total accounts receivable was L\$5,240,000. It was decided to make an allowance for doubtful debts of L\$64,000.

On 31 December 2015 the total accounts receivable was L\$5,860,000. It was decided to make allowance for doubtful debts of L\$71,000.

You are required to show, for each of the two years:

- i. The Irrecoverable Debts Accounts. (3 Marks)
- ii. The Allowance for Doubtful Debt Account; and (3 Marks)
- iii. The relevant extracts from the Statement of Financial position as at 31 December 2014 and 2015. (3½ Marks)

**(Total 12½**

**Marks)**

## QUESTION 4

Kofi Enterprises presents a summary of its petty cash transactions for the month of January, 2016.

January	GH¢
1 Received from cashier	30,000
2 Postages	1,000
3 Travelling	1,200
4 Cleaning	1,500
6 Petrol for delivery van	2,200
8 Travelling	2,500

# INSIGHT

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9 Stationery	1,700
11 Cleaning	1,800
14 Postage	500
15 Travelling	800
18 Stationery	900
19 Cleaning	2,300
20 Postage	1,300
24 Delivery van expenses	4,300
26 Petrol expenses	1,800
27 Cleaning	2,100
29 Postage	500
30 Petrol expense	1,400

## Required:

Post the above transactions into the Petty Cash Book under the following headings: Cleaning, Motor expenses, Postages, Stationery and Travelling.

**(Total 12½ Marks)**

## QUESTION 5

- a. Explain the meaning of a company limited by shares. (2½ Marks)
- b. Private and public limited companies are very similar in nature. There are however noticeable dissimilarities between them. State **FOUR** of these differences. (8 Marks)
- c. List **FOUR** outputs of inventory sub-system of Computer Application Package (2 marks)

**(Total 12½ Marks)**

## QUESTION 6

Extracts from the Bank Statements and Bank column in the Cash book for June 2015 of Charles Enterprises are given below:

June 2015	Cash Book (Bank Column)	₦	₦
	Debit		
	balance b/f		23,790
1	B Grey		1,580
6	A Silver		930



# INSIGHT

28	M Brown		3,070
30	K Black		<u>6,240</u>
			35,610
	Credit		
5	D Taylor	1,500	
12	J Gray	4,330	
16	B Stephen	880	
29	Eko Club	<u>570</u>	<u>(7,280)</u>
	Balance c/d		<u><u>28,330</u></u>

### Bank Statement

June 2015		DR	CR	Balance
		N	N	N
1	Balance b/f			23,790
7	Cheque		1,580	25,370
8	D Taylor	1,500		23,870
16	Cheque		930	24,800
17	J Gray	4,330		20,470
18	B Stephen	880		19,590
28	Cheque		3,070	22,660
29	Standing order	440		22,220
30	Johnson' credit		900	23,120
30	Bank charges	700		22,420

**Required:**

- a. i. Prepare the Adjusted Cash Book (4½ marks)
- ii. Draw up a Bank Reconciliation Statement as at June 30, 2015 (4 Marks)
- b. List **EIGHT** information that are contained on a typical bank statement (4 Marks)
- Total (12½ Marks)**

**SOLUTIONS**

**MULTIPLE CHOICE QUESTIONS**

1. E
2. B

# INSIGHT

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

## **EXAMINER'S REPORT**

There are thirty (30) multiple choice questions that are spread to cover the syllabus. The questions are considered simple enough for the candidates to solve. Close to 75% of the candidates scored 60% of the total marks obtainable in this part of the paper. This is a fair performance on the whole.

## **WORKINGS**

## INSIGHT

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Q1. Sales margin =  $\frac{\text{Profit}}{\text{Cost} + \text{Profit}} \times 100$

$$= \frac{\text{Le}250,000}{\text{Le}1,250,000 + \text{Le}250,000} \times 100$$

$$= \frac{\text{Le}250,000}{\text{Le}1,500,000} \times 100$$

$$= 16.7\%$$

Q5. Average inventory =  $\frac{\text{Opening Inventory} + \text{Closing Inventory}}{2}$

$$\text{N}200,000 = \frac{x + \text{N}120,000}{2}$$

$$\text{N}400,000 = x + \text{N}120,000$$

$$\text{N}400,000 - \text{N}120,000 = x$$

$$\text{N}280,000 = x$$

$$\text{N}280,000 = \text{Opening Inventory}$$

Q17. Receipts and payments account balance

	N	N
Receipts: Sales of tickets		250,000
Bar sales		<u>280,000</u>
		530,000
Payments: Purchases	100,000	
Electricity bill	<u>5,000</u>	
Q18.	<u>(105,000)</u>	Mark-up =
	<u>425,000</u>	

$$\frac{\text{Profit}}{\text{Cost}} \times 100$$

$$= \frac{\text{Ls}30,000}{\text{Ls}90,000} \times 100$$

$$= 33\frac{1}{3}\%$$

Q19.

<b>Newman's Net pay</b>	Le
Basic salary per month Le 24,000 ÷ 12	2,000
Allowance per month	<u>3,000</u>
	5,000
Less Tax payable	<u>(550)</u>

Q24.

	<b>GH¢</b>
Closing capital	980,000
Opening capital	700,000
Additional capital	200,000
Drawings	<u>(25,000)</u>
	<u>(875,000)</u>
Profit	<u>105,000</u>

## SHORT ANSWER QUESTIONS

1. The Association of Accountancy Bodies in West Africa
2. Integrity
3. Cash basis, Accrual basis or Break-up basis
4. Standing order
5. Cost of sales or Cost of goods sold
6. Accrued Expenses/Accrual
7. Le 100,000
8. Goodwill
9. Share
10. L\$280,000
11. International Accounting Standards Board (IASB)
12. Appropriation Account
13. Dr Allowance for discount receivables  
Cr Statement of profit or loss
14. Depreciation =  $\frac{\text{Cost} - \text{Scrap/Residual Value}}{\text{Useful life (in years)}}$

# INSIGHT

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OR  $\text{Cost} = r (\text{cost} - \text{scrap/residual value})$

Where "r" represents depreciation rate

15. Profit or loss of the business
16. Subscriptions
17. ₦141,000,000
18. ₦160,000,000
19. Debugging
20. Corporate Affairs Commission (CAC)

## EXAMINER'S REPORT

Twenty (20) short-answer questions are in this part of the paper and candidates are required to attempt all. Candidates' ability to understand simple financial accounting theories they were expected to have come across in their studies are being tested. The questions were appropriately worded without any noticeable ambiguities. This fact reflects in the candidates' performance in this part of the paper as about 70% of the candidates scored between 70% - 80% of obtainable marks.

## WORKINGS

$$\begin{aligned} \text{Q7. Sales value} &= \left( \frac{25}{100} \times \text{Le}80,000 \right) + \text{Le}80,000 \\ &= \frac{1}{4} \times \text{Le}80,000 + \text{Le}80,000 \\ &= \text{Le}20,000 + \text{Le}80,000 \\ &= \text{Le}100,000 \end{aligned}$$

$$\begin{aligned} \text{Q10. Depreciation charge} &= \frac{\text{Cost} - \text{Scrap Value}}{\text{Useful Life Span}} \\ &= \frac{\text{L\$}1,500,000 - \text{L\$}100,000}{5} \\ &= \frac{\text{L\$}1,400,000}{5} \\ &= \text{L\$}280,000 \end{aligned}$$

Q17. **Current assets**

₦'000

# INSIGHT

Cash at bank	90,000
Trade receivables	50,000
Cash in bank	<u>1,000</u>
	<u>141,000</u>

**Q18. Current liabilities**

	N'000
Rent unpaid	10,000
Trade payables	70,000
Accrued salaries	<u>80,000</u>
	<u>160,000</u>

**SOLUTION 1**

**JAMES ENTERPRISES  
ANALYTICAL SALES DAY BOOK**

Date	Customer	Invoice No.	FOLIO	Total	Furniture fittings	Wall clocks
				N	N	N
02/08/15	Lucky & sons 12 tables @ N1,000 each 4 walls @ N1,300 each	Z0082	SL111	17,200	12,000	5,200
03/08/15	Michael Entrepreneur 25 chairs @ N1,000 each	Z0083	SL112	25,000	25,000	-
10/08/15	Yogo Ventures 40 chairs @ N1,000 each 50 wall clocks @ N1,300 Trade discount @5%	Z0084	SL113	105,000 <u>5,250</u> 99,750	38,000	61,750
12/08/15	Nikky John 2 wall clocks @ N1,300	Z0085	SL114	2,600	-	2,600
13/08/15	Richard & Co. 10 wall clocks @ N1,300	Z0086	SL115	13,000	-	13,000
14/08/15	Anan Entrepreneur 100 wooden	Z0087	SL116	204,000 <u>(10,200)</u>		

## INSIGHT

	chairs @ ₦1,000 80 wall clocks @ ₦1,300 Trade discount @ 5%			193,800	95,000	98,800
				<u>351,350</u>	<u>170,000</u>	<u>181,350</u>

### Tutorial

		<del>₦</del>
10/8/15	Yogo Ventures 40 Chairs at ₦1,000 Less 5% trade discount	40,000 <u>2,000</u> 38,000
	50 wall clocks at ₦1,300 Less 5% trade discount	65,000 3,250 <u>61,750</u>
14/8/15	Anan Entrepreneur 100 wooden chairs at ₦1,000 Less 5% trade discount	100,000 <u>5,000</u> 95,000
	80 wall clocks at ₦1,300 Less 5% trade discount	104,000 5,200 <u>98,800</u>

### EXAMINER'S REPORT

Candidates are required to prepare an Analytical Sales Day Book that provides a folio column. Hypothetical sales ledger folio members were given in the question. This is to test candidate's ability to demonstrate the practical layout of an analytical Day Book.

Preparation of day books is a familiar topic to candidates as it is from this point, candidates usually started their book-keeping study. Therefore, over 70% of the candidates attempted the question. Only a little above fifty percent of the candidates who attempted the question were able to attain the average mark. A major problem of candidates is that they only showed the total column without providing the analysis into the various expenditure sub-heads. Candidates therefore lost very valuable marks as a result. It is advised that candidates make themselves familiar with the format of example's suggested solution provided in the "Insight" so as to be able to tackle such questions in future.

# INSIGHT

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## SOLUTION 2

(a) **Entity Concept**

Accounting information is prepared from the point of view of the organisation as an entity separate from its owners. The business entity concept implies that affairs of a business are to be treated as being quite separate from the non-business activities of its owners. The items recorded in the books of the business are, therefore, restricted to the transactions of the business. No matter what activities the proprietor(s) get up to outside the business, they are completely disregarded in the books kept by the business.

The only time that the personal resources of the proprietor(s) affect the accounting records of a business is when they introduce new capital into the business, or take drawings out of it.

(b) **Consistency Concept**

Usually, there is more than one way in which an item may be treated in the accounts without violating accounting principles. The consistency concept as its name implies, is that, the accounting treatment of like items should be consistently applied from one accounting period to the next.

The concept therefore holds that when an entity selects a method it should continue (unless conditions warrant a change) to use that method in subsequent periods, so that comparison of accounting figures over time is meaningful. A change in the basis of accounting can seriously affect the results shown in the accounts, e.g. in the valuation of inventory and work-in-progress. The fact that such significant changes have been made must be disclosed in the financial reports, otherwise anyone relying on them will not be given a true and fair view and may, as a result, be misled.

(c) **Accrual Concept**

Under this basis, revenue and expenses are recognised in the accounting period to which they relate and in which they are earned and incurred; and not when they are received or paid. The statement of Profit or Loss and statement of financial position are based on accrual accounting.

Income or loss is measured by matching a period's sales revenue with the expenses incurred in earning those revenues. Under the



## INSIGHT

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accrual method of accounting, it is the revenues earned and the expenses incurred that are recorded, rather than cash receipts and payments in cheque or cash form. The unpaid amounts at year end in the form of outstanding amounts receivable and payable are recorded as receivables or payables (as the case may be) in the statement of financial position at the end of the period.

This way, a business's economic performance in a period is better appreciated.

(d) **Materiality Concept**

Financial information is material if its omission or mis-statement could influence the economic decisions of users. Thus, everything that appears in a financial accounting statement should be "material".

Materiality however depends on the size of the item or error judged in the particular circumstances of its omission or mis-statement. The concept does require that all items which are significantly material to affect evaluations or decisions should be disclosed.

**The factors that can be used to decide on materiality are:**

- i. Will the cost of adhering strictly to form be greater than the benefit obtained?
- ii. Will disclosure or non-disclosure of the item in the financial statements influence the evaluation or decision of persons reading the statements?

(e) **Historical Cost Convention**

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, payables' and owners' interests; and it also holds that subsequent to acquisition, cost values are retained throughout the accounting process.

Assets and expenses are recorded in ledger accounts at the actual amounts expended on these items because this has the advantage of being objective, that is, beyond dispute. An alternative to recording assets and expenses at cost is to record them at a valuation. This introduces subjectivity into the accounting records as it is likely that no two people may agree on the value of the assets or services.

### EXAMINER'S REPORT

## INSIGHT

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In spite of the fact that candidates' ability to clearly define and describe the usual accounting concepts and conventions or assumptions which underlie the preparation of the periodic financial statements feature in the paper almost at every diet, candidates are yet to fully grasp the substance of this topic. Practically all the candidates attempted the question as expected, but not less than 80% of them gave very unsatisfactory answer as they gave wrong descriptions of the concept and confuse one for another. Valuable marks required to obtain the pass mark were therefore lost. Candidates are for the aforementioned reason admonished to study over and over again this aspect of the syllabus until they are fully able to confidently describe these concepts and conventions.

