



**THE INSTITUTE OF CHARTERED  
ACCOUNTANTS OF NIGERIA**

---

# **INSIGHT**

**MARCH 2024 ATSWA EXAMINATIONS  
PART III**

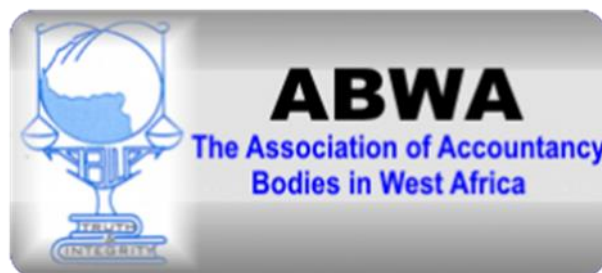
**Question Papers  
Suggested Solutions  
and  
Examiners' Comments**

## **TABLE OF CONTENTS**

COVER PAGE .....	i
TABLE OF CONTENTS .....	ii
TITLE PAGE .....	iii

### **PART III PAPERS**

PRINCIPLES OF AUDITING & ASSURANCE .....	1 - 19
COST ACCOUNTING .....	20 - 43
TAXATION .....	44 - 65
MANAGEMENT .....	66 - 85

**THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA****ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
MARCH 2024 EXAMINATIONS (PART III)****PRINCIPLES OF AUDITING & ASSURANCE**

**PLEASE READ THESE INSTRUCTIONS BEFORE COMMENCEMENT OF THE PAPER**

**EXAMINATION INSTRUCTIONS**

1. All solutions should be in ink. Any solution in pencil will not be marked.
2. Read all instructions on each part of the paper carefully before answering the questions.
3. Ensure that you do not answer more than the number of questions required for **Section B (The Essay Section)**.
4. Check your pockets, purse and mathematical sets, etc to ensure that you do not have prohibited items such as telephone handset, electronic storage device, wrist watches, programmable devices or any form of written material on you in the examination hall. You will be stopped from continuing with the examination and liable to further disciplinary actions including cancellation of examination result if caught.
5. Do not enter the hall with anything written on your docket.
6. Insert your examination number in the space provided above.

**TUESDAY, MARCH 26, 2024**

**DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO**

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA  
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
PART III EXAMINATIONS – MARCH 2024**

**PRINCIPLES OF AUDITING & ASSURANCE**

**Time Allowed: 3 hours**

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

**ATTEMPT ALL QUESTIONS**

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

1. Which of the following is most closely associated with the analytical procedures applied at the substantive stage?
  - A. It helps to identify the weaknesses in the financial statements
  - B. It helps to discover material misstatements in the financial statements
  - C. It helps to study relationships among ledger accounts
  - D. It helps to accumulate evidence supporting the validity of a specific account balance
  - E. It helps to identify possible oversights
  
2. Verification refers to
  - I. Examining the physical existence and valuation of assets
  - II. Examining the journal and ledger figures
  - III. Examination of the vouchers related to the assets
  - A. I
  - B. II
  - C. III
  - D. II & III
  - E. I & II
  
3. Which of the following best describes the reason for an independent auditor reports on financial statements?
  - A. A management fraud may exist and it is more likely to be detected by independent auditors
  - B. Different interests may exist between the company preparing the financial statements and the parties using it
  - C. A misstatement of account balances may exist and is generally corrected as the result of the independent auditor's work
  - D. A poorly designed internal control system may be in place
  - E. To increase the value and credibility of the financial statements prepared by management

4. In expressing an opinion on the accounts of clients, the auditor does **NOT** accept responsibility for
- A. The consistency of the application of accounting policies
  - B. The reliability of opening balances
  - C. The appropriateness of the comparative figures included in the accounts
  - D. The preparation of financial statements
  - E. Compliance with legal requirements
5. Which of the following is **NOT** required as part of financial statements under CAMA/Company Act?
- A. Statement of Value Added
  - B. The Chairman's Report
  - C. Statement of Cash flow
  - D. Statements of Accounting Policies
  - E. Statement of Financial Position
6. Which of the following does **NOT** require special notice if put before the members of a company in general meeting?
- A. Appointing the new auditors in place of retiring auditors
  - B. Filling a casual vacancy
  - C. Removal of auditors before expiry of their term of office
  - D. Appointing the first auditors
  - E. Appointing a Company Secretary
7. All tests of transactions and balances and other procedures such as analytical review which seeks to obtain audit evidence as to the completeness, accuracy and validity of all records is known as
- A. Compliance test
  - B. Walk-through test
  - C. Substantive test
  - D. Depth test
  - E. Random test
8. An auditor wishes to perform tests of controls on cash disbursement procedures. If the controls leave no audit trails, the auditor will most likely test the procedures by
- A. Inquiry and analytical procedures
  - B. Comparison and confirmation
  - C. Confirmation and observations
  - D. Analytical procedures and confirmation
  - E. Observation and enquiry

9. Which of the following does **NOT** represent an inherent limitation of internal control system?
- A. Abuse of responsibility
  - B. Fraud
  - C. Poor working conditions
  - D. Fatigue
  - E. Accountability
10. A series of instructions and questions which an auditor should follow and answer is called
- A. Internal control questionnaire
  - B. Flow chart
  - C. Internal control evaluation questionnaire
  - D. Narrative records
  - E. Check list
11. Which of the following is **NOT** a major audit guide that the auditor will use in his compliance test of a government parastatals/ministries in your country?
- A. The Constitution of your company
  - B. Civil service rule
  - C. Gazettes
  - D. CAMA /Company Act as amended
  - E. Treasury circulars
12. Which of the following can assist the Auditor to obtain an understanding of the internal control system?
- A. Audit trail
  - B. Computer log
  - C. Record layout
  - D. System flow chart
  - E. Programme Code Analysis
13. The loss of audit trail **CANNOT** be overcome through
- A. Special print out
  - B. Computer programme
  - C. Alteration Test
  - D. Use of Test Pack
  - E. Packaging Test
14. An auditor concludes that a client`s illegal act has not been properly accounted for or disclosed. Depending on the materiality of the effect on the financial statements, the auditor should express either
- A. An adverse opinion or a disclaimer of opinion
  - B. A qualified opinion or an adverse opinion
  - C. A disclaimer of opinion or an unqualified opinion

- D. An unqualified opinion with a separate explanatory paragraph or a qualified opinion
  - E. Unqualified opinion
15. Which of the following best defines “subsequent event” for reporting purposes? Event that occurs subsequent to the
- A. Date of the auditor’s report
  - B. Statement of financial position date but prior to the date of the director’s meeting
  - C. Statement of financial position date
  - D. Date of the auditor’s report and concern contingencies that are not reflected in the financial statements
  - E. Statement of financial position date but prior to the date of the auditor’s report
16. The fundamental principles of professional conduct does **NOT** include
- A. A member should behave with integrity in all professional and business relationships
  - B. A member should strive for objectivity in all professional and business judgment
  - C. A member should not accept or perform work which s/he is not competent to undertake
  - D. A member should carry out his or her professional work with due skill, care, diligence and expedition
  - E. A member should always obtain the advice and guidance of senior members in all professional engagements
17. Which of the following is **NOT** a precaution to prevent the auditor from being liable during his audit assignment?
- A. Maintaining quality control, use written audit programme and keep proper working papers
  - B. Minimising reliance on client’s representation or even third party confirmation
  - C. Giving snap advice or where he does, make it clear that it is subject to limitations
  - D. Agreeing the auditor’s duties and responsibilities precisely in a letter of engagement
  - E. Ignoring expectation gap
18. 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 judgment exercised at every level of supervision
  - D. Reducing audit risk to the barest minimum
  - E. Preventing fraud and irregularities

19. General controls will be ineffective when the Electronic Data Processing EDP department
- A. Participates in computer software acquisition decision
  - B. Designs Documentation for computerised operations
  - C. Originates changes in master files
  - D. Provides security for programme files
  - E. Provides passwords for users
20. Which of the following allows fictitious transactions planted by the auditor to be processed along with the real ones on the client's system?
- A. Test data approach
  - B. Integrated test facility
  - C. Parallel simulation
  - D. Horizontal simulation
  - E. Generalised audit software
21. Which of the following is **NOT** relevant for vouching cash sales?
- A. Sales men's summary
  - B. Daily cash sales summary
  - C. Bank statements
  - D. Monthly statements sent to customers
  - E. Cash Book
22. The auditor should examine subsequent realisation of revenue such as dividends, interest, commission, etc. to
- A. Identify cases of unrecorded revenue
  - B. Ensure proper disclosure in the statement of financial position
  - C. Recompute the accrued income on the date of the statement of financial position
  - D. Ensure proper disclose in the statement of cash flow
  - E. Identify cases of unrewarded liability
23. The client changed method of depreciation from straight line to written down value method. This has been disclosed as a note to the financial statements. It has an immaterial effect on the current financial statements. However, the change will have a significant effect in future periods. Which of the following should the auditor express?
- A. Qualified opinion
  - B. Unqualified opinion
  - C. Disclaimer opinion
  - D. Adverse opinion
  - E. Modified opinion



