

EXAMINERS GENERAL COMMENTS

BREACH OF EXAMINATION INSTRUCTIONS

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

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

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

INADEQUATE COVERAGE OF THE SYLLABUS

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

INSIGHT

FOREWORD

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

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

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

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

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NOTE

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

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AT/181/PI.1 ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
PART I EXAMINATIONS – MARCH 2018

BASIC ACCOUNTING PROCESSES & SYSTEMS

Time Allowed: 3 hours

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

ATTEMPT ALL QUESTIONS IN THIS SECTION

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

1. Gross salary of an employee consists of the following **EXCEPT**
 - A. Basic salary
 - B. Leave allowance
 - C. Risk allowance
 - D. Tax allowance
 - E. Responsibility allowance

2. Hasley Premium Plan formula for bonus calculation is
 - A. Bonus = 50% of (Time saved x Time rate)
 - B. Bonus = $\frac{\text{Time saved}}{\text{Time allowed}} \times (\text{Time taken} \times \text{Time rate})$
 - C. Bonus = 35% x (Time saved x Time rate)
 - D. Bonus = $\frac{\text{Time allowed}}{\text{Time saved}} \times \text{Time Taken} \times \text{Time rate}$
 - E. Bonus = Time saved x Time rate x 25%

3. A good internal control over cash will help management to achieve the following objectives **EXCEPT**
 - A. Accurate accounting for cash transactions will be achieved
 - B. It will prevent loss of cash due to fraud or theft
 - C. Temptation to embezzle idle cash by staff is avoided

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- D. Management will maintain adequate amount of cash at all times
- E. It will enable the cashier to hold large sums of cash at any particular time
4. Which of the following is **NOT** an advantage of the cash imprest system?
- A. It makes expense analysis and monitoring easy
- B. It trains young staff (petty cashier) to be responsible for the cash he or she is holding
- C. It reduces the number of accounts to be opened
- D. It makes preparation of Trial Balance to be easy
- E. It saves the time of the main cashier and reduces work load
5. Which of the following will be shown on the credit side of the statement of profit or loss?
- A. Carriage inward
- B. Carriage outward
- C. Discount received
- D. Salaries and wages
- E. Depreciation
6. Fixed asset is now known as
- A. Current asset
- B. Non-current asset
- C. Circulating asset
- D. Long term asset
- E. Short term asset
7. When opening inventory of raw materials is added to purchases and closing inventory is deducted, the result is
- A. Cost of goods consumed

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- B. Cost of production
 - C. Prime cost
 - D. Operating cost
 - E. Current cost
8. A statement that shows the net worth of an entity is called
- A. Statement of profit or loss
 - B. Statement of financial position
 - C. Statement of cash flow
 - D. Statement of production cost
 - E. Statement of movement in equity
9. Which of the following represents the capital in accounting for not-for-profit entities?
- A. Membership subscription
 - B. Accumulated fund
 - C. Members donation
 - D. Income and expenditure
 - E. Government grants
10. A statement of cash actually received and paid during a given period by not-for-profit entities is known as
- A. Income and expenditure
 - B. Statement of Financial position
 - C. Receipts and payments account
 - D. Capital account
 - E. Statement of cash flow
11. Application software used in recording and processing accounting transactions within functional modules is called
- A. Functional package
 - B. Statistical package

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- C. Computer assisted design
 - D. Accounting package
 - E. Visual basic package
12. Individual account in the Purchase Day Book are posted to
- A. Credit of suppliers' account
 - B. Credit of customers' account
 - C. Debit of Customers' account
 - D. Debit of Supplier's account
 - E. Debit of Inventory account
13. Which of the following services are **NOT** provided by the Automated -Teller Machines (ATM)?
- A. Printing of statements
 - B. Stopping fraudulent activities
 - C. Payment of bills
 - D. Transfer of funds
 - E. Provision of account balances
14. A cheque which is only payable to the person named on the cheque and **NOT** negotiable is called
- A. Order cheque
 - B. Bearer cheque
 - C. Crossed cheque
 - D. Stale cheque
 - E. Counter cheque
15. Which of the following **CANNOT** lead to disagreement between cash book balance and bank statement balance?
- A. Unpresented cheques

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- B. Uncredited cheques
 - C. Standing order
 - D. Direct debits
 - E. Contra entry
16. How do you effect the accounting entry for bank charges in cash book adjustment?
- A. Credit adjusted cash book
 - B. Debit adjusted cash book
 - C. Credit bank statement
 - D. Debit bank statement
 - E. Credit profit or loss account
17. Which of the following services are **NOT** provided by Accountants of a company?
- A. Accounting services
 - B. Tax planning
 - C. External auditing
 - D. Internal control
 - E. Book keeping
18. Which of the following is **NOT** an advantage of a sole proprietorship?
- A. The individual provides the capital and employment
 - B. He takes decisions quickly without consulting anybody
 - C. It is easy to get loans from the bank without collateral security
 - D. There is privacy
 - E. It is not regulated by special rules of law
19. In the absence of a partnership agreement, which of the following statement is applicable regarding partners' remuneration?
- A. No remuneration will be paid to partners

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- B. Partner's remuneration shall be 5% of profit
 - C. Remuneration will be paid equally to partners
 - D. Remuneration will be paid based on capital contributed
 - E. Partner's remuneration shall be 10% of profit
20. An accounting concept which separates the income and costs of the business from the proprietor's income and costs is known as
- A. Entity concept
 - B. Prudence concept
 - C. Money measurement concept
 - D. Periodicity concept
 - E. Going concern concept
21. Which of the following is a condition to be met before revenue can be recognised?
- A. The revenue should be capable of being measured objectively
 - B. The revenue would lead to higher income
 - C. The value of the asset should be reduced
 - D. The revenue would lead to lower income
 - E. The value of the asset should be increased
22. Which of the following is a source document for recording in the Returns Inward Journal?
- A. Bin cards
 - B. Purchase orders
 - C. Credit note
 - D. Debit note
 - E. Bank pay-in-slip
23. A source document issued by an employer to the employees showing details of gross emoluments and deductions is called
- A. Pay-in-slip
 - B. Payroll

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- C. Pay slip
- D. Debit slip
- E. Credit slip

24. Which of the following is **NOT** a classification of the ledger?
- A. Sales/receivable ledger
 - B. Purchases/payable ledger
 - C. Cash book
 - D. General ledger
 - E. Return inward ledger

Use the following information to answer questions 25 and 26

Kata ventures purchased goods amounting to ₦500,000 on credit from Tukaw Enterprises. However, N100,000 worth of these goods were defective and so Kata Ventures returned the defective ones to Tukaw Enterprises.

25. The correct ledger posting for the ₦500,000 in the book of Kata Ventures is
- A. Dr. Purchases Account
Cr. Tukaw Enterprises
 - B. Dr. Tukaw Enterprises
Cr. Purchases Account
 - C. Dr. Purchases
Cr. Kata Ventures
 - D. Dr. Kata Ventures
Cr. Purchases
 - E. Dr. Sales
Cr. Tukaw Enterprises

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26. Which of the following is the correct posting for ₦100,000 worth of goods returned?
- A. Dr. Returns Inward Account
Cr. Tukaw Enterprises
 - B. Dr. Tukaw Enterprises
Cr. Returns Outward Account
 - C. Dr. Tukaw Enterprises
Cr. Returns Inward Account
 - D. Dr. Returns Outward Account
Cr. Tukaw Enterprises
 - E. Dr. Tukaw Enterprise
Cr. Purchases Account
27. The main purpose of extracting a Trial Balance is to
- A. Check profit generated
 - B. Authenticate the cost of assets
 - C. Check arithmetical accuracy of and postings in the ledgers
 - D. Create a suspense account
 - E. Check procedural steps involved in the preparation of financial statements
28. Which of the following is **NOT** an element of financial statements in accordance with the IASB's conceptual framework?
- A. Owner's equity
 - B. Assets
 - C. Revenue Reserve
 - D. Liabilities
 - E. Expenses
29. Which of the following is **NOT** a duty of IFRS interpretation committee?
- A. Interpreting the application of IFRS.
 - B. Bringing about convergence of National Accounting Standards and IFRS
 - C. Publishing the interpretations draft after clearance by the IASB
 - D. Approving publications of IFRS

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E. Reporting to the IASB and obtaining approval for final interpretation

30. The following are the importance of the payroll system **EXCEPT**
- A. It usually constitutes the most significant basis in salary administration
 - B. It is used for control purpose
 - C. It can be used to finance the purchase of asset
 - D. It is the basis of pay-as-you-earn (PAYE) tax computation with the tax authority
 - E. It is important in fixing the annual increment for employees

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

ATTEMPT ALL QUESTIONS IN THIS SECTION

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

1. Two main fundamental qualitative characteristics of useful financial information are and.....
2. What is the name of the body responsible for interpreting the application of IFRS?
3. Which Government Agency is responsible for the registration of business entities in your country?
4. Not-for -profit entities are subdivided into two main groups and

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5. The accounting concept that assumes that the life span of a business is usually subdivided into smaller periods of twelve months (one year) is known as
6. State the accounting equation relevant to the statement of profit or loss of an entity.
7. What are the books in which transactions are first recorded before being posted to the ledger called
8. Ledgers are classified into how many main groups?
9. An account in which the net difference in Trial Balance totals is recorded pending the location and correction of the errors causing the difference is called
10. Products that have not been completed at the date of the statement of financial position is known as
11. Which account acts as a check on the entries in the various subsidiary ledgers using aggregate balances of the subsidiary ledgers?
12. What is the established system of settling payments among banks called?
13. Which type of account is kept with the bank in the form of investment for a specific period of time with specific rate of interest?

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14. A statement which is used to detect and rectify the differences that exists between the cash book balance and bank statement balance is called
15. Two main remuneration methods often used to determine gross earnings are and
16. Two payroll deductions that are influenced by statutory legislation are and
17. Two major methods of calculating bonus schemes are and
18. Accounting process that investigate and probe fraud, deliberate mis-representations or embezzlement of an entity's resources with a view to recovering such funds usually through legal proceedings is called
19. Capital and finance for public sector entities are provided by
20. Property, Plant and Equipment (PPE) are classified as in the statement of financial position in accordance with the International Financial Reporting Standards (IFRS).

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

QUESTION 1

Kumasi Ventures, manufacturers of children toys extracted the following information from the company's financial statements for the year ended 31 December 2016:

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	Le'000
Purchases of raw materials	65,300
Carriage of raw materials	1,605
Direct labour	65,810
Inventory at 1/1/2016:	
- Raw materials	18,450
- Work-in-progress	23,600
- Finished goods	17,470
Office salaries	16,920
Office electricity	5,760
Rent	2,700
Depreciation:	
- Production machinery	8,300
- Office equipment	1,950
Factory fuel and electricity	5,920
Revenue (Sales)	200,600

The following additional information are also relevant:

- i. Rent is shared as follows:
 - Factory $\frac{2}{3}$
 - Office $\frac{1}{3}$
- ii. Inventory at 31 December 2016 were:

	Le'000
Raw materials	20,210
Work-in-progress	17,390
Finished goods	21,485

You are required to:

Prepare a Statement of manufacturing and profit or loss for the year ended 31 December 2016.

(12½ Marks)

QUESTION 2

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- a. Briefly explain the meaning and purpose of Accounting and Book Keeping. (3 Marks)
- b. Boakai, a sole proprietor presented the following information for the month ending 31 May 2017:

	L\$
Motor vehicle repair	60,000
Electricity bill	40,000
Factory extension	800,000
Land purchased	450,000
Staff salaries	150,000
Rent payable	48,000
Plant & Machinery purchased	400,000
Insurance premium	50,000
Fuelling of motor vehicle	100,000
Office equipment	120,000
Depreciation	40,000

You are required to:

- i. Classify the expenses under capital expenditure and revenue expenditure. (5½ Marks)
- ii. Briefly explain **TWO** important distinctions between capital expenditure and revenue expenditure. (4 Marks)

(Total 12½ Marks)

QUESTION 3

- a. State **FIVE** characteristics of a Business (2½ Marks)
- b. State **FIVE** provisions that should necessarily be included in a Partnership agreement. (5 Marks)

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- c. Kilimanjaro Limited purchased one plant and machinery on 1 January 2014 for GH¢200,000,000. It has an estimated useful life of five years with a salvage value of GH¢40,000,000.

You are required to:

Calculate the depreciation charge and accumulated depreciation for each year from

1 January 2014 to 31 December 2016 using the straight line method.

(5

Marks)

(Total 12½

Marks)

QUESTION 4

- a. Explain briefly the need for the reconciliation of receivables control account

with the receivables ledger.

(2

Marks)

- b. Mensa Enterprises is having problems with the balances in its suppliers

ledgers.

You have been provided with the following information:

- i. The balance in the payables control account was ₦1,943,720 as at 31 December, 2016. Balances extracted from payables ledger on the same date totalled ₦1,924,760. In checking the records, the following errors were discovered:
- ii. A credit balance of ₦27,720 on the supplier's ledger had been set off.
- iii. A credit balance of ₦75,240 had been omitted from the list of balances.
- iv. The purchases day book was undercast by ₦120,000.

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- v. A cash account total of ₦217,160 was posted to the control account as ₦181,160.

You are required to:

Carry out a reconciliation of the payables control account and the payables ledger. (10½ Marks)

(Total 12½ Marks)

QUESTION 5

- a. Accounting Concepts and Conventions, also known as Generally Accepted Accounting Principles (GAAP) are described in the Conceptual Framework. In this regard, briefly explain the following:

i. Going Concern Concept (2½ Marks)

ii. Consistency Concept (2½ Marks)

iii. Prudence Concept (2½ Marks)

- b. Mr. Kofi is an employee of Kuta Limited. He is on a Basic salary of GH₵ 40,000,000 per annum and enjoying the following allowances:

	GH₵
Housing allowance	2,000,000
Leave allowance	1,000,000
Transport allowance (5% of basic salary)	
Risk allowance (3% of basic salary)	
Medical allowance	1,000,000
The following are his deductions:	
Income Tax (PAYE)	500,000

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Worker's Union Due (1% of basic salary)	
Cooperative Deductions	1,000,000
Pension fund (5% of basic allowance)	

You are required to:

Calculate the total Net pay of Mr. Kofi for the year 2017. (5 Marks)

(Total 12½ Marks)

QUESTION 6

- a. List **FOUR** users of accounting information and explain their information needs.
(4 Marks)
- b. Cash is susceptible to fraud and misappropriation. You are required to explain **FOUR** ways to effectively handle cash to reduce the incidence of cash theft in your organization.
(4 Marks)
- c. Various types of accounting records similar to the old manual system of accounting are used in computerized accounting systems.

