

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.

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FOREWORD

This **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.

NOTE

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

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AT/181/PIII.9
WEST AFRICA

ASSOCIATION OF ACCOUNTANCY BODIES IN
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
PART III EXAMINATIONS – MARCH, 2018
PRINCIPLES OF AUDITING

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 primary objective of a statutory audit is to enable the auditor to
 - A. Identify errors, detect fraud and discover significant weaknesses in the client's system
 - B. Detect errors and frauds in the financial transactions which are to be audited
 - C. Express an opinion on whether the financial statements are prepared in accordance with an identified financial reporting framework
 - D. Prevent errors and fraud and help the client improve upon his accounting and internal control systems
 - E. Express an opinion on the financial statements being audited whether or not they give a true and fair view in all material respects.

2. Which of these professional services may **NOT** be available in an audit firm?
 - A. Assisting clients with the preparation and agreement of tax returns
 - B. Assisting clients to realise the best returns on their assets if the company is winding up
 - C. Providing services in respect of companies seeking quotation on the Stock Exchange
 - D. Providing advice on arbitration matters between the company and other third parties
 - E. Assisting companies to prepare feasibility reports.

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3. Which of the following responsibilities would **NOT** be accepted by the auditor in expressing an opinion on the financial statements being audited?
 - A. The reliability of opening balances
 - B. Compliance with legal requirements
 - C. Appropriateness of the comparative figures included in the accounts
 - D. Preparation of financial statements
 - E. Consistency of the application of accounting policies.

4. In which document can the acceptance and understanding of the audit assignment be found?
 - A. Letter of consent
 - B. Letter of comfort
 - C. Management letter
 - D. Engagement letter
 - E. Letter of representation

5. In exercising sanctions against erring members for misconduct, which of the following may **NOT** be imposed on members by the professional accountancy body?
 - A. Payment of costs
 - B. Suspension from membership
 - C. Removal of name from membership register
 - D. Reprimand
 - E. Closure of practising offices of the members

6. Which of the following documents or organisations will have the least effect on the audit of financial statements of a corporate organisation?
 - A. Securities and Exchange Commission
 - B. Auditing Guideline/Standards
 - C. Regulatory Authority
 - D. Auditing Exposure Drafts
 - E. Professional Accountancy Organisation (PAO) in your country

7. The document prepared to detail the overall plan for the audit exercise to be carried out is called
 - A. Audit Planning Memorandum

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- B. Audit Programme Memorandum
 - C. Audit Stages Memorandum
 - D. Audit Process Memorandum
 - E. Audit Exercise memorandum
8. Which of the following is **NOT** a method of obtaining audit evidence?
- A. Inspection
 - B. Observation
 - C. Accounting statistics
 - D. Computation
 - E. Analytical review
9. Which of the following is excluded from the content of an audit programme?
- A. Nature of operations of the company
 - B. A review of the systems of internal checks
 - C. Date of commencement of audit
 - D. Points of caution from the last audit
 - E. Points of caution to the next audit
10. Audit exercise that is conducted at intervals throughout the year is called
- A. Interim audit
 - B. Private audit
 - C. Continuous audit
 - D. Statutory audit
 - E. Management audit
11. Working papers are the property of
- A. The client
 - B. The professional accountancy body
 - C. Auditor General of your Country
 - D. The Auditor of the Company
 - E. The Institute of Auditors
12. Where are matters of continuous importance affecting the Company or the Audit kept?
- A. Current audit file

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- B. Continuous audit file
 - C. Permanent audit file
 - D. Audit working paper
 - E. Audit engagement file
13. Internal control is **NOT** simply a set of procedures and checks but also includes a whole range of activities **EXCEPT**
- A. To safeguard the asset of the organisation
 - B. To secure completeness and accuracy of all records
 - C. To ensure adherence to management policies
 - D. To ensure that an independent activity is possible
 - E. To carry on the business of the company in an orderly and efficient manner.
14. The controls built into the system by an organisation to protect its resources against waste, fraud and inefficiency and ensure compliance with policies and procedures is called
- A. Organisational controls
 - B. Management controls
 - C. Internal controls
 - D. Internal audit
 - E. Administrative controls
15. Which of the following is the system by which the work of each individual is independently verified by other members of staff?
- A. Personnel controls
 - B. Segregation of duties
 - C. Organisational controls
 - D. Internal check
 - E. Internal audit
16. What is the type of internal control procedure which is also known as sequence checks or continuity checks?
- A. Segregation of duties
 - B. Authorization and approval
 - C. Internal check
 - D. Arithmetical procedure
 - E. Supervision

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17. An internal control which checks transactions within the prescribed procedures and safeguards the assets is known as
- A. Internal check
 - B. Internal audit
 - C. Budgetary control
 - D. Accounting control
 - E. External audit
18. Which of the following is **NOT** included in administrative control?
- A. Performance appraisal
 - B. Statistical appraisal
 - C. Quality control
 - D. Budgetary control
 - E. Control over operations
19. Which technical term describes the use of data analysis tools in conducting investigations on data extracted from an application system?
- A. Computerized accounting audit technique
 - B. Computer aided accounting technique
 - C. Computer assisted audit technique
 - D. Computerized auditing associated technique
 - E. Computer based accounting and auditing technique
20. An entity whose accounting information is strictly computerized would operationally require the use of which of the following?
- A. Audit tests
 - B. Audit programme
 - C. Audit notes
 - D. Internal control manual
 - E. Audit soft ware

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21. The control process that is concerned with ensuring that processed data or output is controlled and only accessible to authorized users is called
- A. Data control
 - B. Output control
 - C. Input control
 - D. Anti virus
 - E. System control
22. One of the ways of ensuring appropriate controls are in place to avoid unauthorized changes to data files and programmes is referred to as
- A. Password protection
 - B. Back-up programmes
 - C. Agreeing totals
 - D. Data validation
 - E. Authorization
23. Which of the following is **NOT** an application control specific to computer applications?
- A. Authorization
 - B. Installation
 - C. Accuracy
 - D. Completeness
 - E. Transaction validity
24. In IT assurance, audit trail is a method of obtaining
- A. Audit samples
 - B. Management letter
 - C. Transaction errors
 - D. Audit programme
 - E. Audit evidence

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25. What is the appropriate opinion when the auditor concludes that the financial statements give a true and fair view?
- A. Adverse opinion
 - B. Disclaimer of opinion
 - C. Unqualified opinion
 - D. Modified opinion
 - E. Qualified opinion
26. Which of the following is **NOT** a symptom of going concern problems?
- A. Occurrence of substantial losses
 - B. Heavy dependence on overseas holding company
 - C. Deferment of normal purchases
 - D. Increase in number of staff
 - E. Increased dependence on short term finance
27. The letter sent by an auditor to a client at the beginning of any audit is called
- A. Representation letter
 - B. Contingency letter
 - C. Acceptance letter
 - D. Forensic letter
 - E. Engagement letter
28. Materials that the auditors prepare, obtain and retain in connection with audit work performance and which forms the basis of audit opinion is technically referred to as
- A. Audit files
 - B. Working papers
 - C. Audit report
 - D. Audit evidence
 - E. Due diligence
29. What technical term describes the type of assessment carried out by an auditor on the work of another auditor?

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- A. Quality review
 - B. Peer review
 - C. Self assessment
 - D. Superior review
 - E. Analytical review
30. Which of the following does **NOT** form part of an Auditor's Report?
- A. Directors signature
 - B. Report date
 - C. Auditors' signature
 - D. Title
 - E. Scope paragraph

**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. When the financial statements "present fairly in all material respects" the results and the statement of affairs of an entity, then the _____ financial _____ statements give.....
2. An examination of financial statements with a view to expressing an _____ independent _____ opinion _____ thereon _____ is known as.....
3. In which document can the established rules that set out the behaviour of members of professional accountancy bodies be found.....
4. Who may appoint the first auditors of a company?
5. Audit evidence must be appropriate andto enable the auditor draw reasonable conclusions on which to base his audit opinion.
6. One of the factors an auditor needs to consider in relying on the services of an expert during an audit exercise is.....

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7. The letter written by the auditor to the client prior to the commencement of audit in order to agree the precise scope and nature of the audit work to be undertaken is called.....
8. Name one of the qualities of good audit working papers.
9. Which form of internal control procedure is designed to check the operational efficiency and encourage adherence to prescribed managerial policies?
10. The form of internal control procedure which ensures that competent and motivated staff operate the system is known as
11. The detailed administrative aspects of an organisation which are designed purely for the purpose of prevention and/or early detection of errors and fraud is called.....
12. At the conclusion of an audit assignment, report of internal control weaknesses in the system is addressed to management through the document called.....
13. Threats to the computer systems that usually cause loss of data due to file damage is called.....
14. The principles relating to internal controls are the same in the computerised and other environments. **TRUE OR FALSE?**
15. The form of input control which ensures that there are job descriptions specific to each person and discourages a single person from having access rights to multiple applications is called.....
16. What is the term used to describe the situation where the auditors configure the client's software on their own hardware?
17. The type of opinion expressed when the possible effect of limitation on scope is so material and pervasive that the auditor has not been able to obtain sufficient appropriate evidence is referred to as
18. In what proportion of directors and shareholders should an audit committee be constituted?

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19. A letter written by the directors to the auditor confirming in writing statements which the directors have made during the course of the audit about key aspects of the account is technically known as.....
20. An auditor provides many assurance services. State **TWO** assurance engagement services an auditor can render.

SECTION B: ATTEMPT ANY FOUR QUESTIONS
(50 Marks)

QUESTION 1

The board of directors of Kofi Jay Ltd has been advised by the management consultant to engage auditors for the newly established manufacturing company. Management has sought enlightenment from you on the matter.

You are required to explain to the Board of Directors, stating the following:

- | | |
|--|-----|
| a. The meaning of auditing
Marks) | (1½ |
| b. The need for assurance
Marks) | (2 |
| c. The primary and secondary objectives of assurance
Marks) | (3 |
| d. The advantages of assurance
Marks) | (6 |

(Total 12½

Marks)

QUESTION 2

You are a partner in Adeleke Kodjo & Co, a firm of Chartered Accountants and you have been requested by the training manager to address a new set of trainees recently recruited by the firm that are undergoing induction course on the need to plan the audit for effective and efficient execution.

You are required to explain:

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- a. What is meant by Audit Planning (2 Marks)
- b. What steps are involved in the establishment of the overall audit strategy (6 Marks)
- c. What does the firm stand to achieve in developing an overall audit strategy? (4½ Marks)

(Total

12½ Marks)

QUESTION 3

- (a) List FIVE types of internal control that can be put in place in an organisation (2½ Marks)
- (b) Explain briefly FIVE types of internal control an organisation can install for the prevention and detection of irregularities and fraud.

(10

Marks)

(Total 12½

Marks)

QUESTION 4

- a. The audit process in an IT environment are designed to ensure that the audit is effectively carried out. Discuss the stages involved in the audit process (7½ Marks)
- b. Explain briefly the following
- i. Use of test data
 - ii. General controls
 - iii. Audit through the computer
 - iv. Data file security
 - v. Code comparison programmes

(5 Marks)

12½ Marks)

(Total

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QUESTION 5

- a. Define the term “Analytical Procedures” (1 Mark)
- b. Enumerate and discuss the purpose of analytical procedures (6 Marks)
- c. Itemise **SIX** items generally subjected to analytical procedures (3 Marks)
- d. List **FIVE** ratios usually computed when carrying out analytical procedures.