### SOLUTION 3

- (a) It is impossible to determine with absolute accuracy at the year end what the true amount is in respect of receivables who will never pay their accounts. So, a decision has to be made on the amount of allowance to be made against the possibility of some of the remaining recoverables (after removing those which have been written off as irrecoverable) proving bad in a future period. It is only then we can satisfy the objectives of drawing up the financial statements which are:
- i. To charge as an expense in the income statement for that year an amount representing recoverable that will never be paid; and
  - ii. To show in the statement of financial position for accounts receivable as close as possible to the value of accounts receivable at the year end.

It is a prudent measure against overstating profit or assets.

(b)

i.

#### Irrecoverable Debts Account

<b>2014</b>		<b>L\$</b>	<b>2014</b>		<b>L\$</b>
31 May	Eddy Clark	17,500	31 Dec	Profit or Loss	40,500
31 Oct	T. Bamanga	<u>23,000</u>			<u>        </u>
		<u>40,500</u>			<u>40,500</u>
<b>2015</b>			<b>2015</b>		
31 Jan	A. Alele	19,000	31 Dec	Profit or Loss a/c	60,400

# INSIGHT

30 June	P. Dyke	7,500			
31 Oct	H. Williams	<u>33,900</u>			
		<u>60,400</u>			<u>60,400</u>

ii. **Allowance for Doubtful Recoverables**

<b>2014</b>		<b>L\$</b>	<b>2014</b>		<b>L\$</b>
31 Dec	Balance c/d	<u>64,000</u>	31 Dec	Profit or Loss a/c	<u>64,000</u>
<b>2015</b>			<b>2015</b>		
			1 Jan	Balance	64,000
31 Dec	Balance c/d	<u>71,000</u>	31 Dec	Profit or Loss	<u>7,000</u>
30 June		<u>71,000</u>			<u>71,000</u>
			2016		
			1 Jan	Balance	<u>71,000</u>

iii. **Statement of Financial Position (Extract)**

<b>2014</b>		
Current Assets		
<b>2014</b>		<b>L\$</b>
Receivables		5,240,000
Allowance for doubtful receivable		<u>64,000</u>
Net receivables		<u>5,176,000</u>
<b>2016</b>		
Receivables		5,860,000
Allowance for doubtful receivables		<u>71,000</u>
Net receivables		<u>5,789,000</u>

### EXAMINER'S REPORT

This question tests candidates understanding of making allowance (provision) for irrecoverable (i.e. bad) debts. Disappointingly, about 90% of the candidates avoided the question, perhaps because of the new terminologies used. It is comforting however that 60% of those candidates who dared to attempt the question scored above the average mark.

Making allowance for doubtful and or irrecoverable debts is a normal business practice and candidates are expected in their work places to be involved in posting these provisions. Candidates are therefore advised to familiarise themselves with this topic, study the examiner's suggested

## INSIGHT

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solution and practise with similar questions in their Study Packs. They should also expect to see similar questions on this topic in future diets.

# INSIGHT

## SOLUTION 4

### KOFI ENTERPRISES - PETTY CASH BOOK

Date 2016	Particulars	Foil	Date 2016	Particulars	P V N o	Total	Cleanin g	Moto r	Postage s	Stationer y	Travellin g
			N			N	N	N	N	N	N
Jan 1	Bank	CB	30,000	Jan 2	Postages	1,000			1,000		
				3	Travelling	1,200					1,200
Jan 31	Bank	CB	27,800	4	Cleaning	1,500	1,500				
				6	Petrol for D/van	2,200		2,200			
				8	Travelling	2,500					2,500
				9	Stationery	1,700				1,700	
				11	Cleaning	1,800	1,800				
				14	Postage	500			500		
				15	Travelling	800					800
				18	Stationery	900				900	
				19	Cleaning	2,300	2,300				
				20	Postage	1,300			1,300		
				24	D/van expenses	4,300		4,300			
				26	Petrol expenses	1,800		1,800			

ATSWA PART I SEPTEMBER 2016 DIET

## INSIGHT

				27	Cleaning		2,100	2,100				
				29	Postage		500			500		
				30	Petrol expenses		1,400	—	1,400	—	—	—
			—		Total		27,800	7,700	9,700	3,300	2,600	4,500
			<u>57,800</u>		Bal c/d		<u>30,000</u>	Fol 1	Fol 2	Fol 3	Fol 4	Fol 5
							<u>57,800</u>					
Feb 1	Bal	b/d	30,000									

# INSIGHT

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## EXAMINER'S REPORT

Preparation of Petty Cash Books is also a very familiar topic to candidates. Practically all the candidates attempted the question and as one expected, they all scored above the average mark. Indeed, the question was a morale booster. However, candidates should study the examiner's suggested solution and take note of how to properly record the reimbursement of the float at the period end and bring down the full imprest at the beginning of the subsequent period. This is the main pitfall of the candidates that made them not to score the total marks.

## SOLUTION 5

- (a) A company limited by shares is a company where liabilities or debts of members (shareholders) are limited to the amount of the nominal value of their share holdings in the business in the event of liquidation, as contained in the company's Memorandum of Association and Section 21 (i) Companies and Allied Matters Act 2014.

Thus once a member has fully paid up his shares, there is no further liability resting on him.

- (b) **The differences between private and public companies include:**

	<b>Areas of differences</b>	<b>Public Limited Companies</b>	<b>Private Limited Companies</b>
i.	Transfer of shares	Public Companies are allowed free transfer of shares without the consent or concurrence of other members	Transfer of shares by Private Companies without the consent or concurrence of other members is not allowed
ii.	Membership	(a) The minimum number of members for Public Limited Companies is 7	The minimum number of members for Private Limited Companies is 2
		(b) The maximum	The maximum number of

# INSIGHT

		number of members for Public Limited Companies has no limit	members for Private Limited Companies is 50
iii.	Privacy	Public Limited Companies do not enjoy any form of privacy. Their books are open to members of the public	Private Limited Companies may not open their books to members of the public
iv.	Share listing/ quotation	Public Limited Companies' shares, where they are listed companies, can be traded on the floor of the Stock Exchange	Private Limited Companies shares cannot be traded on the floor of the Stock Exchange market
v.	Certificate of Operation	Public Limited Companies have to be issued certificates of operation before they can start business operation	Private Limited Companies do not need a certificate of operation before they can start business operation
vi.	Restriction on issue of shares	Public Limited Companies are allowed to invite members of the public to subscribe for shares in them	Private Limited Companies are not allowed to invite members of the public to subscribe for shares

(c) **The outputs of inventory sub-system of computer application package include the following:**

- i) Inventory valuation list report
- ii) Arrival register relating to inventory purchased
- iii) Inventory obsolescence history
- iv) Records of inventory usage or inventory issue
- v) Transfer of inventory within the organisation

## EXAMINER'S REPORT

ATSWA PART I SEPTEMBER 2016 DIET



# INSIGHT

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Again, candidates are tested on their understanding of the foundational theories that relate to the nature and formation of businesses in this question. As candidates study, they should in addition note carefully the theoretical foundations that underlie the preparation of the financial statements as failure to do this may make them become so mechanical in approach that they will find it difficult to make appreciable progress in more advanced studies later.

The question is in three parts – candidates were required to give the meaning of company limited by shares in the (a) part and to identify four areas of dissimilarities between private and public companies in part b. About 85% of the candidates attempted the two parts and gave reasonably satisfactory answers and scored above the average mark. However, the part (c) of the question tested candidates on computer application packages. This part of the question was poorly attempted by candidates and this showed they had not adequately covered their Study Pack as the pack treated this area in a sufficiently detailed manner to aid candidates success in this question.

## SOLUTION 6

(a)

i) **Charles Enterprises Adjusted Cashbook**

	₦		₦
Balance b/f	28,330	Standing order	440
Direct credit	900	Bank charges	700
		Balance c/f	28,090
	<u>29,230</u>		<u>29,230</u>
Balance b/f	28,090		

ii. **Bank reconciliation statement as at June 30, 2015**

	₦
Balance as per adjusted cash book	28,090
<b>Add:</b> Unpresented cheques(Eko Club)	570
	28,660

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ATSWA PART I SEPTEMBER 2016 DIET

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# INSIGHT

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<b>Less:</b> Uncredited cheque (K. Black)	<u>6,240</u>
Balance as per bank statement	<u>22,420</u>

(b) **The following information are contained on bank statements:**

- i. The name of the customer to whom the bank statement relates
- ii. The address of the customer to whom the bank statement relates
- iii. The name of the bank that prepared the bank statement
- iv. The account number of the customer with the bank
- v. The period covered by the bank statement
- vi. The opening balance for the period covered by the bank statement
- vii. The transaction date relating to each transaction on the bank statement
- viii. The transaction value date for each transaction on the bank statement
- ix. Description of each transaction on the bank statement
- x. The debit or credit (as applicable) entry pertaining to each transaction
- xi. The closing balance at the period end

## **EXAMINER'S REPORT**

This question required candidates to prepare the adjusted cash book and to prepare the bank reconciliation statement. Enough information was given in form of the cash book and the bank statement. The question is simple and practical. Candidates are very familiar with the topic and it is not unlikely that majority of them actually are engaged on this function in their work places. Close to 100% of the candidates attempted the question and scored above average marks in the (a) part. The 'b' part was to test if candidates could identify those information that are normally found on a typical bank statement. Though the candidates had a fairly good attempt at the question, many gave details of transactions found on the statement only and omitted to state those information that properly indentify a bank

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ATSWA PART I SEPTEMBER 2016 DIET

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# INSIGHT

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statement as such the examiner's suggested solution should be carefully studied by candidates against future attempts at such question.

# INSIGHT

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AT/162/PI.2      **ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA**

**ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
PART I EXAMINATIONS – SEPTEMBER 2016  
ECONOMICS**

**Time Allowed: 3 hours**

**SECTION A:      PART I              MULTIPLE-CHOICE QUESTIONS  
(30 Marks)**

**ATTEMPT ALL 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 mechanism that allocates scarce resources among alternative uses is described as
  - A. Division of labour
  - B. Allocative efficiency
  - C. The economic system
  - D. Entrepreneurial ability
  - E. Production Possibilities Curves
  
2. If horizontal supply curve illustrates the supply condition of a commodity: it means that supply is
  - A. Elastic
  - B. Inelastic
  - C. Unit elastic
  - D. Perfectly elastic
  - E. Perfectly inelastic
  
3. Which of the following is NOT capable of shifting the demand curve to the right?
  - A. An increase in consumer income
  - B. A fall in commodity's own price
  - C. An increase in the number of consumers
  - D. A fall in the price of a complement
  - E. A rise in the price of the substitute
  
4. If a price ceiling is set below the equilibrium price, there will likely be  
no
  - A. ~~Excess demand for the commodity~~

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**ATSWA PART I SEPTEMBER 2016 DIET**

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# INSIGHT

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- B. Shortage of the commodity
  - C. Excess supply of the commodity
  - D. Rationing of the commodity
  - E. Emergence of a black market
5. The marginal utility curve of a consumer for a good is the same as its
- A. Supply curve
  - B. Demand curve
  - C. Indifference curve
  - D. Average product curve
  - E. Average cost curve
6. At the point where the budget line is tangent to an indifference curve, the consumer
- A. Prefers only one of the two goods
  - B. Derives the maximum satisfaction possible
  - C. Obtains the minimum satisfaction from the two goods
  - D. Derives zero satisfaction from the two goods
  - E. Prefers any other combination of the two goods
7. Additional output produced when a new worker is employed can be described as
- A. Marginal Product
  - B. Average Product
  - C. Total Product
  - D. Cost - minimising Output
  - E. Profit - maximising Output
8. The man-made resource which is used in a production process is called
- A. Entrepreneur
  - B. Wages
  - C. Labour
  - D. Capital
  - E. Land
9. Given that the Total Cost (TC) of a firm's output of 10 units is ₦4,000 and the Variable Cost (VC) is ₦2,500, what will be the Average Fixed Cost (AFC)?
- A. ₦400
  - B. ₦250

# INSIGHT

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- C. ₦200
  - D. ₦180
  - E. ₦150
10. External economies of scale can be derived from
- A. Location of a firm in an industry
  - B. Localisation of an industry
  - C. Bulk purchase of raw materials by a firm
  - D. Large-scale production by a firm
  - E. Division of labour in a production process
11. **ONE** of the ways by which government intervenes in the economy is through the establishment of
- A. Sole proprietorship businesses
  - B. Partnership businesses
  - C. Public limited companies
  - D. Private limited companies
  - E. Public enterprises
12. A situation where a firm is also the industry is known as
- A. Oligopoly
  - B. Monopoly
  - C. Duopoly
  - D. Monopolistic competition
  - E. Perfect competition
13. Which of the following statements is **NOT** true of perfect competition?
- A. Buyers and sellers have perfect information
  - B. Buyers are price-takers, sellers are price-makers
  - C. Normal profit is made in the long-run
  - D. Abnormal profit is achieved in the short-run
  - E. Buyers and sellers are free to enter or exit the market
14. Which of the following is NOT a problem associated with National Income measurement?
- A. Double counting
  - B. Double coincidence of wants

# INSIGHT

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- C. Determination of exact amount of depreciation
  - D. Inadequate statistical data
  - E. Illegal activities
15. If National Income is L\$632 billion, personal income taxes is L\$44 billion and personal disposable income is L\$476 billion, then personal income is
- A. L\$676 billion
  - B. L\$620 billion
  - C. L\$588 billion
  - D. L\$520 billion
  - E. L\$488 billion
16. Average propensity to save is the
- A. Ratio of change in savings to change in National Income
  - B. Ratio of savings to change in income
  - C. Difference between National Income and consumption
  - D. Difference between savings and investment
  - E. Ratio of savings to national income
17. A tax that takes lower percentage of income as an income rises is a/an
- A. Direct tax
  - B. Indirect tax
  - C. Progressive tax
  - D. Regressive tax
  - E. Proportional tax
18. A surplus national budget is appropriate to
- A. Reduce poverty
  - B. Reduce employment
  - C. Curtail inflation
  - D. Promote income equality
  - E. Reduce balance of payments deficit
19. Public debt may be justified on ONE of the following grounds
- A. Capital formation
  - B. Debt servicing
  - C. Distortion of income distribution

