

## EXAMINERS GENERAL COMMENTS

### BREACH OF EXAMINATION INSTRUCTIONS

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

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

### INADEQUATE COVERAGE OF THE SYLLABUS

IT HAS BECOME 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.

### FOREWORD

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

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

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

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

**NOTE**

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

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AT/151/PIII.9

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA  
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
PART III EXAMINATION – SEPTEMBER 2015  
PRINCIPLES OF AUDITING**

**Time Allowed: 3 Hours**

**SECTION A: PART I  
(30 Marks)**

**MULTIPLE CHOICE QUESTIONS**

**ATTEMPT ALL QUESTIONS**

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

1. Which of the following statements is **NOT** a basic element of the auditor's report?
  - A. The financial statements are consistent with those of the prior periods
  - B. The auditor includes assessing significant estimates made by the client's management
  - C. The auditor evaluates the overall internal controls
  - D. The disclosures provide reasonable assurance that the financial statements are free from material misstatement
  - E. The financial statements audited are those that belong to the accounting period
  
2. An audit report has to include the opinion of the auditor that the financial statements audited show a true and fair view. Which of the following statements may **NOT** necessarily portray the accounts to be true and fair?
  - A. There are no material errors or misstatements in the financial statements
  - B. All relevant returns had been made to the Corporate Affairs Commission/Registrar of Companies/Liberia Business Registry
  - C. Accounting policies adopted have been fully disclosed
  - D. Adequate returns from branches not visited by the auditor were reviewed
  - E. Fundamental accounting concepts have been followed in the preparation of the accounts

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3. Which of these may **NOT** be included as an element in the auditor's report of a public company?
  - A. A paragraph containing an expression of opinion on the financial statements
  - B. Auditors' signature and address
  - C. A statement on the responsibility of the entity's management
  - D. A statement on the responsibility of the auditor
  - E. An identification of the financial statements audited
  
4. What is the term used in describing a statement where the auditor draws the attention of users of financial statements to a particular issue without qualifying the report?
  - A. Qualified opinion
  - B. Exception paragraph
  - C. Unqualified report
  - D. Emphasis of matter paragraph
  - E. Particular paragraph
  
5. The auditor does not accept responsibility for **ONE** of the following matters while expressing an opinion on the audited financial statements.
  - A. The reliability of the opening balances
  - B. Compliance with legal requirements
  - C. Preparation of the financial statements
  - D. Consistency in the application of accounting policies
  - E. Appropriateness of comparative figures included in the accounts
  
6. Which of the following best describes why an independent auditor reports on the financial statements of a limited liability company?
  - A. Ineffective internal controls may exist
  - B. It is statutorily compulsory
  - C. Independent auditors are likely to detect fraud and errors
  - D. Mis-stated accounts balances are generally corrected by independent auditors
  - E. Competing interests may exist between management and users of the financial statements
  
7. Which of the following depicts the ability of an auditor to be objective in carrying out his audit exercise?
  - A. Must remain independent and impartial
  - B. Place undue dependence on an audit client
  - C. Be unyielding in all disputes
  - D. Remains partial to the desires of the client's management
  - E. Have a mutual business interest with a client or with an officer or employee of the company
  
8. Which of the following is **NOT** an objective of auditing standards?

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- A. Reduces engagement risk
  - B. Ensures uniformity and standardisation when expected
  - C. Bridges the gap that normally occurs in the format of the audit report
  - D. Provides a basis for audit assessment
  - E. Maximises the occurrence of fraud in operation
9. Which of the following indicates the end product of an audit exercise?
- A. Domestic report
  - B. Engagement letter
  - C. Evaluation report
  - D. Audit report
  - E. Letter of representation
10. Which of the following is the fiduciary duty of auditors under common law?
- A. To report to Audit Committee their findings on the accounts examined
  - B. To state whether proper books of accounts have been kept
  - C. To state whether all necessary information and explanations have been received
  - D. To report on the true and fair view of the financial statements
  - E. To exercise due diligence in performance of their duties
11. Which of the following is **NOT** a problem that might arise from the audit of a foreign subsidiary?
- A. Language problems
  - B. Cultural problems
  - C. Professional and ethical problems
  - D. Differences in auditing/accounting conventions
  - E. Political risks
12. Which of the following is **NOT** a major characteristic of fraud?
- A. Using the business assets for personal use
  - B. Embezzling cash receipts
  - C. Stealing or converting physical assets or intellectual property
  - D. Incorrect accounting estimates arising from an oversight or misinterpretation of facts
  - E. Causing the business to pay for goods not received
13. Public Accounts Committee in your country is responsible to the
- A. Senate
  - B. National Assembly/Legislature/Parliament
  - C. House of Representatives
  - D. Tax Board
  - E. Anti Corruption Bodies
14. Which of the following is **NOT** included as a function and objective of the Audit Committee?
- A. Ascertain whether the accounts and reporting policies of the company are in accordance with legal requirements and agreed ethical practices

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- B. Review the scope and planning of audit requirements
  - C. Review the effectiveness of the company's policies
  - D. Authorise the internal auditor to carry out investigations into any activity of the company which may be of interest or concern to the committee
  - E. Fix and approve remuneration and fees of the external auditors
15. When a contingency is resolved subsequent to the issuance of audited financial statements which correctly contains disclosure of the contingency in the footnotes based on information available at the date of issuance, the auditor
- A. Informs the appropriate authorities that the report cannot be relied on
  - B. Takes no action regarding the event
  - C. Insists that the client issues revised financial statements
  - D. Informs the Audit Committee that the report cannot be relied on
  - E. Reviews all supporting documents to determine the amount involved
16. A sampling selection method where each item in the population has an equal chance of being selected is
- A. Discovery sampling
  - B. Equal likely sampling
  - C. Judgement sampling
  - D. Random sampling
  - E. Selection sampling
17. Which of the following is **NOT** a component of an entity's internal control system?
- A. Risk assessment
  - B. Control environment
  - C. Control assessment
  - D. Control risk
  - E. Monitoring system
18. Any information that corroborates or reflects the auditor's premise that the financial statements fairly present the client's financial position is described as
- A. Evidential matter
  - B. Physical premise
  - C. Physical evidence
  - D. Corroborating schedule
  - E. Audit documents
19. The essential qualities of audit evidence can be grouped into **ONE** of the following

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- A. Autonomy, relevance, reliable
  - B. Independent, relevant, objective
  - C. Honesty, objectivity, relevance
  - D. Sufficiency, reliability, relevance
  - E. Independence, integrity, objective
20. An unusual action or series of unusual actions taken by the client shortly before the Statement of Financial Position date to improve the financial picture presented in the financial statements is
- A. Pre-balance sheet event
  - B. Fraud
  - C. Window dressing
  - D. Teeming and lading
  - E. Forgery
21. Which of the following procedures is **NOT** adopted by the auditor in the evaluation of the appropriateness of the going concern basis for the preparation of a company's financial statements?
- A. Assessing the adequacy of the length of time into the future that directors have considered the viability of the company
  - B. Relying on the letter of representation given by the directors
  - C. Appraising the assumptions underlying the budget forecasts and other information used by the directors
  - D. Reviewing any obligations, undertakings or guarantees arranged with other entities for giving or receiving supports
  - E. Assessing the systems or other means by which the directors have identified warnings of future risks and uncertainties
22. Which of these is the most important responsibility of a Board of Directors?
- A. Setting corporate strategy, overall direction, mission or vision
  - B. Caring for shareholders interest
  - C. Reviewing and approving the use of resources
  - D. Controlling top management
  - E. Managing the day-to-day activities of the entity
23. Which of the following types of audit is designed to determine whether a governmental entity's procurement practices are effective?
- A. Financial statements audit
  - B. Operational audit
  - C. Program audit
  - D. Compliance audit
  - E. Internal audit

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24. Which of the following would be classified as the objective of Public Sector Accounting?
- i. Evaluating the economy, efficiency and effectiveness with which resources are managed
  - ii. Ascertaining the propriety of transactions and their conformity with established rules, giving evidence of financial accountability and serving as a basis for planning, controlling, decision making and appraisal of performance
  - iii. Assessing the financing of capital expenditure
- A. i only
  - B. ii only
  - C. i and ii
  - D. iii only
  - E. i, ii, iii
25. Unlike consulting services, assurance services
- A. Make recommendations to management
  - B. Report on how to use information
  - C. Report on the quality of information
  - D. Are two party contracts
  - E. Report to operations manager
26. Which of the following computer documentation can assist the auditor in obtaining an understanding of the internal control system?
- A. Audit trail
  - B. Computer log
  - C. Record layout
  - D. Systems flow chart
  - E. Program code analysis
27. An auditor must exercise due professional care by
- A. Obtaining professional experience and formal education
  - B. Examining all available corroborating evidence
  - C. Critically reviewing the judgement exercised at every level of supervision
  - D. Reducing audit risk to the barest minimum
  - E. Preventing fraud and irregularities
28. Which of the following is **NOT** an example of CAATs?
- A. Mapping

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- B. Read only memory
  - C. Snapshot
  - D. Integrated test facilities
  - E. Systems control and review file
29. The possibility of erasing a large amount of information stored on a magnetic tape would most likely be reduced by the use of
- A. File protection rings
  - B. Check digits
  - C. Completeness check
  - D. Conversion verification
  - E. Parity check
30. The auditor should be put on enquiry in respect of fraud in the payroll unit if
- A. Wages and salaries are not paid on due dates
  - B. Finance and accounts staff are always working after closing times
  - C. Clerks on leave insist on participating in the cash payment of salaries
  - D. Workers are being paid by cheque instead of cash
  - E. Computerisation is replacing manual system

**SECTION A: PART II**  
**(20 Marks)**

**SHORT-ANSWER QUESTIONS**

**ATTEMPT ALL QUESTIONS**

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

1. The documentation of an entity's procedures in an essay form is referred to as.....
2. The set of controls within the environment in which computer operations are carried out on a day to day basis with system and program development are generically called .....
3. What is the term used for expressing the means of generating information about internal controls in operation by asking detailed questions as to the existence or non-existence of internal controls?
4. What does the acronym 'GIGO' stand for in computer processing?
5. What is the decided case in which the Judge stated that the auditor was not bound to do more than exercise reasonable care and skill in making his enquiries and investigations?
6. An approximate amount of an item recorded in the books of accounts in the absence of a precise means of measurement is called .....

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7. What is the name given to a procedure that is intended to ensure that movements in and out of inventories are properly identified and recorded in the relevant accounting period?
8. The procedure that the auditor follows to check some parts rather than all the items is referred to as .....
9. What type of detailed test does an auditor perform on transactions and balances which are designed to obtain audit evidence to detect material misstatements in the financial statements?
10. When an auditor does not check the total population there is a risk that those items chosen may not be representative of the population. This risk is usually referred to as .....
11. What is the end product of an audit assignment where the true and fair view of the financial statements are expressed?
12. When the circumstance involved is uncertain and the factors involved are both material and fundamental to the whole financial statements, the auditor issues a qualified audit report which is referred to as .....
13. The book that deals with the receipts and disbursements of funds and ensures good accountability and assurance against frauds and other financial malpractices is known as .....
14. An element on an assurance engagement which relates to benchmarking is known as .....
15. What audit process sets out the nature, timing and extent of planned audit procedures required to implement an overall audit plan?
16. The first auditors of a limited liability company are usually appointed by .....
17. How will an auditor identify a slow-moving inventory?
18. What date should the management representation letter from the client coincide with?
19. The entire set of items from which the auditor can make a selection and about which the auditor wishes to draw conclusions is known as .....



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- b. List and explain **SIX** areas that you will focus on as an auditor of a company to ensure that the bank balances shown in the accounts have been reconciled and suitable for the Statement of Financial Position.  
(9 Marks)

**(Total 12½ Marks)**

## QUESTION 4

The use of sampling in auditing has always been regarded as very important and indispensable in the gathering of audit evidence by the auditor.