24. Which of the following is considered in determining the sample size for tests of control?
- A. Projected error
  - B. Tolerable error
  - C. Expected error
  - D. Sample error
  - E. Standard error
25. Depreciation does **NOT** arise from
- A. Wear and tear
  - B. Effluxion of time
  - C. Use of the asset
  - D. Obsolescence through technological changes
  - E. Market expectation
26. The quality of audit working papers compiled would significantly be dependent on
- A. Control risk
  - B. Auditor's experience and professional judgement
  - C. Auditor's qualification
  - D. Management integrity
  - E. Auditor's independence of the management
27. Which of the following is **NOT** an analytical procedure?
- A. Tracing of purchases recorded in the purchase book to invoices
  - B. Comparing aggregate wages paid to number of employees
  - C. Matching actual costs with the standard costs
  - D. Comparing actual costs with the budgeted costs
  - E. Comparing purchases with sales over a period
28. Which of the following is **LEAST** suitable for extrapolating results from the population?
- A. Systematic sampling
  - B. Random sampling
  - C. Haphazard sampling
  - D. Statistical sampling
  - E. Judgmental sampling
29. Which of the following is **LEAST** important in audit planning?
- A. Helping to ensure that the audit work is completed expeditiously
  - B. Establishing the intended means of achieving the objectives of the audit
  - C. Helping to ensure that attention is devoted to critical aspects of the audit
  - D. Identifying the legal frameworks
  - E. Assisting in the direction and control of the audit work

30. Auditors are **NOT** minimising their potential liability for professional negligence when they
- A. Fail to understand the laws, codes and regulations guiding their duties and engagements
  - B. Obtain an indemnity from the client or third party
  - C. Take on work they are proficient at
  - D. Limit or exclude liability by the terms in their engagement letter or to third parties by a disclaimer in a report
  - E. Identify the authorised recipients of reports in the engagement letter and in a report

**SECTION A: PART II**

**SHORT ANSWER QUESTIONS**

**(20 MARKS)**

**ATTEMPT ALL QUESTIONS**

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

1. The name given to a document that contains supplier's name, date of purchase, original cost, depreciation rate, and the estimated useful life of assets owned by a company is .....
  2. A situation whereby an auditor is unable to trace an individual transaction through the system from the originating document to the financial statements is known as .....
  3. The formula below is very important to a company. It is used to measure .....
- $$\frac{\text{Operating profit after interest, tax and preference dividends}}{\text{Number of issued share}}$$
4. The audit approach which involves the evaluation of internal control system established within the enterprise is called .....
  5. The penalty for laying or delivering defective financial statements as specified by CAMA 2020/Company Act is .....
  6. Pronouncements or statements issued by government legislation which regulates the implementation of auditing functions is called.....
  7. Engagement letter should be sent to a prospective client at .....
  8. According to the code of ethics issued by IFAC, independence requires both independence of ..... and independence of.....
  9. A quantitative statement of the cost and revenue expectations of an audit assignment which will enable the auditor to determine the profitability of the audit is called.....



## QUESTION 2

- a. What is an audit plan? (2 Marks)
- b. Write short notes on the following:
  - i. Risk based audit (2½ Marks)
  - ii. Total audit risk (2 Marks)
  - iii. Control risk (2 Marks)
- c. State **FOUR** contents of Current Audit File. (4 Marks)

**(Total 12½ Marks)**

## QUESTION 3

- a. Explain **FIVE** contents of the asset register (5 Marks)
- b. What is Anomalous error? (3 Marks)
- c. Explain sampling risk (2½ Marks)
- d. Explain **TWO** advantages of statistical sampling (2 Marks)

**(Total 12½ Marks)**

## QUESTION 4

- a. State and explain **THREE** advantages and **TWO** disadvantages of Internal Control Questionnaire (5 Marks)
- b. State and explain **THREE** functions of the Office of the Auditor General of your country (3 Marks)
- c. Explain **TWO** responsibilities of Internal Audit in the Public Sector (2 Marks)
- d. Explain the term Application Controls (2½ Marks)

**(Total 12½ Marks)**

## QUESTION 5

- a. Write short notes on the following:
  - i. Audit through the computer (2 Marks)
  - ii. Data Base Management Systems (DBMS) (2½ Marks)
  - iii. Artificial Intelligence (3 Marks)
  - iv. Forensic Audit (2 Marks)
- b. Explain **THREE** objectives of due diligence (3 Marks)

**(Total 12½ Marks)**

## QUESTION 6

- a. State and discuss the post-appointment procedures required of the newly appointed auditor (4 Marks)
- b. Auditing is a discipline closely related to accounting but different in many aspects
- i. Define accounting (1 Mark)
  - ii. Itemise **THREE** major differences between accounting and auditing (1½ Mark)
- c. State and explain **SIX** advantages of an audit (6 Marks)

**(Total 12½ Marks)**

## SECTION A: PART I

### MULTIPLE-CHOICE SOLUTIONS

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

### **Examiner's comment**

This part covers the whole syllabus. Candidates are expected to choose the correct option among the alternatives in each question. The alternatives are so close and at least two of the alternatives are similar that a keen eye will only detect the correct option. There are 30 questions available.

Candidates' performance was encouraging as most candidates scored more than half of total marks available. The lowest mark is 8 while the highest mark is 24.

### **SECTION A: PART II**

#### **SHORT-ANSWER SOLUTIONS**

1. Non Current Assets Register/Property, Plant and Equipment Assets Register
2. Loss of audit trail
3. Earnings per share
4. System audit
5. A fine as specified by Corporate Affairs Commission
6. Statutory regulations
7. The beginning of audit
8. Mind and Appearance
9. Audit budget
10. Professional Competence and Independence
11. Assertions
12. Audit risk
13. Random sampling
14. Test of controls
15. Control environment
16. Payroll audit
17. International Data Encryption Algorithm
18. Basic check and Special legislative authorization.
19. Public Account Committee
20. Physical control

### **Examiners comment**

Short answer(s) are needed for each of these questions. There are 20 questions available. These questions cover the whole syllabus. The performance was good. The lowest mark is 0 while the highest mark is 12.

## SECTION B

### SOLUTION 1

- a. **The five fundamental principles of professional code of conduct and guide are for members of the Institute of Chartered Accountants of Nigeria are:**
  - i. **Integrity:** Members should be straightforward, honest and show fair dealing in their business and professional relationship with their clients.
  - ii. **Objectivity:** Members should act without bias, undue influence and conflict of interest in exercise of professional judgments.
  - iii. **Confidentially:** All members are required to respect the confidentiality of information obtained in the course of business and professional relationship with clients.
  - iv. **Professional competence and due care:** Members are expected to acquire the level of professional knowledge and skills necessary to give a client competent professional service.
  - v. **Professional behaviour:** Members should avoid any act that could discredit the accounting profession.
- b. **Two exceptions to the duties of confidentiality for an auditor includes:**
  - i. Where the court of law demands for the information
  - ii. Where the client engages in criminal activities which is against the law
  - iii. Where the disclosure is permitted by law and authorized by the client or the employer
  - iv. Where the auditor wants to use information to defend himself in court of law
- c. **Analytical Procedures:** This refers to the evaluation of financial information through the analysis of plausible relationships among both financial and non-financial data. It involves a careful comparison and study of significant ratios, trends and other statistics including further investigation of any usual or unexpected variations. It is the evaluation of the results obtained from comparing two or more financial statements items/data.
- d. **Three sources of audit evidence include:**
  - i. Inspection of records or documents
  - ii. Physical inspection of tangible assets
  - iii. Observation
  - iv. Inquiry
  - v. Confirmation
  - vi. Recalculation
  - vii. Re-performance
  - viii. Analytical procedures

### **Examiner's comment**

There should be specific difference between types of audit evidence and sources of audit evidence – Internally, externally and self generated audit evidence. The highest mark is 11½ while the lowest mark is 2.

### **SOLUTION 2**

a. **Audit plan:**

Audit plan includes the nature, timing and extent of audit procedures to be performed by the engagement team in order to obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level. Documentation of the audit plan also serves as a record of the proper planning and performance of the audit procedures that can be reviewed and approved prior to the performance of further audit procedures.

b.i. **Risk-Based Audit**

This is a type of audit which focuses on the analysis and management of risks by matching the probability of occurrence with the impact on the organization, and the consequent effect on the audit approach. It focuses on identifying and prioritizing areas of risks within an organization and then designing an audit plan to address those risks.

ii. **Total Audit Risk:**

This audit risk refers to the information that the financial statements taken as a whole are fairly represented when they are not. It is the risk faced by auditors that they will fail to disclose material errors in the financial statements. It is expected from auditors to give reasonable assurance that there are no such errors. In simplest terms, the audit risk is risk connected to financial statements; it is about that the financial statements are not realistic and objective, and that the auditor is unable to detect that.

iii. **Control Risk**

This is the risk that material misstatement in the clients financial statements would not be prevented, detected, or corrected on a timely basis by the client's internal control.

b. **Four contents of the Current Audit File:**

- i. Copies of financial statements being audited
- ii. A record of the study and evaluation of the internal control related to the accounting system
- iii. In case audit of statutory corporation, the Act and Regulations under which the corporation functions
- iv. External confirmations received
- v. Audit queries and responses from Management
- vi. Letter of representation
- vii. Review notes
- viii. Draft audit report



### **Examiner's comment**

About 60% of the candidates attempted this question. The highest mark is 12 while the lowest mark is 0.

### **SOLUTION 3**

- a. Content of asset register include:
  - i. Name of the asset which distinguish it from the other asset
  - ii. Supplier's name
  - iii. The number of items in the asset register so as to know the actual quantity of the asset
  - iv. Location of the asset so as to know the physical presence of the asset
  - v. The total cost of the asset
  - vi. The depreciation policy on the asset
  - vii. The total accumulated depreciation on the asset
  - viii. Estimated useful life of the asset
  - ix. Purchase date of the asset so as to know the date of acquisition
- b. **Anomalous errors** means error that arises from an isolated event that has not recurred other than on specifically identifiable occasions and is therefore not representative of errors in the population.
- c. **Sampling risk** is the risk that the auditor's conclusion may be different from the conclusion that would be reached if the entire population were subjected to the same audit procedure rather than the selected sample. Sampling risk occur as a result of bias sample i.e. a sample that does not represent a true proportion of the entire population.
- d. **Advantages of statistical sampling include:**
  - i. The use of statistical sampling techniques gives every items in the population equal chance of being selected.
  - ii. It is scientific in nature and reduces the risk of over or under auditing
  - iii. The result obtained using statistical sampling method can be independently proved.
  - iv. The method takes into consideration all the variables in the population
  - v. The method leads to an un biased result.

