

# INSIGHT

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## EXAMINERS GENERAL COMMENTS

### BREACH OF EXAMINATION INSTRUCTIONS

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

- A) BY ATTEMPTING MORE QUESTIONS THAN REQUIRED IN EACH PAPER;  
AND
  
- B) BY ATTEMPTING MORE QUESTIONS THAN REQUIRED IN EACH SECTION.

### INADEQUATE COVERAGE OF THE SYLLABUS

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

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## FOREWORD

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

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

The answers provided in this book do not exhaust all possible alternative approaches to solving the questions. Efforts have been made to use methods, which will save much of the scarce examination time. It is hoped that the suggested answers will prove to be of tremendous assistance to students and those who assist them in their preparations for the Institute's Examinations.



### NOTE

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

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AT/142/PI.1

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA  
ACCOUNTING TECHNICIANS SCHEME  
PART I EXAMINATIONS - SEPTEMBER 2014  
BASIC ACCOUNTING PROCESSES & SYSTEMS**

**Time Allowed: 3 hours**

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

**ATTEMPT ALL QUESTIONS**

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

1. The method of depreciation selected should be the **ONE** most appropriate to the type of asset and its use in the business. The principal methods used include the following **EXCEPT**
- A. Straight line method
  - B. Different cost method
  - C. Reducing balance method
  - D. Output or usage method
  - E. Annuity or rising charges method

**Use the following information to answer questions 2 to 4:**

	₦
Inventory at start	400,000
Inventory at close	600,000
Purchases	12,000,000
Turnover	15,000,000

2. Determine the cost of goods sold
- A. ₦12,600,000
  - B. ₦11,800,000
  - C. ₦10,800,000
  - D. ₦10,200,000
  - E. ₦9,200,000
3. The value of goods available for sale is
- A. ₦9,800,000
  - B. ₦10,400,000
  - C. ₦11,200,000
  - D. ₦12,400,000
  - E. ₦13,200,000

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4. The gross profit is
- A. ₦3,200,000
  - B. ₦3,100,000
  - C. ₦3,300,000
  - D. ₦2,800,000
  - E. ₦2,900,000
5. Which of the following is **NOT** an element of financial statement?
- A. Assets
  - B. Liabilities
  - C. Income
  - D. Equity
  - E. Dividend
6. The following form part of the financial statements **EXCEPT**
- A. Statement of Financial Position
  - B. Statement of Profit or Loss and other Comprehensive Income
  - C. Directors' Report
  - D. Statement of Cashflows
  - E. Accounting Policies
7. Flamingo bought a tractor for his farm at a cost of GH¢2,000,000 and debited the amount to Farm Appliances Expenses Account and credited the bank account. Flamingo had committed an error of
- A. Omission
  - B. Original entry
  - C. Principle
  - D. Commission
  - E. Reversal of entry
8. The Microsoft Office Application include the following **EXCEPT**
- A. Sage
  - B. Word
  - C. Excel
  - D. Power Point
  - E. Access

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9. The original cost of an equipment was L\$150,000. It was revalued upwards to L\$200,000 two years ago. The value has now fallen to L\$130,000. The decrease in value of the equipment will amount to
- A. L\$90,000
  - B. L\$70,000
  - C. L\$50,000
  - D. L\$40,000
  - E. L\$20,000
10. Which of the following is **NOT** an example of Financial Liability in the Statement of Financial Position?
- A. Trade payables
  - B. Trade receivables
  - C. Debenture loans payable
  - D. Redeemable preference (non-equity) shares
  - E. Forward contracts standing at a loss
11. Which of the following would result from an increase in the provision for doubtful debts?
- A. An increase in asset
  - B. A decrease in gross profit
  - C. An increase in gross profit
  - D. A decrease in net profit
  - E. An increase in net profit
12. Which of the following is a Long-term liability?
- A. Bank overdraft
  - B. Debentures
  - C. Short-term Payables
  - D. Rent owing
  - E. Accrued wages
13. The Microsoft Office Application used for calculations is called
- A. Power Point
  - B. Lotus 123
  - C. Excel
  - D. MS - Dos
  - E. Ms – Outlook

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Use the following information to answer questions 14 and 15

	₦
Accounts receivable at start	205,000
Accounts receivable at close	320,000
Provision for doubtful debts b/fwd	30,750
Sales	1,318,600

Provision for doubtful debts is to be 15% of Receivables

14. What is the amount to be provided for doubtful debt for the year?
- A. ₦48,000
  - B. ₦24,000
  - C. ₦17,250
  - D. ₦15,375
  - E. ₦30,750
15. If 50% of sales were on credit how much was collected from debtors during the year
- A. ₦320,000
  - B. ₦205,000
  - C. ₦544,300
  - D. ₦237,500
  - E. ₦257,500
16. Margaret bought an electronic typewriter costing Le61,000 on credit from Unicom Technical. The transaction was not posted in the books. The error committed is an error of.....
- A. Original entry
  - B. Reversal of entry
  - C. Omission
  - D. Commission
  - E. Principle
17. The Concept which supports the division of a company's continuous life into measurable time sessions for which financial statements are prepared is called
- A. Going concern
  - B. Seasonality
  - C. Entity
  - D. Periodicity
  - E. Continuity

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18. Which of the following is **NOT** classified as a selling, general and administration expense?
- A. Travelling
  - B. Royalty
  - C. Distribution
  - D. Brokerage
  - E. Commission
19. The summation of all depreciation already charged on a non-current asset is
- A. Provision aggregate
  - B. Amortization charge
  - C. Accumulated depreciation
  - D. Accumulated cost
  - E. Book value
20. If the cost price of an article is ₦120,000 and selling price ₦150,000. Which of the following will be correct?
- A. Mark up is 20%
  - B. Margin is 33%
  - C. Margin is 20%
  - D. Mark up is 33%
  - E. Margin is 25%

**Use the following information to answer questions 21 – 23**

Ola Makinwa's Salary details are:

Basic salary per annum	₦360,000
Other allowances	30% of annual salary
Monthly loan repayment	₦2,500
Annual Productivity bonus paid in December	10% of annual salary

21. Calculate his monthly net pay (ignore tax)
- A. ₦36,500.00
  - B. ₦30,000.00
  - C. ₦39,000.00
  - D. ₦40,000.00
  - E. ₦37,500.00



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22. How much is his monthly gross pay? (Ignore Tax)
- A. ₦41,500
  - B. ₦40,000
  - C. ₦39,250
  - D. ₦39,000
  - E. ₦36,500
23. How much is his December net pay? (Ignore tax)
- A. ₦75,000
  - B. ₦72,500
  - C. ₦72,000
  - D. ₦70,000
  - E. ₦33,500
24. If total receivables at the end of a company's financial year is GH¢10 million and provision for bad and doubtful debt is 10%. How much bad debt provision is charged to Income in the year?
- A. GH¢10,000,000
  - B. GH¢9,000,000
  - C. GH¢1,000,000
  - D. GH¢11,000,000
  - E. GH¢1,200,000
25. Which of the following errors will **NOT** affect the agreement of the trial balance?
- A. A debit entry has been made but no corresponding credit entry or vice versa was made
  - B. Debit and credit entries have been made on the same side
  - C. A debit entry and its corresponding entry had been correctly posted
  - D. Opening balance has not been brought down
  - E. Debit and credit entries have been made but at different values
26. The following are the disadvantages of the computers in a modern business environment **EXCEPT**
- A. High initial costs
  - B. Inflexibility
  - C. Vulnerability
  - D. Speed
  - E. Personnel reluctance to change

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27. The following but **ONE** are benefits of computerized systems
- A. Reliability
  - B. Accuracy
  - C. Intelligence
  - D. Storage
  - E. Decision making
28. Which of the following accounts must be cleared in the Trial Balance before final accounts can be prepared?
- A. Carriage inward
  - B. Cash discounts received
  - C. Bad debt provision
  - D. Suspense account
  - E. Float balance
29. Which of the following balances in the Statement of financial position will be affected if bad and doubtful debt provision is increased?
- A. Cash and bank
  - B. Inventory
  - C. Trade receivables
  - D. Trade payables
  - E. Treasury bill
30. Which of the following documents is checked against a waybill to ensure that goods ordered were the ones supplied?
- A. Good Received Note
  - B. Purchase Invoice
  - C. Purchase Order
  - D. Store Issue Voucher
  - E. Gate Pass

**SECTION A: PART II**

**SHORT-ANSWER QUESTIONS**

**(20 Marks)**

**ATTEMPT ALL QUESTIONS**

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

1. The financial report that depicts the operating performance of a company over a specific period of time is.....

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Use the following information to answer questions 2 and 3

Paragon Enterprises sold goods on credit to Kenny Ventures for L\$500,000 on February 1, 2014 and offered a trade discount at 10%. A further cash discount of 5% is allowed if payment is made within 30 days.

2. What is the invoice value.....
3. If payment is made by Kenny Ventures on March 7, 2014, how much is payable for the purchase?.....
4. Costs incurred on a company before it is registered are called.....
5. The document which regulates the internal workings and relationship of members in a Limited Liability company is .....
6. When an account which ought to be debited was wrongly credited and that which ought to be credited was debited, the error is.....
7. The process of collecting insurance premium by insurance companies through the banks is.....
8. A unit of ownership of a company is called.....
9. The book which contains the summary of all accounts necessary to produce the trial balance is.....
10. The fall in value of non-current intangible assets as a result of passage of time is referred to as.....
11. The body responsible for developing International Financial Reporting Standards is the .....
12. The accounting principle which requires accounting reports to be prepared without bias to any group or segment of the society is called.....
13. The document issued by a customer requesting the seller to supply certain quantities of goods of specified description is .....
14. Balances extracted from the ledger accounts at a given date arranged according to whether they are debit or credit balances are.....
15. Information stored in a computer-based accounting system which can be arranged into any desired format is called.....
16. A system of keeping petty cash is called.....
17. Under IFRS, Long-term liabilities are now known as .....
18. The ethical concept in accounting that deals with honesty and strong moral principles is referred as.....

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Use the following information to answer questions 19 - 20

	31/12/2012	31/12/2013
	L\$	L\$
Non-current asset (cost)	600,000	592000
Current assets	800,000	930,000
Current liabilities	200,000	175,000
Provision for depreciation	80,000	85,000

During 2013, a non-current asset costing L\$60,000 with a book value of L\$32,000 was sold for L\$18,000.

19. What was the capital of the business as at 31 December 2012?
20. What was the value of the net profit or loss for the year ended 31 December 2013?

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

## QUESTION 1

- a. Enumerate **FIVE** uses of accounting information **(5 Marks)**
- b. Trade Receivables Systems deals with transactions that involve, sales invoices raised, credit notes and debit notes issued to customers.  
Enumerate **TWO** key features each of this system under the following headings: File, Inputs and Outputs. **(7½ Marks)**

**(Total 12½ Marks)**

## QUESTION 2

Record the following in the Petty Cash Book having the following separate columns:

- a. Office expenses
- b. Postages
- c. Transport and travelling
- d. Stationery

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The petty cash book is kept under the imprest system and the imprest amount is ₦5,000.

2013	
June 1	
June 2	Received imprest from main cashier ₦5,000
	Paid travelling expenses ₦1,000
	Repaired filing cabinet ₦500
	Bought typing papers ₦250
June 3	Bought envelopes ₦150
	Paid office sundry expenses ₦500
June 5	Paid parcel courier charges ₦400
June 10	Paid taxi fare ₦200
June 21	Miscellaneous office expenses ₦1,000
June 30	Paid J.K Mensah, a creditor the balance of his account of ₦600

You are required to balance the petty cash book at the end of the month, bring down the balance and record the imprest reimbursable for the month.