### Required:

- a. What is audit sampling? (1½ Marks)
- b. Describe **FOUR** factors that the auditor must consider when deciding on sampling size.  
(6 Marks)
- c. List **FIVE** methods that the auditor can use in selecting audit samples  
(5 Marks)
- (Total 12½ Marks)**

## QUESTION 5

The agenda for the forthcoming meeting of the Audit Committee of a company indicates that as the external auditor, you are to discuss coordination between independent and internal auditors.

### Required:

- a. What are the advantages of collaboration between the independent and the internal auditors? (7½ Marks)
- b. List **FIVE** essential ingredients for establishing effective collaboration between independent and internal auditors?  
(5 Marks)
- (Total 12½ Marks)**

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## QUESTION 6

- a. Explain **FOUR** matters that could affect the independence and integrity of an auditor. (8 Marks)
- b. Write short notes on the following:
- i. Transactions audit (2 Marks)
  - ii. Balance Sheet audit (2½ Marks)
- (Total 12½ Marks)**

## SOLUTIONS

### SECTION A: PART 1

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

#### **Examiner's Comment**

The questions were standard and covered the whole syllabus

## SECTION A: PART II

1. Narrative notes
2. Application controls
3. Internal control questionnaire
4. Garbage-in Garbage-out
5. Re: London and General Bank (1895)
6. Accounting estimate
7. Cut- off procedures
8. Sampling
9. Substantive Testing
10. Sampling Risk
11. Audit Report
12. Disclaimer of Opinion
13. Daily Analysis Cash Book
14. Suitable criteria
15. Preliminary Review
16. The directors
17. Going through the perpetual inventory records/Inventory Turnover
18. Date on which the Financial Statements are signed
19. Population
20. Stratified Sampling

### **Examiner's Comment**

The questions were also of high quality and covered the expose of the syllabus

## SECTION B:

### **SOLUTION TO QUESTION 1**

- a. The matters to be considered in order to ensure effective internal control system with regards to inconsistencies in computation of take-home pay include:
  - i. Agreeing workers payroll information with the Human Resources Department (payroll section)

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- ii. Ensuring that there's segregation of duties between the preparers and the payers of salaries and wages
  - iii. Ensuring that staff preparing the payroll are effectively supervised
  - iv. Ensuring that computations are verified for accuracy
  - v. Ensuring that deductions and payroll changes are properly authorized
  - vi. Ensuring that access to payroll information is restricted
- b. Controls relating to non-current assets include:
- i. Authorization of capital expenditure is to be clearly stated and evidencing clearly defined
  - ii. Scrapping, transfers, sales, controls, issues relating to receipts of cash from non-current assets sales should be clearly authorized with levels of authorization clearly stated
  - iii. Ensuring coding of non-current assets which could be either alphabetic or numeric
  - iv. Maintenance and constant update of "non-current assets" register.
  - v. Safeguarding non-current assets by tracking their movement with a register
  - vi. Ensuring that non-current assets are deployed only for the purpose of the business
  - vii. Ensuring that proper accounting computations (i.e. depreciation) are charged and allocated properly with respect to non-current assets
- c. Liabilities of an auditor under the relevant laws of the Federal Republic of Nigeria include:
- i. CIVIL LIABILITY UNDER SECTION 368 OF THE COMPANIES AND ALLIED MATTERS ACT CAPC 20 LFN 2004  
The auditor of a company has a duty to make inquiries and investigations in the course of the audit. Where the company suffers a loss as a result of the auditor's failure to discharge his fiduciary duties, the directors may institute an action for damages.
  - ii. CRIMINAL LIABILITY- SECTION 436 NIGERIAN CRIMINAL CODE  
If a promoter, director, servant or auditor of a company makes, circulates, publishes, or concurs in the making, circulating or publishing a report, document, or statement that is misleading in any material particular in order to defraud creditors or induce members of the public to invest in a company shall be guilty of an offence and on conviction be sentenced to an imprisonment term of seven years (7) years.
  - iii. Liability under Law of Contract
  - iv. Liability under the Law of Tort (Common Law)

## Examiner's Comment

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The question, in three parts, seeks to test candidates' knowledge of the internal control system with respect to computation and payment of emoluments, controls with respect to non-current assets and auditor's liability under the Laws of the Federal Republic of Nigeria. Candidates understood the question and it was attempted by about 30% of candidates with poor performance.

## **SOLUTION TO QUESTION 2**

- a. The following matters must be expressly set out in the auditors' report
- i. Whether the auditor has obtained all the information and explanations which he considers necessary for the purpose of the audit
  - ii. Whether in the auditor's opinion, proper books of accounts have been kept by the company and whether adequate returns have been received from branches not visited by the auditor.
  - iii. Whether the Financial Statements are in agreement with the books of accounts and returns
  - iv. Whether in the auditor's opinion, the Financial Statements give a true and fair view of the state of affairs, profit or loss and where applicable cashflow
  - v. Whether the Financial Statements have been prepared in accordance with the provisions of the Companies and Allied Matters Act Cap C20 LFN 2004
  - vi. That the Financial Statements conform with the International Financial Reporting Standards (IFRS)
  - vii. That management maintains an efficient and effective internal control system
  - viii. That the Financial Statements are free from material misstatements due to fraud and errors.
- b. Distinction between an 'except for' opinion and a 'disclaimer' opinion are these:
- "Except for" Opinion  
The nature of circumstance is a disagreement which is not pervasive but material e.g. the financial statements give a true and fair view except for.....
  - "Disclaimer" Opinion  
When uncertainty becomes fundamental, then a disclaimer opinion sets in. The nature of circumstances is pervasive and material.

### **Examiner's Comment**

The question, in two parts, tests candidates' knowledge of matters to be mentioned in the Report of the Independent Auditors and for them to differentiate between "except for" opinion and "Disclaimer" opinion types

of qualifications. Well attempted by about 90% of candidates with average performance.

## SOLUTION TO QUESTION 3

- a.    i.    Bank Reconciliation  
          This is an exercise undertaken by the company periodically to agree the balances as per bank statements with that of the cash books of the company at a particular point in time
- ii.   Purpose of Bank Reconciliation  
          This is to identify any discrepancies arising between the accounting records of the bank with that of the company.
- b.    Six areas to focus on to show that bank balances have been reconciled include:
- i.    Agreeing the opening bank balances with the closing balances of the previous accounts
- ii.   Agreeing the closing bank balances with the balances in the company's accounts
- iii.   That the balances were accurately stated
- iv.   That the existence of the bank balances can be confirmed by the bankers
- v.    That all bank transactions are authorized and approved
- vi.   That the entity has title to the ownership of bank accounts
- vii.  That the values attributable to bank balances were adequately disclosed in the Financial Statements.

### **Examiner's Comment**

40% of candidates' attempted this question which seeks to test Bank Reconciliation Statement definition and purpose and areas to give audit emphasis with respect to sharing of Bank and Cash Balances in the Statement of Financial Position. Performance here was poor with the "B" part responsible.

## SOLUTION TO QUESTION 4

- a.    Audit Sampling is defined in ISA 530 - 'as the application of audit procedures to less than 100% of items within an account balance or class of transactions such that each sampling units has an equal chance of being selected'

This enables the auditor to obtain and evaluate evidence about some characteristics of items selected in order to form a conclusion about the population from where the sample is drawn.

b. Factors determining Sample Size

- i. Number of items in the population: Where the number is very large, there will possibly be no effect on sample size but when the number is very small, a larger size may be selected or statistical sampling may be inappropriate all together.
- ii. Degree of assurance and the confidence level expected by the auditor will affect sample size. The higher the confidence level, the higher the sample size.
- iii. Materiality: Group of items that are material to the Financial Statements will lead to a higher sample size.
- iv. Stratification: when the population can be stratified, selecting a smaller sample size is possible.
- v. Value of the population: where the value of the population is immaterial to the Financial Statements, a smaller sample size may suffice.
- vi. Error rate when the auditor expects a higher rate of error, a higher sample size must be selected to give auditor a high degree of assurance.
- vii. Risk: A population exhibiting a high detection risk, the larger the sampling size for examination to support the auditor's opinion, the better.
- viii. Other substantive procedures may provide audit evidence regarding assertion made by the financial statement. The sample size will be smaller.

c. Methods of selecting audit samples

- i. Random selection method
- ii. Haphazard selection method
- iii. Stratified sample selection method
- iv. Cluster selection method
- v. Systematic selection
- vi. Block selection method
- vii. Multi-stage selection method

**Examiner's Comment**

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The question seeks to test candidates' knowledge on "Audit Sampling", sample size and methods of selecting audit samples. 90% of candidates attempted this with average performance.

## SOLUTION TO QUESTION 5

- a. Advantages of collaboration between the independent and internal auditors
  - i. The internal audit's function can have a significant effect on the nature, timing and extent of audit procedure applied by an independent auditor.
  - ii. Provides guidance on considering the work of internal auditors and on using internal auditors to provide direct assistance to the auditors.
  - iii. Obtain an understanding of the internal audit function sufficient to plan the audit.
  - iv. Assessing the competence and objectivity of internal auditors before their work is relied on.
  - v. Effect of the internal auditor's work on the audit.
  - vi. Understanding internal control to assess control risk.
  
- b. Essential ingredients to establishing effective coordination between independent and internal auditors.

The internal auditor's work should be evaluated before it is fully relied on with a basis for judging the adequacy and appropriateness of

- i. The scope of internal audit work
- ii. Audit programs
- iii. Working paper documentation
- iv. Conclusions reached
- v. Any reports prepared
- vi. Test of some of the internal auditor's work

### **Examiner's Comment**

35% of candidates attempted this question that seeks to test their knowledge of advantages and essential ingredients of collaboration between internal and independent auditors. Performance was very poor here.

## SOLUTION TO QUESTION 6

1. Matters that could affect the independence and integrity of the auditor are
  - i. Personal or family relationship - If the auditor is closely related to the directors of the company either by blood or marriage, this would surely affect the auditor's independence.

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- ii. Gift and free services - If an auditor receives gift and free services from the client, this would affect his independence especially where the value of the financial gift or services is high.
  - iii. Significance of the audit fee in relation to the gross income - If the audit fee from a single audit engagement constitutes a significant proportion of the total gross income of the practice. For example, 25% of the annual gross income will be considered to be material and may create fear on the part of the auditor not to lose such a big income assignment. This may lead the auditor to be taking instructions from the client's management.
  - iv. Shareholding in client's company - In a situation where the auditor or member of his immediate family has substantial holding in the shares of the client's company, this could affect the auditor's independence since this may result in part ownership of the business.
  - v. Advisory services to two opposing clients - The auditor could find himself in a position where he has to advise two opposing clients competing for a single contract. Except he is able to reject one of the two, he may not be able to maintain integrity, he may be in support of one of the clients more than the other
  - vi. Giving or receiving loan - Independence of an auditor could be affected where he gives or receives loan to or from a client company especially if the loan is not the primary nature of the client's business.
- b. i. Transactions audit  
These are those audits which involve the review of those transactions of an enterprise within a period of time in order to ascertain the completeness, accuracy and validity of the transactions. The audits of sales, purchase expenses and income in the Statement of Profit or Loss and Other Comprehensive Income of an enterprise are referred to as transactions audit.
- ii. Statement of Financial Position Audit  
These are those audits which involve the verification of assets and liabilities of an enterprise as at the end of the year. This involves the audit of non-current assets such as motor vehicles, furniture and fittings; current assets such as stocks, receivables and prepayments. It also involves the audit of liabilities such as payables, loans or bank overdraft, accrued expenses as are indicated in the Statement of Financial Position.

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The major objectives of Statement of Financial Position audit are to determine cost, authorization, valuation and benefit, ownership and presentation of the items in the Statement of Financial Position.

It is an audited valuation of the company's assets and liabilities and it helps the auditor to assess the efficiency and effectiveness of the client's internal control systems.