### **Examiner's comment**

Good question. However, the allocation of 3 marks to anomalous error is too much. It would be better if mark allocated to it had been 1 or 2. About 65% of the candidates attempted this question. The highest mark is 12 while the lowest mark is 4.

## **SOLUTION 4**

a. **Advantages of Internal Control Questionnaire include the following:**

- i. If drafted thoroughly, they can ensure that all controls are considered
- ii. They are quick to prepare
- iii. They are easy to use and control
- iv. A manager or partner reviewing the work can easily see what has been done

**Disadvantages of Internal Control Questionnaire include the following:**

- i. The client may overstate controls.
- ii. ICQ may contain a large number of irrelevant controls.
- iii. They can give the impression that all controls are of equal weight.
- iv. They may not include unusual controls, which are nevertheless effective in particular circumstances.

b. **Functions of the Office of the Auditor-General are:**

- i. **Financial Audit:** A financial audit is undertaken to ensure that systems of accounting and financial control are efficient and operating properly, and financial transactions have been correctly controlled, authorised and accounted for.
- ii. **Regularity audit** (sometimes called Compliance Audit): is that which verifies that expenditure has been incurred on approved services and in accordance with statutory and other regulations and authorities governing them.
- iii. **Economy and Efficiency audit:** This is a measurement of how economic resources are efficiently employed. It is also to highlight areas of wastes and extravagant or unrewarding expenditure. It looks into failures to maximize receipts; financial arrangements that are detrimental to the treasury; and weaknesses leading to them.
- iv. **Effectiveness audit** (also called Programme Results Audit): This is an examination to assess whether programmes or projects undertaken to meet established policy goals or objectives have met their respective aims. It aims at focusing on comprehensive audit in government.
- v. **Value for Money Audit:** This is also called Performance Audit and it is carried out to determine whether any entity is acquiring, managing or utilising its resources in the most economical and efficient manner.

c. **The internal audit in a public sector is responsible for the following:**

- i. Reviewing, evaluating and reporting on the adequacy or otherwise of the controls installed and operated and the extent to which they assure propriety, security, completeness and accuracy of operations of the establishment.

- ii. Performing the responsibility imposed by the Civil Service Reforms. The reforms state that he shall carry out complete and continuous audit of accounts and records of revenue and expenditure, plant stores and assume the duty of inventory verifier where none exists in an establishment.
  - iii. Confirmation of reliability and accuracy of extracted financial information.
- d. **Application controls** relate to the transactions and standing data pertaining to each computer-based accounting system and are therefore specific to each such application. The objectives of application controls, which may be manual or programmed, are to ensure the completeness and accuracy of the accounting records and the validity of the entries made in these records result from both manual and programmed processing.

### **Examiner's comment**

Good question. However, IT based audit (Application Controls) should not be part of this question. The highest mark is 9½ while the lowest mark is 1. 70% of the candidates attempted this question.

### **SOLUTION 5**

a. **Audit through the computer**

Auditors now customarily audit “through the computer”. This involves an examination of the detailed processing routines of the computer to determine whether the controls in the system are adequate to ensure complete and correct processing of all data. In these situations, it will be necessary to employ computer assisted audit techniques (CAATs).

b. **Database Management Systems (DBMS)**

DBMS are normally designed for use in real-time environments. They enable elements of data to be accessed by different programs. This avoids the duplication of data which inevitably occurs in a traditional system.

As data is normally stored once, and may be accessible to all users that require it, the principal control problems raised concern the authorization of data amendments and restriction of access to data. Any data amendment must take into consideration the requirements of all users. An administration function should be set up to run and control the day to day operation of the database, thereby enhancing segregation of duties.

c. **Artificial Intelligence**

Artificial intelligence (AI) is the ability of a computer or a robot controlled by a computer to do tasks that are usually done by humans. Thus, AI is the simulation of human intelligence in machines that are programmed to think

like humans and mimic their actions. A robot is an intelligent entity created by humans, capable of performing tasks intelligently without being explicitly instructed and capable of thinking and acting rationally and humanely.

**d. Forensic audit**

Forensic audit is the process of auditing and presenting reports in a manner that is admissible for evidence in the court of law. It requires investigative skill and appropriate grounding in the law and presentation of evidence in the court.

**e. The objectives of carrying out due diligence are:**

- i. To determine the strengths and weaknesses of the entity
- ii. To ascertain the economic worth of the entity
- iii. To evaluate the needed financial injection that will be necessary to achieve the objective of the planned investment
- iv. To ascertain the worthwhileness of the investment
- v. To ascertain the appropriate amount to pay for the target entity

**Examiner's comment**

There is a mixture of questions involving Information Technology based audit and forensic audit.

50% of the candidates attempted this question. The highest mark is 12 while the lowest mark is 0.

**SOLUTION 6**

**a. Post-acceptance procedures of newly appointed auditor are as follows:**

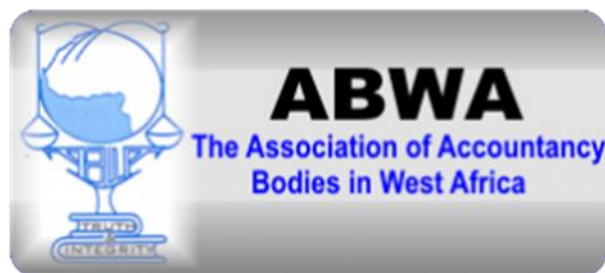
- i. Confirmation of the retirement or resignation of the outgoing auditor.  
The new auditor should ensure that the outgoing auditor's removal, retirement or resignation has been properly concluded and in consonance with provisions of the Companies and Allied Matters Act (CAP C20 LFN 2020)
- ii. Obtaining copy of resolution for his appointment  
The new auditor should ensure that his appointment is valid and formalised. It is essential that he obtains a copy of the resolution passed at the general meeting appointing him as the company's auditor.
- iii. Ensuring that the outstanding audit fee of the previous auditor had been settled. Where a portion of the outgoing auditor's fees is still outstanding. The new auditor should join hands with the outgoing auditor to secure payment.
- iv. Submission of letter of Engagement  
The new auditor should submit a letter of engagement to the directors of the client's company.

- v. **Arranging meeting with the outgoing auditor**  
 On taking up the appointment, the new auditor should make arrangement to collect all books, documents and papers that belong to the client from the outgoing auditor. The outgoing auditor is expected to co-operate in that regard and transfer all such documents unless s/he has lien over the records as a result of outstanding fees.
- b. i. **Accounting**  
 Accounting is the art of recording, classifying and summarising, analysing, interpreting and reporting on the financial transactions and position of an organisation to interested persons or bodies.
- ii. **Major differences between accounting and auditing:**
- **Meaning:**  
 Accounting is the systematic keeping of the records of account of an organization and preparation of financial statements at the end of the financial year. Auditing is the inspection of the books of account and financial statements of an organisation.
  - **Objective:**  
 The objective of accounting is to show the performance, profitability and financial position of an organization while auditing is to reveal the extent to which the financial statements of an organisation give a true and fair view.
  - **Preparer:**  
 An accountant prepares the accounting information whereas auditor carries out auditing exercise.
  - **Timing:**  
 Accounting is a continuous process i.e. day-to-day recording of transactions whereas Auditing is a periodic process. Auditing starts where accounting ends.
  - **The Scope:**  
 The scope of accounting work is determined by management. Auditing is carried out under the provision of the applicable laws on behalf of shareholders.
- c. **Advantages of an audit**
- i. Errors and frauds can be detected and rectified in time.
  - ii. Audited accounts carry greater authority than unaudited accounts.
  - iii. Audited accounts are readily acceptable
  - iv. In obtaining loans from financial institutions audited accounts are evaluated for determining the repayment capability.
  - v. Regular audit of accounts creates a great moral influence on clients' staff thereby restraining them from committing frauds and errors.
  - vi. Audited accounts facilitate settlement of claims.

- vii. It is used to determine the value of businesses in the event of purchase or sale
- viii. It helps management to understand the financial position of the business and to take decision on various other matters.

**Examiner's comment**

Good question 70% of the candidates attempted this question. The highest mark is 10½ while the lowest mark is 2.5.

**THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA****ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
MARCH 2024 EXAMINATIONS (PART III)****COST ACCOUNTING**

**PLEASE READ THESE INSTRUCTIONS BEFORE COMMENCEMENT OF THE PAPER**

**EXAMINATION INSTRUCTIONS**

1. All solutions should be in ink. Any solution in pencil will not be marked.
2. Read all instructions on each part of the paper carefully before answering the questions.
3. Ensure that you do not answer more than the number of questions required for **Section B (The Essay Section)**.
4. Check your pockets, purse and mathematical sets, etc to ensure that you do not have prohibited items such as telephone handset, electronic storage device, wrist watches, programmable devices or any form of written material on you in the examination hall. You will be stopped from continuing with the examination and liable to further disciplinary actions including cancellation of examination result if caught.
5. Do not enter the hall with anything written on your docket.
6. Insert your examination number in the space provided above.