You are required to:

State **TWO** features each of the following accounting records in a computerised system.

- i. Sales and receivable ledger.
- ii. Purchases and payable ledger (4½ Marks)

Marks)

(Total 12½

SOLUTION

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

Examiner's Report

All the thirty (30) questions are of a professional standard, straightforward and devoid of ambiguities. All the candidates attempted the questions and more than 60% of them scored above the average mark allotted to the section.

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SOLUTION TO SHORT ANSWERS QUESTIONS

1. (i) Relevance
(ii) Faithful representation
2. IFRS Interpretations Committee (IFRIC)
3. Corporate Affairs Commission (CAC)
4. (i) Governmental or Public Sector Entities
(ii) Non-Governmental Entities
5. Periodicity Concept / Time Interval Concept
6. $\text{Income/Revenue} - \text{Expenses} = \text{Profit or loss (R - E = P or L)}$
7. Day Books or Books of Original Entry or Books of Prime Entry or Subsidiary Books or Journals
8. Four (4) groups (Sales Ledger, Purchases Ledger, Cash Book and General Ledger)
9. Suspense Account
10. Work - In-Progress or Work-In-Process (WIP)
11. Control Accounts
12. Banks Clearing System / Nigeria Interbanks settlement System (NIBSS)
13. Fixed Deposit Account
14. Bank reconciliation statement
15. (i) Time based (Day Rate) system
(ii) Piecework system / Performance related system
16. (i) PAYE (ii) Pension Contribution (iii) National Health Insurance Scheme(NHIS)
(any two)
17. (i) Halsey Premium Plan (ii) Rowan Plan (iii) Halsey Weir Plan
(Any two)
18. Forensic Accounting

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- 19. Government
- 20. Non-current Assets

Examiner's Report

All the twenty (20) Short Answer Questions are simple and straightforward. More than half of the candidates scored 10 marks and above in this section.

On the whole, the questions are well spread and adequately covered the syllabus.

SOLUTION TO QUESTION 1

Kumasi Ventures

Statement of Manufacturing and Profit or Loss for the year ended December 31, 2016

	Le'000	Le'000	Le'000
Opening Inventory of Raw Material		18,450	
Purchases of raw materials	65,300		
Carriage of raw materials	<u>1,605</u>		
Net Raw Material Purchased		<u>66,905</u>	
Cost of raw materials available for production		85,355	
Closing Inventory of raw materials		<u>(20,210)</u>	
Cost of raw materials consumed		65,145	
Direct labour		<u>65,810</u>	
Prime Cost		130,955	
<u>Factory Overheads:</u>			
Depreciation of machinery	8,300		
Factory fuel and electricity	5,920		
Factory Rent (2/3 x 2,700)	<u>1,800</u>		
		<u>16,020</u>	
		146,975	
Adjustment for WIP:			
Opening WIP	23,600		
Closing WIP	<u>(17,390)</u>		
		<u>6,210</u>	
Cost of goods produced		<u>153,185</u>	
Revenue (Sales)			200,600
Cost of Sales:			

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Opening Inventory of Finished Good	17,470	
Cost of goods produced	<u>153,185</u>	
Cost of goods available for sales	170,655	
Closing Inventory of Finished Good	<u>(21,485)</u>	
Cost of goods sold		<u>(149,170)</u>
Gross profit		51,430
Less operating expenses:		
Office Salaries	16,920	
Office Electricity	5,760	
Rent (1/3 x 2,700)	900	
Depreciation - Office equipment	<u>1,950</u>	
Total Operating Expenses		<u>(25,530)</u>
Net profit for the year		<u>25,900</u>

Examiner's Report

This question tested candidates' knowledge of basic principles of preparation of a manufacturing account and determination of the profit or loss of the business from the accompanying statement of profit or loss. Not less than 80 percent of the candidates attempted the question.

More than 60 percent of the candidates who attempted the question scored above the average marks allotted. About one candidate in every twenty failed to recognise that the figures were denominated in thousands ('000s). 20 percent of the candidates either omitted the currency sign or used wrong currency sign. The marks allocated are adequate for the efforts expended in solving this question.

SOLUTION TO QUESTION 2

(a) Meaning and purpose of Accounting and Book Keeping

Accounting is the art of recording, classifying, summarizing and analyzing financial transactions of a business. It follows, therefore, that accounting is a process, the product of which is the provision of financial information that is useful to a wide range of users.

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Bookkeeping is the recording phase of accounting. It is the classification and recording of business transactions in the books of account. The recording of the transactions is a routine task, therefore it tends to be repetitive.

The processes involved in bookkeeping are as follows:

- i) Classification of business transactions using source documents;
- ii) Recording of transactions in appropriate subsidiary books or books of prime entry;
- iii) Posting of entries from subsidiary books to the ledger and
- iv) Extraction of the Trial Balance.

Accounting, however, includes not only the keeping of accounting records, but also the design of efficient accounting systems, preparation and presentation of Financial Statements, analysis and interpretation of the Financial Statements as well as the development of forecast for decision-making.

The accounts of companies contained in their Annual Reports and Accounts are examples of the product of accounting and they are called *financial statements*.

- (b) (i) Classification of Expenses into Capital and Revenue Expenditure

Capital Expenditure	L\$
Factory extension	800,000
Land purchased	450,000
Plant & Machinery Purchased	400,000
Office equipment	120,000
Revenue Expenditure	
Motor vehicle repairs	60,000
Electricity bill	40,000
Staff salaries	150,000
Rent payable	48,000

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Insurance premium	50,000
Fuelling of motor vehicle	100,000
Depreciation	40,000

(ii) Important distinction between capital and revenue expenditure

Differences due to time:

Where the benefit that is derived from an item of expenditure is used up or exhausted within one accounting period, then such expenditure is revenue expenditure. However if the benefit derived from an item of expenditure extends to more than one period of account, it should be referred to as capital expenditure.

Differences due to type of account:

An increase in capital expenditure is added or debited to a non-current asset account, which is finally disclosed in the Statement of Financial Position. All revenue expenditures are charged to the Statement of Profit or Loss.

b. **ALTERNATIVE SOLUTION**

i. **CLASSIFICATION OF EXPENSES INTO CAPITAL AND REVENUE EXPENSES**

	L\$	CLASSIFICATION
Motor Vehicle Repair	60,000	Revenue Expenditure
Land Purchased	450,000	Capital Expenditure
Electricity	40,000	Revenue Expenditure
Factory extension	800,000	Capital Expenditure
Staff salaries	150,000	Revenue Expenditure
Rent payable	48,000	Revenue Expenditure
Plant & Machinery purchased	400,000	Capital Expenditure
Insurance Premium	50,000	Revenue Expenditure
Fuelling of Motor Vehicle	100,000	Revenue

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Office Equipment	120,000	Expenditure Capital Expenditure
Depreciation	40,000	Revenue Expenditure

Examiner's Report

Part (a) of the question tested candidates' knowledge of the meaning and purpose of accounting and book-keeping.

Not less than 70% of the candidates attempted the question and gave reasonable explanations. More than 50% of the candidates who attempted the question scored two out of the three marks allotted to it.

Part 'b' of the question tested candidates understanding of basic accounting principle of revenue and capital expenditures. The question required candidate to distinguish between the two by classifying a set of expenditure heads accordingly. Not less than fifty percent of the candidates were able to recognise and properly classify the expenditure heads but they could not explain clearly those features that distinguishes one from the other. About fifty percent of the candidates scored below the average mark allotted to the question. The allotted marks are also considered commensurate with the task involved in answering the question.

SOLUTION TO QUESTION 3

- a. The following are some of the characteristics of Business.
 - i. It exists to make profit
 - ii. It makes profit by supplying goods or services to others (customers)
 - iii. It supplies goods that it either makes or buys from other parties
 - iv. Its reward for accepting risk is profit

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- v. The profit earned by it belongs to its owners (sole proprietor, partners or shareholders)
 - vi. Profit made is subject to taxation
 - vii. Accounting records are kept based on entity's concept.
- b. The following are the provisions necessary to be included in a partnership agreement:
- (i) The amount of capital to be provided and maintained by each partner
 - (ii) The rate of interest (if any) to be paid on capital
 - (iii) The extent to which drawings are allowed and the rate of interest (if any) to be charged on drawings
 - (iv) The Remuneration (if any) to be paid to partners for their services
 - (v) The interest to be paid on any advance or loan made to the firm by a partner over and above his agreed capital.
 - (vi) The proportions in which profits or losses are to be shared after taking account of any adjustments as a result of the above.
 - (vii) The terms on which a new partner may be admitted
 - (viii) The basis on which the partnership business will be dissolved: e.g death of any of the partners, if any partner becomes incapacitated.

c.

KILIMANJARO

Annual Depreciation = cost - salvage value

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Useful Life Span

$$\begin{aligned} &= \frac{\text{C}200,000,000 - \text{C}40,000,000}{5} \\ &= \underline{\underline{\text{C}32,000,000}} \end{aligned}$$

Year	Carrying amount at start of the year	Depreciation for the year	Accumulated Depreciation	Carrying amount at end of year
	€	€	€	€
2014	200,000,000	32,000,000	32,000,000	168,000,000
2015	168,000,000	32,000,000	64,000,000	136,000,000
2016	136,000,000	32,000,000	96,000,000	104,000,000

Examiner's report

Parts (a)&(b) of the question tested candidates understanding of business concept and content of partnership agreement.

Not less than 80% of the candidates attempted the question and scored average marks allotted to the two parts. However about 50% of the candidates were unable to state the characteristics or features of business entities. For future examinations, candidate are advised to read and digest the topic using ICAN study Text.

Part 'c' of the question tested computation of depreciation. More than half of the candidates scored above the average mark allotted to this part of the question.

About 40% of the candidates failed to provide the cumulative deprecation figures. The tabulation method is preferred to 'T' account presentation.

SOLUTION TO QUESTION 4

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INSIGHT

- (a) The need for the reconciliation of receivables control account with the receivables ledger.

Reconciliation means making sure that two figures or totals are consistent with each other and agree with each other. The control accounts in an accounting system can be used for control purposes, to make sure that transactions have been recorded correctly in the accounts.

This is because if the transactions have been recorded correctly the balance on the receivables control account in the general ledger should equal the total of the balances on all the individual customer accounts in the receivables ledger.

A reconciliation check can be made to make sure that these totals are the same. If they are different, the cause of the error (or errors) should be determined and corrected.

A receivables control account reconciliation involves a comparison between the totals, looking for the reasons for any differences between the two records, and correcting errors that are discovered in the process of checking for the differences.

- (b) Mensa Enterprises

Payables Control Account			
	N		N
Set Off (Contra Entry)	27,720	Balance b/f	1,943,720
Cash paid undercast	36,000	Purchases Daybook undercast	120,000
	<u>2,000,00</u>		
Balance c/d	<u>0</u>		
	<u>2,063,720</u>		
		Balance b/d	<u>0</u>

INSIGHT

(c) MENSA ENTERPRISES

RECONCILIATION STATEMENT OF THE PAYABLES CONTROL ACCOUNT AND THE PAYABLES LEDGER

	N
Payables ledger total balances	1,924,760
Add:	
Omitted balance	<u>75,240.00</u>
Balance as per payable control account	<u>2,000,000</u>

Examiner's report

The main topic tested in this question is the preparation and reconciliation of the control accounts with the appropriate ledgers. The need for such an exercise was required in 'a' part while part 'b' required the preparation of the Trade Payables control account and its reconciliation with the payables Ledger.

The question was attempted by not more than 10% of the candidates. This points to the fact that majority of the candidates are yet to grasp the principle of control accounts. Not more than half of the candidates who attempted the question obtained the average mark. For future examinations Candidates are advised to pay greater attention to the topic and make use of the ICAN Study text in that regard.

SOLUTION TO QUESTION 5

- a) Explanation of concepts:
- i) **THE GOING CONCERN CONCEPT**

INSIGHT

Unless otherwise stated, it is always assumed that a business entity will continue in operation for the foreseeable future. It is assumed that the entity has neither the intention nor the necessity of liquidation or curtailing significantly the scale of its operation. The going concern concept will help investors, payables, employees, customers and other stakeholders to determine the extent to which they want to continue to patronize the business. The going concern concept may be more justified in a limited liability company where the death or withdrawal of any member (shareholder) may not affect its scale of operation. Assets and liabilities of a going concern entity are generally valued on historical cost basis, or fair value basis.

ii) **THE CONSISTENCY CONCEPT**

Usually there is more than one way of treating an item in the accounts without going against any accounting principle. Consistency concept requires that when a method has been adopted in treating an item in the financial statements, the method should not be changed but used consistently from period to period. For instance, there are many methods of depreciating non-current asset such as straight line, reducing balance, sum of the digits methods. If straight line method is chosen to depreciate buildings in year one, the company should continue to depreciate buildings on straight line basis from year to year. This method should not be changed unless there are compelling reasons. The essence of this principle is to make it easy for users of financial statements to compare the results of one period to another. Constant change in method will distort profits and make comparison difficult. Occasionally there may be

INSIGHT

justification to change from one method to another. If the change is made, adequate disclosure must be made about the nature of the change and the effect of the change on profits.

iii) **PRUDENCE CONCEPT**

The prudence concept requires that an accountant should not recognize income until the income has been earned and adequate allowances made for all known losses. The essence of the principle is that profits are not overstated in any accounting period. The prudence concept is most useful when matters of judgement or estimates are involved. For instance, if the credit policy of a business requires a customer to pay for the goods sold to him within 60 days and he has not paid after 120 days, it may be reasonable to make allowance for the entire amount as irrecoverable and doubtful debt. Another example is when inventories become obsolete and its net realizable value falls below cost, the difference between the cost and the net realizable value should be written off to the statement of profit or loss. Failure to write foreseeable losses off or the recognition of unrealized income will produce a misleading result which may lead to payment of taxes or distributions that should not have been made.

b)

Mr. Kofi

Computation of Total Net Pay for the year 2017

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	GHC	GHC
Basic Salary		40,000,000
Housing Allowance		2,000,000
Leave Allowance		1,000,000
Transport Allowance (5% x 40,000,000)		2,000,000
Risk Allowances (3% x 40,000,000)		1,200,000
Medical Allowances		<u>1,000,000</u>
Gross Pay		47,200,000
Deductions:		
Income Tax (PAYE)	500,000	
Workers Union Due (1% x 40,000,000)	400,000	
Cooperative Deductions	1,000,000	
Pension fund (5% x 40,000,000)	<u>2,000,000</u>	
Total Deductions		<u>(3,900,000)</u>
Net Pay		<u>43,300,000</u>

Examiner's Report

- a. Candidates were required to explain three of the commonest accounting concepts (going concern, consistency and Prudence concepts). As expected, more than 80 percent attempted the question however, about 50 percent of the candidates scored below the average mark, the performance ought to be better if candidates had actually taken their time to study their texts well on the topic. Candidates are advised to thoroughly understand all the accounting concepts as contained in the syllabus as these constitute the broad basic assumptions on which accounts are prepared.
- b. This part of the question required candidates to compute an employee's net pay from his basic pay records. Over 80 percent of the candidates attempted the question and scored over 50 percent of the marks allotted to it. However, many of the candidates had the challenge of identifying the employee's incomes and applicable deductions. The allotted marks are considered adequate for the required effort in solving the question. For future examinations, candidates are advised to cover the entire syllabus and use ICAN Study Text.