## **Examiner's Comment**

Very well attempted question on matters affecting independence and integrity of independent auditors with short notes on Transactions and Balance Sheet audits. 85% attempted with fair performance in (a) part and very poor performance in the (b) part

AT/151/PIII.10

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA  
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
PART III EXAMINATION – SEPTEMBER 2015  
COST ACCOUNTING**

**Time Allowed: 3 Hours**

**SECTION A: PART I  
Marks)**

**MULTIPLE-CHOICE QUESTIONS**

**(30**

**ATTEMPT ALL QUESTIONS**

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

1. Which of the following does **NOT** comprise classification of cost according to behaviour?

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- A. Fixed cost
  - B. Distribution cost
  - C. Semi- variable or mixed cost
  - D. Variable cost
  - E. Stepped fixed cost
2. The costing method where production follows a series of sequential processes is known as
- A. Contract costing
  - B. Batch costing
  - C. Process costing
  - D. Job costing
  - E. Unit operation costing
3. The discarded item of material with low recoverable value is referred to as
- A. Waste
  - B. Scrap
  - C. Spoilage
  - D. Defect
  - E. Residual value
4. Activity-based costing focuses on causes of cost incurred which is otherwise known as
- A. Valuation
  - B. Estimation
  - C. Driver
  - D. Pool
  - E. Prediction
5. Absorption costing is concerned with
- A. Variable Cost
  - B. Direct material
  - C. Variable and fixed costs
  - D. Direct labour cost
  - E. Fixed cost
6. The formula  $\frac{\text{Fixed Cost} + \text{Target Profit}}{\text{Profit}}$  is used to determine
- A. Net profit
  - B. Contribution in total
  - C. Fixed cost

# INSIGHT

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- D. Margin of safety
  - E. Sales volume
7. The unique feature of fixed costs is that they are conventionally deemed to be
- A. Affected by production changes
  - B. Unaffected by inflation
  - C. Constant per unit of output
  - D. Outside the control of Management
  - E. Constant in total when production volumes change
8. Which of the following is **NOT** a functional budget?
- A. Sales budget
  - B. Distribution cost budget
  - C. Selling cost budget
  - D. Cash budget
  - E. Production budget

**Use the following information to answer questions 9 and 10.**

A unit of product Q is produced using 10kg of material at ₦10 per kg. During period 4, 10,000 units of Q were manufactured using 117,000kg materials which cost ₦986,000

9. What is the material price variance?
- A. ₦180,000 F
  - B. ₦174,000 A
  - C. ₦184,000 F
  - D. ₦192,000 F
  - E. ₦169,000 A
10. Calculate material usage variance.
- A. ₦170,000 F
  - B. ₦169,000 A
  - C. ₦170,000 A
  - D. ₦150,000 F
  - E. ₦117,000 A
11. In process costing method, abnormal gain is valued at
- A. No cost
  - B. Cost of raw materials
  - C. Good production cost less Work-In-Progress(WIP)

# INSIGHT

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- D. Cost of goods completed (units)  
E. Cost of scrap value
12. Absorption and marginal costing techniques produce the same profit where
- A. First-In First-Out valuation of inventory is used  
B. Opening and closing inventory do not exist  
C. Overheads are absorbed using standard costs  
D. Fixed costs are not included  
E. Only variable cost is used
13. A set of accounting records that combines both financial and cost accounts using a common data input for all accounting purposes is known as
- A. Control accounting system  
B. Interlocking accounting system  
C. Marginal costing system  
D. Integrated accounting system  
E. Non-integral accounting system
14. The semi-annual demand for an inventory item is 10,000 units. The cost of placing an order is GH¢1,000 while the holding cost is GH¢10. What is the Economic Order Quantity?
- A. 200 units  
B. 4,000 units  
C. 2,000 units  
D. 400 units  
E. 2,500 units

**Use the information below to answer questions 15 and 16**

The following data relates to the overhead expenditure of contract cleaners at two activity levels:

	Activity level	Total Cost
		Le
Square Metres cleaned	12,750	73,950
Square Metres cleaned	15,100	83,585

15. What is the total cost of 20,000 square metres cleaned using high-low method?
- A. Le82,000  
B. Le103,675

# INSIGHT

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- C. Le100,875
  - D. Le96,335
  - E. Le89,050
16. What is the fixed cost?
- A. Le61,910
  - B. Le73,000
  - C. Le25,700
  - D. Le21,675
  - E. Le90,265
17. Life Cycle Costing tracks and accumulates the actual costs from the beginning to the end of a .....
- A. Product
  - B. Contract
  - C. Company
  - D. Process
  - E. Cost centre
18. Which of the following is **NOT** an example of a decision where marginal costing can be used?
- A. Make or buy
  - B. Company amalgamation
  - C. Acceptance of special order
  - D. Dropping of a special order
  - E. Choice of product involving limiting factor
19. Which of the following is **NOT** a typical debit entry in contract accounting?
- A. Interim and final profit
  - B. Head Office charges
  - C. Direct labour cost
  - D. Plant and materials transferred to contract
  - E. Plant budget
20. Which of the following investment appraisal techniques can be regarded as a traditional method?
- A. Simulation method
  - B. Net Present Value
  - C. Profitability Index method
  - D. Accounting Rate of Return
  - E. Internal Rate of Return
21. Compute the payback period of a project with initial outlay of ~~N~~400,000 and annual returns of ~~N~~100,000, throughout the duration of the Project.

# INSIGHT

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- A. 3 years  
B. 2 years  
C. 6 years  
D. 5 years  
E. 4 years
22. Which of the following functional budgets is expressed in quantities?
- A. Sales Budget  
B. Production Budget  
C. Master Budget  
D. Material Purchased Budget  
E. Labour Cost Budget
23. The point at which it is essential to initiate purchase requisition of materials is known as
- A. Safety Inventory  
B. Maximum Inventory Level  
C. Buffer Inventory  
D. Re-order Level  
E. Maximum Inventory Level
24. Which of the following is or are likely to use Service Costing?
- i. MJ Grand Hotel  
ii. Polytechnic  
iii. Mechanical Engineer
- A. (i) & (ii)  
B. (ii) & (iii)  
C. (i) & (iii)  
D. (i) (ii) & (iii)  
E. (ii)
25. A Company manufactures and sells one product which requires 8kg of raw material in its manufacture. The budgeted data relating to the next period are as follows:

	<b>Units</b>
Sales	38,000
Finished goods opening	8,000
Finished goods closing	6,000
	<b>Kg</b>
Raw material opening	100,000
Raw material closing	106,000

# INSIGHT

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- What is the budgeted raw material purchase for the next period?
- A. 282,000 kg
  - B. 294,000 kg
  - C. 326,000 kg
  - D. 314,000 kg
  - E. 220,000 kg
26. First-In-First-Out (FIFO) method of pricing material issues is based on the assumption that
- A. The last materials purchased are first issued
  - B. Issues should be done at the price at which materials would be replaced
  - C. Materials which are purchased earlier are first issued
  - D. Materials issued are charged at the rate of the highest priced material in stores
  - E. Materials are issued at an estimated cost
27. A budget which is frequently updated by adding a further accounting period when the earliest accounting period has lapsed is called
- A. Incremental Budget.
  - B. Zero-based Budget
  - C. Flexible Budget
  - D. Continuous Budget.
  - E. Activity-based Budget
28. X Limited wishes to sell 28,000 units of its product which has a variable cost of L\$30 to manufacture and sell. Fixed cost is L\$94,000 and the required profit is L\$46,000.
- What is the sales price per unit?
- A. L\$20
  - B. L\$35
  - C. L\$40
  - D. L\$45
  - E. L\$50
29. Information on standard rates of pay would be provided by
- A. A Work Study Manager
  - B. A Production Manager
  - C. A Human Resource Manager
  - D. A Site Engineer
  - E. An Information Officer

# INSIGHT

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30. Which of the following techniques can be used in a cost reduction programme?
- A. Value reduction
  - B. Budget control
  - C. Standard costing
  - D. Absorption costing
  - E. Variety reduction

**SECTION A: PART II**  
**Marks)**

**SHORT-ANSWER QUESTIONS**

**(20**

**ATTEMPT ALL QUESTIONS**

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

1. The achievement of real and permanent reduction in the unit cost of goods manufactured or services rendered without impairing their suitability for the use intended is called.....
2. The practice of using the same costing principles or practices by a number of companies in the same industry is called .....
3. A standard that can be achieved only with the highest efficiency and performance is called .....
4. A budget which is generally prepared for one year or lesser period is called .....
5. The establishment of budgets relating to the responsibilities of executives to the requirements of a policy and the continuous comparison of actual with budgeted results either to secure, by individual action, the objective of that policy or to provide a basis for its revision is called .....
6. A principle whereby variable costs are charged to cost units and the fixed costs attributable to the relevant period is written off in full against the contributions for that period is called .....

**Use the following information to answer questions 7 and 8**

A company producing a single product sells it at ₦50 per unit. Variable cost is ₦35 and fixed cost amounts to ₦1,200,000.

# INSIGHT

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7. What is the Profit-Volume Ratio?
8. What is Break-even sales in quantity?
9. An accounting system where the financial and cost accounting ensure that all relevant expenditures are absorbed into the cost accounts is called .....
10. A secondary product which incidentally results from the manufacture of the main product from the same process is called .....
11. A system of symbols designed to be applied to a classified set of items to give a brief accurate reference, facilitating entry, collation and analysis is called .....
12. The process of gathering, analysing and synthesising information regarding the operations, duties and responsibilities of a specific job is called.....
13. A system that converts a production schedule into a listing of materials and components required to meet that schedule so that adequate inventory levels are maintained and items are available when required is .....
14. The rate of change in the composition of labour force of an organization due to retirement, resignation and retrenchment during a particular period of time is .....
15. The process whereby whole cost of items are charged directly to a cost unit or cost centre is .....
16. An alternative approach to absorption costing in absorbing overhead is called.....
17. An efficiency ratio is also known as .....
18. The accounting system that starts from the finished goods and works backward to attribute costs between cost of goods sold and finished goods with no separate accounting for work-in-progress is called .....
19. A responsibility centre for which costs, revenue and investments in assets are accumulated is .....
20. The continuous, systematic process of measuring one's output or work processes against the toughest competitors or those recognised as best in the industry is called .....

**SECTION B:**  
**Marks)**

**ATTEMPT ANY FOUR QUESTIONS**

**(50**

# INSIGHT

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## QUESTION 1

SONGA Liberia Limited trades in Club Larger beer. The following information relate to the inventory movement for the month ended 31 August 2014

August 1	Opening balance 3,000 units at L\$20 per unit
2	Purchased 2,000 units at L\$22 each
4	Issued 1,500 units
6	Purchased 2,000 units at L\$23 each
11	Issued 1,500 units
19	Issued 2,000 units
22	Purchased 2,000 units at L\$24
27	each
	Issued 1,500 Units

### You are required to:

- a. Determine the value of the closing inventory and value of the material issued as at the end of August 2014, Using:
- i. Last-In-First-Out (LIFO) method
  - ii. First-In-First-Out (FIFO) method (10 marks)
- b. With respect to inventory control system, define the following terms
- i. Re-order level (1 mark)
  - ii. Maximum Stock Level (1½ Marks)

**(Total 12½ Marks)**

## QUESTION 2

The information given below relate to J&J Construction Company Limited which commenced a contract on 1 March 2014

	₦
Contract price	4,000,000
Direct materials purchased	140,000
Direct materials issued from store	50,000
Materials returned to store	10,000
Direct labour	40,000
Special Plant	100,000
Direct Expenses	20,000
Wages accrued, 31 Dec 2014	10,000
Establishment charges	8,000
Direct Expenses accrued 31 December 2014	2,000

# INSIGHT

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	₦
Value of certified work	500,000
Cost of uncertified work	100,000
Cash received from Contractee	450,000
Materials on site 31 December 2014	18,000
Value of plant at 31 December 2014	40,000

You are required to prepare the following Accounts as at 31 December 2014

- a. Contract Account (11 Marks)  
b. Contractee's Accounts (1½ Marks)  
**(Show all workings) (Total 12½ Marks)**

## QUESTION 3

FITTERS Ghana Limited is a manufacturer of Tricycle Parts. The company discovered that while it costs GH¢120 each to make component Y-3480, the same is available in the market at GH¢110. The breakdown of cost is as follows:

	GH¢
Direct material	25
Direct labour	40
Variable factory overhead	30
Fixed factory overhead	<u>25</u>
	<u>120</u>

Presently, the company manufactures 500,000 units at a single production run. If the component is outsourced, the fixed overhead would be reduced by GH¢5,000,000.