# INSIGHT

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- D. Inflationary potential
  - E. Crowding out of private investment
20. Laying-off of workers in the building and construction industry during the raining season creates
- A. Frictional unemployment
  - B. Cyclical unemployment
  - C. Structural unemployment
  - D. Seasonal unemployment
  - E. Residual unemployment
21. A persistent fall in the general price level describes
- A. Stagflation
  - B. Hyperinflation
  - C. Creeping inflation
  - D. Inflation
  - E. Deflation
22. Which of the following is fundamental of the subject of negotiation between **TWO** countries?
- A. Domestic trade
  - B. Internal trade
  - C. Bilateral trade
  - D. Multilateral trade
  - E. Balance trade
23. Which of the following actions will promote globalisation?
- A. Intensify trade protection
  - B. Restrict movement of people across borders
  - C. Introduce more indirect business taxes
  - D. Improve e-banking system
  - E. Adopt indigenisation policy



# INSIGHT

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24. Which of the following offers long-term loans for developmental projects to its members?
- A. Multilateral Investment Guarantee Agency (MIGA)
  - B. International Development Association (IDA)
  - C. International Finance Corporation (IFC)
  - D. World Trade Organisation (WTO)
  - E. International Monetary Fund (IMF)
25. Lender of last resort role is performed by
- A. Central Banks
  - B. Commercial Banks
  - C. Universal Banks
  - D. Development Banks
  - E. Mortgage Banks
26. The official lowering of the value of domestic currency against foreign currencies is called
- A. Currency devaluation
  - B. Currency revaluation
  - C. Currency depreciation
  - D. Currency appreciation
  - E. Currency re-denomination
27. Provision of policies to protect individuals and businesses against the risk of financial losses is the core function of
- A. Microfinance banks
  - B. Development banks
  - C. Insurance companies
  - D. Finance companies
  - E. Security Exchange
28. The market that deals in long-term loans in an economy is known as the
- A. Capital market
  - B. Money market
  - C. Labour market
  - D. Product market
  - E. Foreign exchange market

# INSIGHT

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29. Which of the following is NOT an element of aggregate demand in an open economy?
- A. Government expenditure
  - B. Net exports
  - C. Consumption
  - D. Investment
  - E. Savings
30. Circumstances favourable to economic growth EXCLUDE
- A. Efficient use of factor inputs
  - B. Accumulation of more resources
  - C. Strike actions by industrial workers
  - D. Human capital development
  - E. Introduction of innovative production techniques

**SECTION A: PART II SHORT-ANSWER QUESTIONS  
(20 Marks)**

**ATTEMPT ALL QUESTIONS**

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

1. The fact that economics adopts scientific method to study human behaviour \_\_\_\_\_ makes \_\_\_\_\_ it \_\_\_\_\_
2. The price that elicits mutually consistent quantity responses from both \_\_\_\_\_ buyers \_\_\_\_\_ and \_\_\_\_\_ sellers \_\_\_\_\_ is \_\_\_\_\_ called \_\_\_\_\_
3. If a change in price results in a more than proportionate change in quantity \_\_\_\_\_ supplied \_\_\_\_\_ then \_\_\_\_\_ supply \_\_\_\_\_ is \_\_\_\_\_

# INSIGHT

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4. A collection of ranked indifference curves is called.....
5. If the increase in the size of the firm itself is the basis for the decrease in its average cost, the firm is experiencing .....
6. The amount that a factor of production can earn to prevent its transfer to its next best alternative use is called .....
7. Suppose the Total Cost (TC) and demand functions facing a firm are estimated as  $TC = 20 + 5Q + Q^2$  and  $P = 45 - 3Q$  respectively, the firm's profit maximising output will be .....
8. A market structure where barriers to entry are difficult that it is impossible for new firms to enter the market is called .....
9. In a closed-economy where the Marginal Propensity to Consume (MPC) is 0.8, an increase in aggregate investment expenditure will result in an increase in National Income by.....
10. Under leakages-Injections Approach, equilibrium National Income occurs where Saving (S) + Taxes (T) + Import (M) = .....
11. The total money value of all final goods and services produced within the geographical boundaries of a country during a specific period of time gives the .....
12. The theory which states that an increase in money supply, *ceteris paribus*, will lead to increase in the price level is known as .....

# INSIGHT

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13. In every modern economy, foreign exchange management and promotion of monetary stability include the primary functions of the .....
14. Taxes levied on goods and services are classified as .....
15. The type of national budget in which government revenue is planned to exceed the proposed government expenditure is known as .....
16. The international financial institution that is well noted for balance of payments support loan is the .....
17. The type of inflation that is induced by rising prices of factors of production is called .....
18. When the interplay of the forces of demand and supply results in a fall in the value of domestic currency relative to foreign currency, it is called .....
19. The view that a country should produce and export those goods in which it has lowest opportunity costs of production and import those ones in which it incurs higher opportunity cost compared with the rest of the world expresses .....
20. A sustained increase in a country's real GNP and per capita real GNP gives .....

# INSIGHT

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**SECTION B: ATTEMPT ANY FOUR QUESTIONS**  
**(50 Marks)**

**PART 1 MICROECONOMICS**

**QUESTION 1**

- a. Explain the following concepts
- i. Marginal Utility
  - ii. Budget Line (4 Marks)
- b. The following table gives the Marginal Utilities for the consumption of Apple ( $MU_A$ ) and Banana ( $MU_B$ ) by a particular rational consumer who has money income of ₦220 to spend on the commodities daily. The unit prices of Apples and Banana are given as ₦20 and ₦40 respectively.

Quantity (Units)	$MU_A$ (Utils)	$MU_B$ (Utils)
1	-	-
2	8	36
3	6	24
4	4	12
5	2	6

**You are required to:**

- i. Derive the equation of the budget line. (3½ Marks)
- ii. State the consumer equilibrium conditions and determine the units of Apple and Banana a rational consumer will buy at that point of equilibrium.

(5Marks)

**(Total 12½**

**Marks)**

**QUESTION 2**

- a. Briefly explain each of the following factors of production.

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ATSWA PART I SEPTEMBER 2016 DIET

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# INSIGHT

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- i. Labour (2 Marks)
  - ii. Entrepreneur (2½ Marks)
- b. Briefly discuss **FOUR** functions of an entrepreneur in a modern economy. (8 Marks)
- (Total 12½ Marks)**

## QUESTION 3

- a. Explain the following concepts:
- i. Monopoly
  - ii. Monopolistic Competition (6 Marks)
- b. Differentiate with the aid of appropriate diagrams, the long-run equilibrium position of the monopoly and the monopolistic competitive firms (6½ Marks)
- (Total 12½ Marks)**

## PART II

## MACROECONOMICS

### ATTEMPT ANY TWO QUESTIONS

## QUESTION 4

- a. Define each of the concepts below and show the difference between them
- i. Gross Domestic Product (GDP)
  - ii. Gross National Product (GNP) (4½ Marks)

# INSIGHT

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- b. Suppose the National Income Model for an open developing economy is given as:

$$Y = c + I + G + (X - M)$$

Where:

Consumption (C)	=	GHC58 billion + 0.8Yd
Investment (I)	=	GHC35 billion
Government Expenditure (G)	=	GHC56 billion
Net Exports (X - M)	=	- GHC21 billion
Disposable Income (Yd)	=	Y - T

**You are required to:**

- i. Calculate the equilibrium national income and the investment multiplier.  
(5 Marks)
- ii. Determine the new level of equilibrium national income if there is additional private domestic investment of GHC12 billion in the economy.

(3Marks)

**(Total 12½**

**Marks)**

## QUESTION 5

- a. Distinguish between Frictional and Structural unemployment. (5 Marks)
- b. Explain any **THREE** measures a government could use to tackle the problem of unemployment in an economy. (7½Marks)

**(Total 12½**

**Marks)**

## QUESTION 6

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ATSWA PART I SEPTEMBER 2016 DIET

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# INSIGHT

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- a. Explain what is meant by economic growth. (4½ Marks)
- b. Discuss **FOUR** obstacles to rapid economic growth in West Africa. (8 Marks)
- (Total 12½ Marks)**



# INSIGHT

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## SOLUTIONS - MCQ

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

# INSIGHT

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## **Examiner's Report**

This part of the paper is compulsory. The questions were drawn from all areas of the syllabus and candidates were expected to answer all. About 64% of the candidates scored pass marks.

## **SOLUTION - SAQ**

1. A Social Science
2. Equilibrium price/Market price
3. Elastic
4. Indifference map
5. Economies of scale/Internal economies of scale
6. Transfer earnings
7. 5
8. Monopoly
9. 5
10. Investment (I) + Government Expenditure (G) + Export (x)
11. Gross Domestic Product (GDP)
12. Quantity Theory of money
13. The Central Bank
14. Indirect Taxes
15. Surplus budget
16. International Monetary Fund(IMF)
17. Cost push Inflation
18. Currency depreciation
19. Principles of comparative cost advantage
20. Economic Growth

## **Examiner's Report**

This part is also compulsory. The questions are well spread over the microeconomic and macroeconomic topics in the syllabus. All the candidates attempted the questions as instructed, and the success rate is about 52%. Candidates should realise that effective coverage of the

# INSIGHT

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syllabus is the only way out for them to excel in the Multiple-Choice and Short-Answer Questions (MCQs and SAQs).

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ATSWA PART I SEPTEMBER 2016 DIET

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# INSIGHT

## SOLUTION 1

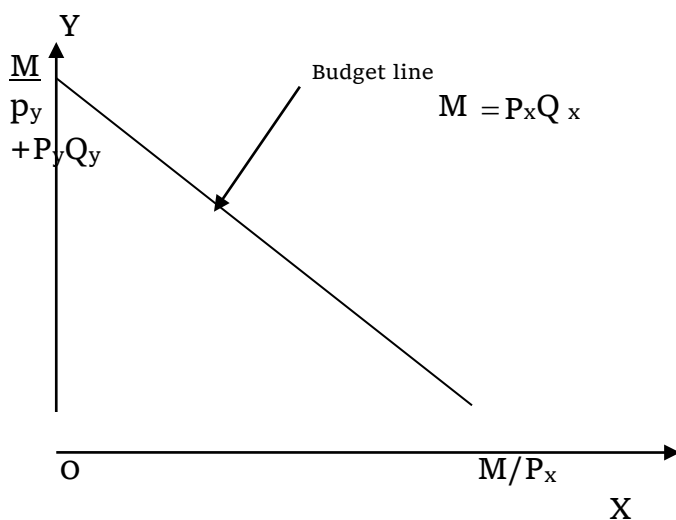
- a (i) Marginal Utility (MU) of a particular good or service is the additional satisfaction a consumer derives from one more unit of the good or service consumed. It can also be defined as the ratio of change in total utility ( $\Delta TU$ ) to change in quantity ( $\Delta Q$ ) of the good or service. Mathematically, it can be expressed as:

$$MU_n = TU_n - TU_{n-1}$$

OR,

$$MU = \frac{\Delta TU}{\Delta Q}$$

- (ii) Budget line shows the maximum combination of units of two goods that the consumer can buy given his money income and the market prices of the two goods. Budget line has a negative slope and the slope is given as the ratio of the prices of the two goods. Given two goods X and Y, their prices  $P_x$  and  $P_y$  and Money income (M), a graph of the budget line is as follows:



- b (i) **Derivation of the equation of the budget line**

Given: Money Income (M) = ₹ 220

Price of Apple ( $P_a$ ) = ₹ 20

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ATSWA PART I SEPTEMBER 2016 DIET

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# INSIGHT

Price of Banana ( $P_b$ ) = ₦ 40

The Equation of the budget line becomes:-

$$P_a Q_a + P_b Q_b = M$$
$$20Q_a + 40Q_b = 220$$

(ii) **The consumer equilibrium conditions are:**

$$\frac{MU_a}{P_a} = \frac{MU_b}{P_b} \dots\dots\dots(1) \text{ Necessary condition}$$

Budget constraint

$$P_a Q_a + P_b Q_b = M \dots\dots\dots(2) \text{ Sufficient condition}$$

From the table supplied

Apple ( $Q_a$ )	$MU_a/P_a$	Banana ( $Q_b$ )	$MU_b/P_b$
1	-	1	-
2	0.40	2	0.90
3	0.30	3	0.60
4	0.20	4	0.30
5	0.10	5	0.15

The above tables reveals that the first condition is fulfilled at

$$Q_a = 3 \text{ and } Q_b = 4 \left( \frac{MU_a}{P_a} = \frac{MU_b}{P_b} = 0.3 \right)$$

And, at that level of consumption, the second condition is fulfilled:

$$P_a Q_a + P_b Q_b = M$$
$$₦20(3) + ₦40(4) = ₦220$$
$$₦60 + ₦160 = ₦220$$

Therefore, a rational consumer will buy 3 units of **apple** and 4 units of **banana**.

## Examiner's Report

The question tested candidates' knowledge on the concepts of marginal utility, budget line, and determination of consumer equilibrium position

# INSIGHT

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under the marginal utility theory of consumer behaviour. About 28% of the candidates attempted the question and just about 35% of them scored pass marks. The candidates had problem explaining the budget line and its equation. While some of them could specify the consumer equilibrium condition, they could not apply them to the data provided. Candidates are advised to have an indepth understanding of this aspect of the syllabus, in particular how the utility concepts could be used in practical applications.