INSIGHT

SOLUTION TO QUESTION 6

(a) Users of Accounting Information

Accounting information is of interest to various groups of people. The following people are likely to be interested in accounting information.

- i. **Owners of the business/investors:** These are sole-traders, partners and shareholders. They need accounting information to assess how efficiently the management is performing – they want to know how profitable the business is and how much of this profit they can withdraw for their own use. It will also allow shareholders to make appropriate investment decisions such as buying and selling of shares, deciding on whether to dispose some or all the shares, or to acquire more of the entity shares.
- ii) **Management:** These are the people who manage the affairs of the business for the owners. In a limited liability company, they are the members of the board of directors and other management staff. They need accounting information to ascertain the efficiency of the policy they formulate, to plan and control the resources of the business.
- iii) **Suppliers:** These are the people who supply goods to the business on credit. The trade payables want to know the ability of the business to pay for the goods supplied to the business. They will be interested in the liquidity of the business.

INSIGHT

- iv) **Customers:** These are the people who purchase the goods or services provided by the business. The customers want to know whether the business will continue to be a reliable source of supply; though they will also be interested in the quality of the products of the business.
- v) **Tax authority:** Accounting Profits determine the basis of computing tax. The tax authority wants to determine the tax payable by the entity and its employees.
- vi) **Employees of the entity:** Existing employees need accounting information to enable them decide how secure their job is and the ability of the business to pay good salaries and provide good welfare facilities.
- vii) **Lenders:** These include the banks and other loan payables. Financial statements enable them to decide whether more credit facility can be granted; whether the company will be able to pay interest and principal when they fall due. Accounting Information users are interested in the entity's liquidity and profitability as well as reliability of its underlying assets.
- viii) **Government:** Government needs accounting information to enable it

formulate fiscal policies.
- ix) **Financial Analysts:** This group of financial information users analyze financial statements for their clients in order to help them make informed decisions. Financial analysts include stock brokers, credit agencies and financial reporters.

INSIGHT

- x) **The Public:** Members of the general public (individuals, trade unions and associations, political parties, African unions, International Monetary Funds (IMF) etc.) need accounting information for various purposes. They use financial information to take decisions on whether or not to deal with an entity or determine their level of involvement in its activities.

- (b) Ways to effectively handle cash to reduce the incidence of cash theft in your organisation include:
 - i) Cash should be deposited daily in the bank
 - ii) All payments (except for petty cash transactions) should be made by cheques
 - iii) The function of receiving cash should be separated from that of maintaining records of cash. Each function should be performed by different persons.
 - iv) All cash receipts should be recorded in a cash register. At the end of each day the amount in the register should be compared with the physical cash.
 - v) All payments should be checked and approved in writing by responsible officers before payments are made.
 - vi) The function of approving payment should be separated from the function of signing cheques.
 - vii) Carbonized receipts should be issued for all cash sales and cash received.

INSIGHT

viii) When payment is made for a transaction the invoice and other supporting documents relating to that transaction should be stamped paid with date so that payment will not be made for a transaction twice.

(c) Features of Accounting records in a computerised systems.

i) **Sales and Trade-Receivables Ledger Sub-System**

The trade receivables system deals with transactions that involve sales invoices raised, credit notes and debit notes issued to customers and credit notes issued to trade payables, for the purpose of offsetting trade payables and trade receivables payments.

The main features of the sales and receivable ledger in a computerized system are:

a. File used: The main files used are the customers' files

b. Inputs, which include data about:

- Sales invoices issued to customers during the period
- Receipts issued to customers during the period
- Credit notes issued during the period
- Adjustments on customers' accounts during the period

c. Outputs, which include:

- End of the period balance on each customer's account

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INSIGHT

- Comparative analysis of opening and closing balances on each customer's account
- Set-offs against purchases ledgers
- List of credit notes not yet used by the customers.

ii) **Purchases and Trade-Payables Ledger Sub-System**

The trade payables system deals with transactions that involve purchases invoices received, credit notes and debit notes received from suppliers and debit notes received from trade receivables, for the purpose of offsetting trade payables and trade receivables payments.

The main features of the purchases and payable ledger in a computerized system are:

- (a) File used: The main files used are the suppliers' files
- (b) Inputs, which include data about:
 - Purchases invoices received from suppliers during the period
 - Payments vide cheques or cash made to suppliers during the period
 - Credit notes received during the period
 - Adjustments on suppliers accounts during the period
- (c) Outputs, which include:
 - End of the period balance on each suppliers account

INSIGHT

- Comparative analysis of opening and closing balances on each suppliers account
- Set-offs against sales ledgers
- List of debit notes not yet used by the suppliers.

Examiner's Report

This 'a' part of the question tested candidates knowledge of users of accounting information and their information needs. Over 70 percent of candidates attempted the question and scored above average. Part 'b' of the question tested candidates' knowledge of cash handling control measures.

More than 50% of the candidates scored below the average mark. The examiner's solution should be thoroughly studied by candidates since similar questions may be asked in subsequent diets.

Part 'c' of the question tested candidates understanding of the features of accounting records in computerised accounting system. Over 60 percent of the candidates attempted the question and scored below the average mark allotted. For future examinations, candidates are advised to cover the entire syllabus to improve on their performance.

General Remark

The examiner wishes to reiterate the following:

- a. Candidates should ensure complete and in-depth coverage of the syllabus, especially by reading their ICAN Study Texts conscientiously. Equal weights should be given to all aspects of the syllabus in their studies.
- b. Candidates must pay particular attention to the currency denominations and the abbreviations used in the questions. Amounts denominated in thousands ('000s) should either be given in '000s or written out in full.

INSIGHT

AT/181/PI.2 ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
PART I EXAMINATIONS - MARCH 2018

ECONOMICS

Time Allowed: 3 hours

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

ATTEMPT ALL QUESTIONS IN THIS SECTION

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** an advantage of a capitalist economic system?
 - A. Progress and prosperity
 - B. Increase in efficiency
 - C. Emergence of monopoly
 - D. Greater output and higher income
 - E. Optimal allocation of resources

2. Which of the following is **NOT TRUE** of an entrepreneur?
 - A. Organises other factors of production
 - B. Determines what and how much to produce
 - C. Shares out the business risks
 - D. Provides business capital
 - E. Decides method of production

3. People are best able to take the fullest advantage of their unique talents and skills through
 - A. Specialisation
 - B. Commercialisation
 - C. Trade by barter
 - D. Trade liberalisation
 - E. Merger and acquisition

4. The following are advantages of a merger **EXCEPT**
 - A. Access to larger investment fund
 - B. Derivation of technical diseconomies of scale
 - C. Reduction in transaction cost
 - D. Enhanced Market Power

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- E. Wider spread of risks
5. The primary goal of a firm as an economic agent is to
- A. Maximise profit
 - B. Minimise profit
 - C. Promote competition
 - D. Maximise cost of production
 - E. Maximise society's welfare
6. Which of the following is exclusively owned and controlled by the government?
- A. Sole proprietorship
 - B. Partnership
 - C. Private limited company
 - D. Public limited company
 - E. Public corporation
7. A point inside the production possibilities curve illustrates the concept of
- A. Full employment
 - B. Opportunity cost
 - C. Scale of preference
 - D. Unemployment
 - E. Economic growth
8. Which of the following is **TRUE** of the range of income elasticity of demand co-efficient for a normal commodity with an inelastic demand?
- A. $0 < E_Y < 1$
 - B. $1 < E_Y < \infty$
 - C. $1 \leq E_Y \leq 0$
 - D. $0 \leq E_Y < 1$
 - E. $1 \leq E_Y < 0$
9. If experts in the oil industry predict an increase in the price of fuel, beginning next month, in the current month, this prediction would, *ceteris paribus*.
- A. Shift demand curve of fuel backward
 - B. Shift supply curve of fuel backward
 - C. Shift equilibrium quantity of fuel backward
 - D. Shift demand curve of fuel rightward

INSIGHT

- E. Result in decrease in the quantity of fuel demanded in the current month.
10. The indifference curve theory was developed to explain the
- A. quantity theory of money
 - B. theory of comparative cost advantage
 - C. law of returns to scale
 - D. law of demand
 - E. law of supply
11. Two goods M and N are described as substitutes if
- A. A fall in the price of M causes a decrease in the quantity demanded of N.
 - B. A fall in the price of M causes an increase in the quantity demanded of N
 - C. A rise in the price of M does not affect the quantity demanded of N
 - D. A fall in the price of M does not affect the quantity demanded of N
 - E. The two goods are inferior goods
12. If the country's GDP in the current year is ~~₦~~65 billion and the GDP in the base year is ~~₦~~50 billion, the GDP growth rate is
- A. 15%
 - B. 30%
 - C. 35%
 - D. 25%
 - E. 20%
13. The excess of equilibrium National Income over the full employment National Income is referred to as
- A. GDP Gap
 - B. Deflationary Gap
 - C. Inflationary Gap
 - D. Recessionary Gap
 - E. Devolutionary Gap

INSIGHT

14. A governed but closed economy will be captured in aNational Income model
- A. One sector
 - B. Two sector
 - C. Three sector
 - D. Four sector
 - E. Five sector
15. A sustained increase in real output accompanied by positive changes that improve human welfare is referred to as
- A. Economic progress
 - B. Economic growth
 - C. Economic development
 - D. Economic recession
 - E. Economic recovery
16. Which of the following **DOES NOT** stimulate the economic growth of a nation?
- A. Availability of skilled human resources
 - B. Capital accumulation
 - C. Expansion of knowledge
 - D. Depletion of environmental resources
 - E. Availability of mineral resources
17. The value of money in an economy is usually affected by
- A. Speculative motive
 - B. Transaction motive
 - C. Precautionary motive
 - D. Employment motive
 - E. Price level
18. An essential attribute of money which makes it widely acceptable is
- A. Portability
 - B. Homogeneity
 - C. Durability
 - D. Divisibility
 - E. Relative Scarcity
19. The incidence of an indirect tax imposed on a commodity falls equally on both the consumer and the producer if demand is
- A. Price elastic
 - B. Price inelastic

INSIGHT

- C. Unit-price elastic
 - D. Perfectly price elastic
 - E. Perfectly price inelastic
20. A situation where a tile manufacturing firm merges with a polish manufacturing firm is known as
- A. Horizontal Merger
 - B. Vertical Merger
 - C. Parallel Merger
 - D. Conglomerate Merger
 - E. Acquisition
21. Suppose a customer deposits ₦120,000 in a commercial bank, and cash reserve ratio imposed by the central bank is 5%. The maximum amount created by the commercial bank is
- A. 2.4 million
 - B. 4.2 million
 - C. 24 million
 - D. 42 million
 - E. 240 million
22. Which of the following statements is/are **NOT TRUE**?
- I. A major disadvantage of direct taxes is that they can be easily evaded
 - II. Protecting infant industries requires lowering import duties
 - III. A deficit budget may be used to promote economic growth
- A. I
 - B. II
 - C. III
 - D. I and II
 - E. I,II and III
23. Employment of workers into positions requiring less of their acquired education and skills constitute what is known as

INSIGHT

- A. Voluntary unemployment
- B. Involuntary unemployment
- C. Residual unemployment
- D. Full employment
- E. Underemployment

INSIGHT

24. The following monetary policy measures can be used to reduce inflation rate in an economy **EXCEPT**
- A. Sales of government securities
 - B. Increase cash reserve ratio
 - C. Purchase of treasury bills
 - D. Increase in discount rate
 - E. Call for special deposit
25. Trade protection in a developing country could be justified on the following grounds **EXCEPT** to
- A. Protect infant industries
 - B. Protect and expand domestic employment
 - C. Correct Balance of payment deficit
 - D. Encourage dumping
 - E. enhance national security
26. Which of the following is NOT an underlying assumption of the theory of comparative cost advantage?
- A. There are only two countries
 - B. There is perfect mobility of factors of production
 - C. There is full employment
 - D. The cost of production is not the same
 - E. There are no trade barriers
27. Which of the following instruments of trade protection implies that the entry of a foreign good is totally disallowed?
- A. Embargo
 - B. Import tariff
 - C. Exchange control
 - D. Quota
 - E. Subsidy
28. A perfectly competitive firm can enjoy only normal profit in the long run due to the assumption of
- A. Free flow of market information
 - B. Free entry and exit
 - C. Homogeneous goods

INSIGHT

- D. Large number of buyers and sellers
 - E. Perfect mobility of resources
29. Product differentiation is an essential feature of
- A. Oligopoly
 - B. Duopoly
 - C. Perfect competition
 - D. Monopoly
 - E. Monopolistic competition
30. Which of the following can be described as an international cartel?
- A. Economic Community of West African States (ECOWAS)
 - B. Organisation of Petroleum Exporting Countries (OPEC)
 - C. International Monetary Fund (IMF)
 - D. United Nations Conference for Trade and Development(UNCTAD)
 - E. European Union (EU)

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

ATTEMPT ALL QUESTIONS IN THIS SECTION

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

1. As a factor of production, all natural resources are collectively called.....
2. The negative slope of the indifference curve is called
3. The total output achieved in a production process divided by the number of workers engaged gives the
4. The production period during which all factors of production are variable is referred to as the

INSIGHT

5. A 25% increase in quantity supplied caused by 10% increase in price will give price elasticity of supply coefficient of
6. A demand curve that violates the law of demand is called
7. An economic agent that seeks to maximise social welfare is called.....
8. The rate of economic growth is measured as the percentage increase inovertime.
9. Cyclical fluctuations in output and employment levels over a period of time is usually illustrated by a diagram known as
10. The ratio of a country's real Gross National Product (GNP) to the total population is called.....
11. Government expenditure is one of the main instruments ofpolicy
12. The desire to hold wealth in the form of cash instead of interest yielding assets is described as.....
13. Expenses on the construction of roads, bridges, dams, schools and hospitals readily fall within the category of
14. An appeal by the Central Bank to Commercial Banks in respect of the kind of lending policies they should adopt is described as.....
15. The form of economic integration in which the agreements of member countries includes adoption of single currency is called
16. A market structure where only **TWO** firms constitute the industry is called.....
17. The shut down condition for a monopolistically competitive firm is when the price is.....
18. In international trade, a country that has the lowest opportunity cost exhibits a.....