**You are required to:**

Advise the company under the following conditions:

- a. i. That the present facility, when released, following a buying decision would remain idle. (5 Marks)  
ii. That the released capacity can be rented out to another company for GH¢750,000 (5 Marks)  
b. State two other non-cost considerations to be kept in mind in situations like these (2½ Marks)

**(Total 12½ Marks)**

# INSIGHT

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## QUESTION 4

The Budget Manager of LEOX Plc is in the process of preparing the 2015 Budget for his organisation that has just received an import permit. The following figures were extracted from their records.

### Finished Goods

Products Sales(Units)	Opening inventory	Closing inventory
Ginger 45,000	12,000	9,000
Garlic 30,000	27,000	15,000

Labour requirements for the production of one unit of Ginger and Garlic are 5 and 3 hours respectively, while labour rate per hour is Ginger Le4.80, Garlic Le9.00

The following data relate to the material usage for the production of Ginger and Garlic:

Materials' Type	Price Le	Usage in Production (units)	
		Ginger	Garlic
1	3.00	3	1
2	2.00	4	-
3	2.50	-	6
4	4.00	5	-
5	1.00	-	7

Production overheads are applied at the rate of Le4.50 per direct labour hour, while the budgeted selling price per unit for Ginger and Garlic stands at Le102 and Le78 respectively.

### You are required to prepare for the two products

- Sales budget (3 Marks)
- Production budget in units (4 marks)
- Direct material purchase budget in units and value (5½ Marks)

**(Total 12½ Marks)**

## QUESTION 5

- a. Define Cost Accounting? (2 Marks)
- b. Explain **THREE** objectives of cost accounting? (3 marks)
- c. Write short notes on the following cost concepts
  - i. Differential cost
  - ii. Out-of-pocket cost
  - iii. Shutdown cost
  - iv. Engineered cost
  - v. Programmed cost

(7½ Marks)  
**(Total 12½ Marks)**

## QUESTION 6

Just-In-Time is a management tool that helps to produce the needed quantities at the needed time and advocates quantum of goods at the right time which involves a continuous commitment to the pursuit of excellence in all phases of manufacturing, system design and operation.

**You are required to:**

- a. State the objectives of Just-In-Time? (4 Marks)
- b. Explain Just-in-Time Purchasing and Just-In-Time Production (4 Marks)
- c. Enumerate the techniques used in the implementation of Just-In-Time (4½ Marks)

**(Total 12½ Marks)**

## **SECTION A : PART 1**

### **SOLUTION TO MULTIPLE CHOICE QUESTIONS**

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



# INSIGHT

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Raw material required for production(36,000 x 8) 288,000  
Raw material purchased (288,000 +106,000-  
100,000) 294,000kg

28. Calculation of selling price  
= Required contributions = FC + Profit  
= N94,000 + N46,000 = N 140,000  
Required sales = 28,000 units

Required contribution/unit =  $\frac{N140,000}{N28,000} = N5$

	N	
Variable cost		30
Required contribution	<u>5</u>	
Selling Price	<u>35</u>	

## Examiner's Comment

The questions are well spread and of a good standard. All the candidates attempted the questions because the entire section is compulsory. The performance of candidates is above average thus serving as a booster for the overall performance of many of them.

## SOLUTION TO SHORT ANSWER QUESTIONS

- 1) Cost reduction
- 2) Uniform costing
- 3) Ideal standard
- 4) Short term budget
- 5) Budgetary Control
- 6) Marginal costing
- 7) PV Ratio = 30% (See working)
- 8) Break even sales QTY =80,000 units(See working)
- 9) Integrated Accounting System
- 10) By- product
- 11) Coding system
- 12) Job analysis
- 13) Material Requirement Planning(MRP)
- 14) Labour turnover rate
- 15) Cost allocation
- 16) Activity based costing
- 17) Productivity ratio
- 18) Back flushing
- 19) Investment center
- 20) Bench marking

## Workings

$$7. \quad \text{PV Ratio} = \frac{50-35}{50} \times \frac{100}{1}$$

$$= 30\%$$

$$8. \quad \text{BEP (Sales Qty)} = \frac{\text{Fixed Cost}}{\text{Contribution Margin}}$$

$$= \frac{1,200,000}{15}$$

$$= 80,000 \text{ units}$$

## Examiner's Comment

Questions tested candidates understanding of various topics in cost Accounting. Over 95% of the candidates attempted the questions in this section but performance is below average. The poor performance here appears a regular feature. It is evident that some of the candidates that failed gambled thus revealing their inadequate mastery of the subject.

## SECTION B SOLUTION TO QUESTION 1

(ai)

### KONGO LIMITED STOCK VALUATION USING LIFO METHOD

Date	Receipts			Issues			Balance	
	Quantity	Price	Value	Quantity	Price	Value	Quantity	Value
		N	N		N	N		N
August 1	3,000	20	60,000				3,000	60,000
August 2	2,000	22	44,000				5,000	104,000
August 4	-	-	-	1,500	22	33,000	3,500	71,000
August 6	2,000	23	46,000				5,500	117,000
August 11	-	-	-	1,500	23	34,500	4,000	82,500
August 19	-	-	-	500	23	11,500		
				500	22	11,000		
				<u>1,000</u>	20	<u>20,000</u>		
				<u>2,000</u>		<u>42,500</u>	2,000	40,000
August 22	2,000	24	48,000				4,000	88,000

# INSIGHT

August 27	-	-	-	1,500	24	36,000	2,500	52,000
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ii) **STOCK VALUATION USING FIFO METHOD**

Date	Receipts			Issues			Balance	
	Quantity	Price	Value	Quantity	Price	Value	Quantity	Value
		N	N		N	N		N
August 1	3,000	20	60,000	-	-	-	3,000	60,000
August 2	2,000	22	44,000				5,000	104,000
August 4	-	-	-	1,500	20	30,000	3,500	74,000
August 6	2,000	23	46,000	-	-	-	5,500	120,000
August 11	-	-	-	1,500	20	30,000	4,000	90,000
August 19				2,000	22	44,000	2,000	46,000
August 22	2,000	24	48,000				4,000	94,000
August 27	-	-	-	1,500	23	34,500	2,500	59,500

(bi) **Re-order Level** is the point at which it is essential to initiate purchase requisition for fresh supplies of the material. This point will be higher than the minimum stock level to avoid running out of stock due to delay in delivery of fresh supplies.

(ii) **Maximum Stock level**

This is the stock level that items should not be allowed to exceed; hence capital would be tied down and leads to high interest payment.

**Examiner's Comment**

The question is of a good standard and tested valuation of stock. It is a simple and straight forward question so, about 99% of the candidates attempted the question. Estimated number (70%) of those that attempted the question scored high marks. Majority of the remaining 30% scored ridiculously low marks and were unable to present a well laid out format for stock valuation. I recommend that questions of this nature be repeated in future examinations.

**SOLUTION TO QUESTION 2**

**CONSTRUCTION COMPANY  
Contract Account for the Period Ended 31/12/2012**

	N
Direct Materials	Materials at Site

# INSIGHT

	18,000	
Purchased 140,000		Plant at site 40,000
Issued <u>50,000</u>		Cost of work certified <u>302,000</u>
	190,000	
Returned (10,000)		
180,000		
Direct labour (40 + 10) 50,000		
Direct expenses (20+2) 22,000		
Establishment charges 8,000		
Special plant <u>100,000</u>		
	<u>360,000</u>	<u>360,000</u>
Cost of work certified b/d 302,000		Value of work certified 500,000
Profit & loss A/c 178,800		Work not yet certified <u>100,000</u>
Balance b/d <u>119,200</u> <u>298,000</u>		
	<u>600,000</u>	<u>600,000</u>
Materials b/d 18,000		Accrued wages b/d 10,000
Works not yet certified b/d 100,000		Accrued expenses 2,000
Plant at site 40,000		Profit c/d 119,200

### Contractee's Account

	N		N
Value of Work certified	500,000	Payment On Account	450,000
	_____	Balance b/d	<u>50,000</u>
	<u>500,000</u>		<u>500,000</u>

### Workings

Profit Taken into the Profit & Loss Account

$$\begin{aligned}
 & \frac{2}{3} \times \text{Notional Profit} \times \frac{\text{Cash Received}}{\text{Value of work certified}} \\
 & = \frac{2}{3} \times \underline{298,000} \times \frac{\underline{450,000}}{500,000} \\
 & \qquad \qquad \qquad 1 \\
 & = \text{N}178,800
 \end{aligned}$$

### Examiner's Comment



# INSIGHT

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9. Effect it will have on other products i.e if the product is a composite product

Alternative solution

ai) Relevant cost of in-House Production

	Price (GHC)	Quantity	Cost(GHC)
Direct Material	25	500,000	12,500,000
Direct Labour	40	500,000	20,000,000
Variable factory Overhead	30	500,000	15,000,000
	95		47,500,000

Relevant cost of Buying

	Price(GHC)	Quantity	Cost
Purchases	110	500,000	55,000,000
Reduction in fixed factory O' head	<u>10</u>		<u>(5,000,000)</u>
			<u>50,000,000</u>

The cost of In house production (GHC 95 x 500,000 = 47,500,000) is lower than the cost of Buying (GHC 100 x 500,000). Therefore it is advisable to make the component to save a cost of GHC 2,500,000 (GHC 50,000,000 - 47,500,000)

(aii) Relevant cost of In House Production is	GHC <u>47,500,000</u>
Relevant Cost of Buying	GHC 50,000,000
Less savings in Fixed factory Overhead	<u>(750,000)</u>
	<u>49,250,000</u>

The cost of in-house production GHC 47,500,000 is lower than the cost of Buying (GHC 49,250,000). Therefore it is advisable to make the component to save a cost of GHC 1,750,000 (GHC 49,250,000-47,500,000).

## Examiner's comment

The question tested Decision making and aimed at assessing the candidates' ability in taking decision on make or buy situations. About 30% attempted the question however, only 40% of those who attempted the question got it right. Given that Cost accounting is a prerequisite for management information, i suggest that questions on the contents of this section of the syllabus be a regular feature to enable students have the required knowledge in the area.