## SOLUTION 2

- a(i) **Labour** is the mental and physical efforts of humans (excluding entrepreneurial organisation) used for the production of goods and services. The physical type of labour is classified as unskilled labour because it requires very little or no education or training. This is found in the services rendered by office messengers, cleaners, and so on. The mental type is classified as skilled labour because it involves a considerable period of formal schooling or training.
- (ii) **Entrepreneur** is the special sort of human effort that takes on the risk of bringing together labour, capital and land for the production of goods and services. In other words, entrepreneur hires and organises the other factors of production. He decides what goods to produce how to produce and in what quantity to produce. The entrepreneur is responsible for the management of the firm. The reward of an entrepreneur is profit.

### **Functions of Entrepreneur include the following:-**

- I. **Decision making:** The entrepreneur is a decision maker. He takes vital decisions on the mobilisation and uses of resources.
- II. **Provision of Fund:** The entrepreneur provides the capital needed for production activities.
- III. **Coordination:** The entrepreneur organises, manages and coordinates the activities of the business. He has the expert knowledge and the initiative that enables him to do so. His goal is to ensure the effectiveness of the operations as well as the maximisation of production and profits.

# INSIGHT

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- IV. **Control:** The entrepreneur focuses on the achievement of the organisational objectives and is in firm control of various production activities.
- V. **Risk Bearing:** The entrepreneur is a risk taker. He bears the consequences of his decisions and actions alone whether favourable or unfavourable. He therefore, earns profit for good decisions and effective management of resources, while he incurs losses for poor decisions and actions.
- VI. **Job Creation:** By setting up business outfits, entrepreneur creates job opportunities in the economy and as such helps in reducing the problems of unemployment and poverty,
- VII. **Promoting Economic Growth:** Similarly, by setting up of a new business, entrepreneur contributes to increased output of goods and services thereby promoting economic growth.

## **Examiner's report**

The question on labour and entrepreneur as factors in the production process is very straightforward. The question was attempted by about 98% of the candidates and about 57% of them scored not less than 50% of the total marks.

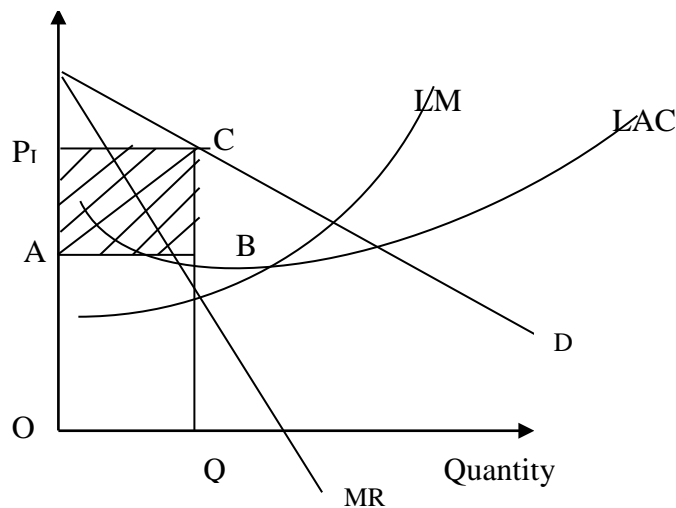
## **SOLUTION 3**

- a(i) **Monopoly:** This is a type of market structure in which there is only a firm producing or selling a commodity or service that has no close substitute. The important features of the monopoly market include that: first, the emergence of new firms is either legally, naturally, or artificially restricted. Second, the monopoly firm can determine either the price or the output of its product or service, but not the two at the same time since it lacks control over demand. Third, the firm can make abnormal profit both in the short-run and the long-run because there is a chance of not engaging in overproduction or excess supply. Furthermore, sources of monopoly power may be natural, by patent right or copyright, and so on.

# INSIGHT

- (ii) **Monopolistic Competition:** This is a market in which there is a large number of sellers selling differentiated or heterogeneous goods. In other words, the commodities or services are similar but not identical. The important features of monopolistic competition include that: First, there are no serious entry barriers to new firms into the industry, hence profitable performance of the existing firms serves as incentive for new entrants. Two, none of the firms can single handedly control either output or price in the market. Third, a typical firm in the market makes normal profit in the long-run.

- b(i) **The Long run Equilibrium Position of the Monopoly** (see figure 1)



With no other firm competing or any opportunity for entry of new firm, the monopoly firm will not likely expand output to the point where the price would be less than the average total cost (LAC) in the long-run. Therefore, in the long-run the monopoly firm will earn positive economic profit (abnormal profit) since the total revenue, illustrated by rectangle P<sub>1</sub>OQC in the above diagram, is greater than the total cost represented by rectangle AOQB.

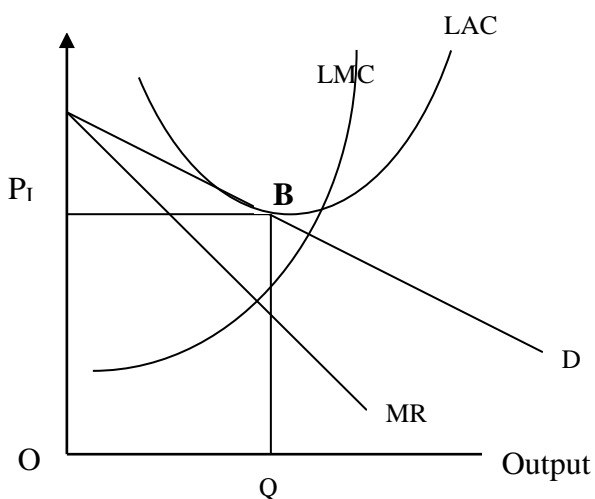
Thus, the shaded rectangle P<sub>1</sub>ABC illustrates the firm's abnormal profit in the long-run.

- (ii) **The Long run Equilibrium Position of the Monopolistically Competitive Firm** (see figure 2).



# INSIGHT

Figure 2



Profitable performance of the firms in the short run will serve as an incentive for the entry of new firms. As new firms enter, the market share and profit of every firm continue to fall. Therefore, in the long run, the monopolistically competitive firm will earn normal profit or zero economic profit, since total revenue (illustrated by rectangle  $(P_1OQB)$ ) is equal to total cost also illustrated by the same rectangle  $(P_1OQB)$  in the above Figure 2

### Examiner's Report

The question on monopoly and monopolistic competition as types of market structure was attempted by about 75% of the candidates. About 72% of the candidates could not draw correct diagrams to explain and differentiate the equilibrium positions of the firms under the two types of market, hence a

# INSIGHT

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low success rate of about 32%. Candidates should note that ability to draw correct diagrams to explain and illustrate economic concepts and principles is important to score well especially in microeconomic questions.

## SOLUTION 4

- a(i) **Gross Domestic Product (GDP):** This is the total money value of all final goods and services produced within the geographical boundaries of a country during a specified period of time, usually a year.
- (ii) **Gross National Product (GNP):** This refers to the market value of all final goods and services produced by an economy during a given period of time, usually a year.

The difference between GNP and GDP is

$$\text{GNP} = \text{GDP} + \text{FIFA}_n$$

$$\text{GNP} - \text{GDP} = \text{FIFA}_n$$

Where  $\text{FIFA}_n$  is Net Factor Income From Abroad

- b(ii) To calculate the equilibrium national income:

$$\begin{aligned} Y &= C + I + G + (X - M) \\ &= 58 + 0.8Y_d + 35 + 56 + (-21) \end{aligned}$$

$$\begin{aligned} &= 128 + 0.8(y - T) \\ &= 128 + 0.8Y - 0.8T \end{aligned}$$

$$Y - 0.8Y = 128 \quad (T = 0)$$

$$0.2Y = 128$$

$$Y = \frac{128}{0.2}$$

$$0.2$$

$$Y = \text{¢}640 \text{ billion}$$

The investment Multiplier (K):

$$K = \frac{1}{1-b} \text{ where } b = 0.8 \text{ (see Consumption function)}$$

# INSIGHT

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Therefore:

$$K = \frac{1}{1 - 0.8} = \frac{1}{0.2} = 5$$

(ii) The New Equilibrium National Income (NI)

$$Y_2 = Y_1 + \Delta Y$$

Where  $Y_2$  = New Equilibrium National Income(NI)

$$\Delta Y = K\Delta$$

$$\Delta Y = 5(\text{¢}12 \text{ billion})$$

$$= \text{¢}60 \text{ billion}$$

$$\therefore Y_2 = (\text{¢}640 + 60) \text{ billion}$$

$$Y_2 = \text{¢}700 \text{ billion}$$

Or

$$\text{Old Investment (I}_1) = \text{¢} 35 \text{ billion}$$

$$\text{Additional Investment (I}_2) = \text{¢}12 \text{ billion}$$

$$\text{New Investment (I}_2) = \text{¢}47 \text{ billion}$$

The New equilibrium NI will be:

$$Y = C + I + G + (X - M)$$

$$Y = 58 + 0.8 y_d + 47 + 56 - 21$$

$$Y = 140 + 0.8Y - 0.8(T)$$

$$Y = 140 - 0.8Y \text{ (Given } T=0)$$

$$Y - 0.8Y = 140$$

$$0.2Y = 140$$

$$Y = \frac{140}{0.2} \text{ billion}$$

$$Y = \text{¢}700 \text{ billion}$$

## Examiner's Report

Part (a) of the question is on the national income accounting concepts of GDP and GNP, while part (b) is on the determination of equilibrium national income and the multiplier. About 57% of the candidates attempted the question and about 88% of them scored pass marks. However, candidates should note that it is also possible to work out a solution if a value is assigned to the **lump sum tax** (T). For example, if

$T = \text{¢}10 \text{ billion}$ , the equilibrium national income will be  $\text{¢}600 \text{ billion}$ .

# INSIGHT

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## SOLUTION 5

- a. **Frictional Unemployment:** This refers to unemployment resulting from people who have left their jobs and are searching for new jobs, or people entering the labour market for the first time in search of jobs. This type of unemployment can be caused by geographical or occupational immobility of labour.
- b. **Structural unemployment:** This refers to unemployment resulting from changes in the pattern of demand for goods and services or changes in production technology. For example, changes in demand for some industries' products may in turn change the structure of the total demand for labour, thereby reducing the relevance of some skills in the economy. Similarly, change from labour-intensive technology to capital-intensive technology in some critical industries in the economy will create structural unemployment problem.
- c. Measures a government could use to tackle the problem of unemployment in an economy include the following:
  - i. **Population control:** This is a measure to reduce the population growth rate. Effective population control measure will therefore reduce the phenomenal rate at which labour force is increasing especially in the face of declining industrial employment opportunities.
  - ii. **Discouraging urbanisation:** This involves discouraging people from migrating from rural areas to urban areas in search of non-existing gainful employment. For instance provision of the basic socio-economic infrastructures such as housing, roads, schools, health institutions, and electricity will encourage setting of industries and creation of job opportunities in the rural areas.

# INSIGHT

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- iii. **Encouraging foreign direct Investment (FDI):** Foreign direct investment is important source of employment opportunities for developing countries. The government should formulate policies that will attract FDI and also to provide the enabling environment and infrastructural facilities.
- iv. **Restructuring the educational system:** The educational system should be restructured to favour vocational training and acquisition of skills that generate self-employment and entrepreneurship.
- v. **Emphasis on labour intensive techniques** Government must encourage industries that adopt labour-intensive techniques of production so as to generate sufficient employment opportunities. These industries could be given easy access to credit facilities, tax relief, etc.
- vi. **Fiscal and Monetary Policies:** Appropriate fiscal and monetary policy- tax should be adopted to generate employment opportunities in the economy for instance, expansionary fiscal and monetary policies.

## **Examiner's Report**

This is a straightforward question on unemployment. About 95% of the candidates attempted the question, while only about 19% scored pass marks. Candidates are advised to attach equal importance to all topics in the syllabus.

## **SOLUTION 6**

- a. **Economic growth** can be defined as a sustained increase in a country's real Gross National Product (GNP) and per capital real Gross National Product (GNP). The major factors in economic growth can be identified to include capital accumulation, technological progress and growth in the proportion of labour force to total population. A high rate of

# INSIGHT

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economic growth is a major policy objective of most governments because it provides opportunity for a higher standard of living, reduction of poverty, and allow for a redistribution of income to reduce the gap between the rich and the poor without necessarily making anyone worse off in absolute terms.

- b. The following factors can be said to hinder or serve as impediments to economic growth in the developing countries of West Africa
- i. Inadequate socio-economic infrastructure such as roads, electricity supply, water, schools and health facilities.
  - ii. Low investment in key sectors of the economy due to hostile business environment.
  - iii. Shortage of skilled manpower that can drive or control the needed input/technology.
  - iv. Poor planning on the part of policy makers due to lack of reliable data.
  - v. High level of official corruption in all sectors of the economy.
  - vi. Inconsistent government policy due to frequent change of government.
  - vii. Technological backwardness. Widespread application of crude technology due to poor research and development (R&D) efforts.
  - viii. Low level of savings resulting in low investment and consequently leading to low per capita income and poverty among the people.

## **Examiner's Report**

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ATSWA PART I SEPTEMBER 2016 DIET

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# INSIGHT

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The question tested candidates' knowledge on the concept of economic growth and hindrances to rapid economic growth in West Africa. About 96% of the candidates attempted the question and only about 40% scored pass marks. Candidates should note that to explain economic growth or any other economic concept requires not only definition, but additional information in order to score a pass mark.