**WEDNESDAY, MARCH 27, 2024**

**DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO**

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA  
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
PART III EXAMINATIONS – MARCH 2024**

**COST ACCOUNTING**

**Time Allowed: 3 hours**

**SECTION A: PART I**

**MULTIPLE-CHOICE QUESTIONS**

**(30 Marks)**

**ATTEMPT ALL QUESTIONS**

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

1. Which of the following is **NOT** concerned with Budgetary Control?
  - A. Establishment of budgets to guide operations
  - B. Forecasting of possible costs of operation
  - C. Providing information on the director of operations
  - D. Establishment of feedback mechanism on actuals
  - E. Periodic revision of figures in line with current situations
  
2. ABYAT Construction has an ongoing project which is 80% complete. The cost of work done and value of work certified are ₦600,000 and ₦1,020,000 respectively. If cash received so far on the project is ₦867,000 what profit should be taken?
  - A. ₦238,000
  - B. ₦494,118
  - C. ₦500,000
  - D. ₦535,000
  - E. ₦1,473,900
  
3. Which of the following is **TRUE** of a Cost Accounting System?
  - A. All costing systems are simple and less cumbersome
  - B. Volume of paperwork is minimal and computations low
  - C. It can be easily understood by all levels of management staff
  - D. Analysis of cost data does not have any cost implication
  - E. It helps to identify profitable and unprofitable products and services
  
4. Which of the following is **NOT** a method of costing?
  - A. Job/Batch costing
  - B. Contract costing
  - C. Marginal costing
  - D. Service costing
  - E. Process costing



5. Which of the following is **NOT** part of activity based accounting?
  - A. Activity Based Costing
  - B. Activity Based Budgeting
  - C. Activity Cost Management
  - D. Activity Based Performance Bond
  - E. Activity Performance Measurement
  
6. A good coding system must be
  - A. Voluminous
  - B. Numerical
  - C. Alphabetical
  - D. Selective
  - E. Distinctive
  
7. Which of the following is **NOT** an important element in materials requirement planning?
  - A. Inventory file
  - B. Bill of materials
  - C. Master production schedule
  - D. Lead time of all purchased item
  - E. Stock audit schedule
  
8. What is the carrying cost where the EOQ is 2,050kg, the ordering cost is ₦700 per order and the forecast demand per annum is 6,000kg?
  - A. ₦1.20
  - B. ₦1.50
  - C. ₦2.00
  - D. ₦2.39
  - E. ₦3.50
  
9. Which of the following is **NOT** the responsibility of a wages department?
  - A. Engagement and determination of worker remunerations
  - B. Maintenance of employees' records
  - C. Summarising information on workers' remunerations, bonus payment and pensions
  - D. Preparation of payroll and payment of wages
  - E. Summarising labour hours for cost centres
  
10. The overhead apportionment method that assumes cost centres provide reciprocal services to one another is
  - A. Simultaneous equation method
  - B. Elimination method
  - C. Revaluation method
  - D. Depreciation method
  - E. Repeated distribution method

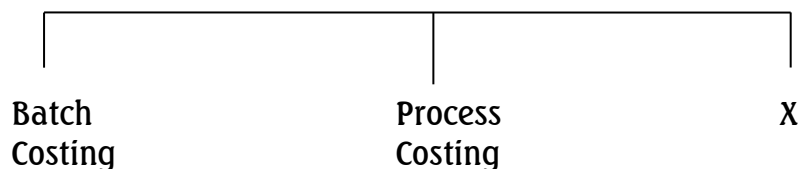
11. The appropriate cost driver for cost material procurement is
- Number of material movement
  - Units demanded
  - Number of inspections
  - Economic order quantity
  - Number of orders
12. Which of the following is **NOT** a stock-out cost?
- Loss of contribution occasioned by lost sales
  - Cost of insurance and security
  - Cost of production stoppage
  - Loss of future sales because customers would go elsewhere
  - Extra cost associated with urgent, small replenishment orders
13. Which of the following is **NOT** a stage in Activity Based Accounting?
- Identification of major activities
  - Identification of cost driver
  - Cost associated with each cost driver
  - Charge cost to products on the basis of consumption
  - Absorption of total overhead into production based on labour hour rate
14. Which of the following is kept by the Cost Accountant?
- Personal Accounts
  - Capital Accounts
  - Inventory Accounts
  - Assets Accounts
  - Reserves Accounts
15. The correct accounting entries for Direct Material issued to production under inter-locking system is
- | <b>DR.</b>                        | <b>CR.</b>               |
|-----------------------------------|--------------------------|
| A. Cost of Sales                  | Material Control Account |
| B. Work-in-progress Account       | Material Control Account |
| C. Material Control Account       | Cost of Sales Account    |
| D. Cost Ledger Control Account    | Store Account            |
| E. Finished Goods Control Account | Work-in Progress Account |
16. Company's profit shown in the financial statements was ~~N~~253,600 but the cost account revealed a different figure. The following stock valuation figures were used

	<b>Financial Accounts</b>	<b>Cost Accounts</b>
	₦	₦
Opening Stock	66,776	56,416
Closing Stock	91,737	109,584

What was the profit in the cost accounts?

- A. ₦225,373
- B. ₦246,113
- C. ₦261,087
- D. ₦281,807
- E. ₦288,675

17. Continuous Operation Costing



What does X represent in the above diagram?

- A. Service Costing
- B. Contract Costing
- C. Job Costing
- D. Marginal Costing
- E. Total Costing

**Use the following information to answer questions 18 and 19**

A firm makes home furniture. It produces 80 pieces of chairs at a total cost of ₦200,000 and 400 pieces at a total cost of ₦472,000. Within the level of activity, the total fixed costs remain unchanged.

18. What is the variable cost per piece of chair?

- A. ₦850
- B. ₦960
- C. ₦1,180
- D. ₦1,400
- E. ₦2,500

19. What is the total fixed cost?

- A. ₦24,000
- B. ₦123,200
- C. ₦132,000
- D. ₦272,000
- E. ₦294,000

20. Office rent is an example of
- A. Period cost
  - B. Product cost
  - C. Notional cost
  - D. Direct cost
  - E. Relevant cost
21. What is left after recovering variable cost from sales revenue?
- A. Fixed cost
  - B. Contribution
  - C. Marginal cost
  - D. Profit
  - E. Contribution margin ratio
22. The level of activity which produces neither profit nor loss is
- A. Break-even point
  - B. Margin of safety
  - C. Maximum level
  - D. Reorder level
  - E. Profit- volume ratio
23. The costing technique most appropriate for short run tactical decision is
- A. Total costing
  - B. Standard costing
  - C. Marginal costing
  - D. Process costing
  - E. Absorption costing
24. Which of the following is **NOT** in similarity between short-run and long run decision making?
- A. Choice between alternatives
  - B. Need to consider future costs and revenues
  - C. Importance of incremental changes in costs and revenue
  - D. Irrelevant sunk costs
  - E. Treatment of uncertainty and inflation
25. The entire budgeting process starts with
- A. Sales Budget
  - B. Production Budget
  - C. Material Budget
  - D. Stock Budget
  - E. Cash Budget

26. A budget which is designed to adjust the permitted cost levels to suit the level of activity attained is called
- A. Fixed Budget
  - B. Flexible Budget
  - C. Functional Budget
  - D. Primary Budget
  - E. Master Budget
27. Which of the following is **NOT** a possible cause of material usage variance?
- A. Purchase of materials at lower prices
  - B. Purchase of inferior quality materials
  - C. Changes in the method of production
  - D. Changes in quality control requirements
  - E. Pilferage of material items by production staff
28. An established standard specifically based on the prevailing working condition within the organisation is called
- A. Basic Standard
  - B. Attainable Standard
  - C. Ideal Standard
  - D. Current Standard
  - E. Practical Standard
29. Advantages of Computer-aided Manufacturing does **NOT** include
- A. Better and more consistent quality
  - B. Greater control over manufacturing
  - C. Fewer reworked items and less scrap
  - D. Reduced set-up time
  - E. Reliance on direct labour to prevent redundancy
30. Badex Constructions Corporation provides you with the following information during the month, 100 workers left, 400 persons were discharged and 1,500 workers were recruited. Of these, 1,100 workers were recruited in the vacancies of those leaving, while the rest were engaged for an expansion scheme. The number of workers at the beginning of the month is 10,000 and at the end of the month is 12,000.
- Using the replacement method determine the labour turnover rate for the month.
- A. 9%
  - B. 10%
  - C. 11%
  - D. 15%
  - E. 16%

**ATTEMPT ALL QUESTIONS**

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

1. The process of establishing the time for a qualified worker to carry out a specified job at a specified level is referred to as .....
2. Any unit of work such as a function, an organisational subdivision, or a contract for which provision is made to accumulate and measure separately the cost of processes, products, jobs, capitalised projects, and similar items is known as a .....
3. A simple record of receipts, issues and balances of stock in hand kept by storekeeper is.....
4. There are 44,000 litres of material X on order with the suppliers and 26,000 litres outstanding on existing customers' orders. If the free stock is 20,800 litres, the physical stock is .....
5. The totality of indirect cost associated with manufacturing activities is referred to as .....

**Use the information below to answer Questions 6 and 7**

Asabe Limited has the following actual and budgeted data for 2022

	<b>Actual</b>	<b>Budgeted</b>
Production	8,000 units	9,000 units
Fixed production overheads	₦360,000	₦432,000

Overheads are absorbed using a rate per unit, based on budgeted output and expenditure.

6. The production overhead absorbed during the year 2022 is .....
7. The over/under absorbed production overhead during the 2022 is .....
8. The materials having some recovery value which is usually either disposed of without further treatment or reintroduced into production process in place of raw material is referred to as.....
9. A product which arises incidentally in the production of the main products and which has a relatively small sales value compared with the main product is known as .....
10. When fixed costs become relevant to a decision, the extra fixed cost is usually referred to as .....



## QUESTION 2

Maitea Limited operates interlocking financial and cost accounting book-keeping system.