## SOLUTION TO QUESTION 4

**Leox Plc**

# INSIGHT

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a. Sales Budget

Products	Quantity	Selling Price/Unit	Value
	Units	₦	₦
Ginger	45,000	102	4,590,000
Garlic	<u>30,000</u>	78	<u>2,340,000</u>
Sales Budget			<u>6,930,000</u>

b. Production Budget in units

	Ginger	Galic
Sales	45,000	30,000
Closing inventory	<u>9,000</u>	<u>15,000</u>
	<u>54,000</u>	<u>45,000</u>
Opening inventory	<u>(12,000)</u>	<u>(27,000)</u>
Production of Budget	<u>42,000</u>	<u>18,000</u>

c. Production of direct material budget in units and value

Product-Ginger- Units

Material Type	Material Reqd/Unit	Production	Total Material Required
1	3	42,000	126,000
2	4	42,000	168,000
3	-	42,000	-
4	-	42,000	210,000
5	-	42,000	-
			<u>504,000</u>

ii. Direct material Budget in Value

Material Type	Price/Unit	Total Material Reqd	Amount
1	3.0	126,000	378,000
2	2.0	168,000	336,000
3	2.5	-	-
4	4.0	210,000	840,000
5	1.0	-	-
			<u>1,554,000</u>

b. Preparation of Direct material Budget in Units and Value for GARLC

Material Type	Material Required/Unit Required	Production	Total material
1	1	18,000	18,000
2	-	18,000	-
3	6	18,000	108,000
4	-	18,000	-
5	7	18,000	<u>126,000</u>
			<u>252,000</u>

(ii) Direct Material Budget in Value

Material Type	Price	Total Material Required	Amount (₦)
1	3.0	18,000	54,000
2	2.0	-	-
3	2.5	108,000	270,000
4	4.0	-	-
5	1.0	126,000	<u>126,000</u>
			<u>450,000</u>

**Examiner's Comment**

The question is on functional budget. About 60% of the candidates attempted the question and on the average about 50% of this number scored low marks. Performance of candidates indicates they lack adequate knowledge in this aspect of the syllabus

**SOLUTION TO QUESTION 5**

- a. Cost accounting is the application of accounting principles, methods and techniques in the ascertainment of cost and the analysis of savings and or excess as compared with previous experience or standard. (CIMA).
- b. Objectives of cost accounting are:
  - i. The establishment of a sound cost accounting department
  - ii. Identification of cost centre
  - iii. Collection of cost accounting in various centers
  - iv. Classifying cost in an appropriate manner so as to facilitate ascertainment of cost and facilitate product pricing
  - v. Preparation of timely cost accounting information that will facilitate short term decision making and planning

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- vi. Ensure that established format for data compilation are correctly followed at various levels
  - vii. Monitor the regularity of entry of data to ensure timeliness
  - viii. Prepare summaries of raw data collected showing the results from various perspective to give a total picture.
  - ix. Check the accuracy of figures supplied through reasonable checks
- c.
- i. **Differential cost** is the difference in total cost that will result from the selection of one alternative to the other. It is a marginal cost of a change in the scope of operation. Differential cost relates to making choices from available alternative such as add or drop a new product, changing from one form of promotional campaign to another, etc. It is a cost that differs in amount among the alternatives being considered. It is the difference in total cost between alternative. It is also known as incremental cost.
  - ii. **The out of pocket cost** is a cost that necessitate a corresponding outflow of cash. This type of cost which had to do with cash outlay or payment to other parties is termed as out of pocket cost. Out of pocket cost is useful in making decisions on some operational or managerial problems such as make or buy decision. It is a cost that involves the movement of cash. i.e cashflow items.
  - iii. **Shut down costs** are the costs incurred when there is a temporary close down of a department, division, or segment of a department, section or the whole organisation. Shut down costs include costs incurred when closing down as well as when re-opening . Shut down costs are defined as “those costs which would have been saved if the operations are continued. It includes redundancy cost, cost of machine maintenance cost of overhauling plant, training and engagement of new personnel.
  - iv. **The engineered costs** has to do with the inputs like material, labour and expenses. In other words, it relates with the elements of cost. They are those costs that have clear or direct linkage to unit of output. E.g direct material and direct labour. Engineered costs are costs that have been found to bear observable and known relationship to a quantifiable activities base. Such cost can be treated as either variable or fixed. The material quantity and usage, labour hours and efficiency can all be determined for each product or service. An item of engineered cost is a type of input that has a definite physical relationship with output. In most manufacturing or production processes there is relative ease developing standards for both direct

materials and direct labour and this standard will reflect the relationship between input and output.

- v. **Programmed costs** are those cost that are incurred by management discretion and control. However, in most cases these costs have little immediate relevance to company's current operations. Programmed costs are incurred to secure organization's long-term survival. In a nutshell, programmed costs are subject to both management discretion and management control, but which are not having immediate influence on current activities. It is generally incurred to ensure long term survival. Examples of programmed costs are discretionary, fixed costs such as advertisement, research and development and sales promotion

### **Examiner's Comment**

The question focused on introduction to Cost Accounting. The question was well attempted as only 5% did not attempt it. Performance is adjudged below average. Students appear either ill prepared for the examination or never expected questions from this part of the syllabus.

### **SOLUTION TO QUESTION 6**

a) Objectives of Just – in – Time includes the following:

- i. Elimination of any production process or operations that does not add value to the product or service.
- ii. Continuous improvement in production or performance efficiency
- iii. Reduction in total cost of production or performance while increasing quality
- iv. Elimination of holding cost of inventory
- v. Elimination of storage facilities /operates as a pull system i.e produced on demand
- vi. Avoidance of wastages of material
- vii. Avoidance of obsolete inventories
- viii. Batch sizes of one
- ix. 100% on time delivery
- x. Minimises set-up time i.e short set up

b) Just – in – Time Purchasing

It attempts to acquire the right quality of material needed, the right quantity and at the time needed thereby avoiding stock of inventory. The system tends to match the consumption or usage of materials with the delivery of materials from external suppliers, whereby delivery of materials immediately precedes their use. It encourage arranging with suppliers for regular and frequent deliveries to which stocks or inventory can be kept at

minimum and also to reduce capital tied down. For just- in- time purchasing to be effective it requires:

- (i) Certainty that the supplier delivers at the exact time.
- (ii) 100% quality of materials delivered with no rejects or possible production delay.

## 2(b) Just In Time Production

This is to reorganise the production process by dividing the many different products that an organisation makes into familiar or similar products or components. It works on a demand pull basis and seek to eliminate all waste and activities that does not add value to the product.

It attempts to acquire components and produce inventory units only as they are needed, minimise product defects and reduce cycle or set up times for acquisition and production. Inventories are only produced when a customer places an order.

## 3. Techniques used in the implementation of Just - in - Time are:

- i. Inventory management
- ii. Concept on Kanban
- iii. Supply Chain Management
- iv. Total Quality Control Management(TQM)
- v. Material Handling system
- vi. Smaller Batches of production
- vii. Production Layout
- viii. Flexible Manufacturing System
- ix. Reducing Processing Time
- x. Multi Function Workers
- xi. Internet Business Model
- xii. Throughput Accounting
- xiii. Cost Reduction Technique
- xiv. Focused Factory Management

### **Examiner's comment**

The question aimed at current developments in Cost Accounting. It specifically tested Just-In-Time Techniques. The question was well embraced as 95% of the candidates attempted it but performance was below average. It was apparent that many of the Students are not acquainted with current developments in Cost Accounting. Questions on current trends in Cost Accounting should be a regular feature to enable the candidates compete favourably with their peers across the Globe.

**AT/151/PIII.11**

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA  
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
PART III EXAMINATIONS- SEPTEMBER 2015  
PREPARING TAX COMPUTATION AND RETURNS  
(NIGERIAN VERSION)**

# INSIGHT

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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 operational arm of the State Board of Internal Revenue known as the State Internal Revenue Service was established by
  - A. Finance (Miscellaneous Taxation Provisions) Amendment Decree No. 4 of 1994
  - B. Section 80 of Companies Income Tax Act
  - C. Section 87 of Personal Income Tax Act
  - D. The Governor of Lagos State in 1993
  - E. Chairman- Public Accountants Committee
2. The body that is in charge of taxes in Local Government Councils is known as
  - A. Local Government Revenue Committee
  - B. Local Government Revenue Service
  - C. Local Government Internal Revenue
  - D. Local Government Tax Collection
  - E. Local Government Tax Services
3. The Board that settles tax disputes among the States in Nigeria especially in respect of residence and remittance is the
  - A. Joint State Revenue Committee
  - B. Technical Committee
  - C. Federal Inland Revenue Service Board
  - D. Joint Tax Board
  - E. Tax Tribunal
4. The body responsible for collection of Companies Income Tax in Nigeria is
  - A. Federal Internal Revenue Service Board
  - B. Federal Income Taxes Board
  - C. Federal Ministry of Finance
  - D. Companies Taxes Collection Board
  - E. Federal Inland Revenue Service
5. A taxpayer is permitted to object to tax assessment served on him/her if such assessment is not satisfactory to him within

# INSIGHT

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- A. 30 days of the service of the assessment
  - B. 60 days of the service of the assessment
  - C. 90 days of the service of the assessment
  - D. 120 days of the service of the assessment
  - E. 365 days of the service of the assessment
6. Every employer is expected to make returns to the relevant Tax Authority in respect of all emoluments paid to its employees not later than..... of every year
- A. 31<sup>st</sup> of March
  - B. 30<sup>th</sup> of June
  - C. 31<sup>st</sup> of January
  - D. 30<sup>th</sup> of September
  - E. 31<sup>st</sup> of July
7. Which of the following is **NOT** a levy or due to be collected by Local Governments in Nigeria?
- A. Slaughter slab fees
  - B. Shops and kiosks rates
  - C. On-off liquor licence fees
  - D. Wrong parking fines
  - E. Pay-As-You-Earn
8. Which of the following goods is **NOT** exempted from Value Added Tax (VAT)?
- A. Luxury Cars
  - B. Baby Products
  - C. Medical Products
  - D. Basic Food Items
  - E. Exported Goods
9. Which of the following Services is **NOT** exempted from Value Added Tax?
- A. Services of Microfinance Banks
  - B. Education related services
  - C. Plays conducted by educational institutions
  - D. Exported services
  - E. Medical services
10. Which of the following is **NOT** an example of instruments subject to *ad-valorem* duties?
- A. Valuation of any property
  - B. Bills of exchange of any other kind and promissory note

# INSIGHT

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- C. Share capital
  - D. Loan capital
  - E. Admission as a notary public
11. Which of the following is **NOT** a way of tax evasion?
- A. Refusing to register with the relevant tax authority
  - B. Failure to furnish returns
  - C. Entering into artificial transactions
  - D. Incorporating sole proprietorships into limited liability companies
  - E. Overstating expenses so as to reduce taxable profit
12. The relevant Tax Authority in charge of Capital Gains Tax on individuals is
- A. Joint Tax Board
  - B. Body of Appeal Commission
  - C. State Internal Revenue Service
  - D. Federal Inland Revenue Service
  - E. Value Added Tax Technical Committee
13. A notice of objection against an assessment of an individual is first sent to the
- A. High Court
  - B. Relevant Tax Authority
  - C. Joint Tax Board
  - D. Court of Appeal
  - E. Tax Appeal Tribunal
14. Which of the following is an allowable deduction in ascertaining rental income for tax purposes?.
- A. Income Tax
  - B. Capital Expenditure
  - C. Cost of advertising for new tenants
  - D. Depreciation
  - E. Reserves
15. Which of the following does **NOT** lead to a change in Partnership?
- A. Amalgamation of two or more partnerships
  - B. Retirement of an old partner
  - C. Death of a partner
  - D. Admission of a new partner
  - E. Relocation of a partner to another town

# INSIGHT

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16. Which of the following is **NOT** disclosed in a Tax Clearance Certificate in respect of the last three years of assessment?
- A. Turnover
  - B. Tax paid
  - C. Total profit
  - D. Tax payable
  - E. Project turnover
17. In addition to the Consolidated Relief Allowance, which of the following is **NOT** allowed as a deduction from Gross Income in the computation of the tax liability of an employee?
- A. Gratuities
  - B. Life Assurance Premium
  - C. National Housing Fund contribution
  - D. Children allowance
  - E. National Pension Scheme contribution
18. The income of an individual tax payer for each year of assessment from all sources is called the .....
- A. Annual Income
  - B. Total Income
  - C. Total Assessable Income
  - D. Assessable Income
  - E. Gross Income
19. Which of the following is **NOT** among the **FOUR** conditions stated in the Company Income Tax Act, (CITA) 2004 that an expense must fulfill before it can be treated as allowable deduction in computing assessable profit?
- A. Reasonable
  - B. Necessary
  - C. Wholly
  - D. Exclusive
  - E. Accountable
20. Where the turnover does **NOT** exceed ₦500,000, the minimum tax is the highest of **EXCEPT**
- A. 0.5% of Gross Profit
  - B. 0.5% of Net Assets
  - C. 0.25% of Paid up share capital
  - D. 0.25% of Turnover not exceeding ₦500,000
  - E. 0.25% of Gross Profit