(2½Marks)

(Total 12½ Marks)

QUESTION 6

- a. Outline **SIX** circumstances that may compromise the independence of auditors. (3Marks)
- b. Outline **SIX** provisions of the Companies Act/Law which tend to strengthen Auditors’ independence (6 Marks)
- c. State **SEVEN** matters that are covered in the Code of Ethics and Conduct of your professional accountancy body (3½ Marks)

(Total 12½ Marks)

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SOLUTION TO PRINCIPLES OF AUDITING

MULTIPLE CHOICE QUESTIONS

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

Examiner's Report

The questions were well set and candidates knew what to do. Performance here was very good

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SHORT ANSWER QUESTIONS

1. A True and Fair View
2. Auditing
3. Code of Ethics
4. Directors
5. Sufficient
6. Professional Competence
7. Letter of Engagement
8. It should be clear
The information should be complete
It should be logical
It should be detailed
It should be neat and tidy
It should be dated
It should contain the names of audit staff
They should be cross-referenced.
9. Administrative Control
10. Personnel Control
11. Internal Check
12. Management Letter or Letter of Weakness
13. Viruses
14. True
15. Segregation of Duties
16. Parallel Simulations
17. Disclaimer
18. Equal proportion
19. Letter of Representation
20. Any two of :
 - (i) Taxation Services
 - (ii) Liquidation, Receivership & Trust
 - (iii) Accounting Services
 - (iv) Secretarial Services
 - (v) Reporting Accountants to a Prospectus

Examiner's Report

Quite straightforward questions. Performance was above average

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SOLUTION TO QUESTION 1

(a) Auditing is defined as a process carried out by an appointed qualified person or body, whereby the records and financial statements of an entity are subjected to independent examination in such detail as will enable the auditor form an opinion as to the truth and fairness of the financial statements.

(b) Why the need for an assurance?

The managers of the business (directors) are obliged to report to the owners (Shareholders) on how their business has been managed. The owners, at this point, will like to assure themselves that the report contains no errors, is not misleading and discloses all relevant information.

A way out of this problem of credibility in financial accounts and reporting is to appoint an independent person, referred to as an auditor to examine the report and express his opinion on it. It is also a requirement of the Law.

Financial statements are required to comply with various legislations and standards. This compliance can be assured if audit is carried out on financial statements.

c. The primary objective of assuring financial statements is to enable the auditor express an opinion as to whether the financial statements are prepared, in all material respects, in accordance with identified financial reporting framework and that the financial statements give 'a true and fair view' or present fairly, in all material respects the financial results and state of the affairs of the client entity.

The secondary objectives are as follow:

- (i) To detect and prevent errors and mistakes
- (ii) To detect and prevent defalcation and frauds
- (iii) To produce spin-off effects. The auditor should be able to assist his clients with accounting systems, taxation, financial, risk management and other incidental issues.

(d) Advantages of assurance are as follows:

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- (i) Detection and prevention of errors and frauds become easier. It helps a business to detect and prevent frauds and errors at an early and initial stage.
- (ii) Acceptability by the authorities. Audited accounts are readily acceptable to the State Internal Revenue Service and other statutory bodies.
- (iii) Disputes between partners may be largely avoided especially where complicated profit sharing arrangements subsist
- (iv) Audited financial statements serve as reliable source of information for banks and other financial institutions when it comes to assessing the strength of loan/overdraft applications.
- (v) Availability of professional advice. Independent auditors also render services other than auditing. They do tax work, management consultancy advise on the internal control system in operation and prepare reports required by government agencies.
- (vi) Settlement of insurance claims. Audited accounts are likely to have more credibility and this helps in early and easy settlement of insurance claims in case of losses by fire, misappropriation, embezzlement or any other reason.
- (vii) Useful to compare the financial performance
Audited financial statements are considered more reliable to compare the financial performance of a business concern over the years.
- (viii) Keeps the accounts department vigilant. A regular audit of accounts keeps the accounts department not only up-to-date but also on their toes and vigilant. Identifies the weak areas. Audit reviews the internal control system of the auditee and identifies the weak areas which helps management to get

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over the weaknesses and achieve their goal within the stipulated time and at reasonable cost.

- (ix) Facilitates calculation of net worth and good-will of business. Changes in ownership are facilitated by unqualified audit report.

Examiner's report

Very clear question on the meaning of Auditing and Assurance, the need for, primary and secondary objectives of assurance and advantages. Marks allocation was incorrectly stated on the question. Was corrected and used to mark. Fair performance.

SOLUTION TO QUESTION 2

- a. Audit planning is the effort in deciding in advance how audit objectives will be attained within the terms of the auditor's engagement.

Audit planning is the formulation of the general strategy for audit which sets the direction for the audit, describes the expected scope and conduct of the audit and provides guidance for the development of the audit program. The result is documented in the Audit Planning Memorandum.

- b. The establishment of the overall audit strategy involves:
 - i. Determining the characteristics of the engagement that defines its scope.
 - ii. Ascertaining the reporting objectives of the engagement to plan the timing of the audit and the nature of the communication required.
 - iii. Considering the important factors that will determine the focus of the engagement team's effort.
- c. The process of developing the overall audit strategy will assist to achieve the following:

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- (i) The type of resources to deploy for specific audit areas will be ascertained e.g appropriate experienced team members for high risk areas or involvement of experts on complex matters.
- (ii) The amount of resources to allocate to specific audit areas will be determined e.g amount of resources to material location or the extent of review of other auditors work in case of group audit will be determined.
- (iii) When the resources will be deployed will be determined e.g whether at an interim audit stage or audit budget in hours to allocate to high risk areas.
- (iv) How much resources are managed, directed and supervised will be determined. e.g when the team briefing and debriefing meetings are expected to be held, how engagement partner and manager reviews are expected to take place (on-sit or off-site).

Examiner's Report

Good question on Audit planning and Overall Audit Strategy. Fair performance

SOLUTION TO QUESTION 3

- a. Types of Internal Control
 - i. Organisation Control
 - ii. Segregation of Duties
 - iii. Physical Control
 - iv. Authorisation and Approval
 - v. Arithmetical and Accounting
 - vi. Personnel Control
 - vii. Supervision
 - viii. Management
 - ix. Acknowledgement of Performance

- b. Brief description of types of Internal Control

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- i. **Organisation Control**
An organisation should have a clear plan of organisation which should specifically define and allocate authority and responsibility and identify lines of reporting.
- ii. **Segregation of Duties**
It specifies that no single individual should be responsible for the initiation, recording, processing, authorisation and approval of a complete transaction
- iii. **Physical Control**
This control is specifically important in case of valuable, portable, exchange or desirable assets. It controls for physical custody of assets and access to assets and system by only authorised personnel.
- iv. **Authorisation and Approval**
It's a procedure that ensures that all transactions be authorised and approved by an appropriate person and level of authorisation should be specified.
- v. **Arithmetical and Accounting Control**
This control checks the arithmetical accuracy of all records, correctly recorded and adequately process.
- vi. **Personnel Control**
It ensures that personnel operating the system are competent and motivated to perform their tasks. It ensures that personnel have capabilities that commensurate with their responsibilities.
- vii. **Supervision Control**
All actions by all levels of staff be supervised and the supervision responsibilities be laid down and communicated to the supervised staff.
- viii. **Management Control**
These are controls exercise by management outside the day-to-day routine of the system.
- ix. **Acknowledgement of Performance**
These are procedures designed, communicated and enforced to ensure that every person performing a function

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acknowledges his activities by means of signature, initials, rubber stamps. Etc.

Examiner's report

Straightforward question on Internal Control type. Listing and discussion. The best attempted question on the paper and the one with the best Student performance

SOLUTION TO QUESTION 4

a. i. Audit Planning

This will assist the audit team in conducting the audit in an orderly and efficient manner. This includes engaging in pre-audit meetings among the team members on how the audit would be executed. Planning also includes holding meetings with entity's management. The plan should be set out in the Engagement Letter.

ii. Understanding the IT environment

This includes understanding the entity to be audited in terms of the industry in which it operates with nature and size of the business. These in turn affects the IT policies set out by the entity. Understanding the IT environment helps in getting a clear picture of what is required during the audit engagement.

(di) Performing the Audit

This involves making interview appointments with the officers working directly or having access to the IT environment. The use of questionnaires is a veritable tool in performing the audit. Evidence supporting the responses received is also collected when performing the audit. Also, data is extracted from the back-up system and would serve as documentary evidences.

(dii) Reporting

Writing the report to management is required after performing the audit and evaluating the findings.

b. i. Uses of Test Data

Data used by the auditors for computer processing to test the operation of the enterprise's computer programs

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- ii. **General Controls**
Controls other than application controls, which relate to the environment within which computer based accounting systems are developed, maintained and operated and which are therefore applicable to all the applications.
- iii. **Audit through the Computer**
This involves an examination of the detailed processing routines of the computer to determine whether the controls in the system are adequate to ensure complete and correct processing of all data
- iv. **Data File Security**
Special controls to ensure that files are neither read nor written to (nor destroyed), either accidentally or deliberately, without proper authority.
- v. **Code comparison programmes**
This compares the original specified programme to the current programme to detect unauthorised amendments.

Examiner's report

Information Technology environment question and description of certain items in the audit environment. It was not well attempted and candidates performed poorly in the question.

SOLUTION TO QUESTION 5

- a. **Analytical Procedures** means evaluation of financial information made by a study of plausible relationships among both financial and non-financial data. It also means and includes comparisons of an entity's financial information with comparable information for prior periods; anticipated results of the entity such as budgets, expectation of the auditor (estimate) or the industry within which the entity operates.
- b. **Purposes of analytical procedures** are:
 - i. **As Risk Assessment Procedures:** This is used to obtain the understanding of an entity and its environment. Analytical procedure application may indicate aspects of the entity of which the auditor was unaware and will assist in assessing

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the risks of material misstatement in order to determine the nature, timing and extent of further audit procedures:

Application of analytical procedures as risk assessment procedures use both financial and non-financial information.

- ii. **As substantive Procedures:** This is when their use can be more effective or efficient than tests of detail is, in reducing the risks of material misstatement and the assertion level to an acceptably low level. Auditors substantive procedures may include test of details, substantive analytical procedures or both, the auditor needs to enquire of management the availability and reliability of information needed provided the auditor is satisfied that such data is properly prepared; some of the factors needed to consider when designing analytical procedure as substantive procedures are as follows:
- The suitability of using substantive analytical procedures given the assertions.
 - The reliability of data(internal or external) from which the expectation of recorded amounts or ratios is developed
 - Whether the expectation is sufficiently precise to identify material mis-statement at the desired level of assurance
 - The amount of any difference of recorded amounts from expected values that is acceptable.
- iii. **As an overall Review at the End of the Audit:** The auditor should apply analytical procedures at or near the end of the audit when forming an overall conclusion as to whether the financial statement as a whole are consistent with the auditor's understanding of the entity.

Conclusions drawn from the result of these audit procedures are intended to corroborate conclusions formed during the audit of the individual components of the financial statements and assist in arriving at the overall conclusion as to the reasonableness of the financial statements. Previously unrecognised risk of material misstatement may also be identified. In such cases, an auditor may need to re-evaluate the planned audit procedures based on revised considerations

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of assessed risks for all or some of the classes of transactions, account balances or disclosure and related assertions.

- c. Items generally subjected to analytical procedures
 - i. Creditors and purchases
 - ii. Stocks and cost of sales
 - iii. Fixed assets, depreciation, repairs and maintenance
 - iv. Loans and interest on loans
 - v. Investment and investment income
 - vi. Debtors and bad debts
 - vii. Debtors and Sales

d. Ratios computed for Analytical Procedure purposes are:

- i. Gross profit margin
- ii. Net profit margin
- iii. Return on Capital Employed
- iv. Current Ratio
- v. Quick Asset Ratio
- vi. Debtors Turnover Period
- vii. Creditors Payment Period
- viii. Rate of Stock Turnover
- ix. Gearing Ratio
- x. Price/Earnings Ratio
- xi. Dividend per share
- xii. Earnings per share
- xiii. Earnings Yield
- xiv. Return on Net Assets

Examiner's Report

Question centering on Analytical Procedures. Poorly attempted and poor performance by candidates.