The following balances and data relate to the cost ledger:

	<b>Dr</b> <b>₺</b>	<b>Cr</b> <b>₺</b>
Material ledger control account	48,000	
Work in progress account	32,000	
Finished goods control account	52,800	
Cost ledger contra account	<u>          </u>	<u>132,800</u>
	<u>132,800</u>	<u>132,800</u>

During the month, the following transactions took place:

	<b>₺</b>
Factory expenses incurred	9,600
Factory expenses (production)	28,800
Salaries and wages allocation:	
Direct labour	48,000
Factory salaries	16,000
Office salaries	12,800
Stores:	
Purchases	108,800
Issued to indirect job	4,800
Finished goods at cost	160,000
Sales	192,000
Goods sold at cost	156,800

### **You are required to:**

Write up the following accounts in the cost ledger of Maitea Limited

- a. Material Ledger Control Account (2 Marks)
  - b. Work-in-Progress Account (3 Marks)
  - c. Finished Goods Control Account (2 Marks)
  - d. Factory Overhead Control Account (2½ Marks)
  - e. Cost Ledger Contra Account (3 Marks)
- (Total 12½ Marks)**



### QUESTION 3

Zmalia Limited produces four joint products namely DIC, ZAN, NAL and RYE and total joint cost was GH¢380,000 and selling price and values in Period 3 were:

	GH¢
DIC 350 litres sold at GH¢350 per litre	122,500
ZAN 640 litres sold at GH¢350 per litre	224,000
NAL 260 litres sold at GH¢450 per litre	117,000
RYE 100 litres sold at GH¢150 per litre	15,000

RYE came out as a by-product and on which additional costs on packaging and distribution of GH¢ 50 per litre were incurred when sold. It is the company's policy to apply the net proceeds of by-products to reduce the total joint costs.

#### Required:

- a. Determine the net joint production cost (2 Marks)
  - b.
    - i. Apportion the joint cost using Physical Unit Basis and then ascertain the profit on each product (6½ Marks)
    - ii. Apportion the joint cost using Sales Value Basis (4 Marks)
- (Total 12½ Marks)**

### QUESTION 4

- a. Iglo Limited is a producer of a single product branded IGLO. The Company operates a standard costing system from which monthly variance analyses are prepared. The month's standard cost for Iglo is as follows:

Direct Material	0.25kg	@	Le 2 per kg
Direct Wages	1.5hour	@	Le 1.50 per hour
Variable Overheads	1 hour	@	Le 0.25 per hour

Budgeted output for the month of May 2020 was 12,600 units of IGLO

Actual results provided by the cost accountant were as follows:

Material consumed in production was 13,500kg at total cost of Le 28,500

Labour hours paid for amounted to 85,000 hours at a cost of Le 153,000

Production for the month was 57,800 units of IGLO

Actual operating hours was 17,200 hours

Variable overheads was Le 8,000

#### You are required to calculate:

- a. Standard production cost based on actual outputs (2 Marks)
- b. Material Price Variance (2 Marks)
- c. Material Usage Variance (2 Marks)
- d. Material Cost Variance (1½ Marks)
- e. Labour Rate Variance (2 Marks)
- f. Labour Efficiency Variance (2 Marks)
- g. Labour Cost Variance (1 Mark)

**(Total 12½ Marks)**

### QUESTION 5

Goody Limited operates a winery from where it produces three brands of wine HAPI, JOYZ and GLAD. The company's records show the performance of each brand for a period as follows:

	<b>HAPI</b>	<b>JOYZ</b>	<b>GLAD</b>	<b>Total</b>
	<b>₦</b>	<b>₦</b>	<b>₦</b>	<b>₦</b>
Sales	<u>80,000</u>	<u>64,000</u>	<u>96,000</u>	<u>240,000</u>
Material	25,600	19,200	32,000	76,800
Labour	16,000	12,800	16,000	44,800
Direct Expenses	<u>6,400</u>	<u>8,000</u>	<u>8,000</u>	<u>22,400</u>
Variable Costs	<u>48,000</u>	<u>40,000</u>	<u>56,000</u>	<u>144,000</u>
Contribution	32,000	24,000	40,000	96,000
Fixed Cost	<u>27,200</u>	<u>28,800</u>	<u>32,000</u>	<u>88,000</u>
Profit / (Loss)	<u>4,800</u>	<u>(4,800)</u>	<u>8,000</u>	<u>8,000</u>

The following operational issues are raised by the Directors of Goody Limited:

- (i) The poor profit performance upon which it is considering whether or not to sell JOYZ
- (ii) The realisation that selling prices cannot be raised without adversely affecting net income.
- (iii) While other fixed costs remain the same, ~~₦~~8,000 of the fixed costs of JOYZ which are direct fixed costs could be saved if its production is stopped.

#### Required:

- a. Should the company drop the sales of JOYZ? Justify. (6½ Marks)
- b. In case it is possible to use the resources realised by stopping the production of JOYZ and start the production of a new wine BLIS which would sell for ₦80,000 and incur variable cost of ₦48,000 with extra direct cost of ₦9,600.

Will your earlier decision in 'a' above remain the same? (6 Marks)

**(Total 12½ Marks)**

### QUESTION 6

Cost control implies that cost should not exceed the budgeted or standard limits and if it exceeds, investigation is necessary.

- a. You are required to write short notes on the following concepts:
  - i. Shutdown cost (2 Marks)
  - ii. Programmed cost (2 Marks)
  - iii. Out-of-pocket cost (2 Marks)

- b. TOBEX Limited manufactures component TX 05 which it uses in its operation. It has estimated the costs for the current production level of 40,000 units as follows:

Cost per unit	₦
Materials	8.00
Labour	32.00
Variable overhead	12.80
Fixed overheads	<u>25.60</u>
	<u>78.40</u>

Bale Limited has offered to supply 40,000 units of component TX 05 to TOBEX Limited at ₦72 per unit. If TOBEX Limited agrees to Bale Limited proposal, the set of equipment currently used in manufacturing of TX 05 could be rented to another company at an annual rent of ₦104,000. In addition, 37½% of the fixed overhead that apply to component TX 05 would be eliminated.

You have been approached by the management of TOBEX Limited to advise on whether or not to accept Bale Limited's offer.

(6½ Marks)

**(Total 12½ Marks)**

## **SECTION A: PART I**

### **MULTIPLE-CHOICE SOLUTIONS**

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

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

**Workings**

**MCQ.2**

$$\begin{aligned}
 \text{Notional profit} &= \text{Value of Work Certified} - \text{Cost of Work} \\
 &= \text{₦1,020,000} - 600,000 \\
 &= \text{₦420,000}
 \end{aligned}$$

At 80% complete, the profit taken on the project should be derived as follows:

$$\begin{aligned}
 \text{Profit taken} &= \frac{2}{3} \times \text{Notional profit} \times \frac{\text{cash received}}{\text{value of work certified}} \\
 &= \frac{2}{3} \times \frac{\text{₦420,000}}{1} \times \frac{867,000}{1,020,000} \\
 &= \text{₦238,000}
 \end{aligned}$$

**MCQ. 8**

EOQ formula is 
$$\sqrt{\frac{2 \times \text{Ordering Cost} \times \text{Demand Per annum}}{\text{Carrying Cost}}}$$

Let x represent the carrying cost

$$2050 = \sqrt{\frac{2 \times 700 \times 6,000}{x}}$$

$$2050^2 = \frac{2 \times 700 \times 6000}{x}$$

$$\begin{aligned}
 x \times 4,202,500 &= 8,400 \\
 x &= \frac{8,400,000}{4,202,500} \\
 &= 1.9988 \\
 &= \text{₦ 2.00 (Approx.)}
 \end{aligned}$$

**MCQ.16**

Financial Statement Profit	₦253,600
Add: Difference in Opening Stock	₦10,360
The difference in Closing Stock	₦17,847
	<u>₦281,087</u>

**MCQ. 18**

Quantity	Total Cost (₦)
400	472,000
80	200,000
<u>320</u>	<u>272,000</u>
Variable Cost / Price	= $\frac{₦272,000}{320}$ = <u>₦850</u>

**MCQ. 19**

$$Y = a + bx$$

$$200,000 = a + (\cancel{₦850} \times 80)$$

$$A = 200,000 - 68,000$$

$$= \underline{₦132,000}$$

**MCQ. 30**

$$\begin{aligned} \text{Replacement Method} &= \frac{\text{Number of workers replaced during the period}}{\text{Average Number of workers in the period}} \times 100 \\ &= \frac{1,100}{(10,000 + 12,000) \div 2} \times 100 \\ &= \underline{10\%} \end{aligned}$$

**Examiner's comment**

Questions covers all areas of the syllabus significantly and were attempted by all candidates.

Performance was good, about 70% of the candidates scored above half of the marks allotted.

Some of the candidates did not perform well because they did not study well enough to cover the whole syllabus. Apparently, they concentrated on calculations alone.

Candidates should in future prepare well enough and tuition houses could help with mock examinations to assist in their preparations.