21. Expenditure incurred prior to commencement of business is regarded as
- A. Incurred on the day of commencement
  - B. A sunk cost
  - C. A Deferred cost
  - D. A Disallowed cost
  - E. An Irrelevant cost
22. Which of the following dividends is **NOT** exempted from taxation?
- A. Dividend received from a pioneer company
  - B. Dividend received by way of a bonus issue of share
  - C. Dividend from ordinary course of business
  - D. Dividend from a trust scheme
  - E. Dividend received by a company from another company
23. Which of the following circumstances may **NOT** lead to the cessation of a business?
- A. Merger of Companies
  - B. A change in government legislation
  - C. Where a business loses its source of raw materials or the market for its products
  - D. When the business relocates from its former location
  - E. If a Company has serious and continuous liquidity problems
24. Under the Companies Income Tax Act CAP C21 LFN 2004 (as amended), computation in respect of the penultimate year is peculiar to
- A. Cessation of business
  - B. Change of accounting date
  - C. Mergers and acquisitions
  - D. Dissolution of partnership
  - E. Commencement of business
25. Failure to pay Tertiary Education Tax within 60 days after the due date, the service shall serve on the company, a demand note for the unpaid tax
- A. Plus a sum equal to 5% of the tax
  - B. Minus a sum greater than 5% of the tax
  - C. Plus a sum less than 5% of the year
  - D. Plus a sum greater than 5% of the year
  - E. Minus a sum equal to 5% of the tax

26. The ratio of disbursement of Tertiary Education Tax collected among the Universities, Polytechnics and Colleges of Education is
- A. 1 : 1 : 2
  - B. 1 : 2 : 1
  - C. 2 : 1 : 2
  - D. 2 : 1 : 1
  - E. 2 : 2 : 1
27. Which of the following is **NOT** a major source of Nigerian tax laws?
- A. Text books
  - B. Court Judgment
  - C. Constitution
  - D. Practices of the Relevant Tax Authorities
  - E. Official circulars
28. Which of the following is an indirect tax?
- A. Capital Gains Tax
  - B. Company Income Tax
  - C. Ad-valorem Tax
  - D. Pay-As-You-Earn
  - E. Education Tax
29. Which of the following is **NOT** covered by the Personal Income Tax in Nigeria?
- A. Taxation of income of sole traders
  - B. Taxation of income of small limited liability companies
  - C. Partnership assessment
  - D. Taxation of estate, trusts and settlement
  - E. Taxation of income of employees
30. Which of the following is **NOT** expected to be submitted to the relevant tax authority when sending the first returns?
- A. Registered address
  - B. Certified True Copy of Memorandum and Articles of Association
  - C. Accounting year-end
  - D. Audited financial statements
  - E. Name of the financial accountant

**SECTION A: PART II**  
**Marks)**

**ATTEMPT ALL QUESTIONS**

**(20**

**SHORT ANSWER QUESTIONS**

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

1. Banks are expected to submit monthly returns to the Federal Inland Revenue Service stating the names and addresses of new corporate customers within ..... days of the following month.
2. The penalty for late or non filing of audited accounts as at when due is ..... in the first month in which the failure occurs.
3. A taxable person whose Total Income does **NOT** exceed ₦300,000 is chargeable to minimum tax at the rate of ..... of Total Income.
4. The responsibility for the collection of Personal Income Tax from individuals who are deemed to be resident in the Federal Capital Territory is vested in.....
5. How many members of the State Internal Revenue Service (including either the Chairman or Director) shall form a quorum at any of its meetings
6. **ONE** of the measures employed by the Federal Inland Revenue Service (FIRS) aimed at improving voluntary compliance by tax payers is.....
7. An employee is assessed for tax under ..... system.
8. The responsibility for the assessment and collection of Tertiary Education Tax is that of .....
9. The primary objective of a modern tax system is.....



# INSIGHT

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- b. Explain any **THREE** categories of tax with respect to the distribution of tax burden.  
(4½ Marks)

(Total 12½

Marks)

## QUESTION 2

- a. What is Stamp Duty? (2 Marks)

- b. List **FOUR** members of the Joint State Revenue Committee.  
(2 Marks)

- c. In partial disposal of Assets, state the meaning of this formula  
$$\frac{A}{(A+B)} \times C$$
 (2½

Marks)

- d. State the composition of Value Added Tax Technical Committee and any **THREE** functions of the Committee .  
(6 Marks)

(Total 12½

Marks)

## QUESTION 3

Mr. Ajenifuja is an employee of AE Professionals and earns an annual basic salary, housing allowance and transport allowance of ₦400,000, ₦100,000 and ₦100,000 respectively. He also enjoys benefits in kind amounting to ₦150,000 per annum.

He is married with six children who are all students. He pays an annual premium of ₦20,000 on his life assurance policy. He contributes 2.5% of his basic salary to the National Housing Fund and 8.0% of his monthly emoluments to the contributory pension scheme established under the Pension Reform Act 2014.

### You are Required to:

Compute Mr. Ajenifuja's chargeable income for 2014 Year of Assessment.

(12½

Marks)

## QUESTION 4

- a. Explain and give an example of each of the following classification of taxes:

- i. Proportional Tax (2 Marks)

# INSIGHT

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- ii. Progressive Tax (2 Marks)
- iii. Regressive Tax (2½ Marks)
- b. What are the merits and demerits of direct tax? (6 Marks)
- (Total 12½ Marks)**

## QUESTION 5

- a. Explain the term “Pre-operation Levy”. (4 Marks)
- b. Withholding tax was introduced to overcome the problem of tax evasion which resulted in low income generation to government. List any **FOUR** merits of Withholding Tax System. (4 Marks)
- c. Bolinco Nigeria Limited purchased a set of Plant and Machinery at a cost of ₦200,000.00 on 1 June 2012. Part of the Plant and Machinery was sold on 28 December 2014 for ₦105,000.00. The company incurred ₦25,000 as expenses incidental to the sale. The Market Value of the remaining Plant and Machinery was ₦175,000.00 on 28 December 2014.

### You are required to:

Compute the chargeable gain (if any) on the asset sold.  
(4½ Marks)

**(Total 12½ Marks)**

## QUESTION 6

- a. Just as the law provides for expenses that may be allowed as deductions against profits, it also provides for expenses that are not allowable.

### Required:

# INSIGHT

State any **FIVE** of such disallowable expenses. (5 Marks)

- b. Omoluabi Limited owns a house at No 27 Environmental Crescent, Isheri. The statement of profit or loss account in respect of the business for the year ended 31 December 2013, is as follows:

	₦	₦
Rent received (Net of withholding Tax)		3,780,000
Expenditure:		
Agents' commission	94,500	
Tenement rate	75,000	
Water rate	30,000	
Legal charges on rent recovery	45,000	
Insurance	108,000	
Depreciation	165,000	
Repainting of building	180,000	
Construction of boy's quarters	600,000	
Sanitary rates	36,000	
Repair of roof	42,000	
General repairs	135,000	
Construction of fence	<u>135,000</u>	
Net Profit		(1,645,500)
		<u>2,134,500</u>

You are given the following additional information:

i.	Capital allowances for the year	150,000
ii.	Unrelieved capital allowances b/f	81,000
iii.	Unrelieved losses b/f	375,000
iv.	Withholding tax rate	10%
v.	Companies income tax rate	30%

## Required:

Compute the Company's income tax liability for 2014 Year of Assessment.

(7½ Marks)

(Total 12½ Marks)

## NIGERIA TAX RATES

# INSIGHT

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1. CAPITAL ALLOWANCES

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

2. INVESTMENT ALLOWANCE                      10%

3. RATES OF PERSONAL INCOME TAX:

Graduated tax rates with consolidated allowance of ₦200,000 or 1% of gross income whichever is higher plus 20% of gross income.

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

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

4. COMPANIES INCOME TAX RATE    30%

5. EDUCATION TAX    2% (of assessable profit)

6. CAPITAL GAINS TAX    10%

7. VALUE ADDED TAX    5%

**SECTION A: MULTIPLE CHOICE QUESTIONS**

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

## **EXAMINERS' REPORT**

All the Multiple Choice Questions (MCQs) are of good quality. They cover the topics in the syllabus. All the candidates attempted the questions and the general performance was above average.

## **SECTION B – SHORT ANSWER QUESTIONS**

1. 7
2. ₦25,000
3. 1%
4. Federal Inland Revenue Service
5. Five
6. Any of the following
  - i. Introduction of Integrated Tax Administration System
  - ii. Increasing awareness of self assessment regime
7. Pay As You Earn
8. Federal Inland Revenue Service
9. Revenue generation
10. 20%
11. At source
12. Securities/Bonds
13. Federal Inland Revenue Service
14. Credit method and Direct cash method
15. A fine of ₦5,000 per month in which the failure continues
16. Tax evasion
17. 60 days
18. President
19.  $66\frac{2}{3}\%$
20. 30 days

## **EXAMINERS' REPORT**

These are standard questions and they cut across the syllabus. All the candidates attempted the questions, but the general performance was below average. Candidates are advised to study more on Tax Administration as the major pitfall was lack of adequate knowledge of this aspect of the question.

## **SECTION B**

### **SOLUTION TO QUESTION 1**

- (a) The following are the functions of the Board of Trustees:
- i. Overall administration and management of Education Fund
  - ii. To monitor and ensure collection of Tertiary Education tax by the FIRS
  - iii. To ensure that all taxes collected are transferred to the Fund
  - iv. To manage and disburse all funds collected
  - v. Liaise with the appropriate bodies responsible for collection or safekeeping of the tax
  - vi. Receive requests and approve admissible projects after due consideration

- vii. Ensure disbursement of funds to various public tertiary educational institutions in Nigeria
  - viii. Monitor and evaluate execution of the projects
  - ix. Invest funds in appropriate and safe securities
  - x. Update the Federal Government on its activities and prepare annual and audited reports
- (b) i. **Regressive Tax:** This explains that the taxpayer with smaller income pays a greater percentage of the income as tax compared with a person with higher income e.g. VAT. All flat rates are regressive.
- ii. **Progressive Tax:** In this case, the more the taxpayer earns, the more he pays e.g. PAYE.
- iii. **Proportional Tax:** The taxpayers pay the same percentage of income as tax. Examples are Capital Gains Tax and Companies Income Tax (CIT)

## EXAMINERS' REPORT

This is a two-part theory question. About 80 percent of the candidates attempted this question. The general performance in part (a) of the question was above average. But candidates did not do well in the part (b), which tested candidates' knowledge on distribution of tax burden.

## SOLUTION TO QUESTION 2

- (a) Stamp duties are taxes paid in perfecting documents in order to confer legal authority of such document. This therefore, makes such documents admissible as evidence in law court.
- (b) The Joint Revenue Committee consists of the following:
- i. Chairman of the State Internal Revenue Service as Chairman
  - ii. The Chairman of each of the Local Government Revenue Committees
  - iii. A representative of the Revenue Mobilization Allocation and Fiscal Commission as an observer
- i. A representative of the Bureau on Local Government Affairs not below the rank of a Director

- ii. The State Sector Commander of the Federal Road Safety Commission as an observer
  - iii. The Legal Adviser of the State Internal Revenue Service
  - iv. The Secretary of the Committee who shall be a staff of the State Internal Revenue Service
- (c) The meaning of  $\frac{A}{A+B} \times C$
- A = Sales proceeds of the part disposed of  
B = Market value of part not disposed off  
C = Cost of acquisition of the whole asset
- (d) The following are the members of the VAT Technical Committee
- i. A Chairman who shall be the Chairman of the Federal Inland Revenue Service
  - ii. All Directors in the Federal Inland Revenue Service
  - iii. The Legal adviser to the Federal Inland Revenue Service
  - iv. A Director in the Nigerian Customs Service
  - v. Three representatives of the State Governments, who shall be members of the Joint Tax Board

### **Functions of VAT Technical Committee**

- vi. To advise the Board on the administration and management of VAT
- vii. Consider all the tax matters that require professional and technical expertise
- viii. Attend to such other matters as the Board may from time to time refer to it

### **EXAMINERS' REPORT**

This is a standard theory question. About 75 percent of the candidates attempted the question. The overall performance was fair, but candidates did not display adequate knowledge in some parts of the question, such as those on stamp duty and VAT Technical Committee.