(12½ Marks)

## QUESTION 3

Alaba Taylor Enterprises is a manufacturing firm and has presented the following balances for the year ended 30 June, 2012

	Le
Inventories of raw materials at 1/7/2011	160,000
Purchase of raw materials	480,000
Work-in-progress 1/7/2011	116,000
Return outwards	70,000
Wages	320,000
Carriage inwards	88,000
Salaries factory supervisor	134,000
Plants and machinery at cost	300,000
Factory manager's office furniture at cost	120,000
Insurance expenses-factory	56,000
Inventories of raw materials at 30/6/2012	96,000
Factory expenses	132,000
Work-in-progress -30/6/2012	130,000
Royalty paid	144,000

### Additional information:

- i. Depreciation charged for the year is as follows:
  - Plant and machinery at 10% on cost
  - Factory manager's office furniture at 5% on cost

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- ii. Royalty due but not yet paid amount to Le56,000
- iii.  $\frac{1}{3}$  of factory expenses represent lighting and heating that relates to 2013 financial year

**Required:**

Prepare the manufacturing account of Taylor Enterprises for the year ended 30 June, 2012 (Total 12½ Marks)

**QUESTION 4**

- a. State the meaning and purpose of control accounts (3 Marks)
- b. From the following information prepare the Receivable Ledger Control Account for the month of January, 2014

	L\$
Debit balance in Receivable Ledger on 1 January	172, 500
Credit balances on Receivable Ledger on 1 January	1,250
Sales during the month	475,000
Cash received from Trade Receivables	387,500
Discount Allowed to Trade Receivables	17,500
Bad debts written off	5,000
Sales returns during the month	12,500
Debit balances transferred to Trade Payable Ledger	2,500
Credit balances in Trade Receivable Ledger on 31 January	1,500
	(9½ Marks)
	<b>(Total 12½ Marks)</b>

**QUESTION 5**

- a. Explain the purpose of bonus schemes under payroll accounting (2 Marks)
- b. List four advantages of Rowan Plan of Bonus Scheme (4 Marks)
- c. The standard time (allowed time) for a worker is 500 hours  
His wages per hour is GH¢30 and the actual time taken is 440 hours

**You are required to calculate:**

- i. The bonus
  - ii. Total earnings (6½ Marks)
- (Total 12½ Marks)**

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## QUESTION 6

- a. A business has machinery which costs L\$220,000. During the year, it added another one with a cost of L\$80,000. Its policy is to make a provision for depreciation at 20% per annum on a straight line basis. The total provision now stands at L\$140,000. The business sells a machine for L\$38,000 which it purchased exactly two years ago for L\$60,000.  
Show the relevant ledger entries. (6½ Marks)
- b. What is the purpose of depreciation? (2 Marks)
- c. In what **TWO** circumstances is the reducing balance method of depreciation more appropriate than the straight line method? (4 Marks)  
(Total 12½ Marks)

## SUGGESTED SOLUTIONS

### SECTION A

#### PART I MULTIPLE-CHOICE QUESTIONS

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

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



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## Workings

Q.2

	₤
Inventory at start	400,000
Purchases	12,000,000
Inventory at close	<u>(600,000)</u>
Cost of goods sold	<u>11,800,000</u>

Q.3

	₤
Inventory at start	400,000
Purchases	<u>12,000,000</u>
Total goods available for sale	<u>12,400,000</u>

Q.4

	₤	₤
Turnover		15,000,000
Less: Cost of goods sold:		
Inventory at start	400,000	
Purchases	12,000,000	
Inventory at close	<u>(600,000)</u>	11,800,000
Gross profit		<u>3,200,000</u>

Q.9 L\$(200,000 – 130,000) =

L\$70,000

Q.4

	₤
Accounts Receivable at close	<u>320,000</u>
Provision for doubtful debt 15% x ₤320,000	48,000
Provision for doubtful debt b/fwd	<u>(30,750)</u>
Provision for year	<u>17,250</u>

Q.15

	₤
Accounts Receivable at start	205,000
Credit Sales (50% x 1,318,000)	659,000
Accounts Receivable at close	<u>(320,000)</u>
Collection from debtors	<u>544,000</u>

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Q.20 Margin  $\frac{N150,000 - 120,000}{150,000} \times 100$   
= 20%

Q.21 Monthly Net Pay

	₦
Basic Salary/Month $\frac{N360,000}{12} =$	30,000
Other allowances $30\% \times 360,000/12$	9,000
Monthly loan repayment	<u>(2,500)</u>
	<u>36,500</u>

Q.22 Monthly Gross Pay

	₦
Basic Salary/Month $\frac{N360,000}{12} =$	30,000
Other allowances/month $30\% \times 360,000/12$	9,000
Monthly gross pay	<u>39,000</u>

Q.23 December Net Pay

	₦
Monthly Basic Salary	30,000
Other allowances/month	9,000
Monthly loan repayment	(2,500)
Annual Productivity bonus $(10\% \times 360,000)$	<u>36,000</u>
	<u>72,500</u>

Q.24

Provision for doubtful debt $10\% \times N10,000,000 =$	₦1,000,000
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## EXAMINER'S COMMENT

The entire questions are straight forward and reasonably simple. Candidates' average score is 18 out of the 30 marks (i.e. 60%)

## PART II SHORT ANSWER QUESTION

1. Statement of Profit or Loss and other Comprehensive Income
2. L\$450,000 (working)
3. L\$450,000 (working)
4. Preliminary Expenses or Pre-incorporation Expenses or Formation Expenses
5. Articles of Association

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6. Complete Reversal of Entries
7. Standing Order or Direct debit
8. Share
9. General Ledger
10. Amortization
11. International Accounting Standards Board (IASB)
12. Fairness or Objectivity
13. Purchase Order
14. Trial Balance
15. Data Base
16. Imprest System
17. Non-Current Liabilities
18. Integrity
19. L\$1,120,000 (working)
20. L\$128,000

## Workings

Q.2	Paragon Enterprises	
		L\$
	Goods on Credit	500,000
	Less: Trade discount (10%)	<u>50,000</u>
	Invoice Value	<u>450,000</u>

- Q.3 The amount payable is the whole invoice value of L\$450,000 as payment was made after the allowed discount period.

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Q.19

	Networth 31/12/13 L\$		Networth 31/12/12 L\$	L\$
Non-Current Assets (cost)	592,000		600,000	
Provision for depreciation	(85,000)		(80,000)	
Current Assets	930,000		800,000	
Current Liabilities	(175,000)		(200,000)	
	<u>1,262,000</u>	Less	<u>1,120,000</u>	= 142,000

Loss on sale of Non-current Asset				
	L\$ (32,000 – 18,000)			
				<u>(14,000)</u>
				<u>128,000</u>

## EXAMINER'S COMMENT

All the short answer questions are direct and unambiguous. More than 50% of the candidates however scored less than the average attainable marks.

## SECTION B

### SOLUTION 1

- a. Uses of Accounting Information
  - i. Accounting information is meant to provide Management with detailed accounting data for use in planning and controlling business operations.
  - ii. Economic decisions are often made by Management on the basis of accounting data.
  - iii. Forms the basis of reporting on the activities of the Enterprise.
  - iv. The appraisal of Management effort at utilizing the entity's resources effectively is based on accounting data.
  - v. Government computes tax liabilities of corporate entities using accounting data on profits or losses.
  - vi. Investors use accounting data and other information for making economic decisions as to whether to invest in the securities of a company or to sell their investments.
  - vii. Accounting information is also useful in predicting and evaluating the cash flows of an entity.

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- b. The main features are
- i. File Used:- The main file used is the Sales Ledger Subscription.
- ii. Inputs:- Which include data about:
- Total credit sales for the period
  - Total cash received from trade receivables during the period.
  - Adjustments
- iii. Outputs:- Which include
- End of the period balance
  - Comparative analysis of opening and closing balances
  - Set-offs against purchases control ledgers
  - List of credit notes not yet used by the customers

## EXAMINER'S COMMENT

- a. Candidates were required to enumerate a number of uses to which accounting information could be put. More than 50% of the candidates gave reasonable answers and did well.
- b. This part of the question tested candidates on use of computer Application Packages (in accounting in area of Receivables). The question was poorly attempted as no fewer than 90% of them scored below average marks.

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## SOLUTION 2

### PETTY CASH BOOK FOR THE MONTH OF JUNE 2013

CASH RECEIVED	DATE	DETAILS	TOTAL	OFFICE EXPS.	POST-AGES	TRANSPORT & TRAV.	STATIONERY	LEDGER
₦	JUNE		₦	₦	₦	₦	₦	₦
5,000	2	Travelling Expenses	1,000			1,000		
	2	Repair of filing Cabinet	500	500				
	2	Typing Paper	250				250	
	3	Envelopes	150				150	
	3	Office Sundry Exp.	500	500				
	5	Parcel Courier Charges	400		400			
	10	Taxi Fare	200			200		
	21	Misc. Office Expenses	1,000	1,000				
	30	J.K Mensah	600					600
			4,600	2,000	400	1,200	400	600
		Balance c/d	400					
5,000			5,000					
400	July							
4,600	1	Bal b/d						
		Cash Received						

### EXAMINER'S COMMENT

Candidates are required to prepare a simple Petty Cash Book from a few accounting data. The question is a straight forward one that most candidates are familiar with. Not less than 90% of the candidates attempted the question and scored above the average attainable mark.

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## SOLUTION 3

**ALABA TAYLOR ENTERPRISES  
MANUFACTURING ACCOUNT FOR THE YEAR  
ENDED 30 JUNE 2012**

	Le	Le
Raw materials – 1/7/2011		160,000
Purchases – Raw materials	480,000	
Carriage – inwards	88,000	
Return Outwards – Raw materials	<u>(70,000)</u>	
		<u>498,000</u>
Raw materials available		658,000
Raw materials at close 30/6/2012		<u>(96,000)</u>
Cost of Raw Materials consumed		562,000
Wages		320,000
Royalties (144,000 + 56,000)		<u>200,000</u>
PRIME COST		1,082,000
<b>FACTORY OVERHEADS</b>		
Salary of factory supervisor	134,000	
Factory Expenses ( $\frac{2}{3} \times 132,000$ )	88,000	
Factory Insurance	56,000	
Depreciation – Plant & Machinery	30,000	
- Factory Manager's Furniture	<u>6,000</u>	
		314,000
Change in W.I.P		
Opening W.I.P	116,000	
Closing W.I.P	<u>(130,000)</u>	(14,000)
PRODUCTION COST		<u><u>1,382,000</u></u>

### EXAMINER'S COMMENT

This is a simple manufacturing account question with few easy adjustments. Candidates are also very familiar with the topic and more than 90% of the candidates attempted the question and scored above average mark in the question.

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## SOLUTION 4

- (a) A control account is a summary level account in the General Ledger. The control account contains aggregated totals for transactions that have individually been stored in subsidiary ledger accounts. It is otherwise called total account.

### The purpose of Control Account

Control accounts are most commonly used for Accounts Payable, since these areas contain a large volume of transactions, and so need to be separated into subsidiary ledgers, rather than cluttering up the general ledger with too much detailed information. Control accounts are therefore most commonly used by large organisations, since their transaction volume is very high.

(b) **RECEIVABLE LEDGER CONTROL ACCOUNT  
FOR THE MONTH OF JANUARY 2014**

	LS			LS
Balance b/f	172,500	Balance b/f		1,250
Sales	475,000	Cash Received		387,500
Balances c/f	1,500	Disc. Allowed		17,500
		Bad debts written off		5,000
		Sales Returns		12,500
		Transfer to Payables ledger		2,500
		Balance c/d		222,750
	<b>649,000</b>			<b>649,000</b>
Balance b/f	222,750	Balance b/f		1,500

### EXAMINER'S COMMENT

Candidates are tested on another very familiar topic (control accounts) in this question. The question is very clear and the dates are few. Over 90% of them attempted the question. They exhibited a good mastery of the ledger postings in the (b) part but were unable to demonstrate sufficient understanding of the real meaning and purpose of control accounts in the (a) part



# INSIGHT

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## SOLUTION 5

(a) Bonuses are extra reward to individuals, team or department,. Bonus scheme awards usually take the form of one off payments. Under payroll account, bonus schemes are to improve employee productivity. Bonus schemes are to increase employee motivation by establishing a clear link between pay and performance (at an individual or team level).

(b) Advantages of Rowan Plan of Bonus Scheme

Under the Rowan Plan of Bonus Scheme, bonus is paid in respect of time saved. The bonus hours are calculated as the proportion of the time taken which the time saved bears to the standard time allowed. Thus the scheme has the following advantages:

- i. It provides guaranteed minimum wages to workers.
- ii. It protects the employers against setting loose rates
- iii. It pays a higher bonus than under the Hasley plan up to 50% of the standard time saved
- iv. Slow workers and new entrants are provided reasonable good incentives.
- v. The worker is not induced to rush through the work if time saved is more than 50% of the standard time, bonus increasing at a decreasing rate.