INSIGHT

19. A deliberate official reduction of the value of a country's currency relative to other currencies is called
20. A rise in the price level in an economy resulting from an increase in the salaries and wages of workers is specifically referred to as

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

PART 1 MICROECONOMICS

ATTEMPT ANY TWO QUESTIONS

QUESTION 1

- a. Explain each of the following elements of price control:
- i. Price ceiling
 - ii. Price floor
- (4 Marks)
- b. Explain with the aid of relevant diagram any **THREE** likely consequences of price ceiling fixed below the equilibrium price for an essential commodity.

(8½

Marks)

(Total 12½

Marks)

QUESTION 2

- a. Explain the following short-run cost concepts:
- i. Average Total Cost (ATC)
 - ii. Average Variable Cost (AVC)

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- iii. Average Fixed Cost (AFC)
- iv. Marginal Cost(MC)

(6
Marks)

- b. Given the following short-run total cost function:

$$TC = 40 + 5Q$$

Quantities(Q)	Total Fixed Cost(TFC)	Total Variable Cost (TVC)	Marginal Cost (MC)	Total Cost (TC)
0		a	-	b
5		25	5	65
15		75	c	115
25		125	5	165
35		d	5	e

Required

- i. Identify the Fixed Cost from the given cost function and fill the TFC column. (1½ Marks)
- ii. Calculate and complete the table for the values of a to e using the total cost function. (5 Marks)

(Total 12½
Marks)

QUESTION 3

- a. Briefly explain each of the following types of market structure:
 - i. Duopoly
 - ii. Oligopoly
 - iii. Monopolistic competition (6 Marks)
- b. Discuss with the aid of appropriate diagram the short run equilibrium of a monopolistic competitive firm.

(6½
Marks)

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(Total 12½

Marks)

PART II

MACROECONOMICS ATTEMPT ANY TWO QUESTIONS

QUESTION 4

- b. Distinguish carefully between frictional unemployment and cyclical unemployment.

(5Marks)

- b. Highlight **FIVE** causes of unemployment in your country.

(7½
Marks)

(Total 12½Marks)

QUESTION 5

- a. Distinguish between the following pairs of concepts :

- i. Direct and Indirect taxes

(3 Marks)

- ii. Capital and Recurrent Expenditures

(3

Marks)

- b. The following tables show the expected revenue and projected expenditures from the National Budget of a hypothetical country in a particular year. Use the information in the tables to answer the questions that follow:

EXPECTED REVENUE	AMOUNT
	L\$ Million
Rents, Royalties and Profit	75.00
Company Income Tax	150.00
Custom and Excise Duties	300.00
Personal Income Tax	80.00
Fees and specific charges	60.00
Value-Added Tax	100.00

PROJECTED EXPENDITURES	AMOUNT
	L\$ MILLION
General Administration	220.10
Road Construction	180.90

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Transfer payments	65.50
Building of schools & Hospitals	200.00
Maintenance of Social Services	50.00

Required:

- i. Calculate the total projected expenditure and expected revenue
- ii. State the type of budget proposed for the country.
- iii. Classify the revenue profile into direct and indirect taxes
- iv. Determine the total capital expenditure and recurrent expenditure of the country.
(6¹/₂ Marks)

(Total 12¹/₂ Marks)

QUESTION 6

- a. Define economic integration and state its purpose? (5 Marks)
- c. Write short notes on the following types of regional economic integration arrangements.
 - i. Free Trade Area
 - ii. Customs Union
 - iii. Common Market

(7¹/₂ Marks)
(Total 12¹/₂ Marks)

MULTIPLE CHOICE QUESTIONS

1. C

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

Examiner's Report

This part of the paper is compulsory and was attempted by all the candidates. The questions were drawn from all areas of the syllabus. About 61 percent of the candidates scored above the average mark allotted to this part of the paper.

SHORT ANSWER QUESTIONS

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1. Land
2. Marginal Rate of Commodity Substitution
3. Average Product
4. Long run
5. 2.5
6. Abnormal demand curve/Exceptional demand curve
7. Government
8. Real GDP/Real GNP/Real National Income
9. Business Cycle
10. Per-capita Real GNP
11. Fiscal
12. Demand for money/Liquidity preference
13. Capital expenditure
14. Moral suasion
15. Monetary Union
16. Duopoly
17. Less than Average Variable Cost
18. Comparative cost advantage
19. Currency devaluation
20. Wage push Inflation/Cost-push inflation

Examiner's Report

This is also a compulsory part of the paper. The questions were fairly drawn from all areas of the syllabus and were attempted by all the candidates in compliance with the instruction. On the average, the candidates posted a poor performance with a success rate of about 34%.

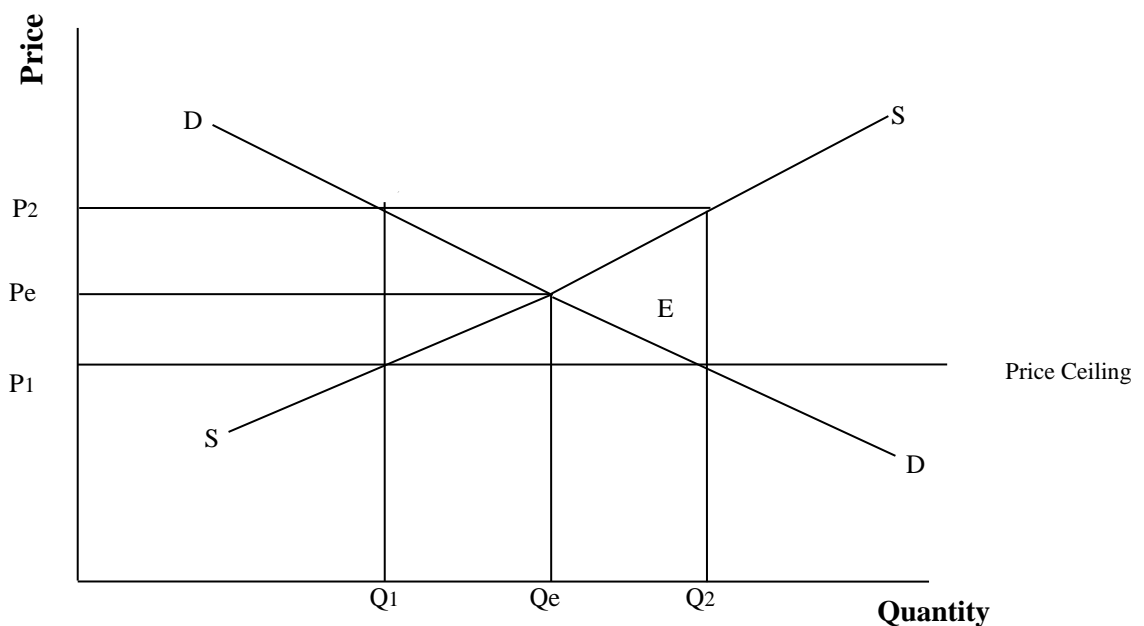
Candidates should note that, to perform well in this part of the paper requires a good knowledge of all topics of the syllabus.

SOLUTION TO QUESTION 1

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- a. Price control either in the form of maximum price (price ceiling) or minimum price (price floor) prevent market from moving to equilibrium.
- Price ceiling** also called *maximum price legislation* is a legal price set by the government below the equilibrium market price and above which a seller cannot charge for a product. It is set to safeguard consumers when the equilibrium market price for a commodity is considered to be unfairly high.
 - Price floor** also called *minimum price legislation* is a legal price set by the government above the equilibrium market price. One can buy at or above the minimum price but cannot buy at a price below it. It is set to protect incomes of producers when the equilibrium market price for a product is considered to be unfairly low.
- b. Figure 1.1: Effects of maximum price ceiling



Using the diagram in Figure 1.1, the likely consequences of a price ceiling fixed below the equilibrium price are as follow:

- Shortage of the commodity:** A price ceiling fixed below the equilibrium market price will lead to excess demand of $Q_2 - Q_1$ shown in the diagram.

INSIGHT

- ii. *Black market price* P_2 which is higher than the equilibrium price of P_e would likely occur as a result of hoarding.
- iii. *Queuing* – when the good is available; people will form long queues for it due to its shortage created by a price ceiling. The queues may be physical lines of people outside supplier's, shops typically in the case of essential commodities like fuel, drugs, food items and so on.
- iv. *Selling at sellers' preferences* – sellers may choose several ways to sell the good – first come, first-served, selling to relatives and friends first, etc.
- v. *Random Allocation*:- This is selling by luck or chance. This may defeat the aim of setting the maximum price which is to ensure that the poor as well as the rich get the good. Selling may go to all rich or all poor
- vi. *Rationing* – Government may have to apportion the quantity supplied, among buyers who want to consume a greater amount. This may be done through the issue of coupons which must be surrendered together with cash to obtain the good.

Examiner's Report

The question tested the candidates' understanding of the basic application of the conventional demand – supply framework in the analysis of government price-control policy. About 43% of the candidates attempted the question and the success rate is about 39%. The inability of most of the candidates to draw the relevant diagram correctly, (to boost their answers as prescribed), accounted for loss of vital marks. Candidates are advised to make use of ICAN Study Text while preparing for future examinations.

INSIGHT

SOLUTION TO QUESTION 2

a. i. **Short run Average Total Cost, (SATC)** is the ratio of total cost (STC) to

Output level (Q). The mathematical expression of short run Average Total Cost is:

$$\text{SATC} = \frac{\text{STC}}{Q}$$

ii. **Average Variable Cost (AVC)** is the value of total variable cost (TVC) per unit of output (Q) It is obtained by dividing variable cost by output.

The mathematical expression of Average Variable cost is

$$\text{AVC} = \frac{\text{TVC}}{Q}$$

iii. **Average Fixed Cost (AFC)** is the Total Fixed Cost (TFC) divided by output (Q). The Average Fixed Cost at any given output is obtained by dividing total fixed cost by the output level.

The mathematical expression of Average Fixed cost is:

$$\text{AFC} = \frac{\text{TFC}}{Q}$$

iv. **Marginal Cost (MC)** is the ratio of change in total cost (ΔTC) to change in the output level (ΔQ). The mathematical expression of marginal cost is:

$$\text{MC} = \frac{\Delta\text{TC}}{\Delta Q}$$

b. From the short-run cost equation: $\text{TC} = 40 + 5Q$

i. Total Fixed Cost (TFC) = 40
That is, the TC when $Q = 0$

Quantity (Q)	Total Fixed Cost (TFC)	Total Variable Cost (TVC)	Marginal Cost (MC)	Total Cost (TC)
0	40	a=0	-	b=40
5	40	25	5	65

INSIGHT

15	40	75	c= 5	115
25	40	125	5	165
35	40	d=175	5	e= 215

- ii. The total variable cost equation is $5Q$. Thus the value of

$$\text{TVC (a)} = 5 \times 0 = 0$$

$$\text{TC (b)} = \text{TVC} + \text{TFC}$$

$$b = 0 + 40$$

$$\text{MC (c)} = \frac{\Delta \text{TC}}{\Delta Q}$$

$$C = \frac{115 - 65}{15 - 5} = \frac{50}{10} = 5$$

$$\text{TVC (d)} = 5Q = 5 \times 35 = 175$$

$$\text{TC (e)} = \text{TFC} + \text{TVC} = 40 + 175 = 215$$

Examiner's Report

This is a straightforward question that tested candidates understanding of short-run cost concepts under the theory of the firm. About 74% of the candidates attempted the question and about 52% of them scored above average marks. Commonest pitfall is the inability of the candidates' to provide workings to support the final solution for better performance in future examinations candidates should make use of the insight and ICAN Study Text.