## SOLUTION TO QUESTION 3

Mr. Ajenifuja

### Computation of Chargeable Income for 2014 Year of Assessment

	N
Basic Salary	400,000
Housing Allowance	100,000
Transport allowance	100,000
Benefit in kind	<u>150,000</u>
Gross Income (Gross Emolument)	750,000
Less: Consolidated relief of allowance (CRA)	

	N
N200,000 + 20% of N750,000	= 350,000
Exempt deductions:	
- NHF contribution (2.5% of 400,000)	10,000
=	
- Pension fund contribution (7.5% of 600,000)	48,000
=	
- Life Assurance Premium	20,000
=	
	<u>428,000</u>
Chargeable Income	<u>322,000</u>

Note: Consolidated Relief Allowance (CRA)

= Higher of 200,000 and 1% of gross income + 20% of gross income

i.e. Higher of 200,000 + 20% of N750,000 = N350,000

And 1% of N750,000 + 20% of N750,000

$$7,500 + \text{N}150,000$$
$$\therefore \text{CRA} = \text{N}350,000$$

$$= \text{N}157,000$$

## EXAMINERS' REPORT

This is a straight forward question on computation of chargeable income. About 70 percent of the candidates attempted the question, and the general performance was above average.

## SOLUTION TO QUESTION 4

(a)

i. **Proportional Tax:** This is where the taxpayer pays the percentage as tax no matter the level of income.

- Example
- Companies Income Tax
  - Capital Gains Tax
  - (One example is required)

ii. **Progressive Tax:** This is where the more the taxpayer earns, the more he pays.

- Example
- Personal Income Tax
  - Pay As You Earn

iii. **Regressive Tax:** This is where the taxpayer with smaller income pays a greater percentage of the income as tax compared to a person with higher income. All flat rates are regressive.

- Example
- Value Added Tax (VAT)

(b)

Merits of Direct Tax

- i. Lower cost of collection
- ii. It is more equitable. The taxpayer with higher income pays higher tax
- iii. Easier to ascertain tax incidence
- iv. It allows government to plan as it can estimate its revenue with some degree of accuracy

Demerits of Direct Tax

# INSIGHT

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- are high
- i. It may cause social unrest especially where the tax rates are high
  - ii. It may discourage hard work
  - iii. It may give same to tax evasion especially where the tax rates are high
  - iv. The direct tax could be somewhat arbitrary and cumbersome when it involves the concept of withholding tax with different rates depending on the nature transactions or (investment) income

## EXAMINERS' REPORT

This is a good question which tested candidates' knowledge on tax administration especially the aspects of classification and types of taxes. About 97 percent of the candidates attempted the question. The general performance was below average. The major pitfall was lack of adequate knowledge of the types of taxes.

## SOLUTION TO QUESTION 5

(a)

- Pre-operation Levy applies to a company that is yet to commence business after at least six months of Incorporation.
- The levy payable for each year before it obtains a tax clearance is:
  - a) ₦20,000 for the first year
  - b) ₦25,000 for subsequent years before a Tax Clearance Certificate is issued to such company

(b) The following are the merits of the withholding tax system

- i) Withholding tax helps to broaden the tax base
- ii) It brings obscure transactions to the notice of the tax authorities
- iii) It makes tax payment less cumbersome to the taxpayer
- iv) It ensures regular flow of tax revenue to the coffers of various governments
- v) It reduces the incidence of tax evasion
- vi) It enhances voluntary tax compliance
- vii) It involves little or no cost of collection as it is self-accounting in nature

# INSIGHT

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(c) **BOLINCO NIGERIA LIMITED**  
**COMPUTATION OF CHARGABLE GAIN - 2014 YEAR OF ASSESSMENT**

	N
Sales proceeds	105,000.00
Less: cost of sales	<u>25,000.00</u>
Net proceeds	80,000.00
Less: cost of partial disposal	
= $\frac{\text{N}105,000}{\text{N}105,000 + \text{N}175,000} \times \text{N}200,000$	
	(75,000.00)
Chargeable Gain	<u><u>N5,000.00</u></u>

## EXAMINERS' REPORT

This is a good question, which tested the candidates' knowledge on Pre-operation Levy, withholding tax and computation of chargeable gain. About 90 percent of the candidates attempted the question. The general performance was satisfactory.

## SOLUTION TO QUESTION 6

- (a) Disallowable expenses include the following:
- i) Depreciation of fixed assets
  - ii) Amortisation of intangible assets
  - iii) Expenditure of capital nature, such as purchase of fixed assets
  - iv) Private element of business expenses
  - v) Donations to unapproved bodies or institutions
  - vi) Legal fees in respect of acquisition or renewal of long term leases
  - vii) Legal fees in respect of acquisition of short term leases
  - viii) Expenses relating to appropriation of profits e.g. transfer to general reserves
  - ix) Expenses relating to penalty for any offence e.g. late returns penalty, traffic offence etc
  - x) Withdrawal of capital from the business

(b) **OMOLUABI LIMITED**

# INSIGHT

## COMPUTATION OF INCOME TAX LIABILITY FOR 2014 YEAR OF ASSESSMENT

	N	N
Gross rent received (100/90 x 3,780,000)		4,200,000
Less: <u>Allowable expenses</u>		
Agents commission	94,500	
Tenement rate	75,000	
Water rate	30,000	
Legal charges	45,000	
Insurance	108,000	
Repairing of building	180,000	
Sanitation rates	36,000	
Repairing roof	42,000	
General repairs	<u>135,000</u>	<u>745,500</u>
Assessable profit		3,454,500
Less: Unrelieved losses		<u>(375,000)</u>
		3,079,500
Less: Capital Allowances for the year	150,000	
Brought forward	<u>81,000</u>	<u>231,000</u>
Taxable rent		<u>2,848,500</u>
Tax liability @ 30%		<u>854,550</u>
Less withholding tax on rent deducted of source $\frac{10}{90} \times 3,780,000$		<u>(420,000)</u>
Net tax liability		<u>434,550</u>
Tertiary Education Tax @ 2% x N3,454,500		<u>69,090</u>

### ALTERNATIVE SOLUTION FOR 6B

#### OMOLUABI LIMITED COMPUTATION OF INCOME TAX LIABILITY FOR 2014 YEAR OF ASSESSMENT

	N	N
Net rent per profit/loss		2,134,500
Add disallowable expenses		
Depreciation	165,000	
Construction of fence	135,000	
Constriction of boys quarter	<u>600,000</u>	<u>900,000</u>
		3,034,500
Add rent understated (withholding tax)		<u>420,000</u>

# INSIGHT

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Assessable profit	3,454,500
Less: Unrelieved losses b/f	(375,000)
Deduct: Capital Allowance:	
Unabsorbed capital allowances b/f	(81,000)
Capital allowance for the year	<u>(150,000)</u>
	<u>(231,000)</u>
Total profit	<u>2,848,500</u>
Tax liability:	
Income tax @ 30% of ₦2,848,500	<u>854,550</u>
Tertiary Education Tax @ 2% of ₦3,454,500	<u>69,090</u>

## EXAMINERS' REPORT

This is a standard question on disallowable expenses and computation of income tax liability. About 95 percent of the candidates attempted the question. The general performance was above average.

AT/151/PIII.12

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA  
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
PART III EXAMINATIONS - SEPTEMBER 2015  
MANAGEMENT**

**Time Allowed: 3 Hours**

**SECTION A: PART I MULTIPLE-CHOICE QUESTIONS**

**ATTEMPT ALL QUESTIONS (30 Marks)**

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

1. Which of these does **NOT** belong to business classification?

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- A. Government
  - B. Transportation
  - C. Wholesale and retail trade
  - D. Manufacturing
  - E. Synthetic process
2. The kind of partner who does **NOT** contribute any capital but allows his name to be used in the business is a
- A. Quasi partner
  - B. Secret partner
  - C. Nominal partner
  - D. Dormant partner
  - E. Silent partner
3. Which of the following is **NOT** an external stakeholder to a business?
- A. Customers
  - B. Government agencies
  - C. Competitors
  - D. Employees
  - E. Tax Authority
4. The obligation of a corporate body to seek actions that protect and improve the welfare of society is
- A. Voluntary responsibility
  - B. Economic responsibility
  - C. Social responsibility
  - D. Legal responsibility
  - E. Ethical responsibility
5. Which of the following is **NOT** an advantage of a government public corporation
- A. Legal Personality
  - B. Bureaucratic system
  - C. Economies of scale
  - D. Continuity
  - E. Protection of the public against exploitation
6. A reference list for locating a particular document in the file is described as
- A. Vowel index
  - B. Card index
  - C. Visible card index
  - D. Index
  - E. Bond book index

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7. The proper arrangement of furniture, equipment and fittings in the office is
- A. Office partitioning
  - B. Office design
  - C. Office layout
  - D. Office structuring
  - E. Office equipping
8. The art of getting things done through people is
- A. Managing
  - B. Management
  - C. Manager
  - D. Planning
  - E. Staffing
9. Which of the following is **NOT** an interpersonal management role according to Mintzberg?
- A. Figure head
  - B. Leader
  - C. Liaison
  - D. Spokesperson
  - E. Staff
10. Efficiency is
- A. Doing the right task
  - B. Accomplishing objectives with minimum resources
  - C. Utilization of time
  - D. Defining organisational goals
  - E. Designing of organisational structure
11. Who among the following is **NOT** a proponent of scientific management school?
- A. Frank and Lilian Gilbreth
  - B. Fredrick Taylor
  - C. Henri Fayol
  - D. Elton Mayo
  - E. Lyndall Urwick
12. The noticeable response of a receiver to a sender's message is referred to as sender's
- A. Noise
  - B. Encode
  - C. Decode

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- D. Feedback
  - E. Media
13. The integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage is termed
- A. Strategic competitiveness
  - B. Vision
  - C. Mission
  - D. Entrepreneurship
  - E. Strategy
14. The disagreement of members of an organization or group over means or ends and an attempt to establish their views in preference to others is called
- A. Distraction
  - B. Conflict
  - C. Human skills
  - D. Distortion
  - E. Technical skill
15. Which strategy is commonly described as  $2 + 2 = 5$  effect?
- A. Synthetic
  - B. Synergy
  - C. Investment
  - D. Merger
  - E. Acquisition
16. When an interviewer seeks to make the applicant uncomfortable with occasional rude question, he is said to be engaged in
- A. Unsatisfactory interview
  - B. Stress interview
  - C. Hypersensitive interview
  - D. Weakness interview
  - E. Tolerance interview
17. A job that is used to anchor the employer's pay scale and around which other jobs are arranged in order of relative worth is
- A. Benchmark job
  - B. Safety job
  - C. Career job
  - D. Anchorage job
  - E. Job sharing
18. Which of the following is **NOT** a variant of industrial action?