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SOLUTION TO QUESTION 6

The circumstances that may compromise the independence of auditors are as follows:

- i. If he Possesses any direct and/or indirect investment in any company for which he/she or his or her firm acts as auditors
- ii. If he Accepts fees, the amount of which is based on success of an assignment except where this cannot be avoided because of legislation or agreement to which he is not a party.
- iii. If he Accepts fees, the amount of which is based on the turnover of the company for which he is acting as auditor.
- iv. If he Act for any two opposing parties in respect of a negotiation, claim or settlement unless appointed as an arbitrator under due process of law.
- v. If he Carries out the work as an auditor concurrently with carrying out work for the client in an executive capacity
- vi. If he Gives or takes loans from clients
- vii. Acceptance of undue hospitality by the Auditor
- viii. Establishing family or personal relationships with clients' companies
- ix. Allowing the existence of actual or threatened litigation
- x. Accepting an audit assignment or any other professional assignment that will give rise or being a conflict of interest
- xi. Allowing influences outside the practice e.g pressure from associated practices, bankers, solicitors, government or those introducing business

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- c. Provisions provided by Companies and Allied Matters Act CAP C20 LFN 2004 that strengthens auditor independence
- i. An auditor shall **NOT** be an officer or employee of the client
 - ii. An Auditor is normally appointed by shareholders so that he is independent of the directors.
 - iii. An auditor cannot be a partner to an officer or employee of the company
 - iv. An auditor can only be removed by the shareholders as they have been appointed by them
 - v. The auditor reports directly to the shareholders to avoid his independence being threatened
 - vi. The auditor has the right of access to the books and records of the company at all times.
 - vii. The auditor is NOT qualified under s387 to be a Receiver of the same company in the same accounting year.
 - viii. Auditors remuneration is fixed by shareholders and not by the directors
 - ix. An Auditor has a right to make representations of a reasonable length in case of an attempt to remove him from office.
- d. The Ethical Code of Conduct issued by the Institute of Chartered Accountants of Nigeria covers the following matters
- i. Fundamental principles
 - ii. Integrity objectivity and independence
 - iii. Conflicts of interest
 - iv. Confidentiality
 - v. Changes in professional appointment

INSIGHT

- vi. Consultancy
- vii. Association with non-members
- viii. Fees
- ix. Obtaining professional work
- x. Names and letter heads of practising firms
- xi. Members in business
- xii. Enforcement of ethical standards

Examiner's Report

Question tested candidates' knowledge of Auditor's Independence, Code of Ethics and Conduct. The candidates' performance was fair.

AT/181/PIII.10 ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA

**ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
PART III EXAMINATIONS - MARCH 2018
COST ACCOUNTING**

Time Allowed: 3 hours

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

ATTEMPT ALL QUESTIONS

ATSWA PART III MARCH 2018 DIET

INSIGHT

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 biscuit manufacturing concern will use
 - A. Operating costing
 - B. Departmental costing
 - C. Batch costing
 - D. Contract costing
 - E. Job costing

2. Marginal costing is concerned with
 - (i) Fixed cost
 - (ii) Variable cost
 - (iii) Overhead cost
 - (iv) Semi-fixed cost
 - A. (i)
 - B. (ii)
 - C. (iii)
 - D. (iv)
 - E. (i) (ii) (iii) & (iv)

3. Advantages of cost accounting system accrue only to
 - (i) Management
 - (ii) Workers
 - (iii) Consumers
 - (iv) Government
 - A. (i)
 - B. (ii)
 - C. (iii)
 - D. (iv)
 - E. (i) (ii) (iii) & (iv)

4. Interest on capital **NOT** actually paid but added to the cost of project for decision making is
 - A. Fixed cost
 - B. Out of pocket cost
 - C. Variable cost
 - D. Imputed cost
 - E. Uncontrollable cost

INSIGHT

5. The estimated cost which ought to be incurred is
- A. Standard cost
 - B. Budgeted cost
 - C. Imputed cost
 - D. Indirect cost
 - E. Controllable cost
6. Costs which have already been incurred and **CANNOT** be altered by any decision in the future is known as
- A. Imputed costs
 - B. Opportunity costs
 - C. Sunk costs
 - D. Avoidable cost
 - E. Variable cost
7. Which of the following records quantity of materials only?
- A. Stores Ledger
 - B. Bin Card
 - C. Bill of Materials
 - D. Material Requisition
 - E. Material Transfer Note
8. Which of the following documents is used for issuing materials to different production departments?
- A. Material Order
 - B. Purchase Requisition
 - C. Material Requisition
 - D. Purchase Order
 - E. Bin Card
9. A systematic examination of work content of jobs in order to make improvements and increase productivity is
- A. System Study
 - B. Method Study
 - C. Work Study
 - D. Work Measurement
 - E. Job Evaluation

INSIGHT

- C. Master Budget
 - D. Capital Expenditure Budget
 - E. Cash Budget
20. A flexible budget takes into account
- A. Fixed costs only
 - B. Semi-fixed costs only
 - C. Variable costs only
 - D. Semi-variable cost only
 - E. Fixed, variable and semi-variable costs
21. For the purpose of proof, material cost variance is equal to
- A. Material Price Variance + Material Yield Variance
 - B. Material Yield Variance + Material Mix Variance
 - C. Material Mix Variance + Material Usage Variance
 - D. Material Price Variance + Material Usage Variance
 - E. Material Usage Variance + Material Yield Variance
22. Margin of safety is
- A. Actual sales minus sales at Break-Even Point
 - B. Sales minus Contribution
 - C. Sales minus Fixed cost
 - D. Fixed cost plus Variable Cost
 - E. Sales at Breakeven Point minus Variable cost
23. P/V Ratio will increase if
- A. There is an increase in fixed cost
 - B. There is a decrease in fixed cost
 - C. There is a decrease in variable cost per unit
 - D. There is a decrease in selling price per unit
 - E. There is an increase in variable cost per unit
24. The technique of differential cost is adopted to
- A. Ascertain marginal cost
 - B. Ascertain the cost per unit
 - C. Make choice between two or more alternative courses of action
 - D. Ascertain P/V Ratio
 - E. Make choice between P/V Ratio and margin of safety
25. Which of the following costs is **NOT** part of the life cycle costing?

INSIGHT

- A. Product promotion costs
 - B. Manufacturing costs
 - C. Research and Development costs
 - D. Product Development costs
 - E. Public Relations cost
26. The following are characteristics of Just In Time environment
- (i) a move towards zero inventory
 - (ii) elimination of value added activities
 - (iii) an emphasis on perfect quality i.e. zero defect;
- A. (i)
 - B. (i) and (ii)
 - C. (i) (ii) and (iii)
 - D. (i) and (iii)
 - E. (ii) and (iii)
27. In Backflush costing
- A. Every accounting entry is flushed out of the system
 - B. There is no need for detailed tracking of material movement through
stores and production
 - C. There is a separate account for work in progress
 - D. Financial records are not necessary
 - E. The cost ledger is fully automated
28. Which of the following is **NOT** part of the tasks of Value Engineering?
- A. Advising on cost limits and preparing budget
 - B. Advising on Cash Flow forecasting
 - C. Advising on Value Added Statement
 - D. Advising on Life Cycle Costing
 - E. Costing benefits analysis
29. Which of the following is **NOT** a component of value, under value analysis technique?
- A. Cost Value
 - B. Exchange Value
 - C. Usage Value
 - D. Esteem Value
 - E. Consumer Value

INSIGHT

30. Which of the following is the correct distinction between cost reduction and cost control?
- A. Cost reduction and cost control are the same
 - B. Cost reduction aims to reduce costs while cost control aims to increase costs
 - C. Cost control seeks to maximize the benefits of every amount spent while cost reduction seeks to reduce cost of products and services
 - D. Cost reduction is a scientific method of controlling costs while cost control is arbitrary
 - E. Cost control is used in respect of products while cost reduction is concerned only with services.

**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. Cost Accounting is a valuable aid to management in
2. Cost Audit is the of the correctness of cost accounts.
3. Classification of cost is the grouping of costs on the basis of common
4. Costs of seeking to create and stimulate demand and of securing orders are treated as costs.
5. The formula for calculation of average stock level in quantity terms is
6. The Transfer of materials from one job or work order is effected through which document?
7. The system of undertaking stock verification after the close of stipulated period is
8. Under Control Accounting System, all the transactions relating to materials are recorded through

INSIGHT

- b. Briefly enumerate inherent problems in the installation of a Cost Accounting system.
(3½ Marks)
- c. State and explain **FOUR** features of a good coding system.
(6 Marks)

(Total 12½ Marks)

QUESTION 2

- a. In Optimus Limited, a manufacturing company producing toothpaste, **TWO** materials PX1 and QX2 are used. Details of the materials are:

Maximum Usage	6,000	Kilos per week
Average Usage	4,000	Kilos per week
Minimum Usage	2,000	Kilos per week
Re-order Quantity:	Px1 20,000	Kilos
	Qx2 25,000	Kilos
Lead Time:	Px1 6-8 weeks	
	Qx2 4-6 weeks	

You are required to calculate for each material:

- i. Re-order Level (2½ Marks)
- ii. Maximum Stock Level (2½ Marks)
- iii. Minimum Stock Level (2½ Marks)

INSIGHT

- iv. Average Stock Level (2½ Marks)
- b. State the major reasons for holding stock (2½ Marks)
- (Total 12½ Marks)**

QUESTION 3

The following are the forecast of income and expenditure of TONADO Limited for the first half of the year:

(i)

		GH¢	
Sales	- February	250,000	
	- March	200,000	
	- April to June	300,000	per month

Half of the sales are for cash.

90% of credit sales are collected in the month following the month of sale and the balance, one month later.

- (ii) Goods are always bought in cash to avail a cash discount of 5%. The purchase budget for the second quarter (April to June) was 15,000 crates per month at GH¢10 per crate.
- (iii) Wages and salaries for the second quarter were budgeted at GH¢50,000 per month.
- (iv) Other expenses for the quarter were:

	GH¢
Cash expenses	450,000
Depreciation	75,000
Selling expenses	30,000
Administrative expenses	20,000

INSIGHT

(All expenses equally spread over the quarter except administrative expenses which is for April and May only).

Required:

Prepare Cash Budget for the three months ending 30 June.

(Total 12½

Marks)

QUESTION 4

a. As the Management Accountant of Jolly-Jolly Limited, you are required to write short notes on:

i. Backflush Accounting (3

Marks)

ii. Goals and Limitations of Just-In-Time (JIT) System (3

Marks)

b. i. What is the main purpose of Value Analysis and what are its advantages? (3½

Marks)

ii. List the steps necessary for carrying out Value Analysis (3

Marks)

(Total 12½

Marks)

QUESTION 5

EDUCA LIMITED is contemplating to embark on an investment which requires an initial capital of ₦25 million. The project is to last 4 years

INSIGHT

with no scrap value. The following are estimated to be the net cash flow for its life span of 4 years:

	₦
Year 1	8 million
2	15 million
3	12 million
4	3 million

You are required to calculate

The project's Net Present Value and state whether the project is acceptable assuming that the cost of capital is:

- 10%
- 15%

(Total 12½ Marks)

QUESTION 6

JABACO Plc is an engineering construction company. It awarded the contract to build an ultra modern hospital which was estimated to take 3 years to complete. The contract price was L\$800 million. At the end of the first year, the following costs were extracted from its records:

	L\$'000
Materials issued to site	120,000
Materials on site at end of 1 st year	10,000
Wages Paid	88,000
Wages accrued	12,000
Direct expenses paid	33,000
Direct expenses paid in advance	7,000
Plant sent to site at cost	33,000
Value of plant at site at year end	27,000
Plant purchased to site	5,000
Value of plant purchased to site at year end	4,000
Work done not certified	22,000
Value of work certified	330,000
Progress payment	200,000

It is the policy of the company to recognise $\frac{2}{3}$ of the year's apparent profit

INSIGHT

Required

- a. Show the contract account for the first year showing clearly the profit taken and profit not taken.
- b. The contractee Account

(Total 12½
Marks)

SOLUTION TO COST ACCOUNTING

SECTION A:

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

INSIGHT

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

Examiner's Report

The questions cut across the entire syllabus and being a compulsory part, all the candidates attempted the questions in this part of the subject. About 70% of the candidates scored above average marks allotted to this section.