(c)

i. 
$$\text{Bonus} = \frac{\text{Time Saved}}{\text{Time Allowed}} \times \text{Time Taken} \times \text{Time Rate}$$

$$\begin{aligned} \text{Time Saved} &= \text{Standard Time} - \text{Actual Time} \\ &= \frac{\text{Allowed}}{500\text{hrs}} - \frac{\text{Taken}}{440\text{hrs}} \\ &= 60\text{hrs} \end{aligned}$$

Time rate is GH¢ 30 per hour

$$\begin{aligned} \therefore \text{Bonus} &= \frac{60}{500} \times 440 \times \text{GH}\text{¢} 30 \\ &= 52.80 \times 30 = \text{GH}\text{¢} 1584 \end{aligned}$$

ii. Total Earnings

$$\begin{aligned} &= \text{Normal pay} + \text{Bonus earned} \\ &= \text{Time taken} \times \text{Time Rate} + \text{Bonus} \\ &= \text{GH}\text{¢}30 \times 440 \text{ hrs} + \text{GH}\text{¢} 1584 \\ &= \text{GH}\text{¢} (13,200 + 1584) = \text{GH}\text{¢} 14,784 \end{aligned}$$

# INSIGHT

## EXAMINER'S COMMENT

The question tested candidates on bonus schemes in payroll accounting and the computation of bonus under Rowan plan-Less than half of the total number of candidates attempted the question. The performance is below average overall. It would seem candidates are yet to master this aspect of the syllabus.

## SOLUTION 6

a. Plant and Machinery Account

	L\$		L\$
Balance b/f	220,000	Plant & Mach. Disp. A/c	60,000
Bank	<u>80,000</u>	Bal. c/d	<u>240,000</u>
	<u>300,000</u>		<u>300,000</u>
Balance b/f	240,000		

Provision for Depreciation Account

	L\$		L\$
Accum. Depr. to plant and mach. Disposal	24,000	Bal. b/f	140,000
Balance c/d	<u>164,000</u>	Income Statement	48,000
	<u>188,000</u>	(240,000 x 20%)	<u>188,000</u>
		Bal. b/f	<u>164,000</u>

b. Plant and Machinery Disposal A/c

	L\$		L\$
Plant & Machinery	60,000	Accum. Depr.	24,000
Income Statement (profit)	<u>2,000</u>	Bank	<u>38,000</u>
	<u>62,000</u>		<u>62,000</u>

- b. The purpose of depreciation is to match the cost of a productive asset (that has a useful life of more than a year) to the revenues earned from using the asset. Since, it is hard to see a direct link to revenues, the assets cost is usually allocated to (assigned to or spread over) the years in which the asset is used. Thus, depreciation charges:
- i. Allows an organization to ascertain its profit/Loss for the period under review
  - ii. Enables an organization to show a reasonable value for Non-current Assets on the statement of financial position.

# INSIGHT

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- c. The Reducing Balance Method of depreciation is more appropriate in the following circumstances:
- i. In the early years of an asset when the asset has little or no maintenance cost, a higher charge makes for even allocation of the assets cost over its useful life.
  - ii. Where an asset has a higher utility in the earlier years of its life

## EXAMINER'S COMMENT

This is a question on depreciation, a familiar topic to candidates. The question is in three parts, (a) – (c), Less than half of the candidates did attempt the question. While they did the first part dealing with ledger postings well and scored the average mark, their attempt at parts (b) & (c) was poor. This shows that candidates only concentrated on mechanical postings without really appreciating the WHY of the postings. Emphasis should be laid on the explanation of the rationale behind every book-keeping entry by trainers to really build a strong foundation for the candidates' future transit to the Professional Examinations.

# INSIGHT

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AT/142/PI.2

ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA  
ACCOUNTING TECHNICIANS SCHEME  
PART I EXAMINATIONS - SEPTEMBER 2014

ECONOMICS

Time Allowed: 3 hours

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

ATTEMPT ALL QUESTIONS

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

1. The fundamental economic problem facing any society is that of
  - A. Choice
  - B. Scarcity
  - C. Inflation
  - D. Unemployment
  - E. Unlimited Resources
  
2. Macroeconomics is concerned with all the following **EXCEPT**
  - A. National Income Accounting
  - B. Aggregate Level of Employment
  - C. Determination of Consumers Equilibrium
  - D. General Price Level
  - E. Balance of Payment Equilibrium
  
3. Abnormal demand curve may result from the following cases **EXCEPT**
  - A. Inferior goods
  - B. Goods of ostentation
  - C. Fear of future rise in price
  - D. Consumers rational decision
  - E. Consumers ignorance
  
4. Which of the following is **NOT** a cause of increase in supply of a commodity?
  - A. A fall in the price of other products
  - B. Fall in resource price
  - C. Increase in commodity's own price
  - D. An improvement in technology
  - E. Suppliers expectation of future fall in price

# INSIGHT

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5. Demand is said to be perfectly inelastic if
  - A. Quantity demanded does not respond at all to the change in price
  - B. Quantity demanded responds slightly to a change in price
  - C. Quantity demanded responds proportionally to a change in price
  - D. Quantity demanded responds more than the proportionate change in price
  - E. Quantity demanded responds infinitely to a change in price
  
6. Which of the following illustrates the maximum combination of two goods that a consumer can buy given money income
  - A. Indifference Curve
  - B. Budget Line
  - C. Price Consumption Curve(PCC)
  - D. Isoquant
  - E. Isocost
  
7. The ratio of total product to number of men employed in a production process gives the
  - A. Average variable product
  - B. Marginal product of labour
  - C. Average product of labour
  - D. Fixed product
  - E. Physical product
  
8. Which of the following is a disadvantage of partnership form of business?
  - A. Liability of each of the partners is unlimited
  - B. Large capital can be raised
  - C. Decision-taking is more efficient
  - D. The partnership business is more credit worthy
  - E. Interest of partners in the business is very high
  
9. The extraction of raw materials from their natural sources for manufacturing activities is classified as
  - A. Manufacturing production
  - B. Processing activity
  - C. Secondary production
  - D. Primary production
  - E. Tertiary production

# INSIGHT

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10. The physical and mental efforts of man used in production of goods and services defines
- A. Capital
  - B. Entrepreneur
  - C. Labour
  - D. Land
  - E. Management
11. The marginal cost equals the average cost at the
- A. Minimum point of marginal cost
  - B. Point where marginal cost is rising
  - C. Point where average cost is rising
  - D. Minimum point of average cost
  - E. Point where average cost is falling
12. Which of the following market structures is associated with a Kinked demand curve?
- A. Perfect Competition
  - B. Monopoly
  - C. Monopolistic competition
  - D. Monopsony
  - E. Oligopoly
13. The following are the problems associated with National Income computation **EXCEPT**
- A. Changes in price level
  - B. Depreciation
  - C. Double counting
  - D. Adequate statistical data
  - E. Illegal Incomes
14. In a two-sector National Income Model, the marginal propensity to save (MPS) and the marginal propensity to consume (MPC) is
- A. Zero
  - B. Negative
  - C. Infinite
  - D. One
  - E. Positive but less than 1

# INSIGHT

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15. Which of the following concepts explains how changes in investment bring about changes in national income?
- A. The accelerator principle
  - B. The consumption function
  - C. Multiplier
  - D. The production function
  - E. The savings function
16. Which of the following is the primary function of a development bank?
- A. Supervision of finance houses
  - B. Granting short term loans for the development of private properties
  - C. Printing of the Country's currency notes and coins
  - D. Granting medium and long term loans for viable projects
  - E. Accepting deposit from government agencies
17. **ONE** of the means by which the central bank controls credit availability in the economy is through the use of
- A. Travelers cheque
  - B. Reserve requirement
  - C. Legal tender
  - D. Foreign exchange
  - E. Certificate of deposit
18. Creation of money by commercial banks is achieved through
- A. Lending to borrowers
  - B. Printing more money
  - C. Increasing the cash ratio
  - D. Issuing cheques
  - E. Withdrawing money from the society
19. Which of the following is the reason why government imposes taxes?
- A. Encourage savings
  - B. Make people richer
  - C. Discourage infant industry
  - D. Finance government activities
  - E. Increase imports of certain goods

# INSIGHT

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20. Pay-As-You-Earn (PAYE) tax system is a form of
- A. Indirect tax
  - B. Regressive tax
  - C. Progressive tax
  - D. Proportionate tax
  - E. Lump sum tax
21. A government may finance its deficit through all the following sources **EXCEPT**
- A. Mortgage Bank
  - B. Multilateral creditors
  - C. The London Club
  - D. The Paris Club
  - E. The Capital Market
22. Which of the following is **NOT** a likely source of inflation?
- A. Devaluation of currency
  - B. Export promotion strategy
  - C. Expectation of future shortage of goods
  - D. Increase in the marginal propensity to save
  - E. Misallocation of investment
23. The desire to hold money to meet day to day transactions is known as
- A. Transaction motive
  - B. Speculative motive
  - C. Precautionary motive
  - D. Deflationary motive
  - E. Inflationary motive
24. The ratio of index of export prices to index of import prices expressed in percentage defines
- A. Balance of trade
  - B. Terms of trade
  - C. Balance of payment
  - D. Comparative advantage
  - E. Absolute advantage



# INSIGHT

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25. The relaxation of all forms of restrictions on free flow of goods and services in International trade is known as
- A. Devaluation
  - B. Liberalization
  - C. Privatization
  - D. Indigenization
  - E. Commercialization
26. Which of the following is **NOT** a component of Balance of Payments Accounts?
- A. Current Accounts
  - B. Capital Accounts
  - C. Merchandise Accounts
  - D. Monetary Movements Accounts
  - E. Federation Accounts
27. An affiliate of the World Bank Group which grants loans and equity capital to private enterprises is the
- A. African Development Fund (ADF)
  - B. European Investment Bank (EIB)
  - C. International Development Association (IDA)
  - D. International Finance Corporation (IFC)
  - E. International Monetary Fund
28. An important function of the World Bank is to
- A. Develop the rich member states
  - B. Provide long term loans to members
  - C. Promote capital-intensive production
  - D. Encourage trade among member states
  - E. Provide short term loans to members
29. The price support programme for farmers in the European Union is represented by the acronym
- A. CAP
  - B. SDR
  - C. GATT
  - D. WTO
  - E. ECA

# INSIGHT

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30. A major obstacle to economic development is
- A. Increase in industrial output
  - B. Increase in investment and savings
  - C. Over dependence on imports
  - D. Improvement on research and development activities
  - E. Encouragement of free trade

**SECTION A: PART II**

**SHORT-ANSWER QUESTIONS**

**(20 Marks)**

**ATTEMPT ALL QUESTIONS**

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

1. The study of economic activities of individuals and firms in the economy belongs to the branch of economics known as.....
2. An outward shift in the demand curve when supply curve remains unchanged will cause equilibrium price to.....
3. The desire of a consumer to possess a commodity supported by ability to pay is referred to as.....
4. In the theory of consumer behaviour, the unit of measuring the level of satisfaction derived from consumption of goods and services is.....
5. A graph that shows all the combinations of capital and labour available for a given total cost is called.....
6. The operating period of a firm during which at least one factor input is fixed while other factors vary is termed.....
7. The change in output resulting from a one unit increase in the quantity of capital employed is called.....
8. The market structure in which average revenue (AR) marginal revenue (MR) and the market price are all equal is the .....
9. The value of the final goods and services produced in an economy in a given year valued at the prices that prevail in the period is described as.....
10. Payments made not in return for any contribution to current output is called.....
11. The large deposit accepted by merchant banks from corporate bodies is withdrawable with the use of.....

# INSIGHT

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12. The practice whereby two or more lending institutions provide a borrower credit for financing a large project is known as .....
13. Excess of Government revenue over Government spending is referred to as .....
14. Government spending and taxation are main instruments of.....
15. A persistent rapid increase in the overall price level of goods and services in an economy is referred to as.....
16. An official increase in the value of a country's currency relative to foreign currencies is called.....
17. The theory of comparative cost advantage in international trade is credited to.....
18. A negotiating forum dealing with rules of trade across nations is known as.....
19. MIGA is one of the members of the World Bank Group. What is the full meaning of the acronym MIGA?.....
20. An outward shift of the production possibility curve illustrates the concept of.....