# INSIGHT

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AT/162/PI.3      **ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA**

**ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
PART I EXAMINATIONS – SEPTEMBER 2016**

**BUSINESS LAW**

**Time Allowed: 3 hours**

**SECTION A:      PART I                      MULTIPLE-CHOICE QUESTIONS  
(30 Marks)**

**ATTEMPT ALL 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.     A proposed law, which is being processed and assented to by the National Assembly or a Parliament is a/an
  - A.     Bill
  - B.     Edict
  - C.     Bye-Law
  - D.     Act
  - E.     Municipal Law
  
2.     The general meaning of equity is
  - A.     Laws of court of Equity
  - B.     Laws of court of Common Law
  - C.     Fairness and impartiality
  - D.     Mercantile Laws
  - E.     Maxims of Equity
  
3.     *Ratio Decidendi* means
  - A.     Statement by the way
  - B.     Principle of Law
  - C.     Attitude of the Judge
  - D.     Reason for Judgment
  - E.     Judicial discretion

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**ATSWA PART I SEPTEMBER 2016 DIET**

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# INSIGHT

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4. Kidnapping is an example of
  - A. Criminal offence
  - B. Civil case
  - C. Breach of contract
  - D. Tortious liability
  - E. Vicarious liability
  
5. An untrue statement that is carelessly made by a professional, and which another person relied upon causing that other person damages is
  - A. Innocent misstatement
  - B. Fraudulent misstatement
  - C. Careless misstatement
  - D. Negligent misstatement
  - E. Professional misstatement
  
6. An offer that is **NOT** accepted within the time frame specified by the offeror for its acceptance is said to have
  - A. Been revoked
  - B. Lapsed
  - C. Been terminated
  - D. Been extinguished
  - E. Been cancelled
  
7. An acceptance that introduces a new term different from the terms of the offer is
  - A. Counter offer
  - B. New offer
  - C. Better offer
  - D. Last offer
  - E. Qualified offer
  
8. A term of a contract that only entitles the offended party to sue for damages and **NOT** rescission of the contract is a/an
  - A. Condition
  - B. Exemption term
  - C. Warranty
  - D. Proviso
  - E. Damages term

# INSIGHT

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9. A voidable contract is **ONE** which
- A. A party has right to avoid
  - B. Is totally unenforceable
  - C. Is prohibited by Government
  - D. Is absolutely void
  - E. Is prohibited by statute
10. The remedy for a breach of contract that entitles the applicant to as much as he has earned or suffered under the agreement is
- A. Injunction
  - B. Specific performance
  - C. *Quantum meruit*
  - D. Recission
  - E. Damages
11. A contract that **CANNOT** be performed because of the occurrence of an event which is **NOT** within the contemplation of the parties at the time of entering into the agreement is
- A. Terminated
  - B. Frustrated
  - C. Destroyed
  - D. Damaged
  - E. Dismissed
12. The type of agency created when a person allows others to believe that somebody is his agent is called agency by
- A. Ratification
  - B. Agreement
  - C. Estoppel
  - D. Necessity
  - E. Emergency
13. A principal whose name and existence is concealed from the third party by the agent is a/an
- A. Mysterious principal
  - B. Disclosed principal
  - C. Undisclosed principal
  - D. International principal
  - E. Non-existing principal

# INSIGHT

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14. The right of an unpaid seller to retain the goods in his possession when the buyer fails to pay for such goods is
- A. Damages
  - B. Lien
  - C. Stoppage in transitu
  - D. Recovery of prices
  - E. Specific performance
15. Goods that are yet to be manufactured under sale of goods contract are
- A. Ascertained Goods
  - B. Unascertained Goods
  - C. Specific Goods
  - D. Future Goods
  - E. Unmanufactured Goods
16. In a Hire Purchase contract, the title to the goods is in the
- A. Hirer
  - B. Owner
  - C. Finance company
  - D. Banker
  - E. Third party
17. The terms and conditions of Hire Purchase agreement are contained in the
- A. Policy statement
  - B. Note or Memorandum
  - C. Deed
  - D. Assignment of purchase
  - E. Title document
18. The principle of law that allows the employer to dispense with the services of an employee when there is insufficient work for the employee is
- A. Suspension
  - B. Termination
  - C. Dismissal
  - D. Redundancy

# INSIGHT

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- E. Job rotation
19. The written contract that partners normally enter into, which regulates the management of the firm is called
- A. Memorandum of Partnership
  - B. Articles of Partnership
  - C. Note of partnership
  - D. Consent of partnership
  - E. Resolution of partnership
20. A partner whose liability is limited to the amount of capital contributed to the firm is a
- A. General partner
  - B. Local partner
  - C. Limited partner
  - D. Docile partner
  - E. International partner
21. A contract entered into by a limited liability company that is beyond the authority of the company is
- A. *Intra vires*
  - B. Illegal
  - C. *Ultra-vires*
  - D. Terminal
  - E. Unproductive
22. The document that contains information about the internal management of a company is
- A. Memorandum of Association
  - B. Statutory Book
  - C. Articles of Association
  - D. Directors Register
  - E. Members Register
23. The meeting of a limited liability company, which must be held within **TWELVE** and **FIFTEEN** months after the incorporation of the company is the

# INSIGHT

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- A. Annual General Meeting
  - B. Shareholders' Meeting
  - C. Class Meeting
  - D. Extraordinary Meeting
  - E. Statutory Meeting
24. The arrangement whereby somebody holds property for the benefit and use of another person is a
- A. Bailment
  - B. Trust
  - C. Witness
  - D. Sale
  - E. Insurance
25. The transfer of proprietary right on a bill from **ONE** person to another is
- A. Transferability
  - B. Negotiation
  - C. Proficiency
  - D. Ownership
  - E. Countermand
26. A payee in possession of a bill for which he has given consideration to the drawer is
- A. Drawee
  - B. Holder for life
  - C. Holder for value
  - D. Endorser
  - E. Receiver
27. A cheque that has been in circulation for more than **SIX** months is
- A. Stale
  - B. Overdue
  - C. Rejected
  - D. Endorsed
  - E. Accepted
28. The duty of a bank **NOT** to disclose details of its customer's account to outsiders is duty of

# INSIGHT

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- A. Secrecy
  - B. Performance
  - C. Retribution
  - D. Contribution
  - E. Care
29. The consideration for a contract of Insurance is
- A. Asset
  - B. Money
  - C. Land
  - D. Premium
  - E. Insurance interest
30. The right of the insurer to stand in the position of the insured to enforce a right against a third party is called
- A. Subrogation
  - B. Consideration
  - C. Subjugation
  - D. Subordination
  - E. Insubordination

**SECTION A: PART II SHORT-ANSWER QUESTIONS (20 Marks)**

**ATTEMPT ALL QUESTIONS**

1. One of the rules of interpreting a statute that requires the court to look at the general purpose of the statute is.....
2. The High Court of a State and the Federal High Court in the exercise of their powers, have.....
3. The parties in a civil proceeding in court, are called..... and.....
4. A careless statement made by a professional accountant to his client who had suffered loss therefrom is called.....

# INSIGHT

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5. When a contract does not require any formality for its validity, it is known as.....
6. Exclusion clauses not brought to the notice of the other party are usually.....
7. A contract entered into by parties to defraud another person is.....
8. When the obligations of contracting parties are fully performed, the contract is.....
9. A person that is employed by the principal to bring about a contractual relationship with a third party is called .....
10. Goods which are to be manufactured or acquired by the seller after making the contract are called .....
11. In Hire Purchase, the title of the goods is retained by the .....while possession is with the.....
12. Where an employee is employed by an alien company to work against the interest of his country, the contract is .....
13. A condition precedent to the assumption of risk by the insurer is the .....
14. The effect of the death of a partner on a general partnership is.....
15. One of the attributes of a registered company that suggests its existence as a going concern is called.....
16. The resolution required by a company to remove an Auditor from office before the end of his term is.....
17. For a Trust to be valid, the wording of the Trust created must be .....
18. Crossed cheque must be paid only into .....
19. A bill drawn and payable within the country is.....

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ATSWA PART I SEPTEMBER 2016 DIET

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# INSIGHT

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20. A bona fide transferee of a negotiable instrument obtains it without defect if he provides.....

**SECTION B:**  
**(50 Marks)**

**ATTEMPT ANY FOUR QUESTIONS**

**QUESTION 1**

- a. Court decisions are based on various principles of law, including judicial precedent.

**Required:**

Explain briefly the term “Judicial Precedent”.  
Marks)

(2½

- b. Laraba, a 17-year old student of Arewa University, Abuja, borrowed the sum of ₦1million from Mallam EI-Hazzani. From the money, Laraba bought a Nokia Lumia Phone for the sum of ₦150,000 and gave her old Nokia phone to her friend as a gift. She paid the sum of ₦350,000 as her school fees, spent ₦40,000 on house rent and ₦60,000 on her fiancé. She also bought a piece of land in Kubwa area of Abuja from Mallam Dongara for ₦400,000

**Required:**

Explain the legal issues involved  
Marks)

(5

- c. A banker owes a customer duty to honour his cheque when presented **EXCEPT** in certain circumstances.

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ATSWA PART I SEPTEMBER 2016 DIET

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# INSIGHT

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**Required:**

List **FIVE** exceptions to the banker's duty to honour its customer's cheque

(5 Marks)

**(Total 12½ Marks)**

## QUESTION 2

- a. The courts have been divided into **TWO** broad groups in their hierarchy.

**Required:**

State and explain briefly **ONE** of the groups  
(2½ Marks)

- b. Bobo was visiting Tamale for the Annual Accountants Conference, and had to lodge in an hotel. At the hotel, a reception clerk issued Bobo a receipt, which on its face, contained the words "For conditions, see back of receipt." At the back of the receipt, the following words were written;

"Kindly keep your property safe as this hotel will not be liable for any loss of property." While Bobo was away at the Conference, his briefcase, which contained his international passport along with other important documents, was stolen.

**Required:**

Advise Bobo.  
(5 Marks)

(5

- c. Write brief notes on the following methods of creating agency contract.

i. Agency by Agreement

(2½ Marks)

ii. Agency by *Estoppel*  
(2½ Marks)

(2½

# INSIGHT

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(Total 12½

Marks)

## QUESTION 3

- a. The rules applicable in sale of goods depend largely upon the type of goods that are the subject matter of the contract.

**Required:**

List **THREE** classifications of goods under statute, and explain **ONE** of them.

(5 Marks)

- b. A partnership is an arrangement which gives **TWO** or more people the means of coming together in business.

**Required:**

Distinguish between a general partnership and a limited partnership

(2½ Marks)

- c. Mr. Obeng issued a cheque for an unspecified sum of money in favour of his fiancée, Miss Boateng, and couched the instruction for payment thus: "Could you please pay to my account, provided that the receipt form at the foot of this bill is signed by her?"

The cheque was drawn on the Kumasi Commercial Bank Plc. The cheque was correctly dated and Mr. Obeng duly signed the cheque. The drawee refused to pay on account that the cheque is deficient in many respects. The payee is insisting that the cheque must be honoured.

**Required:**

Advise the payee

(5 Marks)

(Total 12 ½

Marks)

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ATSWA PART I SEPTEMBER 2016 DIET

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# INSIGHT

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## QUESTION 4

- a. Negligence is defined as carelessness amounting to culpable breach of a duty

**Required:**

State and explain **ONE** of the ingredients of negligence (2½ Marks)

- b. Once a party to a contract establishes to the satisfaction of the court that the other party has committed a breach of contract, the aggrieved party becomes entitled to remedies for the breach committed by the other party.

**Required:**

List **THREE** remedies for breach of contract and explain **ONE** of them briefly.

(5 Marks)

- c. ABC Insurance Company Limited recently settled a claim of XYZ company for GH¢150 million, being the indemnity for the fire outbreak that burnt down the 15-floor building of the company. Before the fire incident, XYZ had insured the building with three other insurance companies in the sum of GH¢150m each. While making the claim for the payment, XYZ had indicated in the claims form that it had current fire risk insurance in the same sum with each of the three other companies in respect of the burnt building. Upon this information, ABC wrote to the other three insurance companies requesting for their respective contribution towards the claim it had settled.

**Required:**

Advise ABC Insurance Company Limited

(5 Marks)

**(Total 12 ½**

**Marks)**

## QUESTION 5

- a. Negligent mis-statement may have adverse effects on a person that relies on it.

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ATSWA PART I SEPTEMBER 2016 DIET

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# INSIGHT

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**Required:**

State and explain **ONE** of them. (2½ Marks)

- b. In Hire Purchase transactions, the obligations which the parties owe each other are governed by both common law and statute.

**Required:**

List and explain **TWO** of the obligations of the owner under Common Law (5 Marks)

- c. Keita, a Senegalese resident in Nigeria, approached Kabir, a Nigerian-licensed money lender, for ₦20m loan for importation of fairly used vehicles. Upon enquiry, Keita informed Kabir that the vehicles were over 20 years old, which was why the importation cost was low. Both Keita and Kabir knew that the Nigerian Government had banned the importation of vehicles that were more than 10 years old, and both decided to declare falsely lower ages for the vehicles. Keita therefore requested from Kabir an additional ₦1m for the purpose of bribing the Customs official when the goods arrived. Upon arrival, the Customs seized Keita's vehicles. Kabir has demanded for a repayment of the ₦21m he lent Keita with accrued interest.

**Required:**

Advise Kabir (5 Marks)  
(Total 12½ Marks)

## QUESTION 6

- a. Mary, an employee of FPK Limited, works as a receptionist. The CEO of the company, Mr. Shumaka, is pressuring Mary for an amorous relationship, which Mary is resisting vigorously. Mr Shumaka is victimising Mary by reducing her salary without any reason, has

# INSIGHT

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extended her working hours without compensation and also prevented her from attending training programmes for the development of her skills. Mary is frustrated and has approached you for advice.