## SECTION A: PART II

### SHORT-ANSWER SOLUTIONS

1. Work measurement / Time study
2. Cost objective
3. Bin card
4. 2,800 litres
5. Factory /Production/Manufacturing Overhead
6. ~~₦~~384,000
7. Under absorbed by ~~₦~~24,000
8. Scrap
9. By-product
10. Incremental/ Differential/ Attributable Fixed Cost
11. Benchmarking
12. Break-Even/Cost - Volume - Profit Chart
13. Limiting /Key/Constraint/Principal Budget Factor
14. Full Cost Pricing or Absorption Cost Pricing
15. Cost of Capital / Cost of Fund
16. Budget Manual
17. Uniform Costing
18. Master Budget
19. Discounted Cash Flow
20. Product / Object

### Workings

SAQ.4 Free Stock Balance

= Physical stock + Outstanding replenishment order - Unfulfilled requirements

$$\begin{aligned}20,800 &= X + 44,000 - 26,000 \\ X &= 20,800 - 18,000 \\ &= 2,800 \text{ litres}\end{aligned}$$

SAQ.6 Production overhead absorption rate =  $\frac{\text{Budgeted fixed production overhead}}{\text{Budgeted activity level}}$

$$\begin{aligned}&= \frac{\text{₦}432,000}{9,000} \\ &= \text{₦}48 \text{ per unit}\end{aligned}$$

∴ Production overhead absorbed during the year 2022

$$\begin{aligned}&= \text{₦}48 \times 8000 \text{ units} \\ &= \text{₦}384,000\end{aligned}$$

SAQ.7 The over/under absorbed production overhead during 2022?

Actual Fixed production overheads	₦360,000
Less: Budgeted Fixed production overheads	₦384,000
Under-Absorbed Overhead	<u>₦24,000</u>

### **Examiner's comment**

Questions cover all areas of the syllabus significantly and were attempted by all candidates.

Performance was fair, about 50% of the candidates scored above half of the marks allotted.

Some of the candidates did not perform well because they did not study well enough to cover the whole syllabus. Apparently, they concentrated on calculations alone.

Candidates should in future prepare well enough by using the ATSWA Study Texts and INSIGHT in their preparations.

### **SECTION B**

#### **SOLUTION 1**

ai. Work study is a means of enhancing the production efficiency of a department, section, or unit through re-organisation of the firm's work system.

aii. The TWO (2) main parts of the Work Study

Work study has two main parts, i. e. method study and work measurement.

- **Method study** involves recording and critical examination of existing ways or methods of doing things and comparing them with the proposed methods as a means of developing easier and more effective methods that reduce costs.
- **Work measurement** is a method of ascertaining the time for a worker to complete a specified task at a given level of performance.

#### **OR**

It is a technique which is used to measure the time that may be taken by a workman of reasonable skills and ability to perform various elements of the tasks in a job

bi. **Objectives of work-study**

- The development of procedures for planning and control of work and material usage
- Development and application of a job evaluation scheme
- Specification of plant facilities and workshop or floor arrangement
- Establish work standards to determine labor, equipment, and other operational requirements.
- Designing procedures for presenting to management information relating to work performance.
- Analysis, design, and improvement in work system and work method.
- It is used to determine the time normally required to perform a certain job
- It is used to determine a fair day's work for the workman.

**bii. Conditions of a good bonus and incentive scheme**

- Bonus should be paid as soon as the task is completed.
- The scheme must be acceptable to the workers concerned.
- Only the workers involved in the extra work need to be rewarded.
- It should be equitable and fair to both the workers and the employer.
- The terms and rules of engagement must be clearly stated beforehand.
- The scheme must be properly communicated to all workers.
- External factors and contingencies capable of working against the scheme must be envisaged and taken care of.
- The aims and objectives of the scheme must be stated.
- Capacity of the market to absorb the increased production because of the scheme without reducing the selling price
- System prevailing in the industry
- Cost of operating the bonus scheme

**Examiner's comment**

This question tests candidates' knowledge of work study and was attempted by about 50% of the candidates.

Performance was below average. About 20% of those who attempted the question scored above 50% of the allotted marks.

The pitfall here is that most candidates prepared for computations, neglecting the essay parts.

Candidates are advised to appreciate the fact that theory is an integral part of the syllabus.

**SOLUTION 2**

<b>Material Control Account</b>			
	<b>₦</b>		<b>₦</b>
Balance b/d	48,000	Production Overhead Control a/c	4,800
Cost Ledger Control a/c	108,800	Balance c/d	152,000
	<u>156,800</u>		<u>156,800</u>
Balance b/d	152,000		

<b>Work In Progress (WIP) Control Account</b>			
	<b>₦</b>		<b>₦</b>
Balance b/d	32,000	Finished Goods Control a/c	<u>160,000</u>
Factory Overhead Control a/c	28,800		
Wages Control a/c	48,000		
Balance c/d	<u>51,200</u>		
	<u>160,000</u>		<u>160,000</u>
		Balance c/d	<u>51,200</u>



### Finished Goods Control Account

₦		₦	
Balance b/d	52,800	Cost of Goods Sold	156,800
WIP Control a/c	160,000	Balance c/d	56,000
	<u>212,800</u>		<u>212,800</u>
Balance b/d	56,000		

### Factory Overhead Control Account

₦		₦	
Cost Ledger Control a/c	9,600	WIP Control Account	28,800
Material Ledger Control Account	4,800		
Wages Control a/c	16,000	Balance c/d	1,600
	<u>30,400</u>		<u>30,400</u>
Balance b/d	1,600		

### Cost Ledger Control Account

₦		₦	
Sales a/c	192,000	Balance b/d	132,800
Balance c/d	136,000	Factory Overhead Control a/c	9,600
		Material Ledger Control a/c	108,800
		Wages Control a/c	76,800
	<u>328,000</u>		<u>328,000</u>
		Balance b/d	136,000

### Workings

#### Wages Control Account

₦		₦	
Balance b/d	76,800	WIP Control a/c	48,000
		Factory Overhead Control a/c	16,000
		Administration Overhead Control a/c	12,800
	<u>76,800</u>		<u>76,800</u>
		Balance b/d	76,800

#### Administration Overhead Control Account

₦		₦	
Wages Control a/c	12,800	Balance c/d	12,800
	<u>12,800</u>		<u>12,800</u>
Balance b/d	12,800		

#### Sales Account

₦		₦	
Costing Trading a/c	<u>192,000</u>	Cost Ledger Control a/c	<u>192,000</u>

#### Cost of Goods Sold Account

₦		₦	
Finished Goods Control a/c	<u>156,800</u>	Costing Trading a/c	<u>156,800</u>

### Examiner's comment

This question tests candidates' knowledge of control accounts in cost bookkeeping.

About 30% of the candidates attempted the question and performance was poor.

The pitfall is that those that attempted the question lacked understanding of the principles of simple debit and credit.

Candidates are advised to devote some quality time on cost bookkeeping against future examinations.

### SOLUTION 3

a.	Joint Production Cost		GH¢	380,000
	Realizable value of RYE		15,000	
	Less packaging and distribution (100 x 50)		<u>(5,000)</u>	<u>(10,000)</u>
	Net joint production cost			<u>370,000</u>

#### bi. Apportionment of joint cost using physical unit

Product	Quantity	Apportionment	Apportioned Cost
DIC	350	$\frac{350}{1250} \times \frac{370,000}{1}$	103,600
ZAN	640	$\frac{640}{1250} \times \frac{370,000}{1}$	189,440
NAL	260	$\frac{260}{1250} \times \frac{370,000}{1}$	76,960
	<u>1,250</u>		<u>370,000</u>

#### Profit Statement

	DIC GH¢	ZAN GH¢	NAL GH¢	Total GH¢
Sales	122,500	224,000	117,000	463,500
Apportioned Cost	<u>103,600</u>	<u>189,440</u>	<u>76,960</u>	<u>370,000</u>
Profit /Loss	<u>18,900</u>	<u>(34,560)</u>	<u>40,040</u>	<u>93,500</u>

#### ii. Apportionment using Sales Values

Product	Sales Value	Apportionment	Apportioned Cost (GH¢)
DIC	122,500	$\frac{122,500}{463,500} \times \frac{370,000}{1}$	97,789
ZAN	224,000	$\frac{160,000}{463,500} \times \frac{370,000}{1}$	178,813
NAL	117,000	$\frac{117,000}{463,500} \times \frac{370,000}{1}$	93,398
	<u>463,500</u>		<u>370,000</u>

### Examiner's comment

This question tests candidates' knowledge of determination of joint products cost under process costing. It was attempted by about 40% of the candidates.

Performance was poor as less than 30% of the candidates scored above 50% of the marks allotted. The major pitfall is that candidates lacked knowledge of how to apportion joint costs using the various acceptable bases.

Candidates are advised to be better prepared in this area against future examinations.

### SOLUTION 4

- a. Standard production cost based on actual outputs

	Le
Direct Materials (57,800 @ 0.25kg @ Le2/kg)	28,900
Direct Labour (57,800 @ 1.5hr @ Le1.5/hr)	130,050
Overheads (57,800 @ 1hr @ Le0.25/hr)	<u>14,450</u>
	<u>173,400</u>

- b. Material Price Variance =  $AQ(SP - AP)$   
=  $13,500(Le2 - \{Le28,500 \div 13,500\})$   
= Le1,500 (A)
- c. Material Usage Variance =  $SP(SQ - AQ)$   
=  $Le2(\{57,800 @ 0.25kg\} - 13,500)$   
= Le1,900 (F)
- d. Material Cost Variance =  $SC - AC$   
=  $(57,800 @ 0.25kg @ Le2/kg) - Le28,500$   
=  $28,900 - 28,500$   
= Le400 (F)
- e. Labour Rate Variance =  $AH (SR - AR)$   
=  $85,000 \text{ hours } (Le1.5 - \{Le153,000 \div 85,000\})$   
= Le25,500 (A)
- f. Labour Efficiency Variance =  $SR (SH - AH)$   
=  $Le1:50 (\{57,800 @ 1.5hr\} - 85,000)$   
= Le2,550 (F)
- g. Total Labour Cost Variance = Standard Cost – Actual Cost  
=  $(57,800 @ 1.5HR @ Le1.5/HR) - Le153,000$   
=  $Le130,050 - Le153,000$   
= Le22,950 (A)

### Examiner's comment

This question tests candidates' knowledge of apportionment of standard costing and variance analysis. It was attempted by about 45% and performance was poor. Pitfall was lack of adequate understanding of the formulae for calculation of simple variances.