## SECTION B

ATTEMPT FOUR QUESTIONS IN ALL

(50 MARKS)

### PART I

### MICROECONOMICS

ATTEMPT ANY TWO QUESTIONS

#### QUESTION 1

- a. Discuss the view that 'economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses'?  
(7½ Marks)
  - b. Distinguish clearly between positive economics and normative economics.  
(5 Marks)
- (Total 12½ Marks)

# INSIGHT

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## QUESTION 2

- a. What do you understand by the term “cross elasticity of demand”? (5 Marks)
- b. The table below shows the quantities demanded of commodity A and the prices of commodity B at two different periods?

Commodity A		Commodity B	
Initial Quantity (kg)	New Quantity (kg)	Initial Price (GH¢)	New Price (GH¢)
40	32	10	14

- i. Compute the cross elasticity of demand for commodity A with respect to the price of Commodity B (5 Marks)
- ii. On the basis of the result obtained in b(i), state the relationship between commodities A and B (2½ Marks)
- (Total 12½ Marks)**

## QUESTION 3

In modern economies, cooperative societies are formed to provide a platform for people to put their resources together for mutual benefits

- a. Explain the following types of cooperative societies
- Consumers Cooperative Society
  - Producers Cooperative Society
  - Credit and Thrift Cooperative Society. (6 Marks)
- b. What are the advantages of the formation of a Co-operative Society? (6½ Marks)
- (Total 12½ Marks)**

## PART II:

## MACROECONOMICS

### ATTEMPT ANY TWO QUESTIONS

## QUESTION 4

To promote the well being of the people, the government in every modern society requires funds to perform diverse economic activities.

- a. What are the sources of government revenue in your country? (7½ Marks)
- b. Differentiate between capital expenditure and recurrent expenditure. (5 Marks)
- (Total 12½ Marks)**

# INSIGHT

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## QUESTION 5

The World Trade Organisation (WTO) is a framework which aims at preventing trade wars among its participating countries.

**Discuss** the objectives of the World Trade Organisations (WTO). (12½ Marks)

## QUESTION 6

**Discuss** the factors considered in the grouping of countries in the West African sub-region among developing countries of the World. (12½ Marks)

## SUGGESTED SOLUTIONS

### SECTION A

#### PART I MULTIPLE-CHOICE QUESTIONS

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

# INSIGHT

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

## EXAMINER'S COMMENT

The questions in this part are compulsory for the candidates. About 62 percent of the candidates scored not less than 50% of the marks allocated to this part.

## PART II SHORT-ANSWER QUESTIONS

1. Microeconomics
2. Rise (or increase)
3. Effective demand
4. Utils
5. Isocost Line
6. Short run period
7. Marginal product of capital
8. Perfect Market (Perfect Competition)
9. Normal GDP
10. Transfer payments

# INSIGHT

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11. Cheque
12. Loan syndication
13. Budget surplus
14. Fiscal Policy
15. Hypeinflation (or galloping inflation)
16. Revaluation
17. David Ricardo
18. World Trade Organisation (WTO)
19. Multilateral Investment Guarantee Agency
20. Economic growth

## EXAMINER'S COMMENT

The questions in this part are compulsory for the candidates. About 48 percent of the candidates scored not less than 50 percent of the marks for this part.

## SOLUTION 1

- a. **The dominant concepts in this Lionel Robbins' definition** are science, human behavior, ends, scarce means, and alternative uses. A brief explanation of these concepts will give clarity to this definition.
  - i. ***Economics as a science:*** Economics is a science because it adopts scientific measures to explain observed situation and predict the outcome of future events.
  - ii. ***Human behavior:*** Many authors have even referred to economics as a social science; this description recognizes the part human element plays in economic activities. However, because human beings are involved prediction might not be accurate due to unpredictability nature of man.
  - iii. ***Ends/means*** wants are ends or a desire of human beings. These are things that man likes to have. Human wants are unlimited and almost impossible to satisfy.

***Means*** on the other hand are the resources needed to produce what human beings want. These resources therefore are said to be capable of being put to alternative uses. Therefore, since human wants are unlimited while the resources needed to satisfy human wants are limited, it then implies that man will face scarcity problem.

# INSIGHT

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b. **Positive economics** concerns itself with what was, what is, and what will be. It provides a description, explanation and prediction of how economic problems are solved or will actually be solved by individuals firms and by societies. Thus, positive economics is an objective science; it is not based on individual judgments, Examples of statements in positive economics include:-

- i. Excess money supply will cause inflation.
- ii. A fall in the price of a normal commodity will lead to an increase in quantity demanded of it.

**Normative economics**, on the other hand, is concerned with what should or what ought to be. It is a subjective science providing a standard for judging a performance relative to what the society should do. Examples of statements in normative economics include:

- i. Government should introduce public works to reduce rapidly increasing problem of youth unemployment.
- ii. To effectively curb increasing wave of terrorist attacks, government should increase budgetary allocation to security.

## EXAMINER'S COMMENT

The question explores the candidates' knowledge of the nature and scope of economics from the standpoint of Lord Lionel Robbins' definition and Richard Lipsey's classification of the subject into positive and normative economics. About 98% of the candidates attempted the question with about 40% scoring pass marks. Candidates are expected to know why economics is classified as a social science, as well as the meanings and relevance of basic terms and concepts such as *means, ends, resources, human wants, scarcity choice, opportunity cost*, and so on.

## SOLUTION 2

a. The Cross-price elasticity of demand is a measure of the responsiveness of quantity demanded of a commodity to a change in the price of another commodity.

The cross-price elasticity of demand between two goods A and B which is denoted  $E_{AB}$  can be expressed as

$$E_{AB} = \frac{\text{percentage change in quantity demanded for A}}{\text{Percentage change in the price of B}}$$



# INSIGHT

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b. Applying the formula:

$$E_{AB} = \frac{\% \text{ Change in quantity demanded of A}}{\% \text{ Change in the price of B}}$$

$$\begin{aligned} &= \left( \frac{32 - 40}{40} \times 100 \right) \div \left( \frac{14 - 10}{10} \times 100 \right) \\ &= (-20) \div (40) \\ &= -0.5 \end{aligned}$$

Relationship between commodity A & B:

The two goods are complements, that is, an increase in the price of commodity B has caused a fall in the demand for commodity A.

## EXAMINER'S COMMENT

The question tests candidates' understanding of the notion of the cross-price elasticity of demand, in particular the meaning, how it is computed and its interpretation. The question is sufficiently explicit and appropriate. About 90% of the candidates attempted it. About 56% of the candidates who attempted the question scored above 50% of the marks obtainable. However majority of those who scored poor marks got the signs of the cross elasticity of demand quotient wrong, leading to wrong interpretation. The candidates are advised to be mindful of the signs of the cross-price elasticity of demand quotient, unlike the case with the price elasticity of demand where absolute values are usually used for interpretation

## SOLUTION 3

- ai **Consumers Co-operative Society:** This is a society that is being organized by consumers who wish to advance their interests in retail purchases. Consumers pool their resources together in order to buy goods in bulk from the manufacturers at a cheaper rate and then distribute to their members. It is most popular with the retail trade and consumers are usually the shareholders.
- ii. **Producers Co-operative Society:** This is the association of producers of similar products who have come together in order to promote the production and sale of their products. Members of this society like farmers and other producers contribute money in order to buy or hire equipment, machinery and raw materials at reduced rates for the promotion of their productive activities.

# INSIGHT

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iii. **Credit and Thrift Co-operative Society:** This is one of the commonest co-operative societies found in our society today. This is usually formed by people mostly from the low income group who contribute money together in form of savings. In times of need, members usually borrow from the society at fairly low rates of interest. Interest paid on borrowed fund and profits made on investments and sale of goods are shared to members yearly in form of dividends.

b. **Advantages of Co-Operative Society**

i. ***Encouragement of Savings:*** Members of credit and thrift societies are encouraged to save their money. This is very essential in developing countries where lack of capital is a major economic problem due to little or no savings

ii. ***The societies are democrats in nature:*** That is, all members have equal rights to say how the society should be organized. Every member has the right to vote and be voted for and each member has one voting right.

iii. ***Increase in standard of living:*** The elimination of middlemen has increased the profit margin of the society which are passed on to the members, in form of low prices. This will eventually improve the standard of living of members.

iv. ***Education of their members:*** Some cooperative societies organize adult literacy classes' in the areas of production, distribution, buying and selling of goods and services.

v. ***Buying goods in large quantity:*** The society enables members to obtain the goods supplied by the manufacturer at wholesale prices.

vi. ***Encouragement of Inter-personal relationship:*** There exists friendly relationship among members of the society.

vii. ***Prevention of hoarding:*** This can be achieved as a result of the fact that the society buy directly from the manufactures and distribute to their members.

## EXAMINER'S COMMENT

The question is about the types and advantages of forming cooperative societies. About 72 percent of the candidates attempted this question while only about 45 percent of them scored pass marks.

# INSIGHT

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## SOLUTION 4

- a. The sources of government revenue are summarized as follows:
- i. **Taxation:** - This is usually the most important source of revenue for the government. Tax is a compulsory levy imposed by the government on income of individual business or institution. These include direct and indirect taxes.
  - ii. **Borrowing:** Like any private individual, the government borrows when its resources are inadequate to meet current expenditure. It also borrow to finance major investments or during a period of emergency, such as war or economic problems.
  - iii. **Fees, Fine and charges:** When government provides some kind of goods and services, it makes some charges. These include payment for various types of licenses such as vehicle licence. Liquor licence and market fees. Others include toll gate fees, water rate, court fines, stamp duties.
  - iv. **Rents, Royalties and Profits:** These are income derived from the use of government property, profit from government business enterprises and income from mining rights.
  - v. **Grants and Aids:** Grants are made from the federal government or national government to the states and local government. The national government on its own may sometimes receive grants from another friendly government. This may come in form of aid from developed or richer countries to developing countries of the third world.
- b. **Capital Expenditure:** This consists of all expenditures on developmental projects and government investment and securities, such as construction of roads and bridges, building of schools, hospital and purchases of shares and debentures of companies. Capital expenditures are not made for immediate consumption but for future growth and development of the economy.

**Recurrent Expenditure:** These are expenditures that the governments make on an on-going basis. That is, expenditures on items that are meant to be used or consumed within a fiscal year, such as payment of wages and salaries of workers, interest on national debt, maintenance of social services, etc.

## EXAMINER'S COMMENT

This public finance question was attempted by not less than 98% of the candidates. About 64% of them scored pass marks. Those candidates who gave specific examples of expenditures that fall under capital or recurrent expenditure in the process of making a clear distinction between the two concepts scored higher marks.

# INSIGHT

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## SOLUTION 5

The main objectives of the World Trade Organisation (WTO) are:

- i. To conduct its affairs in the field of trade and economic endeavour with a view to ensuring full employment of resources, large and steadily growing volume of real income and effective demand, expanding the production and trade in goods and services, and raising standards of living.
- ii. To promote optimal use of the world resources in accordance with the objective of sustainable development.
- iii. To make positive efforts designed to ensure that developing countries secure a share in the growth of international trade commensurate with the need of their economic development.
- iv. To work towards substantial reduction of tariffs and other barriers to trade and the elimination of discriminatory treatment in international trade relations.
- v. To ensure linkages between trade policies, environmental policies and sustainable development.

To a large extent, developing member countries have not succeeded in getting market access in developed countries. The opening up of market since the WTO agreement has been only in the developing countries.

### EXAMINER'S COMMENT

This question tests candidates' knowledge of the specific objectives of the World Trade Organisation (WTO). About 35% of the candidates attempted the question, and not less than 65% of them scored below average mark for demonstrating poor knowledge of the issue involved. Candidates are advised to know the specific objectives of each of the regional and international organizations listed in the syllabus.

# INSIGHT

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## SOLUTION 6

The following are features that characterize developing countries.