SECTION A:

- 1. Planning OR Control OR Decision Making
- 2. Verification OR Ascertainment
- 3. Characteristics OR Nature OR function OR Use
- 4. Selling
- 5. $\text{Minimum Inventory Level} + \text{Maximum Inventory Level} \div 2$
- 6. Material Transfer Note
- 7. Periodic Inventory Control System OR Periodic stock taking OR Periodic Inventory Taking
- 8. Stores Ledger Control Account OR Material Control Account
- 9. Cost Journal Vouchers OR Costing Journal OR Cost Adjustment Journal
- 10. Split-off-Point/Separation Point
- 11. Abnormal Gain
- 12. Statement of Equivalent Production OR Statement of Equivalent Units
- 13. Sales OR Revenue
- 14. Volume Variance
- 15. Subtracting
- 16. Behaviour
- 17. Target

INSIGHT

18. Just In Time (JIT) System
19. Value Analysis
20. Value Engineering

Examiner's Report

The question also cut across the entire syllabus and all the candidates attempted the question too. However performance was just average as about 50% of the candidates scored 50% of the marks allotted to the section.

SOLUTION 1

- a. For the Cost Accounting System to be effective, the following are the principles that must be observed:
 - i. The system must be appropriate to the organisation and its processes or business;
 - ii. Reports, statements and analyses produced by the system should contain relevant information for intended purpose;
 - iii. Reports, statements and analyses should be produced at appropriate time for it to be relevant;
 - iv. Reports should be addressed to the appropriate responsible persons who have the capacity to act on the subject matter of the report;
 - v. Information generated from the system must be sufficiently accurate to make them reliable.
 - vi. Reports should be so presented as to make them simple and understandable;
 - vii. The benefits from generating information should outweigh the cost before such information is generated;
- b. **Problems inherent in the installation of a Cost Accounting System:**
 - i. Size of the organisation
 - ii. Type of product/service rendered

INSIGHT

- iii. The production process
- iv. The methods of manufacturing
- v. Availability of staff
- vi. Definition of responsibility
- vii. Definition or designation of cost centres
- viii. Compilation of a comprehensive cost system
- ix. Labour hours worked
- x. Machine utilization time
- xi. Treatment of scrap products or materials
- xii. The difficulty of accurate classification of cost

c. **Features of a good coding system:**

- i. **Uniqueness:** This implies that every item of cost must have one and only one symbol attached to it.
- ii. **Distinctiveness:** Every item should have its own peculiar code for the purpose of identification.
- iii. **Clear Symbolization:** There should be an effective coding system based on either numeric or alphabetic character.
- iv. **Brevity:** A good coding system must not be too lengthy i.e. every code must be short.
- v. **Non-ambiguity:** Every element of confusion and mix-up of items should be avoided.
- vi. **Uniformity:** Codes should be made to be of equal length and of the same structure in order to facilitate effective recognition.
- vii. **Exhaustivity.** The code must be such that accommodates the full range of groupings as it exists and also be able to accommodate new items as they arise.
- viii. **Mnemonic:** Some of the familiar words could be derived from the descriptions given to certain items or activities that is to be used, such that the structure is not too lengthy.
- ix. It must be simple for the organization to use i.e simplicity
- x. It must be flexible in nature i.e. flexibility

INSIGHT

- xi. It must be concise in nature

Examiner's Report

The question tested candidates' knowledge of cost accounting system. About 70% of the candidates attempted the question and performance was below average. The major pitfall is poor preparation towards the examination.

SOLUTION 2

a. OPTIMUS LIMITED

- i. Re-order Level = Maximum usage x Maximum Lead Time
P_{x1} = 6,000 kilos x 8 = 48,000 kilos
Q_{x2} = 6,000 x 6 = 36,000 kilos
- ii. Maximum Stock Level =
Reorder Level - (Min Usage x Min Lead Time) + ROQ
P_{x1} = 48,000 - (2,000 x 6) + 20,000 = 56,000 kilos
Q_{x2} = 36,000 - (2,000 x 4) + 25,000 = 53,000 kilos
- iii. Minimum SL = ROL - (Average Usage x Average Lead Time)
P_{x1} = 48,000 - (4,000 x 7) = 20,000 kilos
Q_{x2} = 36,000 - (4,000 x 5) = 16,000 kilos
- v. Average Stock Level
= $\frac{\text{Minimum SL} - \text{Maximum SL}}{2}$
P_{x1} = $\frac{20,000 + 56,000}{2}$ = 38,000 kilos
Q_{x2} = $\frac{16,000 + 53,000}{2}$ = 34,500 kilos
- b. Reasons for holding stock:
- To meet regular demand
 - To ensure smooth production run
 - To even out seasonal variation or fluctuation in demand
 - To act as buffer when demand is higher than anticipated

INSIGHT

- v. To take the benefit of unanticipated scarcity in the product i.e. to meet any future shortages
- vi. To meet the technical requirements of production system
- vii. Taking advantages of bulk purchase discount
- viii. To ensure that sufficient goods are available to meet expected demand

Examiner's Report

The question tested candidates' knowledge of inventory control. The candidates demonstrated good understanding of the question. Not less than 90% of the candidates attempted the question and performance was above average.

SOLUTION 3

TONADO LFIMITERD CASH BUDGET FOR THREE MONTHS ENDING 30TH JUNE

	APRIL GH¢	MAY GH¢	JUNE GH¢
Sales: Cash (½ of sales)	150,000	150,000	150,000
Collection from Debtors (wi)	<u>102,500</u>	<u>145,000</u>	<u>150,000</u>
TOTAL CASH	252,500	295,000	300,000
Cash Outflow:			
Cash Purchases (less discount)	142,500	142,500	142,500
Wages and Salaries	50,000	50,000	50,000
Cash Expenses	150,000	150,000	150,000
Selling Expenses	10,000	10,000	10,000
Administrative Expenses	<u>10,000</u>	<u>10,000</u>	<u>-</u>
TOTAL PAYMENTS	362,500	362,500	352,500
Closing Cash Balance	(110,000)	(67,500)	(52,500)
Opening Balance	-		(177,500)
		(110,000)	

Assumption: No opening balance in April

Calculation of Cash Collection from Debtors

	FEBRUARY	MARCH	APRIL	MAY	JUNE
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INSIGHT

	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Credit Sales (being ½ sales Cash collected from Debtors: 90% of previous month's credit sales 10% of credit sales of two months earlier	125	100	150	150	150
		1125	90	135	135
			<u>12.5</u>	<u>10</u>	<u>15</u>
			<u>102.5</u>	<u>145</u>	<u>150</u>

Examiner's Report

The question tested candidates' understanding of preparation and presentation of Cash Budget. Over 80% of the candidates attempted the question and performance was above average. Major pitfall is lack of adequate preparation towards the examination.

SOLUTION 4

a.i Backflush Accounting

Backflush Costing is a simplified procedure for the allocation of costs between inventories and cost of sales.

Backflush accounting is synonymously interchanged with backflush costing.

It is a cost accounting system which focuses on the output of an organization by working backward to allocate costs between cost of goods sold and inventory.

Backflush costing is "a method of costing associated with JIT production system, which applies cost of sales".

In a nutshell, backflush accounting is a simpler cost accounting system designed to reduce or eliminate detailed accounting entries. Instead of a traditional detailed tracking of material movement through stages and production, backflush costing starts from finished goods and works backwards to attribute costs between costs of goods sold and finished goods inventory and/or material

INSIGHT

inventory with no separate accounting for work in progress and stores.

- ii. The following are the goals to which JIT System is established:
- Zero inventory (i.e No opening or closing stock)
 - Elimination of non value added activities
 - No production wastages (i.e zero defects)
 - 100% on time delivery service
 - Batch sizes of one
 - Demand pull manufacture
 - Zero breakdowns or no breakdowns
 - Short set-ups

Major Limitation of JIT:

- i. Its lack of flexibility makes it vulnerable to possible disruptions in the supply chain.
- ii. It makes it difficult to predict demand pattern.

bi. Purpose of Value Analysis

Value analysis is an approach to improving/increasing the value of a product or process by understanding its constituent components and their associated costs.

The main purpose of value analysis is to improve every component in a product.

Advantages of Value Analysis

- A high customer orientation, focusing on those aspects of the product/service that better satisfy customer needs.
- Cost reduction by eliminating functions that do not supply specific advantages to satisfy customer requirements
- New ideas that arise from the creativity/innovation phase and may add radical changes and therefore competitive advantages that will be regarded by the market; and
- A new systematic mentality to be taken into account for next designs of new products or to systematically improve the existing ones.

ii. Steps necessary to be taken in carrying out Value Analysis

- Orientation/Preparation

INSIGHT

- Information gathering
- Analysis
- Innovation/Creativity
- Evaluation
- Implementation and
- Monitoring

Examiner's report

The question tested candidates' understanding of the recent developments in cost accounting. About 60% of the candidates attempted the question and half of this number scored above average marks. The major pitfall is inadequate preparation and poor knowledge of this part of the syllabus.

SOLUTION 5

a. EDUCA LIMITED Calculation of NPV

Year	Cash Flow N'000	Discount 10%	NPV N'000
0	(25,000)	1,0000	(25,000)
1	8,000	0.9091	7,272.8
2	15,000	0.8264	12,396
3	12,000	0.7513	9,015.6
4	3,000	0.6830	<u>2,049.9</u>
			<u>5,733.40</u>

In view of the positive Net Present Value, it is recommended that the project should be accepted.

b.

Year	Cash Flow N'000	Discount 10%	NPV N'000
0	(25,000)	1,0000	(25,000)
1	8,000	0.8696	6,956.8
2	15,000	0.7561	11,341.5

INSIGHT

3	12,000	0.6575	7,890
4	3,000	0.5717	<u>1,715.1</u>
			<u>2,903.40</u>

It is recommended that the project should be accepted since it will have a positive Net Present Value at the end of its life span.

Examiner's Report

The question tested candidates' knowledge of investment appraisal techniques and specifically Net Present Value Method. Virtually all the candidates attempted the question. Performance was very good as not less than 70% of the candidates that attempted this question scored above the average marks allotted to the question.

SOLUTION 6

JABACO PLC CONTRACT ACCOUNT

	N'000	N'000		N'000	N'000
Materials		120,000	Material on site		10,000
Wages Paid	88,000		Plant c/d:		
Wages Accrued	<u>12,000</u>		HQ	27,000	
		100,000	Plant Purchased	<u>4,000</u>	
Direct Expenses	33,000				31,000
Less Advance Payment	<u>7,000</u>		Cost to date c/d		243,000
		26,000			0
Plant - HQ	33,000				
Plant Purchased	<u>5,000</u>				
		<u>38,000</u>			
		<u>284,000</u>			<u>284,000</u>
		<u>0</u>			<u>0</u>
Cost to date		243,000	Value of work certified		330,000
		0			0
Profit taken ² / ₃		73,000	Cost of work not yet		

INSIGHT

			Certified		22,000
Profit not taken $\frac{1}{3}$		<u>36,000</u>			
		<u>352,00</u>			<u>352,00</u>
		<u>0</u>			<u>0</u>
Material b/d		10,000			
Plant b/d		31,000			
b.	CONTRACTEE ACCOUNT				
		₦'000			₦'000
Value of work certified		330,00 0	Cash Paid		200,00 0
		<u> </u>	Balance c/d		<u>130,00</u> <u>0</u>
		<u>330,00</u> <u>0</u>			<u>330,00</u> <u>0</u>
Balance b/d		130,00 0			

Examiner's Report

The question tested the principle of contract costing method. About 90% of the candidates attempted this question and performance was above average. Generally speaking, the questions were simple, straight forward and of professional standard. The performance level of candidates in the paper was average. Major pitfall was ill preparation towards the examination.