SOLUTION TO QUESTION 3

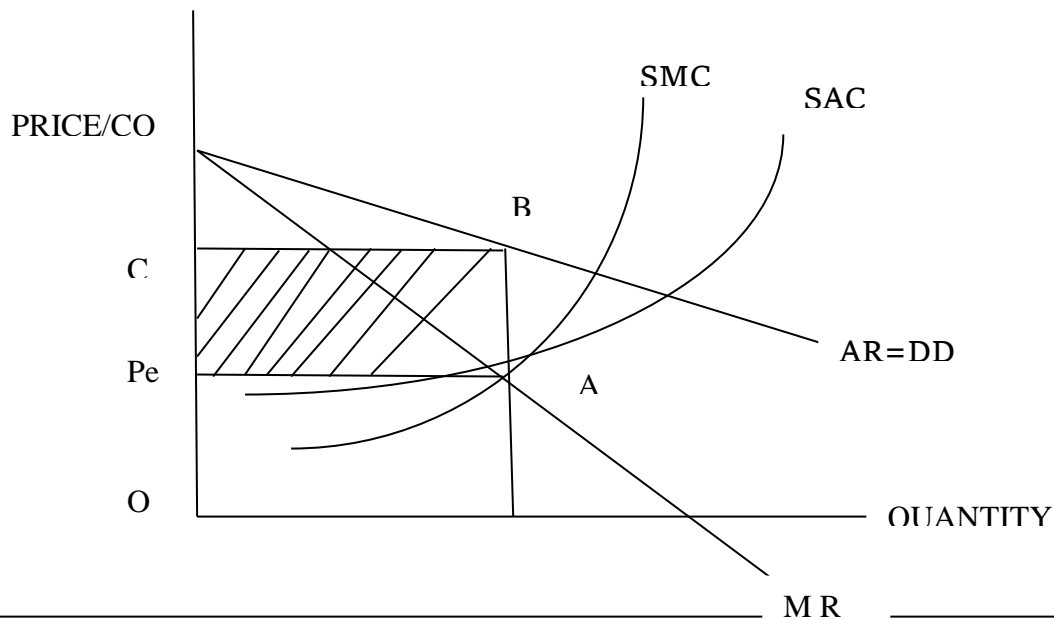
- a. i. **Duopoly** is a market structure comprising of only two sellers such that the action(s) of one seller have noticeable influence on the action of the other seller. The sellers or firms in the duopoly industry are perceived to be keen rivals as they take deeply interdependent actions. Consequently the price-quantity combinations and profit of the duopoly depends upon the actions of the rival. It is important to note that there is no generally acceptable behavioral assumption of duopoly. A good example of duopoly is WAEC and NECO in Nigeria.

INSIGHT

ii. **Oligopoly:** - Oligopoly is a market structure with few sellers or firms in the industry. It is characterized by a few firms producing closely related but differentiated products e.g telecommunication and the automobile industry in Nigeria. All the firms in an oligopolistic industry are inter dependent in terms of their actions or decisions, this is because the action of the firm is directly influenced by the action of the other firms. All firms in oligopolistic market or industry are profit maximizer.

iii. **Monopolistic Competition:** Monopolistic competition is a type of imperfect competition in which there are many producers selling goods or services that are differentiated from one another. Firms in monopolistic competition are not *price takers*. Each of them faces a downward sloping demand curve like the monopolist. The actions of any one firm have only small effects on the sales of other firms. New firms enter the industry in the long run if it offers positive economic profit and exit the industry if they suffer losses.

b. Each firm in a monopolistically competitive industry faces a downward sloping demand curve so its marginal revenue lies below the demand (average revenue) curve. Like the monopolist it chooses a combination of price and output along its demand curve. It maximizes profit by choosing a quantity that gives a marginal cost equal to marginal revenue and charging the highest price at which it can sell that quantity.



INSIGHT

From the above graph, the monopolistic firm attains equilibrium in the short run where marginal cost equates marginal revenue (at price P_e and quantity q_e above). However, the firm enjoys abnormal profit in the short run depicted by the shaded rectangular space $P_e ABC$.

Examiner's Report

The question tested candidates' knowledge of some types of market structure and the equilibrium position of the monopolistic competitive firm in the short run. About 69% of the candidates attempted the question while only 15% of those that attempted the question scored average marks. Generally, those candidates who attempted the question demonstrated poor knowledge of market structure and especially graphic analysis of short-run equilibrium position of the firm.

For improved performance in future examinations, candidates are advised to use ICAN Study Text and insight.

SOLUTION TO QUESTION 4

- a. **Frictional Unemployment:** emerges when the unemployed are in the process of switching from one job to another or about to join the labour force for the first time. This is a form of voluntary unemployment because people remain unemployed not as a result of non-existence of job vacancies but hinder by geographical and or occupational immobility. Factors such as family social ties and high cost of moving might be responsible for geographical immobility while the inability of the unemployed to acquire new skills might make him immobile occupationally .

Cyclical Unemployment: This is unemployment caused by insufficient aggregate demand in the economy. This is often refers to as demand deficient unemployment mostly associated with depression phase of trade cycle. As a result of depression, the consumer purchasing power is low. This will lead to low demand for goods and services. Subsequently, the firm will need to reduce the output which might eventually lead to retrenchment of workers to reduce cost of production

INSIGHT

- b. The causes of unemployment in Nigeria include the following:
1. **Increase in population** – Nigeria population growth rate is so rapid. The population growth rate is far in excess of the labour – absorptive capacity in the economy
 2. **Dependence on inappropriate foreign technology:-** Nigeria is a labour-surplus economy. However the manufacturing sector depends heavily on capital intensive method. This leads to low demand for labour
 3. **Rural – Urban Migration:-** As a result of rural-urban income differentials. Some rural dwellers have abandoned their farms and migrated to urban area in search of white collar job. This makes the city to be congested.
 4. **Low level of foreign direct investment:-** The reduction in the inflow of foreign direct investment have reduced the employment generating opportunities in the domestic economy.
 5. **Defective Educational System:-** The Nigerian educational system is not designed to generate self employment but only depends on white-collar jobs which does not exist. This actually increases the rate of unemployment in addition to defective academic curriculum.
 6. **Immobility of Nigerian Workers:-** Most workers are closer to their family that they cannot work in any other parts of the country

Examiner’s Report

The question on unemployment is straightforward and popular. About 92% of the candidates attempted the question but only 21% of them scored above the average marks allotted to the question. Candidates are advised to make use of the ICAN Study Text. For improved performance in subsequent examinations.

SOLUTION FOR QUESTION 5

INSIGHT

a. i. **Direct taxes** are taxes levied directly on the incomes of individuals and

business enterprises. The burden of direct taxes falls directly on the taxpayer: Examples of direct taxes include personal income tax, company income tax, capital gains tax, petroleum profit tax, etc.

Indirect taxes are taxes levied on goods and services. The burden of such taxes first fall on the manufacturers, wholesalers or importers who eventually passed it on to the consumers through upward review of prices. Examples of indirect taxes are import duties, export duties, excise duties, value-added tax (VAT), etc.

ii. **Capital Expenditure** refers to government spending on projects which are not recurrent in nature, especially developmental projects that enhance the productive capacity of the economy as well as improve the general standard of living of the people. These are expenses on construction and maintenance of roads, bridges, dams, schools and hospital.

Recurrent expenditure are expenditures on running costs of government. That is, expenses incurred on the maintenance of government's administrative machinery. Such expenditure include salaries and wages of public servants and members of the armed forces, interest on public debts, travel and transport expenses, charges for utility services enjoyed e.g electricity bill, etc.

b. i. **The Total Projected Expenditure**

General Administration	220.10
Road Construction	180.90
Transfer Payments	65.50
Building of schools & Hospital	200.00
Maintenance of Social Service	<u>50.00</u>
Total	\$716.50

The Total Expected Revenue

Rents, royalties and profit	75.00
Company Income Tax	150.00
Custom and Excise Duties	300.00

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INSIGHT

Personal Income Tax	80.00
Fees and Specific Charges	60.00
Value Added Tax	<u>100.00</u>
Total	<u>\$765.00</u>

ii. Since total projected revenue (\$765.00) exceeds total projected expenditure (\$716.50) the type of budget proposed for the country is Surplus Budget

iii. **Direct taxes** - \$

Company income Tax;-	150.00
Personal income Tax -	<u>80.00</u>
	<u>\$230.00</u>

Indirect taxes: \$

Custom and Excise Duties	75.00
Value Added tax	<u>100.00</u>
	<u>\$175.00</u>

iv. **Total Capital Expenditure:-** \$

Road Construction	180.90
Building of Schools and Hospital	<u>200.00</u>
	<u>\$380.90</u>

Total Recurrent Expenditure: \$

General Administration	220.10
Transfer payments	65.50
Maintenance of social services	<u>50.00</u>
	<u>335.60</u>

Examiner's Report

The question tested candidates' knowledge of taxation, government expenditure and national budget. About 90% of the candidates attempted the question and 73% of those that attempted the question scored above average mark allotted.

SOLUTION TO QUESTION 6

INSIGHT

- a. **Economic integration** is an agreement among countries in a geographical region to reduce and ultimately remove tariff and non-tariff barriers to the free flow of goods and services; and factors of production among each others. Alternatively, **Economic integration** can be defined as the unification of economic policies between different states through the partial or full abolition of tariff and non-tariff restriction on trade taking place among them prior to their integration.

Economic integration is thus intended to:

- Obtain efficiency in resource use resulting in better output performance
- Increase living standards in member countries
- Eliminate discrimination among member nations
- Ensure freedom of movement of goods and factors of production, and
- Promote exchange of ideas for achievement of economic policy objectives

- b. i. **Free Trade Area:** This is an arrangement in regional integration

where two or more states eliminate internal barriers to trade while keeping their own external tariffs against non-member states. This is done to promote trade among the member countries.

- ii. **Customs Union:** This is an arrangement where two or more countries eliminate internal barriers such as tariffs quotas etc. to trade while agreeing to a common external tariff as a union for example, if they abolish import duties between themselves but charge the same duty on import from countries that are non-members.

- iii. **Common Market:** This is a more advanced form of economic integration than Free Trade Area and Custom Union. This is where members of the common markets abolish tariff among themselves, maintain uniform external tariffs and in addition allow free movement of factors of production between member countries.

Examiner's Report

The question on economic integration is straightforward but was poorly attempted. About 8% of the candidates attempted the question and only 9% of those that attempted the question scored at least half of the marks

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allocated to the question. Candidates are strongly advised against neglecting any topic in the syllabus. For improved performance in subsequent examinations, candidates are advised to make use of the Insight and ICAN Study Text.

INSIGHT

AT/181/PI.3 ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
PART I EXAMINATIONS – MARCH 2018

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. The powers conferred on courts to hear and determine cases is
 - A. Authority
 - B. Jurisdiction
 - C. Ability
 - D. Right
 - E. Competence

2. The exclusion given by the constitution to some categories of people from criminal prosecution is
 - A. Immunity
 - B. Protection
 - C. Exclusion
 - D. Court order
 - E. Senate discretion

3. The branch of the law under which an offended party can seek redress for a negligent misstatement is
 - A. Jurisprudence
 - B. Equity
 - C. Common law
 - D. Criminal law
 - E. Tort

4. A person who takes his case to a higher court because he is not satisfied with the decision of a lower court is a/an
 - A. Respondent
 - B. Plaintiff
 - C. Defendant
 - D. Appellant
 - E. claimant

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5. A statement made by the way when a judge is delivering a judgement is
- A. *Ratio Decidendi*
 - B. *obiter Dictum*
 - C. *per Incuriam*
 - D. *stare decisis*
 - E. judicial precedent
6. Terms of a contract which the parties have actually stated verbally or in writing are
- A. Implied Terms
 - B. Exemption Terms
 - C. Conditions
 - D. Express Terms
 - E. Warranties
7. The remedy for a breach of contract that seeks to compensate the aggrieved party in accordance with what he has done under the agreement is
- A. Specific Performance
 - B. Damages
 - C. *Quantum Meruit*
 - D. Injunction
 - E. Money
8. The bailee of goods under a hire purchase agreement is
- A. Hirer
 - B. Hiree
 - C. Owner
 - D. Lender
 - E. Bailiff
9. The principle of law that requires the insurer to financially compensate the insured to the actual extent of the loss he suffers under the agreement is
- A. Damages
 - B. Compensation
 - C. Specific performance
 - D. Subrogation

INSIGHT

- E. Indemnity
10. The period of trial during which the employer assesses the competence of an employee before confirming the appointment is
- A. Probational period
 - B. Trial period
 - C. Study period
 - D. Assessment period
 - E. Interdiction
11. Decisions of shareholders on matters deliberated upon during meetings of a company are
- A. Matters Arising
 - B. Resolutions
 - C. Proxies
 - D. Consensus
 - E. Agreements
12. The rules on the registration of business names under the Companies and Allied Matters Act are contained in
- A. Part A
 - B. Part B
 - C. Part C
 - D. Part D
 - E. Part E
13. The order given by a customer to his bank to dishonour a cheque he issued in favour of a third party is
- A. Injunction
 - B. Countermand
 - C. Directive
 - D. Order
 - E. Instruction
14. The right of an agent to be reimbursed in respect of expenses incurred in performing his authorised duties is
- A. Lien
 - B. Indemnity
 - C. Compensation
 - D. Remuneration
 - E. Reimbursement

INSIGHT

15. The document containing a written agreement of a partnership is
- A. Memorandum of partnership
 - B. Articles of partnership
 - C. Documents of partnership
 - D. Proof of partnership
 - E. Laws of partnership
16. A Beagle car with registration number OYA 222 F is an example of
- A. Future Goods
 - B. Unascertained Goods
 - C. Illegal Goods
 - D. Specific Goods
 - E. Contraband Goods
17. The transfer of proprietary right on a bill from one person to another is
- A. Negotiation
 - B. Transferability
 - C. Repossession
 - D. Removal
 - E. Settlement
18. An agreement which a minor can ratify on the attainment of majority is
- A. Voidable
 - B. Void
 - C. Illegal
 - D. Legal
 - E. Immoral
19. The legal owner of a Trust property is the
- A. Beneficiary
 - B. Trustee
 - C. Administrator
 - D. Testator
 - E. Court
20. Which of the following is **NOT** a type of Trust?
- A. Secret Trust