- i. ***Low per Capita income:*** A country with low per capita income is considered under developed. There is general low level standard of living – a sizeable proportion of the people are poorly fed, poorly clothed, poorly educated, have poor access to Medicare, living on less than \$2 per day
- ii. ***Underutilization of natural resources:*** Resources such as land, water ways, mineral and even people are not fully tapped and exploited for the benefit of the country.
- iii. ***Poor economic and social infrastructural facilities:*** There are acute shortages of infrastructural facilities such as good roads, electricity and hospitals which are needed to propel economic activities.
- iv. ***Low level of technology:*** There is low level of technology, hence low level of output. This technological backwardness hinders economic development.
- v. ***Lack of skilled manpower:*** This is pronounced dearth of qualified workers that will manage critical sectors of the economy.
- vi. ***The main occupation of majority of the people is farming:*** The agricultural sector accounts for the bulk of the gross domestic product (GDP). Agricultural practices are carried out majorly with primitive technology such as cutlasses and hoes resulting in low productivity and low per capita income.
- vii. ***Exports are mostly primary products:*** Exports of developing countries are usually not processed. A typical example is export of crude oil accounting for over 90 percent of foreign exchange earnings and export of agricultural crops by other countries in sub-Saharan Africa.
- viii. ***High population growth rate:*** High level of illiteracy and absence of a clear-cut population control policy leads to high population growth rate often above 2 per cent.
- ix. ***Poor political leadership:*** Most developing countries are governed by despots and self-centred leaders who are generally interested in building political empire that will out-line them at the detriment of their countries' development.

# INSIGHT

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## EXAMINER'S COMMENT

This question requires candidates to identify and explain features of the economies of West African countries that inform listing them among the developing countries of the world. About 66 percent of the candidates attempted this question with about 50 percent of them scoring pass marks. Candidates should note that in the description of the level of economic development of countries in Sub-sahara. Africa (including countries in West African Sub-region) and most of the countries in Asia and Latin America, *developing countries*, *underdeveloped countries* and *third world countries* are used interchangeably.

# INSIGHT

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AT/142/PL3

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA  
ACCOUNTING TECHNICIANS SCHEME  
PART I EXAMINATIONS - SEPTEMBER 2014**

**BUSINESS LAW**

**Time Allowed: 3 hours**

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

**ATTEMPT ALL QUESTIONS**

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

1. Which of the following is NOT a type of International Law?
  - A. Treaty
  - B. Convention
  - C. Protocols
  - D. Decree
  - E. Charter
  
2. The purpose of criminal law is to
  - A. Compensate the offender
  - B. Indict the offender
  - C. Investigate the offender
  - D. Punish the offender
  - E. Condemn the offender
  
3. The highest Court in your country is presided over by the
  - A. Chief Judge
  - B. Chief Justice
  - C. President of the Court
  - D. Chief Grand Khadi
  - E. Chief Magistrate
  
4. Negligent mis-statement arises when a person makes a statement which is
  - A. Fantastic
  - B. Valid
  - C. Invalid
  - D. Voidable
  - E. Void

# INSIGHT

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5. Which of the following is **NOT** a means of establishing the existence of customary law before the courts in your country?
- A. By reference to books
  - B. By judicial notice
  - C. By relying on traditional evidence
  - D. By relying on Obas and Chiefs
  - E. By divination
6. A void contract is **ONE** which is
- A. Written by the parties
  - B. Unwritten
  - C. Not binding on the parties
  - D. Technical in nature
  - E. Where the parties are absent
7. A conditional assent in contract is **NOT**
- A. An acceptance
  - B. A term of contract
  - C. A binding contract
  - D. An offer
  - E. Subject to contract
8. An agreement to give false evidence in court is an example of
- A. Legal contract
  - B. Valid contract
  - C. Informal contract
  - D. Illegal contract
  - E. Formal argument
9. An invitation to treat in the law of contract is an invitation
- A. For treatment
  - B. To pay
  - C. To make an offer
  - D. To sell
  - E. To party



# INSIGHT

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10. A contract between two parties to restrict the freedom to freely practice trade is void **EXCEPT** it is
- A. For public interest
  - B. For personal use
  - C. Written
  - D. Unwritten
  - E. For the contract
11. Which of the following conditions is **NOT** required for an agency of necessity?
- A. Purported to act as such
  - B. Was unable to obtain instructions from the principal
  - C. Acted in the interest of the principal
  - D. Acted in good faith
  - E. Took reasonable and prudent action in the circumstances
12. Which of the following conditions need **NOT** be present for ratification to occur?
- A. The agent must have purported to act for and to have named or identified the principal
  - B. The principal must have had full capacity when the agent made the contract and at the time of ratification
  - C. The principal must, at the time of ratification, have full knowledge of all the material facts
  - D. The agency fees must have been fully paid at the time of ratification
  - E. The contract must not be void at the time of ratification
13. Which of the following is **NOT** a condition for sale by sample?
- A. The bulk must correspond with the sample
  - B. The buyer must have a reasonable opportunity of comparing the bulk with the sample
  - C. The buyer may not compare the bulk with the sample but rely on the goodwill and integrity of the seller
  - D. The goods must be free from any defect
  - E. The goods must correspond with the quality of the sample

# INSIGHT

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14. The following are implied terms in a sale of goods contract, **EXCEPT** the
- A. Seller has right or title to sell the goods
  - B. Goods shall correspond with the description
  - C. Goods shall possess merchantable quality
  - D. Goods shall fit the intended purpose
  - E. Goods shall be capable of transfer
15. Which of the following is **NOT** an obligation of the owner to the hirer?
- A. To deliver the goods to the hirer
  - B. To ensure that the hirer uses the goods according to specification
  - C. Not to reject installment when tendered
  - D. That the owner possesses title to the goods
  - E. That the hirer will enjoy quiet possession of the goods
16. The payment that the employer makes to the employee in a contract of employment is called
- A. Debt
  - B. Price
  - C. Pension
  - D. Remuneration
  - E. Out of pocket allowance
17. An employee who incurs expenses in the course of his service to his employer is entitled to be
- A. Indemnified
  - B. Sanctioned
  - C. Sacked
  - D. Surcharged
  - E. Billed
18. Life Insurance business includes the following **EXCEPT**
- A. Individual life insurance
  - B. Group life insurance
  - C. Pension insurance business
  - D. Health insurance business
  - E. General insurance business

# INSIGHT

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19. The Principle of Law on which a judicial decision is based is called
- A. Obiter dictum
  - B. Legacy
  - C. Ratio decidendi
  - D. Stare decisis
  - E. Res judicata
20. In sale of goods, a lien is
- A. An alien's right
  - B. A foreign right
  - C. A buyer's right
  - D. A right to transfer property
  - E. A right to retain possession of goods
21. Which of the following is **NOT** a valid means for ending a partnership?
- A. Agreement
  - B. Court order
  - C. Expiration of time or venture
  - D. Marriage of a partner
  - E. By notice given by a partner to others
22. Which of the following is **NOT** a duty of company directors?
- A. Duty of utmost good faith
  - B. Duty not to misuse corporate information
  - C. Duty not to make secret profit
  - D. Duty of care
  - E. Duty to approve dividends.
23. The following are the functions of the Corporate Affairs Commission/Registrar General/Business Registry Department **EXCEPT**
- A. To administer the Act, including the regulation and supervision of the formation, incorporation, registration, management and winding up of companies
  - B. To establish and maintain company registry and offices in all the States
  - C. To assist in the appointment of staff of the companies
  - D. To perform such other functions as may be specified by the Act or any other enactment
  - E. To arrange or conduct investigation into the affairs of any company where the interest of shareholders and public so demanded

# INSIGHT

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24. Which of the following is valid for registration as a business name?
- A. National Government, State, Federal or Municipal
  - B. A name that violates an existing trade mark
  - C. Chamber of Commerce, Building society, Guarantee, Trustee, Investment Bank or Insurance
  - D. Any name which is identical or similar to an existing registered name
  - E. A name that denotes the general nature of the business
25. A company can increase its share capital by a/an
- A. Special Resolution
  - B. Extra-ordinary Resolution
  - C. Voting Resolution
  - D. Conditions Resolution
  - E. Ordinary Resolution
26. A holder who has taken a bill, complete and regular on the face of it, is called
- A. Acceptor
  - B. Drawer
  - C. Holder for value
  - D. Holder in due course
  - E. Inchoate bill
27. Which of the following is **NOT** a duty of a banker to its customer?
- A. To honour cheque
  - B. To exercise due care in his dealings
  - C. Not to pay without authority
  - D. To disclose information of his customer to law enforcement agencies
  - E. To advise correctly on investment
28. Which of the following does not terminate the duty and authority of a bank to pay a cheque drawn on it?
- A. Countermand of payment
  - B. Notice of customer's insanity
  - C. Notice of illness of the customer
  - D. Notice of customer's death
  - E. Injunction and order of court

# INSIGHT

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29. A bill may be discharged by the following **EXCEPT** by
- A. Payment in due course
  - B. Negotiation to the acceptor
  - C. Express waiver or renunciation
  - D. Loss of the bill
  - E. Material alteration
30. To be negotiable, an instrument needs **NOT** be
- A. In writing
  - B. An unconditional promise to pay a certain sum of money on demand
  - C. Equitable
  - D. Signed by the maker
  - E. Made payable to the bearer or order

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

**ATTEMPT ALL QUESTIONS**

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

1. The rule that the decision of the higher court must be followed by the lower court is known as.....
2. In civil proceedings, the person that institutes an action in court is known as the.....
3. For a person to be duly appointed as a judge of the Supreme Court, such a person must have been practicing as a legal practitioner for at least.....years.
4. The highest court of Appeal in your country is the.....
5. Consideration must move from the.....
6. The termination of an offer by withdrawal or cancellation before the offer is accepted by the offeree is called.....
7. The occurrence of an event, not in the contemplation of the parties, which later makes the contract impossible to be performed is called.....
8. What type of mistake has been made when it is later discovered that subject matter on which the parties contracted no longer exists?
9. The right of the seller under a contract of sale of goods that allows him to stop the delivery of goods in transit is called.....

# INSIGHT

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10. What type of agency is created when a person by his conduct allows an innocent party to believe that another person with whom the innocent person deals is an agent of the other party?
11. The principle of company law which provides that a company becomes an artificial person in law on incorporation is called.....
12. What is the name of the meeting which a public company must hold within six months after its incorporation?
13. The relationship which subsists between persons carrying on business in common with a view to profit is.....
14. The agent who represents his principal in a series of transactions is called.....
15. The shares which have no special rights or restriction attached to them are called.....
16. A company is dissolved if the agency of Government authorized to do so in your country strikes out its name from the.....
17. The ability of a company to live on until it is wound up is called.....
18. Which remedy is available to a customer where his bank has wrongfully failed to honour his cheque?
19. A bill of exchange which is lacking in some material particular is known as.....
20. The person in possession of a bill in good faith without any notice of defect in title of the transferor is known as.....

**SECTION B: ATTEMPT ANY FOUR QUESTIONS**

**(50 Marks)**

**QUESTION 1**

- a. Sometimes no clear distinction could be drawn between a crime and a civil wrong in terms of the quality of the act. Nevertheless there are differences between a crime and a civil wrong.

Explain **THREE** differences between civil and criminal actions. (4½ Marks)

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- b. Explain the mode of appointment of the judges in your country and state the composition of the following courts:
- i. Supreme Court/Court of Appeal
  - ii. State High Court/Regional Court/Circuit Court Liberia (6 Marks)
- c. State **TWO** advantages of Judicial precedent in your country (2 Marks)  
(Total 12½ Marks)

## QUESTION 2

- a. Adez Pharmaceutical Limited (Adez) advertised their anti-malaria drugs by offering to pay ₦200,000 to any purchaser who buys and uses the drug but still catches malaria within six weeks after taking the drug. Adez further stated that the company has deposited ₦1 billion with Last Bank to show the sincerity of the pharmaceutical company. Mr. Blackie bought the drug, used it but still caught malaria within one week.
- Advise Mr. Blackie (5½ Marks)
- b. Mr. Naughty was engaged by Mr. Shooter to beat up Mr. Swindler who swindled Shooter of Shooter's hard-earned money. Mr. Naughty beat up Mr. Swindler but Mr. Shooter refused to pay Mr. Naughty the agreed fee of ₦10,000.
- Advise Mr. Naughty. (5 Marks)
- c. One of the remedies known to the law of contract is damages. State **TWO** other remedies available in the law of contract. (2 Marks)  
(Total 12½ Marks)

## QUESTION 3

- a. Sales of goods constitute an important commercial transaction.
- i. State **TWO** circumstances under which goods are deemed to have been accepted by the buyer in a sale of goods contract. (2 Marks)
  - ii. Explain briefly **TWO** remedies of the buyer when the seller breaches the contract. (5 Marks)
- b. Bassey insured his property against fire. In the proposal form, the final question asked was, "Are there any other matters which you wish to take into account?." Bassey replied in the negative because he considered his earlier conviction for armed robbery as irrelevant. His property was

# INSIGHT

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destroyed by fire but the insurance company on discovering his conviction, has refused to indemnify him.