AT/181/PIII. 11 ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA

**ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
PART III EXAMINATIONS - MARCH 2018
PREPARING TAX COMPUTATIONS AND RETURNS**

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:

INSIGHT

1. Which of the following sources of income of an individual is **NOT** liable to tax?
 - A. Dividends, interest or rent
 - B. Gains or profit from trade, business, profession or vocation
 - C. Gift from corporate bodies and dividend from cooperative societies
 - D. Any charge or annuity
 - E. Emoluments from employment, benefits in kind and bonus
2. The issuance of a company Tax Clearance Certificate is approved by
 - A. The Joint Tax Board
 - B. National Revenue Authority
 - C. Tax Controller of Federal Inland Revenue Service
 - D. Tax Director of Federal Inland Revenue Service
 - E. Regional Tax Controller of Federal Inland Revenue Service
3. Which of the following does NOT constitute return on Investment?
 - A. Profit
 - B. Interest
 - C. Dividend
 - D. Rent
 - E. Lottery winning
4. No taxes shall be imposed other than by an Act of
 - A. Parliament
 - B. Court
 - C. Revenue Authority
 - D. Attorney General Department
 - E. Minister of Finance
5. Which of the following are the correct contributions made to Pension Fund by employers and employees?
 - A. Employer 10%; Employee 10%
 - B. Employer 7½%; Employee 2½%
 - C. Employer 10%; Employee 8%
 - D. Employer 12%; Employee 6%
 - E. Employer 8½%; Employee 6½%
6. Which of the following is **NOT** chargeable to tax in the hands of a partner in a partnership?

INSIGHT

- A. Salaries
 - B. Leave passages
 - C. Interest received on the Firm's fixed bank deposit
 - D. Share of Profit
 - E. Interest on Capital
7. Which of the following is **NOT** an example of indirect taxes?
- A. Excise Duties
 - B. Sales Tax
 - C. Import Duties
 - D. Value Added Tax
 - E. Personal Income Tax
8. A Quorum is formed at any meeting of the State Board of Internal Revenue where there is in attendance
- A. The Chairman and seven other members
 - B. The Chairman and five other members
 - C. The Chairman or a Director and four other members
 - D. The Chairman and three other members
 - E. The Chairman or a Director and two other members
9. The certificate issued to a taxpayer who pays a withholding tax is referred to as
- A. Tax Clearance Certificate
 - B. Official Receipt
 - C. Tax Credit Certificate
 - D. Credit Note
 - E. Debit Note
10. Which of the following does **NOT** apply for granting Capital allowance?
- A. The qualifying Capital expenditure must be in use mainly for the purpose of business of the claimant
 - B. The claimant must have incurred capital expenditure
 - C. The qualifying capital expenditure must be in use for at least two years
 - D. The claimant must remain the beneficial owner of the asset at the end of the basis period

INSIGHT

- E. The documentary evidence of the qualifying expenditure must have been stated
11. Which of the following goods is **NOT** exempted from Value Added Tax?
- A. Basic food items
 - B. Baby products
 - C. All exports
 - D. Medical products
 - E. Luxury cars
12. Tertiary Education Tax is imposed on which of the following?
- A. All Companies registered in Nigeria
 - B. Foreign Companies registered in Nigeria
 - C. All Nigerian Companies dealing in Educational supplies
 - D. All Nigerian Educational Institutions
 - E. All Nigerian Companies including Cooperative Societies
13. Late filing of annual returns attracts which of the following?
- A. ₦15,000 in the first month and ₦2,580 in the subsequent years
 - B. ₦20,000 in the first month and ₦3,500 in the subsequent months
 - C. ₦25,000 in the first month and ₦4,000 in the subsequent months
 - D. ₦25,000 in the first month and ₦5,000 in the subsequent months
 - E. ₦20,000 in the first month and ₦5,000 in the subsequent months
14. Filing of VAT Returns becomes late and attracts penalty if not filed
- A. On or before 21st day of the following month
 - B. On or before 15th day of the following month
 - C. Not later than 14th day of the following month
 - D. On or before 30th day of the following month
 - E. Not later than 18th day of the following month

INSIGHT

15. The period of approval of Tax Clearance Certificate, if there is no query is
- A. One week of application
 - B. Two weeks of application
 - C. Three weeks of application
 - D. Four weeks of application
 - E. Twenty-one days of application
16. Basis of assessment for an old business is
- A. Actual basis
 - B. Preceding year basis
 - C. Succeeding year basis
 - D. Accrual basis
 - E. Continuity basis
17. Notice of revocation of election for 2nd and 3rd Years of Assessment to be assessed on actual basis should be made in writing within
- A. 18 months after the end of the 3rd Year of Assessment
 - B. 3 months after the end of 2nd Year of Assessment
 - C. 12 months after the end of 3rd Year of Assessment
 - D. 6 months after the end of the 2nd Year of Assessment
 - E. 12 months after the end of the 2nd Year of Assessment
18. The following conditions are necessary before a donation could be allowed under CITA **EXCEPT** that it must
- A. Be made to the ruling party
 - B. Not be Capital in nature
 - C. Have been made out of profit
 - D. Have been made to the approved bodies
 - E. Not exceed 10% of the Company's Total Profit before any deduction for donation.
19. The responsibility for taxation of all Limited Liability Companies in Nigeria is vested in
- A. Internal Revenue Office
 - B. Stamp Duties Office
 - C. Federal Inland Revenue Service
 - D. Joint Tax Board
 - E. State Board of Internal Revenue

INSIGHT

20. Allowances usually granted in lieu of Depreciation for tax purposes is called
- A. Departmental Allowance
 - B. Personal Allowance
 - C. Allowance Deductions
 - D. General Allowance
 - E. Capital Allowance
21. Which of the following is balancing adjustment?
- A. Departmental Allowance
 - B. Personal Allowance
 - C. Investment Allowance
 - D. Balancing Charge
 - E. General Allowance
22. Which of the following investment allowances is currently **NOT** available?
- A. 25% investment tax credit on the assets of Companies engaged in the local fabrication of small tools and machine
 - B. 75% investment allowance is available on Companies involved in lottery
 - C. 10% investment allowance is available on Companies involved in lottery
 - D. 10% investment allowance on the Plant and Machinery of business in the agricultural sector
 - E. 15% investment on Plant and Machinery acquired in replacement for obsolete ones
23. The minimum Tax payable by a foreign Company engaged in air or sea transport business shall not be less than of the full sum receivable in respect of carriage of passengers, mails, livestock or goods shipped or loaded into aircraft in Nigeria.
- A. 5%
 - B. 6%
 - C. 7½%
 - D. 10%
 - E. 2%

INSIGHT

24. In the real estate industry of the value of goods and services is to be invoiced as Value Added Tax.
- A. 10%
 - B. 4%
 - C. 5%
 - D. 2%
 - E. 3%
25. All companies involved in real estate transactions are required to register for VAT with relevant tax authority within of commencement of business.
- A. 4 months
 - B. 6 months
 - C. 2 months
 - D. 4 months
 - E. 5 months
26. Tax is evaded through the following ways **EXCEPT**
- A. Failure to furnish returns
 - B. Overstating expenses so as to reduce taxable profit
 - C. Entering into artificial transactions
 - D. Incorporating taxpayer's sole proprietor into limited liability company
 - E. Refusing to register with the relevant tax authority
27. A Tax system includes the following
- A. Tax Policy
 - B. Tax Law only
 - C. Tax Policy and Tax Law
 - D. Tax Law, Tax Policy and tax Administration
 - E. Tax Administration only
28. Which of the following is **NOT** a cannon of taxation?
- A. Equity
 - B. Accountability
 - C. Flexibility
 - D. Economy
 - E. Ability to pay

INSIGHT

29. Unearned income means
- A. Income from employment only
 - B. Income from trade, business, profession and employment of a person
 - C. Income received by way of gift
 - D. Income from business only
 - E. Income from other sources (apart from trade, business, vocation, or employment) such as rent, dividend.
30. Benefits-in-Kind is
- A. The remuneration of the management staff
 - B. The official allowance of the management staff
 - C. The official non-monetary remuneration of an employee
 - D. Benefits from different angles
 - E. The official end of year bonus of employee

**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. It is pertinent to state that the period of residency in Nigeria now includes the period of annual leave or temporary period of absence.
TRUE OR FALSE.
2. The term defined by the Act, which includes a trade, profession or vocation, is called
3. The person, whether executor or administrator, who is charged with the administration of the estate of a deceased person, and in whom the state is vested for the purpose of distribution is called

INSIGHT

4. Contribution to a Pension Fund must be approved by before it can be allowed as expense for tax purposes.
5. Income tax provision is for tax purposes.
6. A taxable person with a nil return is required to file a return at the end of the month under the value added tax provision. **TRUE OR FALSE**
7. The computation of annual allowance is on a basis.
8. State the condition for the determination of depreciation for air and sea transport companies.
9. A foreigner who is in the country for a period in aggregate of 183 days or more for any twelve month period shall be considered as a
10. The administration of income tax in each State of the Federation is vested in
11. For an objection to assessment to be valid, Notice of Objection must be filed within after the date of service of Notice of Assessment.
12. The relevant law that deals with taxation of individuals in Nigeria is
13. A person who receives a gift of personal property by Will is known as
14. Refund of dental expenses to an employee is from tax.
15. A person other than a company shall account for income tax purposes on either accrual or basis, whichever most clearly reflects the income of that person.
16. In Joint Tax Board meetings, anyor their representatives shall constitute a quorum.

INSIGHT

(10 Marks)
(Total 12½ Marks)

QUESTION 2

- a. Explain the duties of the State Board of Internal Revenue. (7½ Marks)
- b. Itemise the documents required to be submitted to the Relevant Tax Authority when sending the First Returns. (5 Marks)

(Total 12½

Marks)

QUESTION 3

- a. State **FIVE** Allowable Rental Expenses (5 Marks)
- b. BOBJOH Limited is a foreign company involved in air transport business. Its aircraft is used for cargo and passenger flights between Nigeria and Italy. The audited financial statements for year ended 31 December 2015 revealed the following:

	N'000	N'000
Income from passengers flown from Greece to Nigeria		6,638,400
Income from passengers flown from Nigeria to Greece		5,095,875
Income from Cargo loaded into aircraft on other routes		3,390,000
Income from cargo freight from Nigeria to Greece		<u>5,062,500</u>
		20,186,775
Deduct: Operating expenses		
Depreciation	690,000	
Staff salaries	1,087,500	
Use of airport facilities	130,500	
Accommodation for airline crew	42,750	
Hotel bills for passenger	180,000	
General provisions	<u>52,500</u>	
		<u>2,183,250</u>
Operating profit		<u>18,003,525</u>

INSIGHT

In addition to the above, Capital allowances were agreed with the relevant tax authority as 175% of depreciation.

Required:

Compute the income tax liability for Assessment year 2016.

(7½ Marks)

(Total 12½

Marks)

QUESTION 4

a. Explain the term 'Pre-operation Levy' (2 Marks)

b, Chief Elegbede Tiwa completed the construction of his building, a two wing duplex located at Kado Estate, Abuja on 31 December 2014. He rented out both flats with effect from 1 January 2015 through an estate agent and received rent for two years. He made available the following details of his income and expenses for the period of the rental.

	2015 Le	2016 Le
Rent received (Gross)	4,375,000	4,375,000
Expenses:		
Repairs and Maintenance	275,000	562,500
Agents Commission	437,500	437,500
Insurance	62,000	62,000
Water Rate	102,500	131,250
Professional charges	125,000	187,500
Tenement rate	31,250	40,000
Caretakers wages	22,500	27,500

Additional Information:

(i) Capital allowance agreed with the Relevant Tax Authority for year 2015 and 2016 are Le600,000 and Le150,000 respectively.

(ii) Repairs and maintenance comprised:

INSIGHT

	2015	2016
	Le	Le
Depreciation	125,000	106,250
Repair of tenant's bathroom	-	225,000
Repair of Chief Elegbede's residence	150,000	231,250

- (iii) Tenement rate of Le6,250 and Le15,000 paid on the private residence of Chief Elegbede for 2015 and 2016.