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- A. Lock out
  - B. Work-to-rule
  - C. Strike
  - D. Picketing
  - E. Arson
19. Which of these statements is **NOT** true with reference to health and safety at work?
- A. The first step towards protection of injury or death at the work place is to put in place a safety policy
  - B. The safety policy is a statement of commitment of the management to safety and health at work
  - C. Hazards can be prevented by designing and installing safety equipment and protective devices
  - D. New aspects of training programmes on health and safety should be downplayed
  - E. Accidents should be investigated as they occur and corrective actions taken
20. The scholar associated with the two-factor theory is
- A. Clayton Alderfer
  - B. Frederick Herzberg
  - C. Abraham Maslow
  - D. David McClelland
  - E. Victor Vroom
21. Leadership approach in which the leader effectively abdicates responsibility for decision making to subordinates is
- A. Laissez faire
  - B. Democratic
  - C. Authoritarian
  - D. Contingency
  - E. Autocracy
22. Which of the following is **NOT** a basic element of a plan?
- A. Setting of objectives
  - B. Budgeting
  - C. Forecasting
  - D. Identifying alternative courses of action
  - E. Co-ordinating
23. The formal system of relationships that determines lines of authority and tasks assigned to individuals and units is known as

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- A. Organisation structure
  - B. Authority and responsibility
  - C. Delegation of authority
  - D. Centralisation
  - E. Strategic management
24. Which of the following is **NOT** a technique for achieving effective coordination?
- A. The managerial hierarchy
  - B. Rules and procedure
  - C. Liason roles
  - D. Team and task forces
  - E. Overcentralisation
25. A type of control that takes place while work activity is in progress is known as
- A. Feedback control
  - B. Feed forward control
  - C. Concurrent control
  - D. Production control
  - E. Tactical control
26. Which of the following is **NOT** a factor that must be considered in a plant layout in a manufacturing organisation?
- A. Availability of space
  - B. Types of products to be produced
  - C. Types of operations
  - D. Physical qualities of workers
  - E. Types of inspections
27. The process whereby new products or materials are created by chemical or physical combination of other materials is known as
- A. Analytical process
  - B. Synthetic process
  - C. Fabricating process
  - D. Extractive process
  - E. Continuous process
28. Dividing a market into distinct groups of buyers with each group having similar characteristics and needs that require same product and marketing programme is
- A. Market segmentation
  - B. Market segment

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- C. Market targeting
  - D. Market differentiation
  - E. Market positioning
29. Stages in the adoption process do **NOT** include
- A. Desire
  - B. Awareness
  - C. Interest
  - D. Evaluation
  - E. Trial
30. A Medium of communication that is most effective because it combines sight, sound, motion and appealing to the senses is
- A. Magazine
  - B. Newspaper
  - C. Television
  - D. The internet
  - E. Radio

**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. A set of principles and practices which core ideas include understanding customers needs, doing things right the first time and striving for continuous improvement is called .....
2. In Abraham Maslow's theory of Hierachy of Needs, the first need in the pyramid is tagged as .....
3. The process of planning, organizing, leading and controlling the work of organisation's members to reach stated organisational goals is .....
4. A manager's ability to use the tools, procedures and techniques of a specialised field is .....
5. The deliberate manipulation of information to make it appear more favourable to the receiver is .....
6. What term is used to describe a group of firms producing products that are close substitutes .....

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7. The business organisation which is directly financed and controlled by government is called .....
8. The manual in an office that details the work to be done and how it should be done is .....
9. The devices which assist organisations tremendously in recording, calculating, processing, communicating and disseminating office information in a fast, neat and well laid out format is .....
10. The filing system of documents in the sequence of time and date of receipt is .....
11. When a manager determines and communicates to the subordinate how he/she is performing in the present job and his/her potentials for the future is embarking on .....
12. Advancement to a position of increased responsibility is .....
13. Those behaviours that are based on the physiological/biological needs of the body are .....
14. A team made up of employees from about the same hierarchical level but from different work areas coming together to perform a task is.....  
team
15. A statement that outlines the financial resources needed to support the various activities of an organisation is known as .....
16. An internal administrative law governing executive actions within the organization is known as .....
17. An organizational structure that assigns specialists from different functional departments to work on one or more projects is known as .....
18. The art and science of choosing target markets and building profitable relationship with them is .....
19. The type of retailer carrying several product lines with each line operated as a separate department is .....
20. The management function that involves arranging and structuring work to accomplish the organisations' goals is known as .....

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

**QUESTION 1**

- a. Who is a wholesaler? (2½ Marks)  
b. Explain **FIVE** functions of a wholesaler (10 Marks)
- (Total 12½ Marks)**

**QUESTION 2**

The concept of Corporate Social Responsibility is highly controversial. Explain the arguments in favour of business involvement in social activities

**(Total 12½ Marks)**

**QUESTION 3**

- a. Explain **FIVE** key elements of communication process (7½ Marks)  
b. Explain **FIVE** problems in the communication process (5½ Marks)
- (Total 12½ Marks)**

**QUESTION 4**

- a. What is Recruitment? (2½ Marks)  
b. Explain **THREE** sources of internal and **THREE** sources of external recruitments (10 Marks)
- (Total 12½ Marks)**

**QUESTION 5**

- a. What is an organisational structure? (2½ Marks)  
b. Explain **FIVE** factors that determine organisational structure (10 Marks)
- (Total 12½ Marks)**

**QUESTION 6**

State **SIX** factors you will take into consideration when planning an office layout

**(Total 12½ Marks)**

**SECTION A – PART I: MULTIPLE CHOICE QUESTIONS**

1. E  
2. C

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

### **Examiner's Comment**

This section tested the candidates understanding of certain basic concepts and principles. 80 percent of the candidates scored above 50 percent of the marks allocated.

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

1. Total Quality Management
2. Physiological /Basic/Biological needs
3. Management
4. Technical skills
5. Filtering
6. Industry
7. Government/Public Corporation
8. Office/Procedure manual/Work manual
9. Office machines/Equipment
10. Chronological filing system
11. Performance Appraisal/Evaluation
12. Promotion

13. Drives
14. Cross-functional
15. Budget
16. Policy
17. Matrix structure
18. Marketing management
19. Departmental stores
20. Organising

### Examiner's Comment

The performance of candidates in this section was poor. About 30 percent of the candidates scored above 50 percent of marks allocated. The candidates failed to use right management concepts to answer the questions.

## SECTION B

### SOLUTION TO QUESTION 1

- (a) A wholesaler is a firm or an institution involved in selling goods and services to those buying for resale or business use. The basic activities of a wholesaler involve making right quantities of product available at the right time and at the right place.
- (b) Functions of wholesaler
- Wholesaler helps manufacturers reach many small consumers at a low cost. He is more trusted by the buyer than the manufacturer.
- Buying & Assortment:** He selects items and builds assortments needed by their customers.
- Bulk breaking:** Wholesaler buys in large quantity and breaks into small quantities for retailers to buy.
- Warehousing:** He holds inventory until retailers need them. He reduces the inventory costs and risks of suppliers and customers.
- Transportation:** He transports, moves and delivers to buyers because he is closer than the producers.
- Financing:** Wholesaler finances producers by ordering and paying promptly. He also gives credit facilities to customers.
- Risk bearing:** He absorbs risk by taking title and bearing the cost of theft, damage, spoilage and obsolescence.
- Market information:** Wholesaler gives information to manufacturers, suppliers and customers about competitors, new product, market and price developments.
- Management Services and Advice:** He trains salesclerks, improve store layout and displays and sets up computerized accounting and inventory control systems.

### Examiner's Comment

The question was attempted by 98 percent of the candidates with about 45 percent of them scoring above 50 percent of the marks allocated. The common pitfall was the inability of the candidates to understand and explain the functions of a wholesaler.

## SOLUTION TO QUESTION 2

The arguments for corporate social responsibility are:

- i) Public needs have changed, leading to changed expectations. Since business received its direction of activities from the society, it has to respond to the needs of the society.
- ii) Business is one of the institutions that create many of the social problems that exist today, so it should play a principal role in solving them.
- iii) The creation of a better social environment benefits both society and business.
- iv) Business involvement in social responsibility discourages additional government regulation and intervention.
- v) As members of the society, businesses should do their fair share to help others.
- vi) Business has a great deal of power, financial and technical resources to help solve social problems.
- vii) Social involvement creates a favourable public image.
- viii) Business should try to solve the problems that other institutions have not been able to solve more also when business has a history of innovative ideas.
- ix) Business has the resources such as talented managers, to solve some of the society's problems.
- x) Social responsibility is necessary to ensure economic survival of business.
- xi) It is cheaper for business to prevent social problems through social activities than solve the social problems generated through lack of attention to them.

## Examiner's Comment

The question was attempted by over 95 percent of the candidates. About 50 percent of those who attempted scored above average.

Those who performed below average were listing Corporate Social responsibility activities instead of listing arguments for or reasons why business should accept corporate social responsibility.

## SOLUTION TO QUESTION 3

- (a) The major elements of communication process are the sender, encoding, message, channel, receiver, decoding and noise.
  - i) **Sender:** The initiator or the source of a communication.
  - ii) **Receiver:** The individual whose senses perceive the sender's message.
  - iii) **Encoding:** The translation of information into a series of symbols for communication.
  - iv) **Decoding:** The interpretation and translation of a message into meaningful information.
  - v) **Channel:** The formal medium of communication between a sender and a receiver.
  - vi) **Message:** The encoded information sent by the sender to the receiver.
  - vii) **Noise:** Anything that confuses, disturbs, diminishes or interferes with communication.
- (b) Problems in the communications process include:

- i) Differing perception
- ii) Language differences
- iii) Emotional challenges
- iv) Inconsistent verbal and non-verbal communication
- v) Distrust

### Examiner's Comment

The question was attempted by 90 percent of the candidates. About 96 percent of them scored above average. Overall performance in this question was good.

### SOLUTION TO QUESTION 4

- (a) Recruitment refers to all activities carried out to attract qualified applicants to fill vacancies in an organization.
- (b) Internal sources of recruitment
  - i) **Promotions or transfer:** When a vacancy occurs, existing employees whose qualifications and experience suits the vacant post could be promoted or transferred from a different department to fill the vacancy.
  - ii) **Job posting:** In this method the vacancy is announced on the notice boards, house journal and memos in the organization, inviting interested qualified staff of the organization to apply.
  - iii) **Job bidding:** In this system, employees are allowed to indicate interest in a specific position they are qualified for before the job becomes vacant. When the vacancy occurs the bidders are considered for appointment.
- External recruitment sources
  - i) **Educational Institutions:** Since organizations recruit employees direct from universities, polytechnics and other educational institutions.
  - ii) **Unsolicited applications:** Some organizations received unsolicited application letters from people looking for employment. Some of these applications are kept in view for the applicants to fill vacancies.
  - iii) **Employees referrals:** This refers to the use of existing employees to recommend qualified applicants to fill vacancies.
  - iv) **Employment agencies:** An employment agency is an organization that recruits employees for clients free of charge or for a fee. There are three types of employment agencies: Public employment agencies, Private employment agencies and Management consultancies.
  - v) **Professional organizations:** Professional bodies may recommend members to interested organizations for employment.

- vi) **Advertisement:** This is the recruitment of employees by advertising on the internet, newspapers, television, radio etc.

### Examiner's Comment

About 70 percent of the candidates attempted the question. About 80 percent of them scored above 50 percent of the marks allocated. The observed pitfall is that first "recruitment" was not properly defined and second "promotion" and "transfer" were referred to as different sources of internal recruitment whereas they are the same in the marking scheme.

### SOLUTION TO QUESTION 5

- (a) Organisational structure refers to the way in which an organization activities are divided, organized and coordinated.  
It can also be described as the sum total of the ways in which an organization divides its labour into distinct tasks and then achieves coordination between them.  
Organisational structure is a formal pattern of interaction and coordination designed by management to link the tasks of individual and groups towards achieving organization objective.
- (b) The five factors are:
- i) **Size:** The size of an organization determines its structure. Small business organizations do not need complex structure.
  - ii) **Technology:** Level of adoption of technology determines organizational structure. A mechanistic organization needs structure that differs from non-mechanistic.
  - iii) **Environmental uncertainty:** Level of environmental uncertainty determines the structure adopted by business organization.
  - iv) **Strategy:** Organisations adopt different strategy ranging from growth to innovation.
  - v) **Nature:** The nature of the business to be performed by the organisation also determines the structure to be adopted.
  - vi) **Organisation objectives:** What the business intends to achieve in the market can determine the structure it will adopt
  - vii) **Organisation growth rate:** Rate of expansion and stability of a firm can determine the structure it will adopt.

### Examiner's Comment

The question was attempted by 45 percent of the candidates. About 60 percent of those who attempted the question scored below average. The commonest mistake made is that the question was misinterpreted to mean localization of industry.

### SOLUTION TO QUESTION 6

Factors to be considered when planning an office layout:

- i) Legal requirements which affect the layout of an office.
- ii) Availability of amenities/services needed.
- iii) Provision of good working conditions.
- iv) Unhindered access to facilitate effective supervision of staff.

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- v) Loyalty and sense of belonging of the work group.
- vi) Facilitation of Communication and workflow.
- vii) Easy movement of people and documents between desks and filing.
- viii) Segregation of noisy and distracting operations.
- ix) Avoidance of mutual interference between different classes.
- x) Provision of privacy and security where necessary e.g. cabinet, fireproofs, drawers with locks.

## **Examiner's Comment**

The question was attempted by about 60 percent of the candidates. 40 percent of those who attempted scored about 50 percent of the allocated mark. The question was misinterpreted as conditions for locating or siting industries.