You are required to advise the parties.

(5½ Marks)

**(Total 12½ Marks)**

## QUESTION 4

- a. Modern society is undeniably dynamic and complex such that no one person can do it all. Therefore, agents and principals become necessary. State **THREE** types of agents. (3 Marks)
- b. In some cases commercial transactions in services delivery are not easy to classify in terms of sale of goods. Explain **TWO** classes of goods. (4 Marks)
- c. Hire purchase transactions are special contracts that require attention because of issues of title and possession which may not reside in one person. State **THREE** characteristics of hire purchase transaction (3 Marks)
- d. Explain **ONE** of the duties of an employee in contract of employment. (2½ Marks)
- (Total 12½ Marks)**

## QUESTION 5

- a. For any person to carry on insurance business, the person must register with regulatory authorities. Explain **FOUR** conditions that must be met before commencing insurance business. (8 Marks)
- b. Define redundancy (1½ Marks)
- c. State **THREE** steps an employer must take to render its employees redundant. (3 Marks)
- (Total 12½ Marks)**

## QUESTION 6

- a. Explain **THREE** characteristics of a negotiable instrument. (6 Marks)
- b. Explain **TWO** differences between a cheque and other bills of exchange. (4 Marks)
- c. Briefly explain exceptions to the principle of privity of contract (2½ Marks)
- (Total 12½ Marks)**



# INSIGHT

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## SUGGESTED SOLUTION

### SECTION A

#### PART I MULTIPLE-CHOICE QUESTIONS

1. D

2. D

3. B

4. C

5. E

6. C

7. A

8. D

9. C

10. A

11. A

12. D

13. C

14. E

15. B

16. D

17. A

18. E

19. C

20. E

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

## **EXAMINER'S COMMENT**

The part covers the whole syllabus. All the candidates attempted the questions. About 75% of them scored pass marks.

## **PART II: SHORT-ANSWER /QUESTIONS**

- 1. Judicial precedent/Stare decisis
- 2. Plaintiff/Claimant
- 3. 15 years
- 4. Supreme Court
- 5. Promisee
- 6. Revocation
- 7. Frustration
- 8. Common mistake -Res extincta
- 9. Stoppage in transit(u)
- 10. Agency by estoppel or by holding out
- 11. Corporate personality/Legal personality
- 12. Statutory Meeting

# INSIGHT

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13. Partnership
14. General Agent
15. Ordinary Shares/Equity shares
16. Register of Companies
17. Attribute of perpetual succession
18. Damages for breach of contract and tort of defamation
19. Inchoate Bill or Incomplete Bill
20. Holder in due course

## EXAMINER'S COMMENT

The questions in this part achieve a good spread over the syllabus. All the candidates attempted the questions, and about 80% of them scored pass marks.

## SOLUTION 1

- 1a. Three differences between civil and criminal of civil action are:
  - i. The aim of civil action is to compensate the injured party while the aim of criminal action is to punish the offender.
  - ii. A civil action is a wrong committed against an individual, while crime is an offence committed against the society i.e. (the public) the state or the nation.
  - iii. The parties to a civil action are known as plaintiff and defendant, while in a criminal action, they are known as the prosecution and the accused.
  - iv. A civil action arises by the act of the parties while criminal action are contained in a written document before it can be replaced as an offence
  - v. A civil action must be commenced with limitation period. A criminal action is not subject to statute bar.
- b.i Supreme Court: The Chief justice of Nigeria and the other justices of the court are appointed by the President on the recommendation of the National Judicial Council Composition: The supreme Court consists of the Chief Justice and 21 other Justices of the court.

# INSIGHT

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- ii. State High Court: The Chief Judge and other judges of the court are appointed by the Governor of the State on the recommendation of the National Judicial Council.
- iii. Composition: The High Court consists of the Chief Judge and other Judges as may be required by the State.
- c. The advantages of judicial precedent include the following:
  - i. It leads to consistency in judicial decision
  - ii. It leads to the development of the law
  - iv. It saves the time of the judiciary
  - v. It make judicial decisions to be easy and identifiable

## EXAMINER'S COMMENT

Section (a) of the question tests candidates' understanding of the distinctions between civil proceeding and criminal proceeding, (b) tests hierarchy of courts; and (c) the advantages of judicial precedents. 98% of the candidates attempted the question, and about 80% of them scored pass marks.

## SOLUTION 2

- a. This case raises the issues of offer, acceptance and intention to create legal relations. It also exemplifies unilateral contracts. The advert is not an invitation to treat but an offer to the whole world. The statement made by Adez that it had deposited money in the bank was not a "mere puff but a statement of good intention to be bound.

Mr. Blacke accepted the offer by buying the product and by being a victim. Mr Blacke will be entitled to receive the promised reward.

(5 Marks)

(Calill v Carbolic Smoke Ball Company)

- b. Any contract for the purpose of carrying out an illegal act is void. Under common law, a contract to commit a crime or any wrong is an illegal one and therefore not enforceable.

In *Dan V Curzon*, an agreement to create disturbance in order to advertise a play and in *Allen's case* (1676) 2 Lev 173, an agreement to beat up a third party were both held to be unenforceable.

# INSIGHT

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Mr. Naughty cannot enforce the illegal contract between him and Mr. Shooter in court.

- c. The remedies available in the law of contract include:
- i. Rectification
  - ii. Rescission
  - iii. Specific Performance
  - iv. Injunction

## EXAMINER'S COMMENT

The question tests the following (a) the acceptance of an offer made to the whole world; (b) vitiating element of illegality and its effect on an agreement; and (c) remedies in contract. 70% of the candidates attempted it and about 50% scored pass marks. The candidates' pitfall was lack of understanding of (a) and (b)

## SOLUTION 3

- a) i. The buyer will be deemed to have accepted the goods in any of the following circumstances:
- Where informs the seller expressly that he has accepted the goods;
  - Where he does an act inconsistent with the seller's ownership of the goods delivered to him.
  - Where he retains the goods for long time without informing the seller that they have been rejected.
- ii. The remedies available to the buyer depend on the duty breached by the seller and the circumstances of the breach. The buyer's remedies include the following:
- Rejection of the goods and repudiation of the contract: The buyer has a general right to reject the goods if the seller breaches any express or implied condition of the agreement.
  - The buyer can claim damages for non-delivery, delivery of defective goods, or failure of the seller to perform his other obligations as agreed.
  - The court may order the seller to deliver the goods if the buyer convinces the court that an award of damages will not be sufficient compensation. Specific performance may be decreed for the sale of rare subject matters, including works of art and antiquities.

# INSIGHT

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- Where property in the goods has passed to the buyer and the seller refuses to deliver them, he may be sued for the tort of detinue i.e. illegally detaining the buyer's property. If the seller denied the buyer's title, by reselling goods after transfer of property he could be sued for conversion.
  - The buyer can also sue for a refund of the price paid for non-delivery.
- b. The case in question relates to whether there has been a breach of the principle of *uberrimae fidei*, i.e. utmost good faith. The principle imposes a duty on an insured to disclose all the material facts relating to the subject matter of the insurance contract to the insurer. Failure to disclose a material fact constitutes a fraudulent misrepresentation which may be a ground for the termination of the contract and non-payment of claim by the insurer.

However, the Insurance Act 2003 stipulates and enjoins every insurance company to prepare its proposal form in such a manner that would draw from the insured facts which are considered material and any fact not specifically requested shall be deemed not material.

Therefore, the non-disclosure by Bassey of his earlier armed robbery conviction, having not been specifically requested by the insurer, should not be regarded as a material fact. Moreover, it has no relevance to the fire insurance policy taken out by Bassey.

## EXAMINER'S COMMENT

The question tests candidates' knowledge of (a) Acceptance of goods; (b) the buyer's remedies; (c) materiality of facts in insurance law. About 90% of the candidates attempted the question, and 60% of them scored pass marks. The rest did not understand the requirements of (a) (i) and (b)

## SOLUTION 4

- a. The following are different types of agents:
- i. General Agent: Who can do all things on behalf of the principal.
  - ii. Special Agent: Who can do only certain things for the principal.
  - iii. An Auctioneer's is a special agent employed to sell goods and properties publicly on behalf of others.
  - iv. A factor is a special agent in whose possession goods are entrusted with implied authority to sell them in his name.

# INSIGHT

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- v. A Broker.
  - vi. An Estate Agent.
  - vii. A Del credere Agent .
- b. Goods may be classified as follows:
- i. Existing Goods. These are goods which have been manufactured, grown or produced and are owned by the seller.
  - ii. Specific Goods: These are existing goods which have been identified and agreed upon at the time the contract was made.
  - iii. Future Goods: These are goods which are to be grown, manufactured, identified, agreed upon or acquired by the seller after the making of the contract.
  - iv. Ascertained Goods: These are goods which the buyer has known and has agreed to buy from the seller.
  - viii. Unascertained Goods: These are goods sold by description but not identified or agreed upon.
- c. The characteristics of Hire Purchase are:
- i. It is contract between owner of goods and the hirer.
  - ii. The relationship between the parties is that of bailor and bailee.
  - iii. The property does not pass when the agreement takes effect.
  - iv. The hirer is entitled to return the goods and terminate the contract.
  - v. The hirer enjoy the option of purchase if he so desire.
  - vi. Payment for the hired goods is installment.
- d. The employee's duties in a contract of employment include the following:
- i. Duty Care: There is an implied duty that every employee must take reasonable care to discharge his duties to the employee.
  - ii. Duty of Loyal Service: The employee must take all reasonable steps to advance his employer's business within the scope of his employment and not do anything that would injure his employer's interest.
  - iii. Duty to obey orders of the employer. An employee must carry out all reasonable and lawful orders of his employer.
  - iv. Duty to render personal service in accordance with the terms of the contract since he cannot delegate his duties to another person.

# INSIGHT

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## EXAMINER'S COMMENT

The question tests candidates' understanding of classification of agents and goods, the attributes of hire purchase; and the duties of an employee. 95% of the candidates attempted the question of which 80% scored pass marks. The remaining 20% did not show adequate understanding due to inadequate preparation.

## SOLUTION 5

- a. Any person seeking to be registered as an insurer shall satisfy national Insurance Commission as the following:
  - i. That the class or category of insurance business shall be conducted in accordance with sound insurance principles.
  - ii. That the applicant is dully established under the applicable laws and has the prescribed paid up share capital.
  - iii. That the required statutory deposit has been paid to the Central Bank of Nigeria.
  - iv. That the arrangement relating to reinsurance treaties in respect of the class or categories of insurance business to be transacted are adequate and valid.
  - v. That the proposal forms, terms and condition of policies are in order and acceptable.
  - vi. That the person does not have in its employment a person disqualified from being appointed as an insurer under S.15 of the Act.
  - vii. That the directors and shareholders are persons who have not been involved in or been found guilty of fraud.
  - viii. That the name of the applicant is not likely to be mistaken for the name of another insurer.
  - ix. That the applicant has paid the fees prescribed for registration.
  - x. That it is the interest of the public policy that the applicant be registered.
  - xi. That, where the class of insurance is other than life insurance business, the application is for the purposes of transacting not less than 3 classes of insurance business; and
  - xii. That the applicant has a satisfactory business plan and feasibility study of the insurance business to be transacted within the next succeeding 5 years from the date of the application.
  
- b. Subsection (3) of section 20 of the Labour Act defines redundancy as an involuntary and permanent loss of employment caused by an excess of manpower.



# INSIGHT

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- c. Section 20 subsection (1) of the Act provides that in the event of redundancy, the employer shall:
- i. Inform the trade union or workers' representative concerned of the reasons for and the extent of the anticipated redundancy.
  - ii. Apply the principle of "last in, first out".
  - iii. Use his best endeavors to negotiate redundancy payments with discharged workers who are not protected by regulations made under subsection (2) of this section; and
  - iv. May decide to pay other benefits to the affected workers on humanitarian ground.