**Required:**

Advise Mary (5 Marks)

- b. Zara, an undergraduate medical student aged 17, has been requested by the promoter of a company to subscribe to the Memorandum of Association of the company under formation. Zara's sister, Zani, who is of unsound mind has also shown interest in joining the formation of the proposed company.

**Required:**

Advise the promoter of the company (5 Marks)

- c. The formation into Incorporated Trustees of a body or community of persons established for any religious, educational, social and charitable purpose is permissible under the law.

**Required:**

State and explain **ONE** reason that may disqualify a person from being appointed a Trustee. (2½ Marks)

**(Total 12½**

**Marks)**

# INSIGHT

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## SOLUTION TO MCQ

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

## EXAMINER'S REPORT

The questions cover the entire syllabus. All the candidates attempted them, and close to 80% of them passed.

# INSIGHT

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## **SOLUTION SAQ - PART II**

1. Mischief rule
2. Coordinate jurisdiction
3. Plaintiff & Defendant or Claimant & Defendant
4. Negligent Misstatement
5. Simple contract
6. Unenforceable
7. Illegal or Void or Invalid
8. Discharged
9. Agent
10. Future good
11. Owner; hirer
12. Illegal
13. Premium
14. Dissolution
15. Legal Entity, Perpetual Succession
16. Ordinary Resolution
17. Certain or Unambiguous
18. Account of Payee
19. Inland bill
20. Consideration

## **EXAMINER'S REPORT**

The questions achieve a good coverage of the syllabus. All the candidates attempted them, and almost 75% of them passed.

# INSIGHT

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## SECTION B

### SOLUTION 1

- (a) Judicial precedent is a source of law by which lower courts are bound by the decisions of higher courts in later cases of similar facts. However, the decisions of courts of co-ordinate jurisdiction are persuasive only to one another
- (b) Laraba is an infant under the law, and the loan obtained by her was spent on both necessities and luxuries.  
Laraba is liable for the loan given to her for necessities that included payment of her school fees and house rent.  
The contract of purchase of land is voidable by Laraba at her option.  
The money spent by Laraba on Nokia Lumina phone and gift of ₦60,000 to her fiancé are non-necessaries and not recoverable from Laraba.  
Loans advanced to an infant (minor) falls within the category of absolutely void contracts.
- (c) The banker's duty to pay, owed to the customer become terminated if:
- (i) There is insufficient fund in the customer's account;
  - (ii) The customer has countermanded or stopped the payment of the cheque;
  - (iii) The cheque has become stale, having been in circulation for more than 6 (six) months;
  - (iv) The banker has notice of customer's death;
  - (v) The banker has notice of customer's mental disorder;
  - (vi) The banker receives a court order in respect of customer's account, such as a garnishee order;
  - (vii) The banker has notice of customer's bankruptcy;
  - (viii) The instrument of payments is forged or substantially altered;
- or



# INSIGHT

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- (ix) A compulsory winding-up order notice of a customer company is served on the bank

## **EXAMINER'S REPORT**

The question tests judicial precedent, the capacity of an infant (minor) in contract, and situations in which a banker may refuse to honour a customer's cheque.

Almost 80% of the candidates attempted the question and more than 75% of them passed.

## **SOLUTION 2**

- (a) The broad divisions into which the courts have been grouped are:

- (i) Superior courts and  
(ii) Inferior courts

**Superior Court:** They consist of the Supreme Court, Court of Appeal and High Courts or Regional Courts.

**Inferior Court:** These are made up of the Magistrate Court, Customary Area Court, Circuit Court, District Court, Juvenile Court, National House of Chiefs and Traditional Councils.

- (b) The problem question relates to exclusion clauses in contracts, their effects in law and the attitude of the courts to their enforcement.

Exclusion clauses are limiting clauses mostly found in so-called standard form contracts such as hotel accommodation as in this instance.

The clause adopted by the hotel in Tamale sought to exempt the hotel from its contractual liability of keeping Bobo's property safe, and to deny him compensation for the loss occasioned him by the theft of his briefcase when in the hotel.

The hotel in Tamale will be liable to Bobo for his loss.

- (c) **Agency by Agreement**

Agency by agreement is created when an agent is appointed directly through express or implied agreement between him and the principal. An agent may be given express authority, in which case his powers and functions are stated in the agreement. An agent may also be given

# INSIGHT

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an implied authority, whereby he is permitted to exercise all powers reasonably incidental to the powers granted him.

## **Agency by Estoppel**

Agency by estoppel arises whenever a person called the principal has, by his conduct, given (a wrong) impression to others that somebody is his agent and those persons have relied on this impression to deal with that person. The person that gave the wrong impression about his agent will be estopped from denying his agency.

## **EXAMINER'S REPORT**

The question tests candidates' understanding of superior and inferior courts grouping in hierarchy of courts, exemption clauses in contract and types of agency.

90% of the candidates attempted the question of which 55% passed.

## **SOLUTION 3**

(a) The following are the types of goods under sale of good contract:

- i. Unascertained goods;
- ii. Specific good;
- iii. Existing goods; and
- iv. Future goods

(i) **Unascertained goods**

These are goods sold by description, or which are not identified or agreed upon at the time of the contract, but are included in a particular class of goods, for example "12 tons of grade one cocoa".

(ii) **Specific (or Ascertainable) goods**

# INSIGHT

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These are goods identified and agreed upon at the time the contract of sale was made. For example, a 2002 Toyota Sienna car with a given chassis and engine number.

(iii) **Existing goods**

These are goods that are owned and possessed by the seller at the time of the contract. In other words, they are goods actually in existence when the contract was made. Such existing goods may be either specific or unascertained.

(iv) **Future goods**

These include goods not yet in existence and goods in existence, but not yet acquired by the seller. In other words, they are goods yet to be acquired or manufactured by the seller when the contract is made.

- (a) For purposes of passing of property, it is safe to say that future goods can never be specific. However, in cases under S.7 of the Sales of Goods Act, if sufficiently identified they may be specific goods, the destruction of which may frustrate the contract.
- (b) Partnership is the relationship which subsists between persons carrying on business in common with a view to profit.

Partnership can be either general or limited.

**General:** When it is general, there is no requirement for registration of the partnership and all members therein have a say and right to participate in the management of the partnership business with unlimited liability for loss sustained.

**Limited partnership:** In a limited partnership (where this exists) the requirement for registration is statutory. In addition, limited partners have their liability limited to their contribution in the event of loss and cannot participate in management of the partnership business, otherwise they become general partners with unlimited liability.

# INSIGHT

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- (c) The scenario is testing some of the conditions a cheque must fulfill if it must be honoured.

The first condition is that a cheque is an order for payment, and must be framed in imperative terms.

Obeng's cheque was not framed as an order, but as a mere request.

Also the order given in a cheque must be unconditional, but Mr. Obeng's cheque did not meet this requirement as the instruction for payment was made conditional.

Furthermore, the sum to be paid must be certain, but Mr. Obeng's cheque had no value stated on it.

In summary, the drawee bank was right in refusing to honour the cheque and the payee's insistence cannot hold water.

## **EXAMINER'S REPORT**

This question tests candidates' understanding of classification of goods, the distinction between general and limited partnership as well as the importance of payment order and amount payable on cheques. 90% of the candidates attempted it, and around 70% passed.

## **SOLUTION 4**

- (a) There are three elements of the tort of negligence and these are:
- i. A duty of care (owed by the defendant to the plaintiff);
  - ii. Breach of that duty (by the defendant); and
  - iii. Damage to the plaintiff resulting from the breach

### **i. Duty of care**

This is the legal obligation to take reasonable care to avoid causing damage. There is no liability in tort for negligence unless the act or

# INSIGHT

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omission that causes damage is a breach of a duty of care owed to the claimant or plaintiff.

## **ii. Breach of duty**

Having decided that a duty of care is owed to the plaintiff in the particular circumstances, the court's next task is to determine whether or not the defendant was in breach of such duty. In deciding this question, the court considers whether or not a reasonable man, placed in the defendant's position, would have acted as the defendant did.

## **iii. Damage to the Plaintiff**

In an action for negligence, the plaintiff must prove that he has suffered damage for which the defendant is liable in law. Damage is a loss or harm suffered by the plaintiff.

(b) Remedies for breach of contract are as follows:

- i. Right of action for damages;
- ii. Right of action an quantum meriut;
- iii. Decree of specific performance;
- iv. Injunction restraining the party from committing breach;
- v. Rectification;
- vi. Rescission;
- vii. Action to account for profits from breach; and
- viii. Action to claim the price

### **i. Damages**

A right of action for damages in respect of the breach of contract or some terms of it is available. An innocent party has the right to obtain damages for the loss occasioned him from the breach.

### **ii. Quantum meruit**

This is the right to sue in respect of what the aggrieved party has already done before the breach occurred.

This remedy is available to a party, when another party abandons or refuses to perform the contract when work has been done and accepted under a void contract and when there is

# INSIGHT

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no provision for remuneration. The injured party may not claim damages but claim payments for what he has done under the contract.

iii. **Specific performance**

This order by court compels the other party to carry out his obligations. This is an equitable remedy based on the discretion of the court and a party cannot insist on it.

iv. **Injunction**

Another equitable remedy is injunction. An injunction is also a discretionary remedy, and is not available to a party where damages would be adequate compensation. It is generally given to prevent a party from acting in breach of a contract.

v. **Rectification**

This remedy is also equitable and allows the parties to rectify their documents so as to give effect to the true intent of their contract. A condition precedent to order of rectification are that parties have completely agreed on all important terms.

vi. **Rescission**

This effect of this remedy is to put the parties where they were before they entered into the contract. As a result of misrepresentation, the affected party is entitled to bring an action for the rescission of the contract.

vii. **Action for accounts**

In exceptional circumstances, the court may allow an injured party to get an account of the profits which may have accrued from that breach to the party in breach.

viii. **Action for price or some other sum**

This remedy is appropriate where property has passed and the breach consists of a party's failure to pay the agreed price, remuneration or debt ;PO[due under the contract.

# INSIGHT

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- (c) The question is based on the law of insurance and the practice among insurers of the equitable remedy of contribution.

In the scenario, the issue of the right of an insurer to contribution by other insurers falls for discussion.

ABC company, having settled the claim of XYZ, is entitled under the law of insurance to obtain contribution from other three insurance companies.

Therefore, the principle of contribution under the law of insurance will apply to permit ABC obtain contribution from other three insurance companies.

The three insurance companies are therefore advised to contribute to the claim already settled by ABC.

## **EXAMINER'S REPORT**

This question tests candidates' understanding of elements of negligence, remedies for breach of contract and contribution in insurance contract. Over 70% of the candidates attempted the question, and 70% of them passed.

## **SOLUTION 5**

- (a) The effects of negligent mis-statement are the following:
- i. It may cause economic loss to the person who relies on it. For instance, an architect who carelessly gave wrong specification to his client, which resulted in the collapse of the building, has caused economic loss to the client.
  - ii. It may cause physical injury to the person who relies on it. For example, a professional builder who carelessly gave wrong

# INSIGHT

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instructions to a bricklayer that resulted in a collapsed building, which injured the bricklayer, will be liable in negligence.

(b) The obligations of the owner at common law, under a contract of higher-purchase are as follows:

- i. Delivery of the goods;
- ii. Possession of good title to the goods;
- iii. The fitness of the goods for the purpose intended; and
- iv. Warranty of quiet possession

i. **Delivery of the goods**

The owners must deliver the goods to the hirer, and could be sued for non-delivery if he failed to do so. The breach of this duty allows the hirer to repudiate the contract of hire-purchase.

ii. **Possession of good title**

The law implies into every hire purchase contract a condition that the owner has title to the goods at the time when the hiring commences. Lack of title on the owner's part may lead to repudiation of the contract by the hirer and the recovery of any deposits or instalments that he has paid on the ground of a total failure of consideration.

iii. **Fitness for purpose**

A condition that the goods are reasonably fit for the purpose for which they are hired, is implied into every contract of hire purchase.

iv. **Warranty of quiet possession**

There is an implied warranty that the hirer shall also have and enjoy quiet possession of the goods. Therefore, if the owner willfully interferes with the hirer's possession, the hirer could sue him.



# INSIGHT

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- (c) The legal issue is position of the law on illegal contracts. In this scenario, Keita and Kabir have agreed to bring in over-aged fairly used vehicles, knowing these have been banned in Nigeria. To effect this agreement, they both conspired to make false declarations to mislead government officials, and thereby gained an underserved advantage.

Keita and Kabir also planned to offer bribes to government officials so as to bring in their over-aged vehicles.

Kabir cannot recover the money he loaned to Keita because the money was meant to carry out an illegal purpose, and the courts will not give effect to illegal contracts.

## **EXAMINER'S REPORT**

The question tests candidates' understanding of the legal effect of negligent mis-statement, the obligations of an owner in Hire Purchase transactions and the effect of illegality in contracts.

Around 80% of the candidates attempted the question of which 85% passed.

## **SOLUTION 6**

- (a) The scenario is based on the rights of a worker under a contract of employment.

An employment contract is one which imposes duties on the parties. In this case, the employer's duty to provide a conducive system and place of work has been breached. Where an employee is forced by the employer's conduct to resign, such is referred to as a constrictive dismissal.

The repudiatory conduct of Mr. Chamaka in this case is such that Mary had no option but to resign, and this amounted to a constructive

# INSIGHT

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dismissal. She has a right to sue FPK Limited, and claim damages for wrongful dismissal.

Mary is advised to enforce her rights.

- (b) This question relates to the capacity of persons that may join in the formation of a company.
- Zara, being a 17-year old, ordinarily should not validly join in the formation of a company because she is a minor. However, she may join if there are two other adults in forming the company.
  - Zani, also, who is of unsound mind must also not join in the formation of a company.