Candidates should in future study more and get familiar with this apparently unpopular but important topic.

### SOLUTION 5

- a. The decision as to whether or not JOYZ should be dropped depends on its contribution to the company's overall profit.

Contribution Margin Statement for JOYZ

	₦	₦
Sales		64,000
Less Relevant Costs:		
Material	19,200	
Labour	12,800	
Direct Expenses	8,000	
Direct Fixed Cost	<u>8,000</u>	<u>(48,000)</u>
Positive Contribution		<u>16,000</u>

Alternatively, any decision to stop production of JOYZ would have effects on the profits as follows:

	₦
Loss of Contribution	(24,000)
Savings from Fixed Cost	<u>8,000</u>
Incremental loss	<u>(16,000)</u>

Decision: Production of JOYZ wine should be continued.

- b. The requirement here is to determine the better option that yields higher profit to the company.

Profit Statement of Introducing New Wine – BLIS

Products	HAPI		GLAD		BLIS		TOTAL
	₦	₦	₦	₦	₦	₦	₦
Sales		80,000		96,000		80,000	256,000
Less: Relevant V. Cost							
Total V. Cost	48,000		56,000		48,000		
Extra Direct Cost	-	<u>(48,000)</u>	-	<u>(56,000)</u>	9,600	<u>(57,600)</u>	<u>(161,600)</u>
Contribution		<b>32,000</b>		<b>40,000</b>		<b>22,400</b>	<b>94,400</b>
Less: Period Cost							

Fixed Cost (88,000- 8000)								80,000
<b>NET PROFIT</b>								<b>14,400</b>

Decision: It would be more profitable to shut down the production of JOYZ and change over to the production of BLIS to increase the company's overall profit from ₦8,000 to ₦14,400.

### **Examiner's comment**

This question tests candidates' knowledge of decision making on unprofitable product lines and was attempted by about 75% of the candidates. Performance was good as about 50% of the candidates scored above 50% of the allotted marks.

The Part B which is another variant of the main question was not well attempted as performance was not good enough.

The major pitfall was that candidates misinterpreted the Part B requirement

Candidates should realise that understanding requirements is critical to good performance in a question.

### **SOLUTION 6**

- ai. Shutdown costs are incurred when a department, segment, division, or section of the whole organization is temporarily shut down. The shutdown cost consists of all costs relating to shutting down and reopening the section or division shut.
- ii. Programmed costs relate to those costs incurred at management discretion or control. It is a cost incurred to save the organization from going into insolvency or liquidation. Therefore, when an organisation is buoyant, the programmed cost has little immediate relevance to the organisation's operations.
- iii. Out-of-pocket cost is the type of cost that necessitates a corresponding outflow of cash. Any cost that relates to cash disbursement or payment to other parties is referred to as out-of-pocket cost. In essence, it involves items of cash outflow.

b. Savings / Deficit from making 40,000 units

<b>TOTAL RELEVANT COST</b>	
	<b>₦</b>
Direct Material ( <del>₦</del> 8 × 40,000)	320,000
Direct Labour ( <del>₦</del> 32 × 40,000)	1,280,000
Variable Overheads ( <del>₦</del> 12.80 × 40,000)	512,000
Incremental Cost	104,000
Fixed Overhead ( <del>₦</del> 25.60 × 37½ × 40,000)	<u>384,000</u>
	<u>2,600,000</u>
<b>Suppliers Quotation (N72 × 40,000)</b>	<b><u>2,880,000</u></b>

The company should make the component

**ALTERNATIVELY**

<b>RELEVANT COST PER UNIT</b>	
	<b>₦</b>
Direct Material	8.00
Direct Labour	32.00
Variable Overheads	12.80
Incremental Cost (104,000 ÷ 40,000)	2.60
Fixed Overhead (37½ × <del>₦</del> 25.60)	<u>9.60</u>
<b>Relevant Cost/Unit</b>	<b><u>65.00</u></b>
<b>Suppliers Quotation (N72 × 40,000)</b>	<b><u>72.00</u></b>

**Examiner's comment**

This question tests candidates' knowledge of cost control. About 40% of the candidates attempted it. Performance was just fair as about 55% of the candidates scored above half of the mark allocated. Part A required candidates to explain some usual cost control terms, but a lot of them could not get the definitions right.

The B part of the question is on decision making regarding acceptance of special orders, and it was well attempted. The performance was also good.

Candidates are enjoined to use the ATSWA Study Text in their future preparations among other materials.

**THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA****ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
MARCH 2024 EXAMINATIONS (PART III)****TAXATION**

**PLEASE READ THESE INSTRUCTIONS BEFORE COMMENCEMENT OF THE PAPER**

**EXAMINATION INSTRUCTIONS**

1. All solutions should be in ink. Any solution in pencil will not be marked.
2. Read all instructions on each part of the paper carefully before answering the questions.
3. Ensure that you do not answer more than the number of questions required for **Section B (The Essay Section)**.
4. Check your pockets, purse and mathematical sets, etc to ensure that you do not have prohibited items such as telephone handset, electronic storage device, wrist watches, programmable devices or any form of written material on you in the examination hall. You will be stopped from continuing with the examination and liable to further disciplinary actions including cancellation of examination result if caught.
5. Do not enter the hall with anything written on your docket.
6. Insert your examination number in the space provided above.

**WEDNESDAY, MARCH 27, 2024**

**DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO**

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA  
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
PART III EXAMINATIONS – MARCH 2024**

**TAXATION**

**Time Allowed: 3 hours**

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

**ATTEMPT ALL QUESTIONS IN THIS SECTION**

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

1. Tax system includes which of the following?
  - A. Tax law
  - B. Tax administration
  - C. Tax policy
  - D. Tax policy and tax law
  - E. Tax law, tax policy and tax administration
  
2. The term given to an outright dishonest action whereby a taxpayer seeks to minimise his tax liabilities through an illegal act is tax
  - A. Chargeable
  - B. Evasion
  - C. Avoidance
  - D. Allowances
  - E. Deductions
  
3. All future and existing taxes are expectedly to align with the following fundamental canons of taxation, **EXCEPT**
  - A. Equity and fairness
  - B. Simplicity
  - C. Convenience
  - D. Diversification
  - E. Flexibility
  
4. Under the National Tax Policy (NTP) 2017, which of the following is **NOT** a key stakeholder in the Nigerian tax system?
  - A. All levels and arms of government, ministries, extra-ministerial departments and agencies
  - B. A group of persons or an entity that pays or is liable to tax often called the taxpayers



- C. Any revenue agency responsible for the collection and administration of revenue
  - D. Media and advocacy groups
  - E. Tertiary institutions
5. Which of the following taxes is **NOT** collectible by the Federal Government?
- A. Companies Income Tax
  - B. Value Added Tax
  - C. Pools betting, lotteries, gaming and casino taxes
  - D. Hydrocarbon tax
  - E. Capital gains tax on companies and non-resident individuals
6. The relevant tax authority for incorporated companies in Nigeria is
- A. Federal Inland Revenue Service
  - B. State Board of Internal Revenue
  - C. Joint Tax Board
  - D. Federal Capital Territory
  - E. Joint State Revenue Committee
7. The following are circumstances where a tax consultant may disclose information on a taxpayer, **EXCEPT**
- A. Disclosure is permitted by law
  - B. Disclosure is authorised by the client, that is, the taxpayer
  - C. Disclosure to the appropriate public authorities of infringements of the law that come to light
  - D. There is a professional duty or right to disclose, when not prohibited by law
  - E. Disclosure is required by a pressure group
8. Given the principle of confidentiality, all professional accountants are expected to adhere strictly to the following, **EXCEPT**
- A. Be alert to the possibility of inadvertent disclosure, including in a social environment, and particularly to a close business associate or an immediate or a close family member
  - B. Maintain confidentiality of information within the firm or employing organisation
  - C. Maintain confidentiality of information disclosed by a prospective client or employing organisation
  - D. Disclose confidential information acquired as a result of professional and business relationships outside the firm or employing organisation without proper and specific authority
  - E. Not use confidential information acquired as a result of professional and business relationships for the personal advantage of the accountant or for the advantage of a third party

9. Which of the following is **NOT** disclosed on a Tax Clearance Certificate?
- A. Tax Identification Number of the taxpayer
  - B. Expiry date
  - C. Tax paid
  - D. Tax Identification Number of the Managing Director
  - E. Name of the taxpayer
10. The Finance Act 2021, provides that a daily administrative penalty of ..... is payable by a taxpayer who prevents the Federal Inland Revenue Service (FIRS) in accessing his/her records and this penalty will accrue each day the failure continues.
- A. ₦50,000
  - B. ₦40,000
  - C. ₦25,000
  - D. ₦20,000
  - E. ₦5,000
11. If any company disputes a tax assessment raised on it by a tax authority, the time limit for objection is within ..... from the date of service of the notice of assessment
- A. 7 days
  - B. 15 days
  - C. 30 days
  - D. 40 days
  - E. 60 days
12. Where an appeal is not discontinued, which of the following is the procedure for hearing the appeal before the Tax Appeal Tribunal? The Tax Appeal Tribunal gives
- A. Seven (7) day-notice to the appellant and the tax authority of the date and place fixed for hearing of the appeal
  - B. Fifteen (15) day-notice to the appellant and the tax authority of the date and place fixed for hearing of the appeal
  - C. Twenty one (21) day-notice to the appellant and the tax authority of the date and place fixed for hearing of the appeal
  - D. Thirty five (35) day- notice to the appellant and the tax authority of the date and place fixed for hearing of the appeal
  - E. Forty (40) day-notice to the appellant and the tax authority of the date and place fixed for hearing of the appeal