## EXAMINER'S COMMENT

The question tests candidates' knowledge of the requirements for the registration of an insurance business; redundancy and the duties of an employer in redundancy. Less than 20% of the candidates attempted the question of which only 5% scored 40% of the marks. The major pitfall was candidates' inadequate preparation.

## SOLUTION 6

- a. Characteristics of Negotiable Instruments are as follows:
- i. Negotiable Instruments are transferable by endorsement or by delivery.
  - ii. The holder takes title free from any defences or objection.
  - iii. The transferee can sue on the instrument in his own name.
  - iv. Notice to the person liable in respect of the instruments is not required.
- b.
- i. A bill of exchange may be drawn on anybody while a cheque can only be drawn on a banker.
  - ii. A bill of exchange may be payable either at a fixed or determinable future or on demand but a cheque could only be paid on demand.
  - iii. The rules relating to acceptance are not applicable to a cheque, as cheques do not require acceptance.
  - iv. A cheque will become stale after six months while other bill of exchange must be presented within reasonable time.
  - v. Bankers are protected against forged or unauthorized endorsements provided they have paid the proceeds of cheque in good faith in the ordinary course of business and without negligence, whereas drawers of other bills are not so protected.

# INSIGHT

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- c. The exceptions to the principle of privity of contract are:
- i. Agency: A principal could be held liable for the act of his agent in a transaction with a third party.
  - ii. Trust: A beneficiary can enforce a trust even though the trustee and the donor are the legal parties to the trust.
  - iii. A plaintiff may sue on a covenant that runs with land though he was not a party to it originally.
  - iv. A third party may claim under third party insurance even though he did not pay the premium.
  - v. A subsequent agreement may modify an earlier one to confer benefits on third parties.

## EXAMINER'S COMMENT

The question tests candidates' understanding of:

- a. The characteristics of negotiable instruments;
  - b. the distinction between a bill of exchange and a cheque; and
  - c. The exceptions to the rule of privity of contract.
- About 65% of the candidates attempted the question of which 70% answered (a) and (b) correctly. 90% of the candidates did not understand the (c) part. They should study the latter area more.

# INSIGHT

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AT/142/PI.4

ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA  
ACCOUNTING TECHNICIANS SCHEME  
PART I EXAMINATIONS - SEPTEMBER 2014

COMMUNICATION SKILLS

Time Allowed: 3 hours

SECTION A: PART I

MULTIPLE-CHOICE QUESTION

(20 Marks)

ATTEMPT ALL QUESTIONS

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

1. What is the receptive skill in the written mode called?
  - A. Listening
  - B. Writing
  - C. Speaking
  - D. Reading
  - E. Aural
2. Which of the following is **NOT** a bad reading habit?
  - A. Poly syllabic fixation
  - B. Sub-vocalization
  - C. Regression
  - D. Critical thinking
  - E. Head movement
3. The process of determining the relationship between textual symbol and sound in reading is called
  - A. Reception
  - B. Evaluation
  - C. Perception
  - D. Application
  - E. Criticism

# INSIGHT

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4. Referential comprehension involves
  - A. Reading to help others
  - B. Reading to answer questions
  - C. Reading for surface interpretation
  - D. Reading to decipher meaning
  - E. Justification
  
5. SQ3R is a reading method. Which of the following represents this acronym?
  - A. Survey, Question, Read, Recall, Review
  - B. Survey, Question, Reason, Read, Repeat
  - C. Survey, Question, Rehearse, Reflect, Read
  - D. Survey, Question, Reference, Review, Recall
  - E. Survey, Question, Review, React, Recall
  
6. Which of the following is an obligatory part of a complete sentence?
  - A. Subject and object
  - B. Subject and complement
  - C. Subject and verb
  - D. Subject and adjective
  - E. Subject and preposition
  
7. "Bola is a beautiful girl" is an example of a
  - A. Simple sentence
  - B. Compound sentence
  - C. Complex sentence
  - D. Compound-complex sentence
  - E. Interrogative sentence
  
8. "He asked me what was my name" is an example of
  - A. Direct question
  - B. Tag question
  - C. Polar question
  - D. Indirect question
  - E. Rhetoric question

# INSIGHT

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9. "It was raining heavily the time I got home yesterday". The underlined phrase indicates
- A. Simple past tense
  - B. Past perfect tense
  - C. Past continuous tense
  - D. Present perfect continuous tense
  - E. Past perfect continuous tense
10. "When driving to Abuja, I had a call from my elder brother". What grammatical error is committed in this sentence?
- A. Faulty parallelism
  - B. Dangling modifier
  - C. Split infinitive
  - D. Misplaced adverb
  - E. Error of concord
11. The speaker must consider the following factors whenever a public speech is to be delivered **EXCEPT**
- A. Use of gestures
  - B. Audience's status
  - C. Facial expression
  - D. Audience's mood
  - E. Composure of the speaker
12. The following are factors to be considered in speech delivery **EXCEPT**
- A. Dominating the audience
  - B. Planning the speech
  - C. Effective introduction
  - D. Timing the speech
  - E. Speaking clearly and audibly
13. Which of the following is **NOT** a quality of a good public speech?
- A. Creating fears, anxieties and suspicions in the audience
  - B. Must have aims and objectives
  - C. Provoking necessary action(s)
  - D. Increasing knowledge and understanding
  - E. Encouraging interpersonal and cordial relationship

# INSIGHT

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14. Which of the following is **NOT** a basic guideline for ethics of speech making?
- A. Preempting the audience's reactions
  - B. Being well informed about the subjects
  - C. Using concrete evidence to support ideas
  - D. Employing good judgment and valid reasoning
  - E. Being honest in what is said
15. The following language and communication skills are required in a good speech delivery **EXCEPT**
- A. Listening
  - B. Speaking
  - C. Reading
  - D. Note-taking
  - E. Surveying
16. In speech making the term "spatial order" refers to
- A. Physical or geographical layout
  - B. The instruction given by the speaker
  - C. The visual aids used by the speaker
  - D. The communication gadgets
  - E. The applause given by the audience
17. When organizing a speech, the speaker should distinguish between the following **EXCEPT?**
- A. Main points
  - B. Minor points
  - C. General ideas
  - D. Specific ideas
  - E. Weak point
18. The following words are associated with speech making **EXCEPT**
- A. Eye contact
  - B. Stage fright
  - C. Audience analysis
  - D. Delivery
  - E. Recommendation(s)

# INSIGHT

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19. When making a speech, a good speaker may do the following, **EXCEPT**?
- A. State his purpose and main points
  - B. Get the attention of the audience
  - C. Use some humour
  - D. Use examples
  - E. Scold the audience
20. Which of the following is **NOT** a way of delivering a speech?
- A. Writing the speech on the chalkboard
  - B. Speaking impromptu
  - C. Speaking from manuscript
  - D. Speaking from memory
  - E. Speaking extemporaneously

**SECTION A: PART II**

**SHORT-ANSWER QUESTIONS**

**(20 Marks)**

**ATTEMPT ALL QUESTIONS**

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

1. Whereas a speaker may be aware of his mistakes, he is usually unaware of his .....
2. Stress, in the underlined word in the sentence: "He is a convict", is on the .....syllable.
3. In "YES - NO" questions ..... intonation pattern is used.
4. A phrase containing two words that seem to be opposite of each other is known as.....
5. "His father passed away two years ago". The figure of speech involved in this sentence is called .....
6. Anything that distracts the listener from receiving a message properly is termed .....
7. Thoughts and desires that are transmitted to another person, through the production of sound waves is known as .....
8. Effective speaking must have.....power.

# INSIGHT

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9. To obtain immediate feedback from a message transmitted to another person..... communication is adopted
10. An interpersonal form of communication that involves two or more people is known as .....
11. The introduction of an essay is intended to arouse the ..... of the reader.
12. Each paragraph of an essay deals with ..... in several sentences.
13. The closing paragraph of an essay is a ..... of the essay.
14. Editing of the essay helps to make it .....
15. Narrative essay tells .....
16. An expository essay explains a .....
17. An argumentative essay seeks to ..... its reader.
18. The gist of an essay is best derived from its.....
19. The three basic components of an essay are the introduction, the body and the .....
20. Argumentative essays make use of .....and.....reasoning.

## SECTION B:

### QUESTION 1

#### COMPULSORY

#### COMPREHENSION

(30 Marks)

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

Whenever you conduct an interview, the most important thing you can do is to know what you are talking about. Most people will be pleased if you let them know you have been researching the topic of the interview and have taken the time to find out something about it.



# INSIGHT

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People who are not accustomed to being interviewed might feel nervous, so it is important to help them feel at ease. You can best do this by thanking them for agreeing to the interview and expressing your interest in the topic you will be talking about. If you are taping the interview, try to put the recorder in an unobtrusive place so it will not make the interviewee feel self-conscious.

Once you begin asking questions and listening to answers, don't be afraid to ask for clarification. Sometimes interviewers do not do this because they are afraid of appearing ignorant. If the person you are interviewing, for example, mentions Supreme Court case you have never heard of, you should immediately ask for background information on the case.

It is important that you, as interviewer, keep control of the situation. As you ask your questions, you should set the tone for the interview and establish your authority, the course the interview will take, and your relationship to the interviewee. When you are talking to people in their own area of expertise, quite often they will digress or tell you more than you want to know. If you have scheduled a half-hour interview and after the first ten minutes you are still on your first question, you are losing control of the interview and won't have time to pose all the questions you want to ask. If this happens, the only thing you can do is interrupt. This can be done with such statements as "This is really very interesting and I would like to talk more about it, but I want to ask you a few more questions".

Although we have stressed the importance of preparing interview questions in advance, an interview will occasionally take a completely different and more interesting direction. Let's say that you are interviewing the director of campus security about the use of alcohol on campus. During the course of the interview, she reveals that two fraternities are on probation for alcohol abuse. You should immediately follow up on this information: "what are the violations?" What is meant by 'probation'?" "who makes the decision to put them on probation?" "How long does probation last?" One of the advantages of getting information by interview is that the discussion can always take a more interesting and provocative direction. If you stick rigidly to your prepared questions, you can miss some good opportunities.

When you are interviewing, watch for nonverbal cues. If the issue is sensitive, is the interviewee giving you cues that he or she is dodging the questions? Is he or she avoiding eye contact? Tapping a pen nervously on the desk? Nonverbal cues can often tell you whether to follow up on a point or to steer away from it.

If you are interviewing someone who is on a tight schedule, don't run beyond the time you have scheduled. If you need more time, ask for it at the interviewee's convenience or call back to tie up the loose ends over the telephone. Occasionally, when you listen to your tape or read your notes, you will discover something you missed or something that needs clarifying. The telephone is a good way to get this information after the interview is over.

# INSIGHT

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Once the interview is completed, thank the interviewee. If it was a good interview, don't be afraid to say so. Even people who are interviewed frequently are pleased to hear they have been helpful. Also, let the person know how you plan to use the interview.

- a. Give a suitable title for this passage (2 Marks)
- b. What does the writer consider the most important thing the interviewer must do before the interview? (2 Marks)
- c. What are the **THREE** tasks the interviewer must perform as the interview begins? (3 Marks)
- d. Enumerate the **THREE** non-verbal cues the writer advises the interviewer to watch out for during an interview. (3 Marks)
- e. What are **TWO** suggestions given to the interviewer by the writer in order not to run out of time? (4 Marks)
- f. State any **TWO** things an interviewer should do at the end of the interview. (4 Marks)
- g. What is the grammatical function of each of the following clauses as used in the passage?
  - i. ...."who is on a tight schedule"
  - ii. "when you are interviewing ....." (4 Marks)
- h. "..... to tie the loose ends". What figure of speech is implied here? (2 Marks)
- i. Give one word that could replace each of these words as used in the passage:
  - i. tone
  - ii. digress
  - iii. probation
  - iv. rigidity
  - v. provocative
  - vi. cues (6 Marks)

(Total 30 Marks)



# INSIGHT

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## SUGGESTED SOLUTIONS

### SECTION A

#### PART I      MULTIPLE-CHOICE QUESTIONS

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

#### EXAMINER'S COMMENT

The questions cover all the areas of the syllabus. All candidates attempted this section. The performance was good as about 70% of them scored 50% and above of the allocated marks.