INSIGHT

- B. Express Trust
 - C. Implied Trust
 - D. Open Trust
 - E. Executed Trust
21. The maximum amount of money for goods under a Hire Purchase agreement with the exception of a motor vehicle is
- A. ₦50,000.00
 - B. ₦2,000.00
 - C. ₦100,000.00
 - D. ₦1,000,000.00
 - E. ₦10,000.00
22. The consideration for a contract of insurance is
- A. Price
 - B. Money
 - C. Premium
 - D. Shares
 - E. debenture
23. The right of the agent to retain the goods of the principal for non-payment of commission is
- A. Lien
 - B. Subrogation
 - C. Indemnity
 - D. Assignment
 - E. Detention
24. The goods which a buyer has paid for but **NOT** separated from a large bulk is
- A. Specific goods
 - B. Unascertained goods
 - C. Future good
 - D. Ascertained goods
 - E. Unseparated goods
25. A partner who does **NOT** take part in the management of the firm but shares in the profit of the partnership is
- A. General Partner
 - B. Limited Partner

INSIGHT

- C. Lazy Partner
 - D. Sharing Partner
 - E. Special Partner
26. Which of the following is a negotiable instrument?
- A. Bill of lading
 - B. I. O. U
 - C. Postal order
 - D. Money order
 - E. Cheque
27. The object or business clause of a company is found in the
- A. Articles of Association
 - B. Memorandum of Association
 - C. Debenture Register
 - D. Register of Members
 - E. Directors' Memorandum
28. The consideration for a sale of goods contract is
- A. Money
 - B. Price
 - C. Pledge
 - D. Performance
 - E. cheque
29. Which of the following is an illegal partnership?
- A. Partnership of 30 lawyers
 - B. Partnership of 24 Accountants
 - C. Partnership for charitable purpose
 - D. Partnership for importation of cars
 - E. Partnership of 16 Engineers
30. The minimum number of directors for a Limited Liability Company under CAMA is
- A. 20
 - B. 10
 - C. 8
 - D. 6
 - E. 2

INSIGHT

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

ATTEMPT ALL QUESTIONS

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

1. The principle of law that ensures that no arm of government exercises powers over the other arms of government is.....
2. A judgment of court that is given in error is called.....
3. The principle of law that recognises fairness or whatever is just and ethical is
4. Courts with equal powers and authority are known as courts of
5. The principle of law that allows an offended party to seek remedy for the wrong committed by a servant from his master is
6. The agency relationship that arises where a person by his conduct or his words gives a false impression to others that another person is his agent is
7. Consideration that comes after the performance of an act is
8. A purported acceptance that introduces a new term into the offer is

INSIGHT

9. The document that regulates the internal management of a company is the
10. Bailment of goods coupled with an option to buy the goods is
11. The transfer of the rights of the insured under an insurance policy to a third party is
12. The period of time that must elapse for a cheque to become stale is
13. The suspension of the employee pending the determination of a criminal charge against him is
14. The principle of law that states that title to goods can only be transferred to the buyer by the owner of goods or their authorised agents is expressed in the latin maxim
15. The transfer of the shares of a deceased shareholder to his beneficiaries is called
16. A term of contract that allows a party to repudiate the contract is.....
17. A breach of personal duties fixed by law that gives rise to civil proceeding for damages is.....
18. The person who is ordered to pay in a bill of exchange transaction is the.....
19. The obligation on the part of a bank not to disclose the account of a customer to a third party is known as duty of
20. The remedy for a breach of contract that compels the person in breach to perform his own side of the agreement is

INSIGHT

**SECTION B:
(50 Marks)**

ATTEMPT ANY FOUR QUESTIONS

QUESTION 1

- a. Offer and invitation to treat are identical and sometimes difficult to differentiate

Required:

- i. What is an invitation to treat?
(2¹/₂ Marks)
- ii. State **THREE** examples of invitation to treat
(3 Marks)

- b. Courts in Nigeria have different powers to hear and determine cases

Required:

State briefly the original jurisdiction of the Court of Appeal
(2 Marks)

- c. The buyer in a contract of sale of goods can exercise some rights when there is a breach.

Required:

State and explain briefly **TWO** of such rights.
(5 Marks)

(Total 12¹/₂

Marks)

QUESTION 2

- a. The choice of a legally acceptable name is one of the preliminary steps to be taken in the incorporation of a company under CAMA

Required:

Explain briefly prohibited proposed company names under the Companies and Allied Matters Act and state **THREE** examples
(5 Marks)

INSIGHT

- b. Customary law is one of the sources of laws in Nigeria. The court will only enforce a rule of customary law if such a law passes certain tests.

Required:

State and explain **ONE** of the tests, a rule of customary law must pass before it can be enforced by the court.

(2¹/₂ Marks)

- c. The Hire Purchase Act makes it mandatory for the terms of a hire purchase contract to be reduced into writing in a memorandum of agreement

Required:

State **FIVE** items a memorandum of hire purchase agreement must contain

(5 Marks)

(Total 12¹/₂

Marks)

QUESTION 3

- a. The Companies and Allied Matters Act (C.A.M.A) makes provision for registration of different associations under the Act

Required:

Under what parts of CAMA would the following associations be registered?

- i. Johnson Nigeria Limited;
- ii. Josy Enterprises; and
- iii. A firm consisting of 3 partners (3 Mark)

- bi. The sanction which an employer could place on an erring employee depends on the severity of his wrong doing.

Required:

Explain the term suspension under contract of employment

(2¹/₂ Marks)

- ii. A contract of employment could be made in different ways

Required

State **TWO** ways by which a contract of employment could be made.

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(2

Marks)

- c. A contract can be discharged on the occurrence of an event which the parties did not avert their minds to at the time of making the agreement and which makes it impossible for the agreement to be performed.

Required:

State and explain briefly **TWO** situations that may discharge a contract

(5 Marks)

(Total 12¹/₂

Marks)

QUESTION 4

- a. Banking business is a contractual relationship between a bank and its customer

Required:

Define a customer of a bank

(2¹/₂ Marks)

- b. There are factors that operate to nullify or negate the consent which parties appear to have given in a contract

Required:

State and explain **TWO** types of misrepresentation

(5

Marks)

- c. Ade issued two cheques. On the first cheque, he wrote "Pay Femi 20 Naira." On the second cheque, he wrote "Pay the bearer."

Required:

Explain how Femi may transfer his proprietary rights on the two cheques.

(2¹/₂ Marks)

- d. Akim is a partner in the firm of ABC ventures. The partnership was dissolved last week. Akim had placed an order for the supply of certain goods to the partnership two weeks ago.

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Required:

What effect has the dissolution of the partnership on the order placed by Akim?

(2¹/₂ Marks)

(Total 12¹/₂

Marks)

QUESTION 5

- a. A Contract of insurance is a contract of utmost good faith that requires full disclosure of material facts by the insured.

Required:

State and explain **TWO** exceptions to the rule of full disclosure of material facts by the insured.

(5 Marks)

- b. A trust is an arrangement under which property is transferred to a person for the benefit of specified persons.

Required:

State and explain **ONE** way in which a trust can be terminated

(2¹/₂ Marks)

- c. Ade sold a bicycle to Adamu. During the sale, Ade gave a warranty that Adamu would enjoy the bicycle. The chain of the bicycle broke one year after the sale.

Required:

Of what effect is the warranty given by Ade?

(5

Marks)

(Total 12¹/₂ Marks)

INSIGHT

QUESTION 6

- a. The employment letter issued to Ade states in part: “Your appointment with this company will be confirmed after a period of 6 months probation”.

Required:

Explain the implications of the statement “a period of 6 months probation”

(5 Marks)

- b. The objectives of civil law and criminal law differ from each other.

Required:

State **ONE** objective of each type of law.
Marks)

(2¹/₂)

- c. A company may be wound up by the court following an appropriate petition to do so.

Required:

State **FIVE** categories of person that may petition the court for winding up of a company.

(5 Marks)

(Total 12¹/₂)

Marks)

SOLUTION TO MULTIPLE CHOICE QUESTION

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

INSIGHT

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

Examiner's Report

The questions achieved a good spread over the syllabus. All the candidates attempted them, and about 80% of them passed.

SHORT ANSWER QUESTION

1. Separation of powers
2. Per incuriam
3. Equity
4. Courts of coordinate jurisdiction
5. Vicarious Liability
6. Agency by Estoppel
7. Past consideration
8. Counter offer
9. Articles of Association
10. Hire Purchase
11. Assignment
12. 6 months

INSIGHT

13. Interdiction
14. *Nemo dat quod non habet*
15. Transmission
16. Condition
17. Tort
18. Drawee
19. Duty of secrecy
20. Specific performance

Examiner's Report

The questions cover the entire syllabus. All the candidates attempted them, and pass rate was about 70%.

SOLUTION TO QUESTION 1

- a.
 - i. An invitation to treat is a preliminary step towards an offer. It is an invitation to make offer, or an invitation to chaffer, or an offer to negotiate or an offer to receive an offer. Thus, it is a process that may or may not lead to an offer.
 - ii. Examples of invitation to treat are:
 - i. Display of goods with price tag;
 - ii. Advertisements in catalogue, prospectus, or brochure;
 - iii. Auction sale;
 - iv. Request for tenders or bids; and
 - v. Job advertisement.
- b. The Court of Appeal has original jurisdiction on any question as to whether any person has been validly elected into the office of President or Vice-President of Nigeria; or whether his term of office has ceased or his office has become vacant.
- c. The buyer in a contract of sale of goods can exercise the following rights in case a breach:
 - i. The right to reject the goods: The buyer can reject the goods if the seller is in breach of a condition;
 - ii. Action for damages: The buyer can sue for damages for non-delivery of the goods;

INSIGHT

- iii. Action for specific performance: This right could be exercised when the goods have not been delivered; and
- iv. Recovery of purchase price: Where the seller fails to deliver the goods, the buyer can sue to recover the purchase price already paid by him.

Examiner's Report

The question tests candidates' understanding of invitation to treat; original jurisdiction of the Court of Appeal; and the remedies of a buyer when a contract of sale of goods is breached. 90% of the candidates attempted the question, and about 60% passed.

SOLUTION TO QUESTION 2

1. a. Prohibited names are those names by which a company will not be registered by the Corporate Affairs Commission. Such names are:
 - i. Names identical with that by which a company in existence is already registered or so closely resembles such names as to cause deceit;
 - ii. A name that contains the word "Chamber of Commerce", unless it is a company limited by guarantee;
 - iii. Names, which in the opinion of the Corporate Affairs Commission, are capable of misleading as to the nature or extent of the company's activities, or which are offensive or otherwise contrary to public policy; and
 - iv. Names, which in the opinion of Corporate Affairs Commission would violate any existing trade mark or business name registered in Nigeria.
- b. A rule of customary law must pass certain tests before it can be enforced. Those tests are:
 - i. The Repugnancy Test: Any rule of Customary Law must not be repulsive to natural justice, equity and good conscience;
 - ii. The Incompatibility Test: A customary law must not be incompatible directly or by implication with any law for time being in force; and

INSIGHT

- iii. The Public Policy Test: A rule of customary law must not be against natural justice, equity and good conscience.
- c. A note or memorandum of Hire Purchase agreement must contain the following information:
 - a) The list of Goods;
 - b) The Hire Purchase price;
 - c) A statement of cash price;
 - d) The deposit paid;
 - e) The amount of installments;
 - f) Dates on which installments are payable; and
 - g) The rate of interest.

Examiner's Report

The question tests candidates' understanding of prohibited proposed company names; tests for the validity of customary law, and the items that a memorandum of hire purchase must contain. 40% of the candidates attempted it, of which about 40% passed. Candidates are advised to study ICAN's Study Text.

SOLUTION TO QUESTION 3

- a. The following business associations will be registered under these parts of the Companies and Allied Matters Act.
 - i. Johnson Nigeria Limited would be registered under part A titled "COMPANIES".
 - ii. Jossy Enterprises would be registered under part B titled "BUSINESS NAMES".
 - iii. A firm consisting of 3 partners would be registered under part B titled "BUSINESS NAMES".
- b. i. In employment law, suspension is an order by an employer to an employee directing the latter to stay off work or put his rights in abeyance for a duration of time, the length of which is determined by the seriousness of the alleged wrong doing.

INSIGHT

- ii. A contract of employment could be made in the following ways:
- By writing;
 - By words of mouth or verbally;
 - By conduct; or
 - Party by writing, partly by conduct.
- c. The situations which may discharge a contract even when parties to the agreement did not avert their minds to their occurrence at the time of making the contract are:
- i. Destruction of the subject matter or the specific object needed to perform the contract;
For Example, if goods are sold and before ownership is transferred and they perish without the parties fault, the contract is discharged by frustration;
- ii. **Subsequent change in Law:** If a law is passed making the performance of a contract illegal, or somebody is subsequently given statutory or governmental power to interfere and make performance impossible, the contract is discharged by frustration.
- iii. **Cancellation of the Event:** If a contract is based on an event and the event is cancelled, the contract becomes frustrated. For example, a contract to hire a high rise building to view the procession at a king's coronation was held to be frustrated when the coronation itself was cancelled;
- iv. **Death or Personal Incapacity of a Party:** Where a contract involves the rendering of personal services by a party, the death of that party discharges the contract. Personal incapacity arising from injury or prolonged illness may equally frustrate the contract.

Examiner's Report

The question tests candidates' understanding of parts of the Companies and

Allied Matters Act that regulate companies and partnerships/business names; the meaning of employee suspension; and circumstances that discharge a contract independently of the parties' will. About 70% of the candidates attempted the questions, and about 45% of them passed.

INSIGHT

SOLUTION TO QUESTION 4

- a. A bank customer can be defined as any person who has an account in his name with a bank based on the terms and conditions agreed to mutually by the parties.
- b. Types of misrepresentation are:
- i. **Fraudulent Misrepresentation:** This consists of an untrue statement made by one party to another party, which induced the party to whom it is made to enter into a contract. The party making the untrue statement did so, knowing that the statement is untrue, or recklessly, without caring whether it is true or not.
 - ii. **Negligent Misrepresentation:** This consists of an untrue statement negligently made by the maker, which induced the other party to enter into a contract.
 - iii. **Innocent Misrepresentation:** This consists of an untrue statement made by a party, which induced the party to whom it is made to enter into a contract. The maker of the statement did not know that the statement was untrue.
- c. The first cheque that Ade wrote with the instruction: “Pay Femi 20 Naira” is an order cheque because it was addressed to a specified person, that is Femi.
- An order cheque can be transferred by an endorsement by Ade and delivery of the cheque to Femi.
- The second cheque with instruction “pay bearer” is a bearer cheque. Any person in possession of the cheque is a bearer. The cheque could be transferred by mere delivery.
- d. Dissolution of a partnership basically revokes the power of a partner to bind the firm, except to complete a transaction that he began, but has not completed at the time of dissolution. Akim’s order falls within the latter, and the transaction may be validly completed.