The promoters are advised to look for two other adults with legal capacity to join Zara in forming the company.

Zani should be replaced out rightly with another person with legal capacity.

- (c) Persons who are bound together by custom, religion or nationality or any association established for any body of religions, educational or charitable purpose may join in the formation of a body of incorporated trustees.

However, the following persons are disqualified from being trustees on account of their legal incapacity. These are:

- i. An infant;
  - ii. A person of unsound mind having being so found by a court;
  - iii. An undischarged bankrupt; and
  - iv. A convict
- i. **Infant:** An infant is defined as a person under the age of 18 that lacks the competence to enter into a legally binding agreement.

# INSIGHT

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An infant is, according to the law, within the categories of persons that lack legal capacity in full.

- ii. **Person of unsound mind:** The mentally challenged person is also one of the persons lacking the capacity to be an incorporated trustee. Such a person of unsound mind must have been confirmed to be so, by a court.
- iii. **Undischarged bankrupt:** a person adjudged by a court as insolvent also lacks the capacity to enter into a contract, and cannot therefore join in forming an incorporated trustee.
- iv. **Convict:** A convict is a person who has committed an offence or carried out the act for which he was charged and found guilty as charged by a court. If the offence for which he was convicted involves fraud and dishonesty, such a convict cannot, within the five year of his conviction, join incorporated trustees.

## **EXAMINER'S REPORT**

The question examines candidates' understanding of the rights of employees vis a vis the duties of employer, persons disqualified from joining in company formation and from being incorporated trustees.

Only 40% of the candidates attempted the question, and pass rate was around 35%.

Candidates' pitfall was inadequate preparation.

# INSIGHT

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AT/162/PI. 4 ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA

ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
PART I EXAMINATIONS – SEPTEMBER 2016

## COMMUNICATION SKILLS

Time Allowed: 3 hours

SECTION A: PART I MULTIPLE-CHOICE QUESTIONS  
(20 Marks)

### ATTEMPT ALL 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. Communication ineffectiveness arises when a sender does **NOT** know whether the message has been fully understood due to lack of
  - A. Understanding
  - B. Assimilation
  - C. Feedback
  - D. Barrier
  - E. Filtering
2. The following are involved in an effective communication in business **EXCEPT**
  - A. Providing practical and useful information
  - B. Giving incontrovertible facts
  - C. Presenting information in a concise manner
  - D. Offering persuasive arguments and recommendations
  - E. Compelling recipients to read between lines
3. In the communication process, a message could be **ONE** of the following **EXCEPT**
  - A. Verbal
  - B. Non-verbal
  - C. Vocal
  - D. Written

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ATSWA PART I SEPTEMBER 2016 DIET

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# INSIGHT

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- E. Proximate
4. Non-verbal communication relies on the following **EXCEPT**
- A. Facial expression
  - B. Gesture
  - C. Posture
  - D. Physical appearance
  - E. Speech
5. Speaking to an audience is an example of
- A. Receptive communication
  - B. Participatory communication
  - C. Productive communication
  - D. Intrapersonal communication
  - E. Non-verbal communication
6. Which of the following sentences is right?
- A. The man who the police arrested is here
  - B. The man which the police arrested is here
  - C. The man whom the policeman arrested is here
  - D. The man whose the police arrested is here
  - E. The men who the police arrested is here
7. 'The more you look, the less you see' is a
- A. Paradox
  - B. Euphemism
  - C. Litotes
  - D. Parody
  - E. Oxymoron
8. The following are phrases **EXCEPT**
- A. The light
  - B. Kind man
  - C. Go away
  - D. Behind the house
  - E. Under the bed
9. "The man who came here yesterday is a doctor". What is the underlined expression in this sentence called?
- A. Adverbial clause

# INSIGHT

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- B. Noun clause
  - C. Prepositional phrase
  - D. Adjectival clause
  - E. Main clause
10. **Ready and determined**, the woman passed the examination. The underlined expression in this sentence is an example of
- A. Comma splice
  - B. Dangling modifier
  - C. Split infinitive
  - D. Faulty parallelism
  - E. Misplaced modifier
11. Which of the following is **NOT** a medium of advertising?
- A. Websites
  - B. Social media
  - C. Newspapers
  - D. Market segmentation
  - E. Bill boards
12. Which of the following is the term used to refer to the minimum number of people who must be at a meeting before it can begin or the decisions taken can be valid?
- A. Quota
  - B. Ratio
  - C. Percentage
  - D. Quorum
  - E. Aggregate
13. Which of the following is paper-based communication channel for disseminating short messages in organizations?
- A. Letter
  - B. Newsletter
  - C. Report
  - D. Memorandum
  - E. Bulletin
14. The term used to refer to a formal proposal at a meeting for discussion and voting is
- A. Veto
  - B. Decree

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ATSWA PART I SEPTEMBER 2016 DIET

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# INSIGHT

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- C. Motion
  - D. Command
  - E. Appeal
15. Which of the following **BEST** describes a progress report?
- A. Giving an up-to-date information on the subject of investigation
  - B. Giving a summary of investigation
  - C. Stating problems encountered during investigation
  - D. Requesting for extension of period of investigation
  - E. Giving excuses for not finishing investigation
16. An argumentative essay basically tries to
- A. Entertain
  - B. Augument
  - C. Navigate
  - D. Persuade
  - E. Titivate
17. A speaker has to know the following about his audience while preparing his speech **EXCEPT**
- A. Audience knowledge
  - B. Audience interest
  - C. Audience attitudes and beliefs
  - D. Audience age range
  - E. Length of speech
18. The following are types of speech delivery **EXCEPT**
- A. Impromptu speaking
  - B. Speaking from manuscript
  - C. Speaking from memory
  - D. Body language
  - E. Extemporaneous speaking
19. Which of the following is **NOT** an electronic medium?
- A. Television
  - B. Radio
  - C. E-mail
  - D. Internet
  - E. Newspaper
20. Which of the following is **NOT** a stage of writing a special report?
- A. Choosing a topic

# INSIGHT

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- B. Determining the purpose
- C. Identifying the methodology
- D. Selection of materials
- E. Determining cost implication



# INSIGHT

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**SECTION A: PART II SHORT-ANSWER QUESTIONS  
(20 Marks)**

**ATTEMPT ALL QUESTIONS**

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

1. An unwanted signal in the communication process is referred to as .....
2. The major tool of human communication is .....
3. The most common type of conflict in the workplace is .....
4. Light reading is simply reading for .....
5. Graphs and charts are examples of .....
6. The art of using sound waves to convey a message is .....
7. A figure of speech used to compare two similar things is known as .....
8. A part of a piece of writing consisting of several sentences but dealing with one single idea of a subject is called .....
9. A word class that shows action or state of being in a sentence is called.....
10. A group of words, often without a finite verb, forming part of a sentence is a(n) .....
11. The speaker must use the kind of ..... that the audience will understand
12. The speaker must avoid ..... terms or difficult words that may interfere with audience understanding

# INSIGHT

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13. Between preparation and presentation, the speaker must ..... for effective speech delivery
14. In speech making, notes serve as .....
15. An application is a (n) ..... letter written to an organisation when in search for a job
16. A formal decision passed or agreed on by members at a meeting after discussion and through voting is called .....
17. In organisations, correspondence can be carried out ..... and .....
18. Advertising has a delayed .....
19. A statement issued by an organisation to brief the media about the launch of a product, service or event is called ..... release
20. The term that is used to describe language choice and use in report writing is .....

## SECTION B:

### QUESTION 1

#### COMPULSORY

#### SUMMARY

(30 Marks)

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

A story in its simplest form is an account of an incident or a number of incidents that might be real or imaginary. Although the hero or heroine might be as far-ranging as a chief executive of a company, an all-powerful goddess, or a set of streetwise pigs, the format of stories is basically the

# INSIGHT

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same. The necessary elements of a good story are characters, a plot, some sort of conflict and a resolution.

All stories contain an adventure or challenge of some kind where the hero or heroine is faced with a problem that they endeavour to overcome. If, in addition to pure entertainment value, you as the listener, can identify in some way with the hero or heroine, or if the problems that they are dealing with are similar to your own, then the story will obviously have more significance for you, and you will become much more focused on 'the plot' and 'what happens next?'

It is in this situation, where the listener relates to the story and can draw a parallel between the action in it and their own life, and where they derive some learning from the underlying message of it, that the story can be called a metaphor.

Stories have been used over the years to educate, inspire, motivate and warn, and particularly before the days of the written word, to pass important information on from one generation to another. Some stories have contained a religious, political or military message, some have commented on the meaning of life. The tone of stories could be romantic, satirical, manipulative and even subversive.

Our ancestors did not have the luxury of saying, 'I'll just make a list of these key points' as they moved towards the flip chart, or 'I'll drop you an e-mail so that you can see more clearly', turning the computer on. Where you couldn't write it down, you had to remember it. And so, oral cultures traditionally placed very high value on any techniques that would help the memory process - rhyme, rhythm, visualization and, of course, story.

Our ancestors discovered that the way in which stories helped the memory process was by weaving fact in with fantasy and thus stimulating the imagination. They found that the more you could link the information with something outrageous or fantastic, the more likely you were to remember it.

This explains why, in traditional folk tales, it is perfectly normal to come across pigs building houses, tortoises talking to hares, to say nothing of the more fantastical elements of some of the early myths and legends. All

# INSIGHT

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modern memory techniques and creative thinking processes that we might think are revolutionary are, in fact, based on the same ancient ideas and have drawn on these same principles.

What relevance do stories have in our ‘high-tech’ and (mostly) literate age, where we have any number of ways of communicating our facts, thoughts or feelings to others, and an even larger number of ways of encouraging learning? What is their modern-day purpose?

Their purpose and their power are the same as they have always been, although the style, content and emphasis may have changed. A key purpose of stories has been and continues to be to communicate information, to hand down cultural values, to educate, and to give the listener the benefit of some deeper wisdom that will facilitate learning, growth and development. Their power is in motivating us, stirring up our emotions, stimulating our imagination and making us think and reflect on our own lives.

Many stories can be seen in some way as metaphors of life. At a surface level, they provide us with relaxation, enjoyment and a chance to exercise our imagination and memory skills, but at a deeper level, they can help us to deal with the most difficult and complex aspects of our own lives, by offering us a simpler and more positive parallel, helping us to reflect and learn and giving us more choices on how to deal with our own problems.

Another reason why we use and apparently enjoy stories so much is that many have happy endings, which leave us in a more positive mood than when we started. And even though consciously we might think of ‘... and they all lived happily ever after’ as an unattainable and not terribly realistic state in today’s society, it is nevertheless a state that many would still aspire to – for ourselves and others.

And stories, of course, undoubtedly help to facilitate the learning process for individuals, groups and organizations and they are just as effective for adults as they are for children. The use of stories, whether they take the form of traditional folk tales and myths, or whether they are personal anecdotes and analogies, helps the learning process by making the information easier for people to understand and remember and by making the information more believable.

# INSIGHT

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**(Adapted from Margaret Parkin: Tales for Trainers, PP 12- 15)**

- a. Suggest a suitable title for this passage (2 Marks)
- b. Summarise, in **ONE** sentence, the definition of a story (2 Marks)
- c. Summarise, in **ONE** sentence, the elements of a good story (4 Marks)
- d. Summarise, in **ONE** sentence, what all stories contain (2 Marks)
- e. Summarise, in **ONE** sentence, how a story can be metaphorical (3 Marks)
- f. Summarise, in **FIVE** sentences, one for each, what the stories had been used to achieve in the past (5 Marks)
- g. In **ONE** sentence, summarise the reason why story was favoured as a form of communication above any other (2 Marks)
- h. In **ONE** sentence, summarise the limitation of the writer's ancestors (1 Mark)
- i. In **ONE** sentence, state why the writer's ancestors cherished story telling (2 Marks)
- j. In **FIVE** sentences, one for each, summarise the purpose of telling stories nowadays (5 Marks)
- k. In **ONE** sentence, summarise the reason why stories are enjoyed nowadays (2 Marks)

**(TOTAL 30 Marks)**

# INSIGHT

**SECTION C  
MARKS)**

**ATTEMPT ANY TWO QUESTIONS**

**(30**

## **QUESTION 2**

Many people believe that speech making is not just talking but talking that must have an effect on the listener.

In line with this assertion, the speaker needs to consider some factors when preparing his speech in order to make it effective.

a. List **FIVE** factors that should be considered in preparing a good speech

(5 Marks)

b. Explain briefly each of the factors listed in (a) above

(10 Marks)

**(Total 15 Marks)**

## **QUESTION 3**

a. Change the following sentences to reported speeches:

- i. "I work here", said Ade.
- ii. "I am watching you", the teacher said.
- iii. "I have spoken with the Registrar "the PRO said.
- iv. "The entire hotel is infested with mosquitoes" he complained.
- v. "We had been waiting for a sign of rain", he declared.
- vi. "I may help you if I have money", her uncle said.
- vii. "I visited the beach yesterday", said the young man.