# INSIGHT

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## **PART II SHORT-ANSWER QUESTIONS**

1. errors/flaws
2. First
3. Rising
4. Oxymoron
5. Euphemism
6. barrier/noise
7. Speech
8. Persuasive
9. oral/verbal
10. group communication
11. Interest
12. Single idea/single point
13. Summary
14. error-free/minimises errors/better
15. Stories/a story/story
16. Idea/ concept/ process
17. Persuade/convince
18. Title
19. Conclusion
20. Inductive, deductive

## **EXAMINER'S COMMENT**

The questions cover all the areas of the syllabus. This section was attempted by all candidates. The performance was very poor as about 20% of the candidates scored 50% and above of allocated marks

# INSIGHT

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## SOLUTION 1

- a. Conducting an interview  
OR  
How to conduct an interview  
OR  
Conducting interviews
- b. The interviewer must have a good knowledge of the subject matter
- c. i. The interviewer must ensure the interviewee is comfortable  
ii. He should conceal the tape recorder  
iii. He should show interest in the topic  
iv. He should ask for clarification, if need be  
**(Accept any three)**
- e. i. He must keep within the time schedule  
ii. He may ask for more time from the interviewee  
iii. He may seek further clarification on phone late  
**(Accept any two)**
- f. i. He should thank the interviewee  
ii. He should let the interviewee know use of the information gathered  
iii. He should let the interviewee know whether one interviewee has done well or not  
**(Accept any two)**
- g. i. It qualifies the pronoun 'someone'  
ii. It modifies the verb 'watch'
- h. Idiom
- i. i. tone – mood, spirit, disposition, style  
ii. disgress – deviate, wander, derail  
iii. probation – trial, apprenticeship, novitiate  
iv. rigidly – firmly, fixedly, strictly, unflinchingly, stiffly, unyieldingly, unshakeably, inflexibly,  
v. provocative – inciting, stimulating, vexing  
vi. cues – clues, hints, signals, prompts, indications

# INSIGHT

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## EXAMINER'S COMMENT

The question tests candidates' ability to read for understanding. 99.99% of the candidates attempted it. Their performance was below average as about 30% of them scored 50% and above of the marks allocated. The commonest shortcomings were:

- i. lack of understanding of the content of the passage,
- ii. low level of vocabulary and grammar.

The candidates should learn reading skills for better performance in future examinations.

## SOLUTION 2

- a. Conflict can be defined as the occurrence of disharmony or a clash of ideas and interests between parties, individuals, organisations and groups.

- b. **METHODS OF CONFLICT RESOLUTION**

- i. **Competition**

This is the competitive mind-set for conflict resolution. It is a win-lose approach in which parties seek maximum benefit and one party ends up as the winner and the other the loser. The loser, gives in, accepting the loss and getting no benefits. This mode of conflict resolution breeds future conflicts because the loser simply awaits the next opportunity to resume hostilities. This method is used whenever we have voting, judicial adjudication, war, contest and other win-lose methods of conflict resolution.

- ii. **Collaboration**

This is an approach to problem solving that seeks the benefit of both parties. Both parties are open and forth coming with information. The parties seek to preserve a good inter-personal relationship but to resolve the conflict between them. They see that it is in their interest to resolve the conflict and are open to a mutually agreed and beneficial outcome. This outcome may affect both parties negatively or positively. They are ready to and actually they work together to resolve the conflict. Trust, mutual-dependence, patience are attributes that are needed for this conflict resolution method to work. The method is usually described as a win-win situation.

- iii. **Compromising**

This method of conflict resolution is a lose-lose style of conflict resolution. Both parties are required to give up some interests, goals and outcomes. Both parties also get some of what they want.

# INSIGHT

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In this way, the pain of loss is ameliorated because each party gets something, though not the maximum.

iv. **Accommodation**

Accommodation as a conflict resolution strategy is usually adopted by one party. The party gives up his or her benefits to the other party, thereby losing by conceding. This leads to a quiet non-obstructive, non-offensive resolution of conflict. However, this method may breed unexpected, serious future conflicts if this pattern is not reciprocated and only one party keeps conceding to the other over time.

v. **Avoidance**

Another method of conflict resolution is a situation in which the issue is evaded and is not resolved. The conflict or grounds of conflict may be covered-up, they may be ignored, trivialized or interpreted in a way that does not lead to real definition of the issues towards meaningful resolution. Also, one or both parties may abscond and abandon the conflict resolution process. Avoidance evades confrontation, and sometimes postpones resolution.

## EXAMINER'S COMMENT

The question tests candidates' knowledge of conflict resolution. About 20% of the candidates attempted it. The performance was very poor as about 10% of those who answered the question scored 50% and above of the allocated marks. The commonest pitfall was the candidates' misinterpretation of 2 (a). They gave processes of steps in conflict resolution instead of methods.

Candidates should familiarise themselves with this section of the syllabus for improved performance in future examinations

## SOLUTION 3

(a) Problems faced by readers include:

i. **Poorly published materials:**

Readers usually have problems with works that are poorly published. Such works would have content deficiencies and technical deficiencies. Such works would not have the quality of a standard text in the field in which it is written. The production quality of such works is also usually low. This could affect the enthusiasm of readers.



# INSIGHT

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Good print and paper quality, spacing, legibility of print and such features have a way of spurring readers to read low quality works. On the other hand, when such features are poor, they put readers off.

ii. **Lack of Access to reading materials:**

Readers seeking particular information may lack access to reading materials. Particular books, articles and essays may not be available to the reader. In this way, the reader is put at significant disadvantage. The reader may even know which books he needs for a particular purpose but may not get those books to read. Also, in this electronic age, significant numbers of reading materials are made available on the internet. However, internet connectivity is neither universal nor perfect even when the reader can afford the price of internet subscription.

iii. **Unconducive Environment:**

Many times, readers face the challenge of unconducive reading environment. Noise is a major problem to readers in many environments. Poor lighting is also a problem because a reader may need to read in places not specifically designed for the purpose.

Also, furniture and other infrastructure in an environment may make it unconducive to reading even when the environment hosts reading activities.

iv. **Bad reading habits:**

Many readers display and are hindered by bad reading habits. Regression, moving the head, tracing the line of print, vocalisation are some of these bad habits. These habits make readers inefficient, tire out readers and impede comprehension and assimilation.

v. **Poor Reading Skills:**

Many readers also do not develop their reading skills. They end up employing poor and inadequate reading skills. Except for early education efforts, readers fail to continuously develop their skills. Also, in many societies and educational systems, recognition of signs and low-level competence is considered adequate. This way the individual is not properly skipped for the kind of reading needed to cope with modern life and a number of professions.

# INSIGHT

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- vi. **Low Vocabulary:**  
Many readers also have the problem of low vocabulary. Even for those who reach the tertiary level of education, they fail to develop and build their vocabulary as they go along. Low vocabulary makes a reader unable to understand or properly decode a text.
  
  - vii. **Inappropriate reading materials:**  
Readers may be confronted with the problem of inappropriate reading materials. The material a reader gets to read may not be appropriate for the test or challenge he is facing. The material may be sub-standard, too complex and for above what the reader needs and it may be irrelevant to the needs of the reader.
- b.
- i. **Scanning:** This type of reading is also referred to as rapid survey. It is mainly concerned with speed. It is done to search for specific information.
  
  - ii. **Skimming:** It is the act of reading quickly in order to get the main ideas in a given text rather than details. This is also speed conditioned.
  
  - iii. **Study Reading:** This type of reading has to do with reading for examinations or when one is preparing for tests. The aim of study reading is to assimilate the text with a view to recalling the knowledge when required.
  
  - iv. **Light Reading:** This type of reading is done for pleasure. This is done when novels or fictional works are being read for the fun of it. The context may be forgotten as time goes on.
  
  - v. **Reading Aloud:** The vocal organs are employed in this type of reading. It is mostly used to train fluency in readers.

## EXAMINER'S COMMENT

This question tests candidates' knowledge of one of the language skills – reading. About 90% of the candidates attempted it. The performance was very poor. Only about 10% of them scored 50% and above of the allocated marks. The commonest pitfall was candidates' misinterpretation of 3(a). They were explaining bad reading habits which is only one of the problems they were asked to explain.

# INSIGHT

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## SOLUTION 4

### A DESCRIPTION OF MY TOWN

Okoja is the name of my town. It is a beautiful town situated on a plateau overlooking a river confluence not too far away from it. It is the capital of Wara State of Navaland. It is accessible from any part of Navaland by air, land and waterway. All the roads leading to the town are well-paved. The confluence which it overlooks is an inland part which ships navigate from the coastal town of Hakut where the river empties itself into the sea.

This waterway encouraged European traders to travel to Okoja in the 18th century. The cool weather of the town further encouraged some of them to settle in the town. The town benefited immensely from this early contact with European civilization, as evidenced in the unique layout of the streets, which does not allow for heavy traffic jam. Christian missionary presence is also significant in the town.

As earlier said, the layout of Okoja is unique. It has about seven markets located at strategic points in the town. One of the markets is specifically designed for dealers in cattle, sheep, goats and poultry. The people call it low market. The other markets offer for sale anything under the sun at ridiculously low prices.

Apart from commercial activities for which the town is well-known, Wara State Government has just established a top –class University. Construction work is on-going at a giddy speed. The University is situated on five thousand square hectares of land.

Historical and cultural centres, like the Museum which tells the story of Okoja, abound. Geographical features like the river confluence, a warm spring, fishing activities on the rivers and the year round cool weather of Okoja constitute tourist attractions for the adventurous.

### EXAMINER'S COMMENT

This question tests candidates' knowledge of descriptive essay. About 65% of them attempted it. The performance was poor. About 25% of those who answered the question scored 50% and above of the marks allocated. The commonest shortcomings were:

- i. writing the essay in form of a personal letter;
- ii. poor expression;
- iii. misinterpretation of the demand of the question.

Candidates should read ICAN Study Pack and make use of ICAN past question papers as well as good books on essentials of English Language.

# INSIGHT

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## SOLUTION 5

New Horizon Accounting Firm Ltd.  
20, Kumasi Road  
Takoradi

March 10, 2014

Our Ref: NHAF/CL/14

The Chief Executive Officer  
Agro-Allied Foods Ltd.  
40, Apero Avenue  
Fadama

Dear Sir,

### LETTER OF INTRODUCTION

I write on behalf of the Management of New Horizon Accounting Firm Limited, an affiliate of the popular Rockinson Global Accountants Limited, Abuja, to inform you about the commencement of operation and intimate you with what we have to offer. We are experts in various aspects of accounting procedures as we are noted for offering prompt attention to any given accounting jobs.

Our services include Auditing, Preparation of Financial Accounts, Reconciliation, Financial Reports, Budget Preparation among others. Our firm is blessed with a group of Institute of Chartered Accountants of Nigeria (ICAN) trained and certified Chartered Accountants who are professionally sound in various areas of accounting procedures with many years of accounting practice to their credit.

If I may add, many of our accountants have worked both in private and government establishments and their various testimonials reveal their competence and thoroughness on the job.

We shall be delighted to do business with your organisation by handling all your financial and accounting jobs, and we promise prompt and efficient professional delivery at all times.

Please do not hesitate to contact us for further details on any of our services and we promise you will not regret doing so.

Yours faithfully

(Signature)

James Archibong  
Clients Relations Manager

# INSIGHT

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Content: 10

Style: 5

## CONTENT

Proper introduction of the firm, detailing what your firm has to offer, request for business relationship between the two organisations.

## STYLE

Grammar, concord, punctuation, syntax, vocabulary, proper utilisation of parts of a letter: addresses, date, salutation, complimentary close, name and position.

## EXAMINER'S COMMENT

The question tests candidates' knowledge of formal letter writing. About 30% of the candidates attempted it. The performance was below average. About 40% of those who attempted the question scored 50% and above of the marks allocated. The commonest shortcomings were:

- i. Poor use of language
- ii. Regarding the demand of the question as open business rather than dwelling on accounting products they have to offer;
- iii. The content of the letter written was not comprehensive.

Candidates should read and interpretative question properly before answering it. They should also make use of ICAN Study Pack and past question papers.