Examiner’s Report

The question requires the meaning of a bank customer; types of misrepresentation; and types of cheques and their implication. About 90% of the candidates attempted it, and about 60% of them passed.

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SOLUTION TO QUESTION 5

- a. The exceptions to the rule of full disclosure of material fact by the insured under a contract of insurance are:
- i. Facts that are not known to the insured:- These are facts concerning the risk insured against but which are not known to the assured;
 - ii. Facts which could diminish the risk:- These are facts or pieces of information which may reduce the risk for which protection was sought under the contract;
 - iii. Facts which are within the knowledge of the insurers themselves:- These include notorious facts known to everybody and of which the insurer could take a judicial notice.
 - iv. Facts whose disclosure is waived by the insurers: Facts which the insurer did not request for or which are deemed to be waived by the insurer or not needed.
 - v. Facts whose disclosure is uncalled for:- Such facts include information that have been adequately catered for by an implied condition in the policy of insurance.
- b. A Trust can be terminated in the following ways:
- a) Disclaimer: A person appointed a trustee may reject the office or decline the appointment.
 - b) Removal: A trustee may be removed, and that brings the relationship of trusteeship an end;
 - c) Retirement: A trustee may retire from office by virtue of the provisions of the trust instrument, statute, or by court order.
 - d) Death: The death of a trustee terminates the trust.
- c. The warranty that Ade gave Adamu is a less fundamental term of a contract than a condition. Its breach, when the bicycle chain broke, gave rise to a claim for damages, but not a right to reject the goods (bicycle) or treat the contract as repudiated.

Examiner's Report

The question tested candidates' understanding of facts that are not material

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to insurers; factors that terminate a trust; and the meaning and effect of warranty.

About 60% of the candidates attempted it, and about 40% passed.

Candidates

should study more diligently the ICAN Study Text

SOLUTION TO QUESTION 6

- a. The implication of the statement “your appointment with this company may be confirmed after a period of six months probation” contained in the letter of appointments issued to Ade is that the six months will be a period of trial for Ade during which time the company would have the opportunity to study him and test his skill and suitability for the work he is appointed to do.

Since the six months is a period of trial, the company could determine the appointment of Ade by giving him a short notice.

- b. The main objective of criminal law is to restore order in the community by punishing the offender. This is usually in the form of punishing which may be a fine, a term of imprisonment, or both, and capital punishment.

Whereas the main objective of civil law is to compensate the injured party for the loss or damage he has suffered through the defendant’s wrongdoing.

- c. The categories of persons that may petition the court for winding up of a company are:
- i. The company, following a special resolution;
 - ii. A creditor or an assignee of a debt owed by the company;
 - iii. A contributory, in the case of a company limited by guarantee;
 - iv. A trustee in bankruptcy;
 - v. The Official Receiver that is the Deputy Registrar of the Federal High Court so designated’ by the Chief Judge;
 - vi. The Corporate Affairs Commission, with the approval of the Attorney- General of the Federation; and
 - vii. A Receiver authorised by the debenture deed.

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Examiner's Report

The question tested candidates' understanding of probation period in employment law; the objectives of civil law and criminal law; and persons that may petition the court for winding up. About 85% of the candidates attempted it, of which about 60% passed.

INSIGHT

AT/181/PI.4 ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA

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

COMMUNICATION SKILLS

Time Allowed: 3 hours

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

ATTEMPT ALL QUESTIONS

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

1. A message to a receiver comes through
 - A. Transmission
 - B. Encoding
 - C. Decoding
 - D. Channel
 - E. Feedback

2. A sender of a message does **NOT**
 - A. Decode
 - B. Encode
 - C. Select medium
 - D. Transmit
 - E. Select channel

3. A hypothetical description of a complex entity or process is
 - A. Parade
 - B. Model
 - C. Icon
 - D. Celebrity
 - E. Feed-forward

4. Which of the following contributes to effective communication?
 - A. Clarity of message

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- B. Noise
 - C. Career
 - D. Coding
 - E. Confirmation
5. The following are common errors in sentence construction, **EXCEPT**
- A. Multiple application of rules
 - B. Subject - object mix-up
 - C. Mixture of tenses
 - D. Subject-verb agreement
 - E. Over-generalization
6. The punctuation mark used to denote possession is
- A. Apostrophe
 - B. Ellipsis
 - C. Comma
 - D. Quotation
 - E. Apostrophy
7. The punctuation mark used to form compound words is
- A. Ellipsis
 - B. Underscore
 - C. Hyphen
 - D. Dash
 - E. Comma
8. Which of the following is **NOT** a function of a colon?
- A. It is used to separate a book title from its subtitle
 - B. It is used to write time in figures
 - C. It is used to introduce direct speeches or quotations
 - D. It is used to indicate a pause in a sentence
 - E. It is used to introduce a list of items
9. Where would you **NOT** deliver a formal speech?
- A. Ceremonies
 - B. Public functions
 - C. Valedictory services
 - D. Daily conversations
 - E. Send-off programmes

INSIGHT

10. The following are speech delivery methods, **EXCEPT**
- A. Impromptu speech
 - B. Personal Speech
 - C. Extemporaneous speech
 - D. Speaking from memory
 - E. Speaking from manuscript
11. The following are characteristics of gesture, **EXCEPT**
- A. Non-verbal complements
 - B. Facilitators of speech
 - C. Initiators
 - D. Illustrators
 - E. Manuscripts
12. Who is **NOT** a Professional Speech Writer?
- A. One, who undergoes training
 - B. One, who earns a living by writing speeches
 - C. One, who knows the nature of text to be written
 - D. One, who writes from memory
 - E. One, who obeys rules and regulations
13. The presentation of a carefully planned speech in a conversational form is known as
- A. Extemporaneous speech
 - B. Impromptu speech
 - C. Non-verbal speech
 - D. Rhetorical speech
 - E. Closed speech
14. Important speech features to master are all these, **EXCEPT**
- A. Audience
 - B. Pronunciation
 - C. Intonation
 - D. Projection
 - E. Accent
15. Which of the following is **NOT** an element of communication?
- A. Conception
 - B. Encoding

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- C. Channel
 - D. Decoding
 - E. Processing
16. The communication element that facilitates the interpretation of the message is
- A. Decoding
 - B. Encoding
 - C. Analysis
 - D. Critic
 - E. Receiving
17. Which of the following is **NOT** one of the 7C's of communication?
- A. Completeness
 - B. Clarity
 - C. Courtesy
 - D. Classify
 - E. Correctness
18. Which of the following is **NOT** a type of noise?
- A. Physical
 - B. Psychological
 - C. Technical
 - D. Dispersal
 - E. Social
19. Which of the following is **NOT** an example of body language?
- A. Smiles
 - B. Frowns
 - C. Shaking of heads
 - D. Quick pacing up and down
 - E. Leaving
20. Success in comprehension exercise has to do with the following, **EXCEPT**
- A. Reading people's mind
 - B. Reading wide
 - C. Not relying on textbooks

INSIGHT

- D. Reading all that is written in good English
- E. Reading Newspapers

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

ATTEMPT ALL QUESTIONS

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

1. The use of a word to convey the opposite of its meaning is
2. A figure of speech that expresses resemblance between things of different kinds usually formed with 'like' or 'as' is called
3. A play on word is called
4. 'She is a home-maker' is an example of
5. An address to an absent or imaginary person is called.....
6. Human communication is better than animal communication
7. Job are directives about what to do and how to do it.
8. A situation whereby officers on the same level come together to produce such things like a time-table or shift schedule is known as coordination
9. Specialisation inhibits.communication in a work place.
10. In the absence of official communication from top managementthrives.

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11. The method of speech delivery which is most spontaneous is
12. A presidential address or diplomatic speech would most likely be in the form.
13. The method of speaking that involves delivery from notes, following extensive preparation and rehearsal is.
14. Speaking to a group of people in a gathering is calledpresentation
15. In a business letter, theindicates what the letter is about.
16. What is usually used for a simplified internal communication in an organisation is a(n)?
17. In a formal report, a(n)contains the methodology and the outcome in a nutshell.
18. The list of points to be discussed at a meeting is a(n)
19. When a person receives a message, it is his/her responsibility to provide a(n)
20. An essay that tells real or imaginary story is known as

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SECTION B:

COMPULSORY

SUMMARY

(30 Marks)

Read the following passage carefully and answer the questions that follow:

There has been a lot of controversy and confusion over the meaning and nature of money. As pointed out by **Scitovsky**, 'Money is a difficult concept to define, partly because it fulfils not one but three functions, each of them providing a criterion of moneyness ...those of a unit of account, a medium of exchange, and a store of value.' Though Scitovsky points toward the difficulty of defining money due to moneyness, yet he gives a wide definition of money. Professor Coulborn defines money as "the means of valuation and of payment; as both the unit of account and the generally acceptable medium of exchange." Coulborn's definition is very wide. He includes in it the 'concrete' money such as gold, cheques, coins, currency notes, bank draft, etc and also abstract money which "is the vehicle of our thoughts of value, price and worth." Such wide definitions have led Sir John Hicks to say that "money is defined by its functions: anything is money which is used as money: 'money is what money does.' These are the functional definitions of money because they define money in terms of the functions it performs.

Some economists defined money in legal terms saying that "anything which the state declared as money is money." Such money possesses general acceptability and has the legal power to discharge debts. But people may not accept legal money by refusing to sell goods and services against the payment of legal tender money. On the other hand, they may accept some other things as money which are not legally defined as money in discharge of debts which may circulate freely. Such things are cheques and notes issued by commercial banks. Thus besides legality, there are other determinants which go to make a thing to serve as money.

There being no unanimity over the definition of money, Prof. Johnson distinguishes four main schools of thought in this regard which are discussed below along with the views of Pesek and Saving.

According to the traditional view, also known as the view of the Currency School, money is defined as currency and demand deposits, and its most important function is to act as a medium of exchange. Keynes in his *General Theory* followed the traditional view and defined money as currency and demand deposits.

Hicks in his *Critical Essays in (Monetary Theory)* points towards a threefold traditional classification of the nature of money: "to act as a unit of account (or measure of value as Wicksell put it), as a means of payment, and as a store of value." The Banking School criticised the

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traditional definition of money as arbitrary. This view about meaning of money is very narrow because there are other assets which are equally acceptable as media of exchange. These include time deposits of commercial banks, commercial bills of exchange, etc. By ignoring these assets, the traditional view is not in a position to analyse their influence in increasing their velocity. Further, by excluding them from the definition of money, the Keynesians placed greater emphasis on the interest elasticity of the demand function for money. Empirically, they forged a link between the stock of money and output via the rate of interest.

The monetarist (or Chicago) view is associated with Prof. Friedman and his followers at the University of Chicago. By money, Friedman means “literally the number of dollars people are carrying around in their pockets, the number of dollars they have to their credit at banks in the form of demand deposits and commercial bank time deposits.” Thus he defines money as “the sum of currency plus all adjusted deposits in commercial banks.”

This is the “working definition” of money which Friedman and Schwartz use for the empirical study of the monetary trends of the US for selected year 1929, 1935, 1950, 1955 and 1960. This was a narrower definition of money and the adjustment in both demand and time deposits of commercial banks was devised to take into account the increasing financial sophistication of the commercial banks and the community. But he could not establish a single index of this sophistication. Even with this adjustment, cash and deposit monies were not strictly comparable over long periods.

However, the correlation evidenced in 1950, 1955 and 1960 suggested a broader definition of money as “any asset capable of serving as a temporary abode of purchasing power”. So Friedman gives two types of definitions of money. One on theoretical basis and the other on empirical basis.

This led to a lot of controversy which Friedman tried to solve on the basis of methodological issues. According to Friedman, “The definition of money is to be sought for not on grounds of principle but on grounds of usefulness in organising our knowledge of economic relationships.” Thus the definition used for empirical purposes is unimportant because different definitions will give different results. The empirical results will ultimately depend upon the nature of assets included in the definition of money as a temporary abode of purchasing power. Thus concludes Friedman, “The selection of a specific empirical counterpart to the term money seems to us a matter of convenience for a particular purpose, not a matter of principle”. He is, therefore, not rigid in his definition of money and takes a broader view which includes bank deposits, non-bank

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deposits and any other type of assets through which the monetary authority influences the future level of income, prices, employment or any other important macro variable.

(Adapted from M.L Jhingan: Macro-Economic Theory 11th Revised Edition, PP 251 – 255)

- a. Suggest a suitable title for this passage
(2 Marks)
- b. In **THREE** short sentences one for each, state the **THREE** functions that make money difficult to define
(6 Marks)
- c. In **FOUR** short sentences, one for each, state any **FOUR** things that make up ‘concrete’ money.
(6 Marks)
- d. In **ONE** short sentence, state the legal definition of money (2 Marks)
- e. In **TWO** short sentences, one for each, state the **TWO** things which are not legally defined as money but serve as money
(4 Marks)
- f. State in **ONE** short sentence the Currency School definition of money
(2 Marks)
- g. State, in **TWO** short sentences, one for each, **TWO** things the Currency School excluded from its definition.
(4 Marks)
- h. In **ONE** short sentence, state Prof. Friedman’s definition of money.
(2 Marks)
- i. In **ONE** short sentence, state why the definition used for empirical purposes is trivial.
(2 Marks)

(Total

30 Marks)

SECTION C
Marks)

ANSWER ANY TWO QUESTIONS

(30

QUESTION 1

As the outgoing President of your professional association, a send-off ceremony was organised in your honour by the newly inaugurated executive members of the association.

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Write the outline of a 10 - minute farewell speech to be presented by you during the occasion.

(15 Marks)

QUESTION 2

The staff of your organisation have written to Management, expressing their displeasure at the non-payment of their leave allowance and are threatening to embark on a strike if the issue is not immediately addressed.

a. As the Managing Director, what is the method of communication that you will use in addressing the staff?