Required:

Compute the amount of rental income assessable to tax for the relevant tax years. (10^{1/2}

Marks)

(Total 12^{1/2} Marks)

QUESTION 5

- a. State **FIVE** goods and **FIVE** services exempted from Value Added Tax (VAT) in Nigeria.

(5 Marks)

- b. Chichi Ltd produced a raw material and sold it to Eyinju Ltd at ₦550,000. Eyinju Ltd sold to Umaru Ltd for ₦825,000. The wholesaler later sold it to Abiba Ltd (Retailer) at ₦1,100,000 and finally to Mr. Olodu, a final consumer who paid ₦1,375,000 for the product.

Required:

Compute the VAT payable to government showing output VAT and input VAT at every stage of the transaction.

7^{1/2}Marks)

(Total 12^{1/2}

Marks)

QUESTION 6

- a. Explain the following:
- i Rural Investment Allowance (3 Marks)
 - ii Export Processing Zone Allowance (2 Marks)

- b. PETLINKS Nigeria Limited has been in business for several years. The company makes up its accounts to December 31, every year.

ATSWA PART III MARCH 2018 DIET

INSIGHT

The following information is made available on its Non-Current Assets as at 31 December 2014;

Asset	Cost	Unexpired years	Tax Written Down Value (TWDV)
	₦		₦
Office Building	6,875,000	7	4,090,000
Motor Vehicle	2,250,000	2	562,500
Office Equipment	9,250,000	3	3,468,750
Office Furniture	4,400,000	1	1,000,000

The following assets were purchased in year 2014:

Item	Amount
	₦
Motor Vehicle	1,875,000
Office Equipment	3,000,000
Office Furniture	275,000

It is the policy of the company to retain ₦10 in the Non-Current Assets Register.

Required:

Compute the following Capital Allowances for the relevant years of assessment.

i	Initial Allowance	
ii	Annual allowance	(7 ¹ / ₂)
Marks)		
	(Total	12¹/₂
Marks)		

INSIGHT

NIGERIAN TAX RATES

1. CAPITAL ALLOWANCES

	Initial %	Annual %
Office Equipment	50	25
Motor Vehicles	50	25
Office Buildings	15	10
Furniture and Fittings	25	20
Industrial Buildings	15	10
Non-Industrial Buildings	15	10
Plant and Machinery		
- Agricultural Production	95	Nil
- Others	50	25

2. INVESTMENT ALLOWANCE

10%

3. RATES OF PERSONAL INCOME TAX

Graduates tax rates with consolidated relief allowance of ₦200,000 or 1% of Gross Income whichever is higher + 20% of Gross income.

	Taxable Income ₦	Rate of Tax %
First	300,000	7
Next	300,000	11
Next	500,000	15
Next	500,000	19
Next	1,600,000	21
Over	3,200,000	24

After the relief allowance and exemption had been granted, the balance of income shall be taxed as specified in the tax table above.

4. COMPANIES INCOME TAX RATE	30%
5. TERTIARY EDUCATION TAX	(2% of Assessable Profit)
6. CAPITAL GAINS TAX	10%
7. VALUE ADDED TAX	5%

INSIGHT

MULTIPLE CHOICE QUESTIONS

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

INSIGHT

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

Examiner's Report

These questions covered the entire syllabus, and all the candidates attempted the questions. The general performance was above average.

SOLUTION TO SHORT ANSWER QUESTIONS

- 1. Time
- 2. Business
- 3. Personal Representative
- 4. Joint Tax Board
- 5. Not allowed
- 6. True
- 7. Straight line
- 8. Foreign air and sea company must be assessed in similar way to the Companies Income Tax Act, and the assessment must be in line with correct adjusted profit and depreciation ratio.
- 9. Resident Individual
- 10. State Internal Revenue Service
- 11. 30 days
- 12. Personal Income Tax Act LFH 2004 (as amended)
- 13. Legatee
- 14. Exempted
- 15. Actual year Basis
- 16. Seven members
- 17. Five assessment years before year of cessation
- 18. Tax evasion
- 19. True
- 20. Indirect Tax

INSIGHT

Examiner's Report

These are straight forward short answer questions. All the candidates attempted the questions. The general performance was satisfactory.

SOLUTION TO QUESTION 1

(a) FIVE sources of Nigerian Tax laws.

1. Constitution of Federal Republic of Nigeria
2. Court Judgments until over ruled
3. Practices of the Revenue Department
4. Department and Official Circulars
5. Opinion of Income Tax Expert
6. Accepted recommendations of Commissions of Inquiry
7. Customary Law
8. Budget and Pronouncement of Relevant ministries

(b)

Apex Limited			
Computation of Assessable Profit for Cessation Date (December 2016)			
Year of Assessment	Basis Period	Assessable Profit	
		₦	₦
2013	01/10/2011- 30/09/2012		80,000
2014	01/10/2012- 30/09/2013		75,000
2015 Preceding	01/10/2013 - 30/09/2014	40,000	
Actual	01/01/2015 -	52,500	52,500

ATSWA PART III MARCH 2018 DIET

INSIGHT

31/12/2015

2016	01/01/2016 - 31/12/2016	46,500
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Apex Limited

Computation of Assessable Profit for Cessation Date (February 2017)

Year of Assessment	Basis Period	Assessable Profit	
		N	N
2013	01/10/2011- 30/09/2012		80,000
2014	01/10/2012- 30/09/2013		75,000
2015	01/10/2013- 30/09/2014		40,000
2016			
Preceding	01/10/2014 -30/09/2015	56,000	
Actual	01/01/2016 -31/12/2016	52,500	56,000
2017	01/01/2017 -28/02/2017		14,000

Workings

Assume 2016 as
cessation date

YOA (2015)

01/01/2015 -

31/12/2015

(9/12 * N56,000) ~~N52,500~~

+ (3/12 *
N42,000)

Assume 2017 as
cessation date

YOA (2016)

01/01/2016 -

31/12/2016

(N35,000 *3/5)+ N52,500

(9/12 * N42,000)

YOA (2017)

01/01/2017 -

28/02/2017

2/5 * N35,000 N14,000

Summary

Cessation Year 2016

Cessation
Year 2017

INSIGHT

Total Adjusted Profit	308,000	328,000
Assessable Profit	<u>(254,000)</u>	<u>(265,000)</u>
	54,000	63,000

Recommendation: Apex Ltd should cease on 28th Feb 2017, this is because N63,000 will escape tax.

Examiner's Report

This is a two-part question. Part 'a' is a theory question on Nigerian Tax laws, whilst part 'b' is on cessation of business. About 96 percent of the candidates attempted the question. The general performance was not encouraging. The major pitfall was in the determination of correct basis period for the question - part 'b'.

SOLUTION TO QUESTION 2

- a. The duties of the State Board of Internal Revenue include:
- i. Ensuring the effectiveness and optimum collection of all taxes and penalties due to Government under the relevant tax laws;
 - ii. Doing all such things as may be deemed necessary and expedient for the assessment and collection of the tax, accounting for all amounts so collected in a manner to be prescribed by the Commissioner.
 - iii. Issuing instruction or directives on technical aspects of assessment including interpretation of income Tax Act to their various officers.
 - iv. Advising the government through the Commissioner for Finance, on tax matters which include amendments to tax laws,

INSIGHT

- v. Appointing, promoting, transferring and imposing disciplinary measures on employees of the State Service.
- b. Documents required to be submitted to the Relevant Tax Authority when sending the Federal Inland Revenue Services (FIRS) Tax returns include:
 - a. Copy of the Certificate of Incorporation
 - b. Certified true copy of the Memorandum and Articles of Association
 - c. Letter of appointment of External Auditors and Tax Consultant and Letters of acceptance
 - d. Certified true copy of form CAC 7(Particulars of Directors)
 - e. Capital allowances and Tax computations
 - f. Audited financial Statements; and
 - g. Other information on
 - i. Date of commencement of Business
 - ii. Accounting year end
 - iii. Registered holders
 - iv. Business address if different from the registered office

Examiner's Report

This is a straight forward theory question. About 90% of the candidates' attempted the question. The general performance was satisfactory.

SOLUTION TO QUESTION 3

- a. The following are the Allowable Rental Expenses in the computation of profit or gain from rental income.
 - i. Tenement rates or land use charge
 - ii. Cost of collecting rent e.g fees paid to a caretaker, estate agent, legal

INSIGHT

- representation etc
- iii. Cost of advertising for tenants
- iv. Any expenses incurred for repair and maintenance of the building
- v. Bad debts incurred
- vi. Interest on money borrowed and employed in requiring or renovating the property
- vii. Commission paid to agent or care taker
- viii. Insurance premium paid on the property
- ix. Water rate

b.

BOBJOH LIMITED

INCOME TAX COMPUTATION FOR 2016 YEAR OF ASSESSMENT

	N'000	N'000	N'000
Income from passengers freight from Nigeria to Greece			5,095,875
Income from cargo freight from Nigeria to Greece			<u>5,062,500</u>
			10,158,375
<u>Allowable deductions:</u>			
Staff salaries	1,087,500		
Use of airport facilities	130,500		
Accommodation for airline crew	42,750		
Hotel bills for passengers	<u>180,000</u>		

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	<u>1,440,750</u>		
Proportion applicable to operation in Nigeria			
$= \frac{1,440,750}{20,186,775} \times 10,158,375 =$	725,013		
Capital allowance agreed	<u>1,207,500</u>		
			<u>(1,932,513)</u>
Total profit			<u>8,225,862</u>
Company's Income tax payable			
(30% of ₦8,225,862,000)			<u>2,467,758.60</u>

Examiner's Report

This is a standard question on rental expenses and computation of income tax liability of a foreign company involved in air transport business. About 50% of the candidates attempted this question. The general performance was average. Most candidates could not clearly identify the appropriate proportion of allowance expenses applicable to operations in Nigeria in part 'b' of the question.

SOLUTION TO QUESTION 4

- a. Pre-operation levy applies to a company which is yet to commence business at least six months after the date of incorporation.

The levy is payable for each year it obtains tax clearance shall be :

- a. N20,000 for the first year and
- b. N25,000 for every subsequent year before a Tax Clearance Certificate is issued.

INSIGHT

b.

Chief Elegbede				
Computation of Rental Income Assessable to Tax for years 2015 and 2016				
	2015		2016	
	N	N	N	N
Rent Received		4,375,000.00		4,375,000.00
Less: Allowable Expenses				
Repair and Maintenance				
Repairs of Tenants	-			
Bathroom			225,000.00	
Agent Commission	437,500.00		437,500.00	
Insurance	62,000.00		62,000.00	
Water Rate	102,500.00		131,250.00	
Professional Charges	125,000.00		187,500.00	
Tenement Rate	25,000.00		25,000.00	
Caretaker Wages	22,500.00	<u>(774,500.00)</u>	27,500.00	<u>(1,095,750.00)</u>
Capital Allowance		<u>3,600,500.00</u>		<u>3,279,250.00</u>
Chargeable Rent		<u>3,000,500.00</u>		<u>3,129,250.00</u>
Workings:				
	N	N		N
Repair and Maintenance		275,000.00		562,500.00
Less: Depreciation		<u>(125,000.00)</u>		<u>(106,250.00)</u>
Repair of Chief Elegbede's residence		<u>(150,000.00)</u>		<u>(231,250.00)</u>
		-		225,000.00
Tenement Rate		31,250.00		40,000.00
Tenement rate for Chief Elegbede's residence		<u>(6,250.00)</u>		<u>(15,000.00)</u>
		<u>25,000.00</u>		<u>25,000.00</u>
Examiner's report				

INSIGHT

This is a straight forward question on pre-operation levy and computation of rental income. About 65% of the candidates attempted the question. The general performance was above average.