(7  
Marks)

b. Change each of the following sentences to direct speech

- i. Tola said that she was going home
- ii. The teacher asked us to bring our books the following week
- iii. Dave asked me what I had been doing
- iv. He said that he liked her dress
- v. The tourist said that she was a little angel
- vi. The winner said that he was extremely happy then

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**ATSWA PART I SEPTEMBER 2016 DIET**

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# INSIGHT

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- vii. John lamented that he had failed the examination  
viii. The man said that he was tired then  
Marks) (8

**(Total 15 Marks)**

## QUESTION 4

**ONE** of the methods of speech delivery is the impromptu method

- a. Explain the concept of impromptu speech (6  
Marks)
- b. Enumerate **THREE** of the advantages and disadvantages of the method  
(9 Marks)

**(Total 15 Marks)**

## QUESTION 5

- a. Explain the concept of 'Clause' in English (2½ Marks)
- b. List the types of clauses in English (2½ Marks)
- c. Classify the sentences below into clauses:
- i. Steve had bought the books before his son gained admission into a higher institution
  - ii. Comfort's friends were happy that she was getting married
  - iii. Koffi has lost the golden pen his mother gave him
  - iv. This is the house that John built
  - v. Nobody knows how he did it (10 Marks)

**(Total 15 Marks)**

# INSIGHT

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## SECTION A

### PART 1 – (MULTIPLE-CHOICE QUESTIONS)

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

#### **Examiner's Report**

The questions cover the entire syllabus. They are to test candidates' understanding of concepts and terms used in communication. About 95% of the candidates scored 50% and above of the allocated marks. They actually performed very well in this part.

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ATSWA PART I SEPTEMBER 2016 DIET

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# INSIGHT

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Candidates still need to further familiarise themselves with every section of the syllabus for better performance in future.

## **PART II – (SHORT-ANSWER QUESTIONS)**

1. Interference/Noise
2. Language
3. Interpersonal
4. Pleasure/Leisure /Relaxation/Enjoyment
5. Non-verbal/Visual communication
6. Pronunciation
7. Simile
8. Paragraph
9. Verb
10. Phrase
11. Language
12. Technical
13. Rehearse/Practice/Practise
14. Reminders/Memory aids/Guides
15. Formal/Official
16. Resolution
17. Internally, Externally
18. Feedback/Response/Reaction
19. Press
20. Style

### **Examiner's Report**

The questions cover the entire syllabus. They are to test candidates' understanding of concepts and terms used in communication. The

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**ATSWA PART I SEPTEMBER 2016 DIET**

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# INSIGHT

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performance was just average as about 45% of the candidates scored 50% of the allocated marks. Candidates were unable to supply the correct answer that completes each statement/question because of lack of understanding of the concepts/terms involved.

They should endeavour to learn these concepts/terms if they want to perform better in future examinations

## **SOLUTION 1**

- a. The importance of stories / The purpose and power of stories / Story telling / The Importance of stories – past and present
- b. A story is a narrative description/account of real or imaginary events / A Story is an account of incident(s) that might be real or imagining.
- c. The elements of a good story are: characters, a plot, characterization, conflict and resolution.
- d. All stories contain a demanding situation / challenge which the hero/heroine tries to resolve/overcome.
- e. It is metaphorical when the listener identifies with the basic message of the story / it bears relevance or similarities to the real life of the listener.
- f.
  - i. Stories had been used to educate
  - ii. Stories had been used to inspire
  - iii. Stories had been used to motivate
  - iv. Stories had been used to warn
  - v. Stories had been used to disseminate/transmit information
- g. Story was favoured because it helped in developing the memory process./ The story was favoured because of its ability to aid memory.
- h. The writer's ancestor lacked the visual and technological devices to facilitate communication / The writer's ancestors didn't have today's communication gadgets.

# INSIGHT

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- i. The writer's ancestors cherished the way story-telling helped to develop the memory process / Story telling was cherished by the writer's ancestors because it stimulated people's imagination and enhanced their memories.
- j. The purpose of telling stories nowadays is to
  - i. Educate.
  - ii. Disseminate information.
  - iii. Hand down cultural values
  - iv. Hand down wisdom for learning.
  - v. Promote growth and development
- k. Stories are enjoyed nowadays because they make the listener feel good about the usual happy ending and helps his learning process.

## **Examiner's Report**

The question tests candidates' ability to read, understanding and sieve main ideas from a given text. It is a compulsory question. About 45% of the candidates' scored 40% and above of the mark allocated. Candidates' shortcomings are:

- i. Inability to understand the context of the passage.
- ii. Lack of understanding of how to determine main ideas from the passage.
- iii. Not writing their answers in sentences as demanded by the rubrics.
- iv. Blind lifting of answers from the passage.

Candidates are advised to learn the rudiments of reading for understanding and principles/techniques of summary writing. They should also make use of ICAN question papers and study pack

## **SOLUTION 2**

- a. Factors that should be considered in preparing a good speech
  - i. Choosing a topic
  - ii. Knowing the audience /Audience analysis

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**ATSWA PART I SEPTEMBER 2016 DIET**

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# INSIGHT

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- iii. Dividing the speech into sections
  - iv. Writing the Speech
    - v. Rehearsing the speech
    - vi. Determining the purpose / aim of the speech
    - vii. Preparing an outline of the speech
  - viii. Selecting the right / appropriate medium
    - ix. Selecting the appropriate speech delivery method
      - x. Gathering / researching relevant facts/information for the speech
      - xi. Leaving time for questions
    - xii. Determining the language to use for the speech delivery
- b. An effective speech event – factors to plan for:
- i. Choosing a topic - The speaker should choose a particular topic which is relevant to the needs of the audience and also the one that will be of immense benefit to the listeners. The topic chosen should equally be the one that the speaker can handle very well or that he/she is knowledgeable about.
  - ii. Knowing the audience /Audience analysis- The speaker must do an audience analysis to enable him determine the level at which he will address the audience. Knowing one's audience background, needs and interest will definitely enhance effective speech delivery and will enable the speaker to know the right approach, method and technique(s) that would be suitable for the audience.
  - iii. Dividing the speech into sections - A good speaker should plan his speech such that it will contain the three major sections of speech delivery to impact positively on his listeners. These sections are: introduction, body and conclusion. This will enable him know the appropriate places to introduce extra-linguistic features such as jokes, gesture, anecdote, etc. which keep the audience alert and active throughout the period of speech delivery.

# INSIGHT

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- iv. Writing the Speech - Having done a thorough planning, the speaker proceeds to writing his speech. During this process, the speaker has to ensure that the proper or appropriate language is employed to put his ideas across convincingly. He should also use appropriate registers, idioms, figurative expressions to drive home his points.
- v. Rehearsing the speech - For a speaker to make an effective speech, even though it has been beautifully written, there is need to rehearse. The purpose of rehearsing is to make the speaker familiar with the terrain of his speech. Rehearsing will enable him to build sufficient confidence to face the audience. In addition, the speaker will be able to foresee possible challenge(s) and prepare for them.
- vi. Determining the purpose / aim of the delivery - The speaker should determine the purpose or aim of the speech. He should determine whether it is for information, persuasion, evocation, offering new knowledge, examining existing knowledge of altering current thinking, etc.
- vii. Preparing an outline of the speech - This involves dividing the topic into headings and sub-headings and filling them with notes. This helps the speaker in the orderly preparation or development of the speech, if he does not want to write out the speech in full. The outline preparation serves as a memory aid.
- viii. Selecting the medium - It is essential that the speaker should plan for how the speech to be delivered is going to be effective. The choice of an appropriate medium is largely dependent on the nature of the audience. The medium chosen or selected for a sophisticated or educated audience will be different from that of semi-literate or illiterate audience.
- ix. Selecting the appropriate speech delivery method - The speaker is expected to decide the appropriate speech delivery method suitable for his audience. This is because the speaker needs to employ a method that will make his speech smooth,

# INSIGHT

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stimulating and thought-provoking. Unless the speaker selects this, the speech may not have the desired effect and therefore the purpose for which the speech is designed will not be achieved.

- x. Gathering/Researching relevant facts/information of the speech  
- This involves consultation of relevant sources of information for the purpose of gathering relevant facts, ideas and information for the speech. The sources to be consulted may include but not limited to the library, the internet, archives and personal sources.
  
- xi. Leaving time for questions \_\_\_\_\_ - The speaker should give time for questions from the audience. Allowance for questions will enable the speaker to measure the effectiveness of the speech delivered. It will also afford the audience the opportunity to seek clarification of any grey areas of the presentation identified during the course of listening to the speech.
  
- xii. Determining the language to use for the speech - Language use in speech delivery. It is concerned with the language choice and use in writing the speech to be delivered. Language use also determines the choice whether to include visuals in the delivery or not. Visuals, when used appropriately and properly, enhance speech presentation.

## **Examiner's Report**

The question tests candidates' understanding of factors to be considered in preparing a good speech. About 40% of the candidates attempted this question. Their performance was poor as only about 20% of them scored 40% and above of the allotted marks.

Candidates' shortcomings are:

- i. Lack of understanding of the demands of the question – factors that are to be considered in preparing for effective speech delivery.
- ii. Poor use of language.

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ATSWA PART I SEPTEMBER 2016 DIET

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# INSIGHT

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Candidates should learn the fundamentals of speech making such as types, methods of speech delivery, factors for effective speech making, etc. They should also make use of ICAN past question papers and study pack.

## **SOLUTION 3**

a.

- i. Ade said that he worked there.
- ii. The teacher said that he was watching him/her/them.
- iii. The PRO said he had spoken with the Registrar.
- iv. He complained that the entire hotel was infested with mosquitoes.
- v. He declared that they had been waiting for a sign of rain.
- vi. Her uncle said that he might help her if he had money.
- vii. The young man said that he visited the beach the previous day.

b.

- (i) "I am going home," Tola said
- (ii) "Bring your books next week," the teacher ordered
- (iii) "What have you been doing?" Dave asked me
- (iv) "I like your dress," he said
- (v) "You are a little angel," the tourist said
- (vi) "I am extremely happy now," the winner said
- (vii) "I have failed the examination," John lamented
- (viii) "I am tired now," the man said

### **Examiner's Report**

The question tests candidates' knowledge of direct and indirect speech. About 95% of them attempted the question. The performance was rather poor as only about 25% of them scored 40% of the allocated marks.

# INSIGHT

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Candidates' pitfalls are inability to

- i. Know the guiding rules for changing sentences from direct to indirect speech and vice versa.
- ii. Use punctuation marks correctly.
- iii. Use correct tenses

Candidates should study this aspect of language use. They should also make use of ICAN Study pack and past question papers for better performance in future examinations.

## **SOLUTION 4**

### a. Impromptu Method

This word is defined by the dictionary as “done without preparation or planning.” Impromptu speech, then, is a delivery done on the spur of the moment. A scenario that can warrant the use of this speech delivery method is the unavoidable absence of an invited speaker at an event. The expected speaker may take ill suddenly, die or miss his flight. Audience members are gathered, full of excitement and zest, anxiously awaiting the famous speaker. That the audience may not disperse disappointed, the organisers introduce an audience member as a replacement. The new speaker takes the podium and begins to address the audience without prior preparation, without consulting any references, without notes to guide his delivery, relying only on his residual knowledge.

### b. Advantages of the Impromptu Method

- i. Because the speaker carries no notes, he is able to fix his eyes on the



# INSIGHT

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audience totally. By this eye contact, he is able to assert his authority, implying intimacy and send his own non-verbal messages to the audience.

- ii. The speech will be spontaneous, fresh and lively.
- iii. The speaker has the liberty to move about in the hall and thereby keep audience alert for as long as the speech lasts.
- iv. The speaker will be able to retain the interest of the audience fully and dispel boredom.

## Disadvantages of the Impromptu Method

- i. The speech tends to ramble as there is no prior planning.
- ii. Digressions cannot be avoided.
- iii. The speech has a tendency to exceed the time allotted.
- iv. The speech will be largely informal.
- v. The speech lacks details because of lack of preparation/planning.
- vi. The speech is inappropriate for occasions which require reasoned discourse

## **Examiner's Report**

The question tests candidates' knowledge of advantages and disadvantages of one of the speech delivery methods. About 40% of the candidates attempted this question. The performance was average as about 45% of them scored 40% and above of the allocated marks.

Candidates are unable to:

- i. Give adequate explanations of what an impromptu speech delivery method is.
- ii. Identify properly what are its advantages and disadvantages. They sometimes mixed them up.

# INSIGHT

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Candidates should familiarise themselves with the different aspects of speech making: types, format, delivery methods, etc. They should also make use of ICAN study pack and past question papers.

## SOLUTION 5

a. **The Clause:** A clause is a group of words consisting of a subject and a (finite) verb. A clause can stand on its own, expressing a complete thought. Such a clause is referred to as a main or independent clause. Any clause that cannot express a complete thought is referred to as a subordinate or dependent, because it depends on the main clause for their completeness. A subordinate clauses is introduced by subordinating conjunctions such as if, when, while, because, whereas, how, etc. The underlined expressions in the examples below are subordinate clauses while the un-underlined expressions are main clauses:

i. It rained when nobody expected it.

b. Types of Clauses:

- i. Main Clause
- ii. Subordinate Clause
- iii. Noun Clause/Nominal Clause
- iv. Adjectival Clause/Relative Clause
- v. Adverbial Clause

c.

- i. Steve had bought the books - Main clause  
before his son gained - Subordinate clause  
admission into a higher  
institution
- ii. Comfort's friends were - Main clause  
happy - Subordinate clause  
that she was getting married

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ATSWA PART I SEPTEMBER 2016 DIET

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# INSIGHT

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- iii. Koffi has lost the golden pen - Main clause  
his mother gave him - Subordinate clause
- iv. This is the house - Main clause  
that John built - Subordinate clause
- v. Nobody knows - Main clause  
how he did it - Subordinate clause

## **Examiner's Report**

The question tests candidates' knowledge of this aspect of language use: different types of clauses. About 45% of the candidates attempted the question. Out of this number, about 70% of them scored 40% and above of the marks allocated.

Candidates are not able to:

- i. Explain in details what a clause is.
- ii. Identify types of clauses.
- iii. Analyse the sentences given into clauses properly.

Candidates should endeavour to study this aspect of language use together with other elements such as word classes, phrases, sentences, etc. They should also make use of ICAN study pack and past question papers in their studies in order to do better in future examinations.