(3 Marks)

b. Discuss briefly the method you have chosen in (a)

(4 Marks)

c. What other method would you have chosen apart from the one stated in (a)?

(2

Marks)

d. State **THREE** advantages each of the methods chosen in (a) and (c)

(6

Marks)

(Total 15

Marks)

QUESTION 3

Your colleagues attended a workshop organised for the people in your cadre and you could not attend the workshop. When your colleagues returned, you asked one of them to brief you on the issues discussed at the workshop. He confided in you that he did not follow the proceedings at the workshop. The inability of your colleague to follow what had happened during the course of the workshop must have been due to some barriers militating against his ability to listen effectively.

a. As someone who understands that there are always barriers to effective listening, discuss briefly any **FIVE** of such barriers that had affected your colleague which prevented him from listening effectively at the workshop.

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(10
Marks)

- b. Suggest how any **TWO** of the barriers identified in (a) above can be overcome. (5 Marks)

(Total 15

Marks)

QUESTION 4

A case of financial fraud had been uncovered in the Finance Department where you are an ATS graduate. You had appeared before an investigative committee and had stated what you knew. A week later, you received a letter telling you to proceed on an indefinite suspension for your role in the fraud.

Write a letter to the Managing Director, seeking a review of the Committee's recommendations and appealing for another investigation to be carried out so that you can be vindicated.

(Total 15 Marks)

SOLUTION

PART 1 COMMUNICATION SKILLS

SECTION A: PART I MULTIPLE CHOICE QUESTIONS

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

11	12	13	14	15	16	17	18	19	20
E	D	A	A	E	A	D	D	E	A

Examiner's Report

This was a compulsory section. The questions here covered the entire syllabus. The performance of candidates was good as about 85% of them scored 50% and above of the allocated marks. Candidates should, however, continue to intensify their efforts by ensuring that they cover the entire syllabus for better performance in this section in future examinations.

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SECTION A: PART II SHORT ANSWER QUESTIONS

1. IRONY
2. SIMILE
3. PUN
4. METONYMY
5. APOSTROPHE
6. DEVELOP/ORGANIZED/UNDERSTOOD/STRUCTURED
7. INSTRUCTIONS /DESCRIPTIONS/SPECIFICATIONS
8. TASK
9. HORIZONTAL/LATERAL
10. GRAPEVINE/RUMOUR/GOSSIP
11. IMPROMTU
12. WRITTEN/MANUSCRIPT
13. EXTEMPORANEOUS
14. ORAL
15. SUBJECT MATTER/HEADING/TITLE
16. MEMORANDUM/MEMO
17. ABSTRACT/EXECUTIVE SUMMARY
18. AGENDA
19. FEEDBACK /RESPONSE/REPLY
20. NARRATIVE

Examiner's Report

This was a compulsory section. The questions covered the entire syllabus. The performance was very poor as only about 30% of the candidates scored 50% and above of the allocated marks. For candidates to better their performance in subsequent examinations they should seriously familiarise themselves with the technical terms and concepts in the different topics in the syllabus.

SECTION B SUMMARY

- (a) Title: Money OR Nature and Definition of Money OR Definitions of money
OR Meaning and nature of money
- (b) i. It is a unit account.
ii. It is a medium of exchange.

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- iii. It is a store of value.
- (c) i. Gold is one of the things that make up 'concrete' money.
 - ii. Cheques are component of 'concrete' money.
 - iii. Another component of 'concrete' money is coins.
 - iv. Currency notes are part of 'concrete' money.
 - v. Bank draft is a part of 'concrete' money.
- (d) Money is what the state decrees as money.
- (e) i. A cheque is not included in the legal definition of money.
 - ii. Bank notes issued by commercial banks are excluded.
- (f) Money is currency and demand deposits used as a means of exchange.
- (g) (i) Time deposits of commercial banks are excluded.
 - (ii) Commercial bills of exchange are excluded.
- (h) Prof. Friedman defined money as the total sum of currency and of all adjusted deposits in commercial banks.
- (i) It is because various definitions will produce various results.

Candidates' shortcomings:

- i. difficulty in reading for understanding.
- ii. inability to follow instructions as many did not write in short sentences.
- iii. poor use of language.

Candidates should:

- i. learn the technique of reading for understanding.
- ii. strictly follow instructions.
- iii. engage themselves in reading materials written in good, standard English.
- iv. make use of ICAN study texts and past examination questions and model answers.

Examiner's Report

This question tested candidates' ability to read, understand and identify main ideas in a given passage. It is a compulsory question. The performance of the candidates was average as only about 45% of them scored 50% and above the allotted marks.

SOLUTION 1

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Outline of a ten-minute farewell speech:

- a. Heading of the farewell speech indicating
 - Title of the speech
 - Name of the speaker
 - Occasion
 - Venue
 - Date
- b. Introduction
 - Protocol
 - Witty saying to catch attention
 - Purpose of the gathering
- c. Body of the speech
 - Events leading to the election as president
 - Gratitude for the period spent as the president
 - Challenges faced during the period
 - Achievements
 - Mention of individuals who contributed to the achievements
 - Hopes and expectations about the association
- d. Conclusion
 - Appreciation for the honour done to the speaker and for those who graced the occasion.
 - Advice to the new executive on how to move the association forward

EXAMINERS' REPORT

This question tested candidates' knowledge of writing outline in easy writing. About 30% of the candidates attempted the question. The performance was woeful as less than 2% of them scored 50% and above of the allocated marks.

Candidates' shortcoming was their inability to understand what an outline means as majority of them wrote speeches instead of outlines.

For better performance in subsequent examinations candidates should:

- (i) learn how to write outline.
- (ii) endeavour to understand what a question demands before attempting it.
- (iii) make use of ICAN study texts, past questions and model answers.

SOLUTION 2

- a. Verbal Communication
- b. Oral/Verbal Communication involves the use of the oral medium of passing information. It is the use of the spoken word to transmit information by words of mouth. It is the act of conversing verbally as against writing. This medium requires close proximity between the two parties involved in the communication process. It is quite effective as feedback is immediate; the speaker can also gauge the body language of his/her audience, and that helps the parties involved in understanding each other.
- c. **Written Communication**
- d. **Advantages of Oral/Verbal Communication:**
 - i. There is a high level of understanding between the two parties involved.
 - ii. Feedback is immediate.
 - iii. It helps boost morale of employees.
 - iv. Helps in conflict resolution.
 - v. It saves time.
 - vi. It makes room for flexibility.
- ii. **Advantages of Written Communication:**
 - i. It serves as evidence and provides written record.
 - ii. It serves as a basis for agreement between parties.
 - iii. It is legally binding because it is documented.
 - iv. It is useful in delegating duties.
 - v. It can be read at the convenience of the receiving party.
 - vi. It is used to clarify verbally communicated information.

Examiner's Report

This question tests candidates' knowledge of media of communication. About 70% of the candidates attempted the question. Their performance was poor.

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About 25% of those who attempted the question scored 50% and above of the allocated marks.

Candidates' shortcomings:

- (i) interpretation of the demand of the question.
- (ii) inability to differentiate between media of communication and systems of organisational communication.
- (iii) lack of knowledge of the advantages of oral and written communication.

For improved performance in future examinations candidates should:

- (i) study the different aspects of media communication
- (ii) familiarise themselves with the difference between media of communication and systems of organisational communication.
- (iii) make use of ICAN study texts, past questions papers and model solutions.

SOLUTION 3

A. Barriers to effective listening are as follows:

- i. **Inappropriate receptive poise** : An inappropriate receptive poise by the listener is when he/she is not favourably predisposed to listening. This may happen in several ways. Inappropriate receptive poise may be broadly divided into physical and mental indisposition. A physically or mentally indisposed listener positions himself/herself wrongly for effective listening. For example, a member of an audience who decides to distract his/her attention to the noise being made by a group of people outside, is not likely to benefit from much of the information being provided by the speaker. This is because the eyes are physically shifted from the message and the mind is engaged thinking about other matters.
- iii. **Lack of cooperation with the speaker**: If the listener is biased against the speaker, such listener can never gain anything from the discussion. Negative attitude on the part of the listener discourages the giver of the information and this may constitute a great barrier to effective listening.

INSIGHT

- iv. **Loss of concentration:** When the listener loses his/her concentration on the information being provided by the speaker, the reception is likely to be impaired. For instance, when a listener's mind wanders away from the message being received, it is likely that part of the message given during the period of inattention would be lost. This may negatively affect what had been received earlier as well as what may be received later. Loss of concentration thus constitutes a barrier to effective listening.
- v. **Speech Lag:** Listening speed is faster than speaking rate. Hence, the listener's mind has to slow down to keep pace with the speaker. This is referred to as speech lag. The resultant effect on the listener is that his mind may wonder and lose concentration.
- vi. **Emotional state of mind:** It is difficult to listen attentively when one is not emotionally stable. For example, when a person is bereaved, it will be difficult for such a person to concentrate on what is being said. The mind of the listener will wander from time to time on the loss or bereavement. The same will happen if the news is a happy one.
- vi. **Linguistic Barrier:** At any point in time, language could be a barrier if a person does not understand the language of communication at an event. In the same vein, if the register of the field of discussion is outside the grasp of the listener, effective listening will be adversely affected.
- vii. **Social Complexes:** A workshop brings people together from various walks of life and from varied background experiences. If a listener feels intimidated or suffers from inferiority complex, he/she may not function properly at the workshop thereby reducing his/her listening capacity. Also, the outcome is the same if a listener suffers from superiority complex because he/she will see every other listener as inferior.
- viii. **Poor Infrastructure:** Inappropriate venue, quality and location of gadgets, poor public address system, noise pollution, poor lighting can constitute a barrier to effective listening.

INSIGHT

b. **Overcoming the Barriers**

- i. **Inappropriate receptive poise** can be overcome if the listener is favorably disposed to listening. The listener should position himself/herself rightly for effective listening. He/she should avoid distraction of any sort.

- iv. **Lack of cooperation with the speaker** can be overcome if the listener can guard against having negative attitude towards the giver of information. He/she should not allow any unpalatable relationship that existed between the speaker and the listener in the past affect him/her when he/she is a participant in a workshop/ seminar/conference. The listener should focus on the message rather than the speaker to eliminate bias.

- vi. **Loss of concentration** can be overcome if the listener concentrates on the information being provided by the speaker. He/she should ensure that all forms of distractions are avoided.

- vii. **Speech lag** can be overcome by the listener slowing down his/her listening rate. The listener should not pre-empt the speaker. The speaker should not be too slow nor too fast to reduce the speech lag

- v. **Emotional state of mind** can be avoided if the listener is in a stable state of mind. When a listener is bereaved, or too happy, he/she should not engage himself/herself in any activity that requires effective listening since naturally it would take time before he/she can overcome the feeling of bereavement or anxiety.

- vi. **Linguistic barrier:** The speaker should use familiar expressions to overcome this linguistic barrier. Where an unfamiliar word is used, he should endeavour to explain it. The listener can also ask for clarification on the area he/she is not clear about.

- vii. **Social complexes:** To overcome this barrier, the listener should assume a neutral personality so that he/she does not feel inferior or superior. The speaker should avoid using emotional expressions which could make the listener switch off, thereby affecting his/her listening effectively.

INSIGHT

- viii. **Poor Infrastructure:** The venue must be conducive and all other infrastructure must be appropriate to the occasion if the poor infrastructure barrier is to be overcome.

EXAMINERS' REPORT

This question tested candidates' knowledge of barriers to effective listening. About 85% of the candidates attempted the question. The performance was rather poor as only about 20% of the candidates who attempted this question obtained 50% and above of the allotted marks.

Candidates' shortcomings:

- (i) lack of understanding of the demand of the question.
- (ii) inability to relate the scenario created to one of the basic language skills which is listening.
- (iii) inability to understand what constitute barriers to effective listening in a given situation.

For candidates to do well in subsequent examinations, they should:

- (i) learn to interpret questions correctly before answering them.
- (ii) learn to apply theory to practical life situations.
- (iii) study the different basic language skills.
- (iv) make use of ICAN study texts, past question papers and model solutions.

SOLUTION 4

2 Walter
Street,
Marina Island,
Accra,
Ghana.

March 2, 2017

The Managing Director,
Concepts Limited,
114, Manhatta Crescent,
Accra,
Ghana.

Dear Sir,

ATSWA PART I MARCH 2018 DIET

INSIGHT

COMPASSIONATE APPEAL TO REVIEW AND RE-INVESTIGATE CASE SENDING ME ON INDEFINITE SUSPENSION

I am Mr. Johnson Asante, an ATS graduate working in the Finance Department as a Finance Clerk.

During the recent investigation of the department for a financial fraud, I was invited by the Investigative Committee to state what I knew about the fraud. I had explained to the Committee that, though I work in Finance Department, I have no access to cash or the accounts of the organisation. My major duty is to move financial documents around and file same once treated.

I had also informed the Committee that papers and requests for funds are generated from various units in the organisation and are vetted by the Audit Unit before and after payments are made. It is these documents that I file and keep records of.

It was, therefore, a surprise when I got a letter from the Manager, Human Resources asking me to proceed on an indefinite suspension without pay.

I am not in any way involved in the fraud, neither am I responsible for clearing payments.

I am appealing that you use your good offices to review the recommendations of the Investigative Committee as they affect me and ensure that justice prevails even as culprits are brought to book.

I am optimistic that I will eventually be vindicated at the end of the review.

Thanking you in anticipation.

Yours faithfully,

(Signature)

Johnson Asante.

Examiner's Report

ATSWA PART I MARCH 2018 DIET

INSIGHT

This question tested candidates' knowledge of formal letter writing (Letter of Appeal). About 40% of the candidates attempted the question. Their performance was very good as about 80% of them scored 50% and above of the allocated marks.

Candidates' shortcomings:

- (i) Lack of knowledge of proper features of format letter
- (ii) inability to address the issue the question demands
- (iii) poor use of language

To improve candidates' performance in future examinations, they should:

- (i) study the different types of letters and their features.
- (ii) give correct interpretation to question before attempting it.
- (iii) make use of ICAN study texts, past question papers and model answers.