SOLUTION TO QUESTION 5

- a. Goods exempted from VAT in Nigeria are:
1. Basic food items
 2. All medical and pharmaceutical products
 3. Baby products
 4. Books and educational materials
 5. All exports
 6. Fertilizers locally produced agricultural levy and veterinary medicine
 7. Plant and machinery imported for use in the Export Processing Zone
 8. Tractors, ploughs, agricultural equipment purchased for agricultural Purposes.
- aii. Services exempted are:
1. Medical services
 2. Services rendered by Microfinance Banks and Mortgage Institutions.
 3. Plays and Performances conducted by educational learning

INSIGHT

- Institutions
- 4. All exported services
- 5. Agricultural Services

b. Computation of VAT Payable to Government

Vatable Person	Sales Price	Output VAT	Input VAT	VAT to Government
	₦	₦	₦	₦
Chichi Limited	550,000.00	27,500.00	-	27,500.00
Eyinju Limited	825,000.00	41,250.00	27,500.00	13,750.00
Umaru Limited	1,100,000.00	55,000.00	41,250.00	13,750.00
Abiba Limited	1,375,000.00	<u>68,750.00</u>	<u>55,000.00</u>	<u>13,750.00</u>
		<u>192,500.00</u>	<u>123,750.00</u>	<u>68,750.00</u>

INSIGHT

The VAT paid to government is ₦68,750 which is 5% of the final consumer's (Mr Olodu) price of ₦1,375,000.

Examiner's Report

This is a good question on Value Added Tax (VAT). About 95% of the candidates attempted the question. The general performance in part 'a' was satisfactory, but candidates performed below average in part 'b', which deals with the computation of output VAT and Input VAT.

SOLUTION TO QUESTION 6

- a. Rural investment allowance is an allowance given in addition to an initial allowance to a company which incurs capital expenditure on the provision of facilities such as electricity, water or tarred road for the purpose of a trade or business which is located at least 20 kilometres away from such facilities provided by the government.

The rate of the rural investment allowance shall be as follows:

- | | | |
|----|----------------------|------|
| a. | No facilities at all | 100% |
| b. | No electricity | 50% |
| c. | No water | 30% |
| d. | No tarred road | 15% |

The allowance shall be made against the profits of the year in which the date of completion of the said facility falls and there shall be no carry forward of the balance of allowance.

INSIGHT

- ii. Export processing zone allowance is that granted to a company which has incurred expenditure in qualifying building and plant equipment in an approved manufacturing activity in an Export Processing Zone. The rate granted is 100% capital allowance in any year of assessment. Such a company shall not be entitled to an investment allowance.

PETLINKS NIGERIA LTD

Computation of Capital Allowance for 2015 Year of Assessment

QCE	Building	Motor Vehicle	Office Equipment	Office Furniture	Total Allowance(₦)
Initial Allowance	15%	50%	50%	25%	
Annual Allowance	10%	25%	25%	20%	
	Office building(₦)	Motor vehicle (₦)	Office Equipment (₦)	Office Furniture(₦)	
TWDV b/f	4,090,000	562,500	3,468,750	1,100,000	
Addition	-	<u>1,875,000</u>	<u>3,000,000</u>	<u>275,000</u>	
	4,090,000	2,437,500	6,468,750	1,375,000	
Initial Allowance	--	(937,500)	(1,500,000)	(68,750)	(2,506,250)
Annual Allowance:	old	(584,286)	(281,250)	(1,156,250)	(1,099,988)
	new	-	<u>(234,373)</u>	<u>(374,998)</u>	<u>(41,238)</u>
TWDV c/f	<u>3,505,714</u>	<u>984,375</u>	<u>3,437,500</u>	<u>165,010</u>	
Total allowance					<u>6,278,633</u>

Examiner's Report

This is a straight forward question on capital allowances. About 60% of the candidates attempted the question, the general performance was below standard. The major pitfall was the inability of the candidates to determine the correct years of assessment. Candidates should be advised to always make use of the study pack.

INSIGHT

AT/181/PIII.12 **ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA**

**ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
PART III EXAMINATIONS - MARCH 2018**

MANAGEMENT

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. Which of the following is **NOT** a feature of an effective disciplinary procedure?
 - A. Being consistent in application
 - B. Indicate who should take the disciplinary action
 - C. Sanctions
 - D. Indicate the target group
 - E. Fair and equitable

2. The initial business plan that is put together by business owners to ensure a successful take off and efficient operations is called
 - A. Printout
 - B. Blue print
 - C. Action point
 - D. Business Manual
 - E. Budget

3. Restriction in transferability of shares in partnership stipulates that “no partner” can transfer his/her shares without theof all other partners
 - A. Promotion
 - B. Nomination
 - C. Encouragement
 - D. Financial contribution
 - E. Consent

4. External stakeholders to business include
 - A. Shareholders and Suppliers
 - B. Suppliers and Lenders
 - C. Company auditors and Directors

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INSIGHT

- D. Regulators and Management staff
 - E. General public and Shareholders
5. Areas of corporate social responsibility that require a manager's attention include the following **EXCEPT**
- A. Ecology and Environmental quality
 - B. Consumption
 - C. Community needs
 - D. Minority and backward communities
 - E. SWOT Analysis
6. Environmental elements which can help or inhibit the decisions and operations of business enterprises globally is referred to as
- A. International
 - B. External
 - C. Natural
 - D. Political
 - E. Technological
7. International agreements that reduce the cost of doing business in foreign countries are regarded as part of factors influencing
- A. Communication
 - B. Operation
 - C. Globalisation
 - D. Consumerism
 - E. Adaptation
8. The job of establishing and nurturing mutual relationship between an organisation and its stakeholders involves the following **EXCEPT**
- A. Handling customers' complaints
 - B. Handling customers' orders
 - C. Organising press releases and conferences
 - D. Maintaining cordial relationship with the press
 - E. Publication of company journals
9. Which of the following is **NOT** a function of an office?
- A. Provision of convenient place where managers carry out their functions
 - B. Collection of information from within the organisation
 - C. Collection of information from outside the organisation
 - D. Recording information
 - E. Manufacturing of industrial goods

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10. The type of office where occupants can concentrate because there is very little disturbance from other employees is known as
- A. Closed office
 - B. Official office
 - C. Common room
 - D. Accommodation
 - E. Dormitory
11. The periodic assessment of a company's managerial planning, organising, motivating and controlling compared to what might be called the norm of successful operation is referred to as
- A. Management monitoring
 - B. Management development
 - C. Management improvements
 - D. Management audit
 - E. Management by objective
12. Which of the following is **NOT** a decision made in anticipation of a change in the external environment?
- A. Proactive
 - B. Systematic
 - C. Pragmatic
 - D. Intuitive
 - E. Reactive
13. A group decision making technique where an individual is **NOT** allowed to criticise ideas of other members of the group is referred to as
- A. MBO technique
 - B. Random sample technique
 - C. Democratic technique
 - D. Genuine technique
 - E. Brainstorming
14. Which of the following is **NOT** a disadvantage of internal recruitment?
- A. New ideas may be few
 - B. Selection is more susceptible to office politics
 - C. The organisation would make the wrong choice of employees
 - D. Candidates' current work may be disrupted

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- E. Qualified candidates may not be available within the organisation
15. Which of the following activities is **NOT** a component of Human Resources Planning?
- A. Identify organisational objectives
 - B. Analyse existing human resources
 - C. Calculate net human resource needs for the period
 - D. Outsourcing of training and developing activities to consultants
 - E. Estimate human resources needs
16. Which of the following is **NOT** a promotional activity used to market new and existing products?
- A. Advertising
 - B. Media practises
 - C. Public relation activities
 - D. Sales promotion
 - E. Direct marketing
17. An organisation experiencing high costs of production, low sales, low output and low profit is in thestage of the product life cycle.
- A. Austerity measure
 - B. Production apathy
 - C. Introduction
 - D. Production deficit
 - E. Declining productivity
18. Productivity is important to national economy because it increases
- A. Sales, output and inventory
 - B. Profit, tax revenues and employment
 - C. Stocks, inventory and turnover
 - D. Job production and unemployment
 - E. Productivity and services
19. The relationship between the number of units produced and the quantity of input is known as
- A. Productivity

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- B. Productivity improvement
 - C. Productive output
 - D. Productive scheme
 - E. Productive increment
20. In any organisation, Total Quality Management will be successful when the following are present **EXCEPT**
- A. Manager's commitment
 - B. Employees' involvement and empowerment
 - C. Investment in employees' skills
 - D. Investment in technology
 - E. Production methods
21. The ability to see the "big picture" by recognising significant elements in a situation and understanding the relationships among the elements is called
- A. Technical Skill
 - B. Technological Skill
 - C. Conceptual Skill
 - D. Human relations Skill
 - E. Interpersonal Skill
22. Which of the following is **NOT** an advocate of scientific management?
- A. Douglas McGregor
 - B. Fredrick W. Taylor
 - C. Frank Gilbreth
 - D. Henry Gantt
 - E. Harryington Emerson
23. The concept that describes a situation where rules and policies are applied uniformly regardless of personal feelings is called
- A. Formal Selection
 - B. Career Orientation
 - C. Division of Labour
 - D. Impersonality
 - E. Authority Hierarchy
24. Planning gives answers to the following questions **EXCEPT**

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- A. Where do we want to go?
 - B. How do we get there?
 - C. What are you doing?
 - D. Where are we now?
 - E. How are we doing?
25. Which of the following is **NOT** important to planning?
- A. Minimises risk and uncertainty
 - B. Leads to success
 - C. Focuses on goals
 - D. Compares output with input
 - E. It facilitates control
26. The process of determining desired objectives and developing ways to reach them is known as
- A. Operational Planning
 - B. Strategic Planning
 - C. Tactical Planning
 - D. Developing
 - E. Alternative action
27. The planning that translates the broad concepts into clear numbers, specific steps and measurable objectives for the short term is called
- A. Operational Planning
 - B. Tactical Planning
 - C. Alternative Planning
 - D. Developing
 - E. Strategic Planning
28. The aspect of Maslow's Hierarchy of needs that emphasises the desire for respect and self-confidence is known as
- A. Safety needs
 - B. Self-esteem needs
 - C. Social needs
 - D. Self-actualisation needs
 - E. Physiological needs
29. The theory that implies that employees tend to compare their salaries (and other rewards) for their efforts with what others are receiving for similar job is referred to as
- A. Reinforcement theory
 - B. Maslow Hierarchy theory
 - C. Path goal theory
 - D. Motivation-hygiene theory

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- E. Equity theory
30. A group of workers performing a set of tasks tied together via internet, intranet and video conferencing is known as
- A. Self-managed work team
 - B. Gross functional team
 - C. Visionary team
 - D. Cross functional team
 - E. Virtual team

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. As soon as companies are incorporated, they become which are generally regarded as artificial persons in law.
2. Companies' financial transactions cannot be shielded from public view, because shareholders must be provided with annual reports of financial performance in type of business.
3. A management concept that provides guidelines to those who have powers to make decisions for a company and for what aims or purposes those powers are used is called.....
4. Unethical behaviours can be considerably reduced byunethical practices of employees and rewarding those who meet and exceed the ethical standards.
5. The process of change in office layout often expressed as the percentage of staff movement yearly is called.....
6. The way an office is arranged to facilitate the flow of work is known as

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7. The budgeting technique that enables an organisation to look at its activities and priorities afresh during budget preparation is known as
8. The ratios that help management to determine how efficiently an organisation is using its resources in comparison to the level of sales is called.....
9. A detailed statement of activities involved in carrying out a specific job is referred to as
10. The process of assigning a specific job to a selected candidate is called.....
11. The philosophy by which an organisation concentrates efforts on the efficient production and distribution of its product refers to.....
12. The marketing philosophy that assumes that the consumer is resistant to buying an organisation's product and hence must be pressurised into doing so is called.....
13. Labour productivity is mathematically measured as
14. The concept that every employee should have one and only one boss is known as
15. The classical theorist who focused upon the administrative processes which managers must perform is known as
16. The authority that is concerned with assisting and advising subordinates is referred to as
17. The mechanical process that records the routine economic activities of a business is referred to as.....
18. The analogue way of preparing, monitoring, coordinating and reporting all financial transactions of an organisation is known as
19. Managers that have little concern for work but more concern for the needs of employees are called

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20. The theory that states that behaviour with positive consequences tends to be repeated, while behaviour with negative consequences tends not to be repeated is

SECTION B: ATTEMPT ANY FOUR QUESTIONS (50 Marks)

QUESTION 1

- a. Define the term “social responsibility”.
(2¹/₂ Marks)
- b. Identify and explain FIVE arguments for and FIVE arguments against social responsibility.
(10 Marks)

(Total 12¹/₂ Marks)

QUESTION 2

- a. What is globalisation?
(2¹/₂ Marks)
- b. Outline FIVE factors that influence globalisation
(5 Marks)
- c. State FIVE implications of globalisation for management and business enterprises.
(5 Marks)

(Total 12¹/₂ Marks)

QUESTION 3

State and explain TEN characteristics of an effective control system.

(Total 12¹/₂ Marks)

QUESTION 4

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- a. Distinguish between formal and informal organisations. (2½ Marks)
- b. Outline FIVE advantages and FIVE disadvantages of formal organisations. (10 Marks)
- (Total 12½ Marks)

QUESTION 5

List and explain FIVE major activities in a large organisation's production management.

(Total 12½ Marks)

QUESTION 6

- a. State FIVE reasons why employees resist change in an organisation. (5 Marks)
- b. List and explain FIVE techniques by which individual or group resistance to change can be reduced. (7 ½ Marks)
- (Total 12½ Marks)

SOLUTION TO SECTION A

1. C
2. B
3. E
4. B
5. E

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

EXAMINER'S REPORT

All the questions in this section were compulsory. The questions were well structured and straight forward. About 72% pass rate was recorded in this section.

SOLUTION TO SECTION A

1. Legal Entities
2. Cooperation/Public Limited Liability
3. Corporate Governance
4. Sanctioning/Punishment/Discipline
5. Churn rate

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6. Office Layout
7. Zero Based Budgeting
8. Activity Ratios
9. Job Description
10. Placement
11. Production Concept
12. Selling Concept
13. Output/Numbers of Man-hours used
14. Unity of Command
15. Max Weber
16. Staff Authority
17. Book Keeping
18. Manual Accounting System
19. Country Club
20. Reinforcement

Examiner's Report

This section was equally compulsory. The questions were straight forward and of professional standard. However, overall performance was below 35% pass rate. This probably was due to the candidates' failure to make good use of the pack from where all the questions were drawn.

SOLUTION TO QUESTION 1

- ai. Social responsibility of business is the obligation of business enterprises to adopt policies and plans of actions that are desirable in terms of the expectations, values and interest of the society.
- b.i **Arguments for Social responsibility**
It enables organisation to respond more favourable to the needs and aspiration of society, because they receive their charter from the society and their end products still go back to the society.
- ii. Social responsibility of business create benefits to society through better neighbourhoods and employment opportunities while business benefits from a better community as the source of its workforce and the consumers of its products and services.
- iii. Business has a great deal of power that, it is reasoned, should be accompanied by an equal amount of responsibility.
- iv. Social involvement discourages additional government regulation and intervention. This result is greater freedom and flexibility in decision-making for business.

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- v. It is in the long-run in the interest of the shareholder since it boosts its community image.
- vi. It endears the business to its various stakeholders including suppliers, customers, employees, investors etc.
- vii. It assists the business to attract best hands since they always want to identify with good causes in the society.

Arguments against social responsibility

- i. Social involvement could reduce economic efficiency
- ii. Social involvement could create excessive cost for business which commits resources to social action.
- iii. It can create a weakened international balance of payment situation
- iv. Business people lack the social skill to deal with problems of the society
- v. It reduces shareholders wealth

EXAMINER'S REPORT

The question was well attempted. Over 97% of the candidates attempted the question. The pass rate was about 52%. Candidates that did not do well in the question were probably those who prepared poorly for the examination or did not make good use of the study pack.

SOLUTION TO QUESTION 2

- a. Globalization can be defined as a process of world-wide economic integration and growing inter-dependence, interconnectedness

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through the flow of goods, services, capital, people and information among nations in the modern world.

b. Factors influencing globalization:

- i. The phenomenal growth in communication arising from fast-paced development in communication technology
- ii. Improved transportation services
- iii. Mass migration and the movement of people
- iv. A level of economic activity that has outgrown national market through industrial combinations and commercial groupings that cross national frontiers.
- v. International agreements that reduce the cost of doing business in foreign countries.

c. Five implications of globalisation for management and business enterprises include:

- i. There is an opening up of markets and investment opportunities among nations
- ii. Developing countries are disadvantaged arising from the intense competition from advanced countries
- iii. Mergers, acquisitions and strategic alliances have resulted as poorer and weaker firms are swallowed up by stronger ones
- v. Managers are expected to be equipped and developed through greater cross-cultural awareness and sensibility

EXAMINER'S REPORT

The question was well attempted. About 85% of the candidates attempted the question. The overall performance was poor as about 38% pass rate was recorded in the question.

The poor performance of the candidates was due to the misinterpretation of the question; particularly the 'c' part of the question and this further confirmed the earlier observation that the candidates did not make good use of the study pack.

SOLUTION TO QUESTION 3

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Effective control systems characteristics include:

i. Accurate

Information on performance must be reasonably accurate for the organisation to take appropriate corrective action.

ii. **Objective and Comprehensible**

To be useful, the information used in a control system should be understandable and seen as objective by the individuals involved.

iii. Timely

Information must be collated, routed to the appropriate destination and evaluated quickly if corrective action is to be taken in time to produce improvement.

iv. **Focus on Strategic Control Point:** The control should focus on areas where deviations from the standard are most likely to take place or where such deviations could greatly hinder the organisation.

v. **Economically Realistic**

The cost of implementing a control system should be less than the benefit derived from the control system.

vi. **Organisationally Realistic**

It must be compatible with organisational realities.

vii. Coordinated with the organisation's work flow

viii. Flexible: Control must have flexibility built into them so that the organisation can react quickly to overcome adverse changes or take advantage of new opportunities.

ix. Acceptable to Organisation Members

x. **Operational:** Effective control system ought to indicate upon the detection of a deviation from standards and state clearly what corrective action should be taken.

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EXAMINER'S REPORT

The question examined the characteristics of effective control system. The performance in this question was far below average. About 70% of the candidates attempted the question while only 20% of the candidates who attempted the question scored above average.

The question was equally drawn from the study pack but the candidates failed to avail themselves of the opportunity by paying adequate attention to it.

SOLUTION TO QUESTION 4

- a. Formal organisation comprises patterns of relationships, communication channels and authority structure that are recognised by management for the purpose of achieving the overall goals of the organisation. In a formal organisation, there is clarity of roles, jobs, hierarchical structure, rules, procedures and pattern of relations.

Informal organisation is a non-structured group created by the members of the formal group. It consists of two or more people, who usually work together, often in close proximity.

Informal group selects its own leader, develops its own rules, performance and behavioural standards and establishes peer sanctions and rewards.

b. **Advantages of formal organisation include:**

- i. It helps in achieving organisation objectives
- ii. Puts resources to the best use
- iii. Principle of division of labour ensures benefit of specialisation
- iv. It develops the feeling of cooperation
- v. It limits conflicts among executives
- vi. It prevents duplication of work
- vii. Efficiency of employees can be measured due to predetermination of rights and duties of each individual.
- viii. It provides for well-defined authority and responsibility to avoid friction and misunderstanding.
- ix. It makes officers accountable for resources allocated to them.
- x. Makes standardisation of work become practicable

Disadvantages of formal organisation include:

- i. It makes changes difficult because rules, procedures and programmes are to be followed strictly

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- ii. Rules are given more considerations over men
- iii. A formal organisation does not respect human feelings
- iv. It places emphasis only on formal communication thus prevents the organisation from the benefits of informal communication.
- v. The use of excessive and undue authority may prevent employee's initiatives and hinders social development.
- vi. Formal organisation gives no consideration to social and other needs of human resources.

EXAMINER'S REPORT

The question tested the candidates understanding of formal and informal organisations. 85% of the candidates attempted the question. The question recorded about 40% pass rate.

The question was very straight forward, but most candidates misinterpreted it. The candidates were wrongly discussing the types of organisation and merits of committee in organisations.

This question was also drawn from the study pack.

SOLUTION TO QUESTION 5

Major activities involved in production management to include:

- i. Deciding on type of production systems to use
- ii. Planning the location of the organisation facilities
- iii. Planning the plant layout and design of organisation's activities
- iv. Planning and controlling the production
- v. Research and development of new products
- vi. Facility maintenance
- vii. Deciding on the appropriate replacement strategy to be employed
- viii. Ensuring compliance with health and safety procedures and standards.

Explanation of major activities involved in Production management

- a. **Deciding on type of production system to use in an organisation.**
The choice of system is usually from the major classified options of

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intermittent flow, continuous flow and repetitive manufacturing or batch system. The choice of system depends on organisation objectives.

- b. **Planning the location of the organisations facilities.** This is to determine the geographical site/area in which the business is located. It involves the organisation's access to the market, arrangement of machines, reduction in cost of production etc.
- c. **Planning the plant layout and design of organisation's facilities.** It is the arrangement of machines and other facilities to facilitate the transformation of inputs into outputs. It facilitates movement of all resources used by the organisation to improve safety, security and supervision of the production process.
- d. **Planning and controlling the production process.** It is about deciding what to produce, where and the sequence for processing orders from customer. It is a production control that monitors the use of machines, inventory, cost of production and quality of management.
- e. **Research and development of new products:** This is made possible from the feedback obtained from customers that are processed to improve an organisation's products/services.
- f. **Maintenance of facilities of the organisation.** This is to minimise the deterioration of facilities and ensure that they are operationally ready for efficient production.
- g. **Replacement Strategy:** Every machine has a recommended life span. As organisation takes care of deterioration of its facilities a time will come when cost of maintenance equals cost of replacement. A replacement strategy calculates and determines the appropriate period a facility could lose its production value and needs replacement.
- h. **Ensure compliance with health and safety procedures.** This is done by human resource department as formulated policies that are executed by production department.

EXAMINER'S REPORT

The question tested candidates' understanding of the major functions of an organisation's production management. The question, which is very straight forward, was drawn from the study park.

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Precisely, about 40% of the candidates attempted the question while only 30% pass rate was recorded.

Many of the candidates that attempted the question interpreted it wrongly to be functions of management.

SOLUTION TO QUESTION 6

- a. Reasons why employees resist change includes;
 - i. Fear of the unknown
 - ii. Lack of information
 - iii. Fear of unemployment
 - iv. Threat to expertise
 - v. Inability to change habits
 - vi. Threat to social and interpersonal relationships
 - vii. Lack of participation in change
 - viii. Threat to established resource allocation, power relationship
 - ix. Experience of past change

- b. The various techniques by which individual or group resistance to change can be reduced are as follows:
 - i. Education and communication

 - ii. Involvement of employees in the planning and execution of the changes

 - iii. Management must motivate employees to accept changes by introducing incentives and creating an environment which induce employees to accept the change.

 - iv. Adapt the pace of change to employees

 - v. The change must be carried out only after detailed pre-change planning which should decide on the kind of changes to be introduced, the financial and human implications of the changes, timing and pace of the changes.

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- vi. Changes must be introduced at a time when employees will be more amenable to change and will be prepared to make behavioural changes to accommodate the new idea(s) being introduced.
- vii. Management should take into consideration the scope of feasibility of the idea in one department before extending it to other department.
- viii. Employees training could help provide them with skills required to adapt to the changes being introduced.
- ix. Negotiation
- x. Manipulation and cooptation.

EXAMINER'S REPORT

The question tested the candidates' knowledge of management of change. About 80% of the candidates attempted the question and about 50% of the candidates who attempted the question scored above average.

It was observed that majority of the candidates did not make use of the study pack as solutions provided were largely at variance with the contents of the study pack.