13. Which of the following is **NOT** exempted from VAT?
- A. Medical and pharmaceutical products
  - B. Basic food items
  - C. Baby products
  - D. Private vehicles
  - E. Books and educational materials
14. Which of the following is **NOT** exempted from VAT?
- A. Services by commercial banks
  - B. Plays and performances conducted by educational institutions as party of learning
  - C. Medical services
  - D. All exported services
  - E. Services rendered by micro-finance banks
15. Which of the following is **NOT** an example of instruments assessed based on ad-valorem basis?
- A. Deed of assignment
  - B. Joint venture agreements
  - C. Share capital of companies
  - D. Promissory notes
  - E. Policy of life insurance
16. Which of the following is **NOT** a function of the Commissioner of Stamp Duties?
- A. Responsible for assessing documents on appropriate duties and imposing penalties, where applicable
  - B. Responsible for stamping or embossing the instruments
  - C. Responsible for keeping custody of the stamping instruments
  - D. Responsible for the arrest a tax offender
  - E. Responsible for adjudication
17. The withholding tax rate for companies on all aspects of construction contract is
- A. 15%
  - B. 5% or 2.5%
  - C. 10%
  - D. 20%
  - E. 25%

18. Which of the following is **NOT** a content of the payment schedule of withholding tax?
- A. Name of the taxpayer who suffered the deduction
  - B. The total amount payable
  - C. The rate of tax applied
  - D. The tax identification number of the taxpayer
  - E. The names and addresses of the directors of the two parties involved in the transaction
19. Imports and exports shall be subject to restriction and prohibition in the following areas, **EXCEPT**
- A. Public security, public morals and public policy
  - B. Protection of the environment
  - C. Establishment of non-governmental organisation
  - D. Currency
  - E. Fishery conservation
20. Which of the following was amended by the Finance Act 2020?
- A. Duty on tractors ( HS Headings 8701) from 35% to 5%
  - B. Duty on motor vehicles from 35% to 15%
  - C. Duty on motor vehicles from 20% to 10%
  - D. Duty on agricultural equipment from 35% to 20%
  - E. Duty on pharmaceutical products from 35% to 25%
21. Which of the following best describes luxury goods and services? Luxury goods and services are those that are:
- A. Not considered to be essential by the government and which are consumed by the wealthy class of the society
  - B. Considered to be essential by the government and which are consumed by the poor in the society
  - C. Not considered to be essential by the government and which are consumed by the vulnerable in the society
  - D. Not considered to be essential by the rich and which are consumed by the wealthy class of the society
  - E. Not considered to be essential by the rich and which are consumed by the poor in the society
22. Which of the following best explains the main reason for the renewed interest of government in luxury tax? The Nigerian government is now showing keen interest in this form of tax in order to
- A. Mitigate our declining revenue
  - B. Reduce revenue, especially from the oil and gas sector
  - C. Boost revenue from the oil and gas sector
  - D. Encourage consumption of local items
  - E. Discourage the consumption of foreign goods

23. Which of the following capital allowance is **NOT** claimed?
- A. The qualifying capital expenditure must be owned by the taxpayer as at the end of basis period
  - B. The taxpayer may not necessarily be the owner
  - C. The qualifying capital expenditure must be in use as at the end of the basis period
  - D. An acceptance certificate must be obtained from Federal Ministry of Industry where the value of the qualifying capital expenditure is not less than ₦500, 000
  - E. Capital allowance on qualifying capital expenditure (QCE) incurred in generating tax-exempt income is not deductible from the assessable profits arising from income not exempt from tax under CITA (as amended).
24. The investment allowance is granted at the rate of ..... of qualifying expenditure and such allowance shall not be taken into account in ascertaining the tax written down value of the qualifying capital expenditure.
- A. 10%
  - B. 12.5%
  - C. 15%
  - D. 20%
  - E. 25%
25. For the purpose of the determination of benefits- in-kind for an employee living in official quarters, such employee will be liable to ..... of the Annual rateable value of such quarters.
- A. Annual rateable value of the building
  - B. Revaluation value of the building
  - C. Replacement value of the building
  - D. Historical value of the building
26. Which of the following is **NOT** tax exempt items under the Personal Income Tax (Amendment) Act 2011?
- A. Consolidated relief allowance
  - B. National Housing Fund contribution
  - C. National Health Insurance Scheme contribution
  - D. Life assurance premium
  - E. Gratuity
27. In computing the gain or profit from rental income for tax purposes, all the following are disallowable, **EXCEPT**
- A. Any expense not incurred for the purpose of earning rental income
  - B. Any expense of a capital nature
  - C. Water rate
  - D. Depreciation of the building
  - E. Appropriation of profit

28. The rental income is generally deemed to accrue to the recipient over those periods covered by the payment on a
  - A. Daily basis
  - B. Yearly basis
  - C. Weekly basis
  - D. Monthly basis
  - E. Hourly basis
  
29. Which is the relevant tax authority for unincorporated entities, individuals and body of individuals?
  - A. Local Government Joint Revenue Committee
  - B. State Internal Revenue Service
  - C. Federal Inland Revenue Service
  - D. Federal Ministry of Finance
  - E. Joint State Revenue Committee
  
30. The profit of an enterprise, being an unincorporated entity, is taxable in the hands of the
  - A. Owner
  - B. Staff
  - C. Consultants
  - D. Auditor
  - E. Secretary

**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 tax borne by a person other than the taxpayer is called .....
2. A person who earns livelihood working in more than one place in Nigeria is called .....
3. Independent National Electoral Commission (INEC) shall mandate political parties to make public their.....before and during election campaigns.
4. The maximum number of years that a Tax Appeal Commissioner can serve is .....
5. An aggrieved taxpayer who is not satisfied with the decision of the Revenue after an objection, can appeal to .....
6. The principle of ..... requires an accountant not to compromise professional or business judgement because of bias, conflict of interest or undue influence of others.

7. A professional accountant should not use ..... information acquired as a result of professional and business relationships for the personal advantage of the accountant or for the advantage of a third party.
8. Section 101(4) of CITA (as amended), provides that ..... is required to be tendered by an applicant for the registration of motor vehicles.
9. Notice of appeal must be given to the Federal High Court (FHC) within..... after the date of the judgement of the Tax Appeal Tribunal.
10. An appeal from the Value Added Tax Tribunal shall be made to the .....
11. Stamp duties that are assessed at a flat rate and which do not vary with the consideration for the document being stamped is called.....
12. Withholding tax rate in respect of individuals on consultancy fees is .....
13. Failure to provide list of imported goods unloaded from ship, aircraft or vehicle within the approved time limit to the appropriate authority shall be liable to a fine of .....
14. The proposed luxury tax rate for import surcharge on a new private jet is .....
15. Although capital allowances are claimable on capital expenditure used to generate taxable income, they are not allowable or carried forward in the case of .....
16. An employment, the duties of which are wholly performed outside Nigeria, save during any temporary visit of the employee to Nigeria is.....
17. Money paid to an employee who is retiring or leaving his employer after several years of service is called .....
18. Dividend received by a company after the deduction of withholding tax at source by a paying company is regarded as ..... of the company receiving the dividend.
19. Under the change of accounting date rule, ..... assessment years are considered relevant.
20. In commencement of business, the assessable income for the first assessment year shall be the income from the date in which the individual commenced such trade, business, profession or vocation in Nigeria to the end of its .....

**SECTION B:****ATTEMPT ANY FOUR QUESTIONS****(50 MARKS)****QUESTION 1**

- a. The introduction of tax clearance certificate is one of the measures introduced by the government to bring taxpayers into the tax net.

**Required:**

State **TEN** transactions in respect of which tax clearance certificate must be produced. **(5 Marks)**

- b. In relation to Nigerian tax administration, explain briefly the following:
- i. Self-Assessment System **(4 Marks)**
  - ii. Back duty assessment **(3½ Marks)**

**(Total 12½ Marks)****QUESTION 2**

- a. Discuss briefly the **THREE** variants of Value Added Tax in Nigeria. **(6 Marks)**
- b. EMILOKAN Nigeria Limited was incorporated many years ago and it commenced business in February 2018. The company is engaged in the importation and sale of chemical products.

The Chief Accountant of the company resigned in May 2020, and in a scheduled meeting with the Managing Director, he informed you that the management of the company would want to ascertain the VAT remittable to the relevant tax authority based on the following financial transactions which took place in June 2020:

	<b>₦</b>
(i) The total value of taxable supplies (goods and services), including exempted/zero – rated supplies and VAT	18,600,000
(ii) Value of exempted/zero – rated supplies included in (a) above	4,800,000
(iii) VAT on domestic supplies/purchases for which invoicing requirements have been met	110,300
(iv) VAT on import	285,600
(v) VAT on purchases not wholly used in making vatable supplies	62,000
(vi) VAT paid on equipment	97,500
(vii) VAT on professional fees paid	48,000
(viii) Bank charges (VAT inclusive)	93,000

All the goods were received and sold during the month.



**Required:**

Compute the VAT remittable to the relevant tax authority in July, 2020

(6½ Marks)

**(Total 12½ Marks)**

**QUESTION 3**

- a. Explain briefly luxury tax. (1½ Marks)
- b. State **FIVE** goods and services that are considered to be luxury items in Nigeria. (5 Marks)
- c. What are the likely benefits to be derived through the introduction of luxury tax in Nigeria? (6 Marks)

**(Total 12½ Marks)**

**QUESTION 4**

Mr. OTOGE was employed by Zenon Bank Limited as Head of banking operations, effective June 1, 2021. The details of his salary are as follows:

	<b>₦</b>
Basic salary per annum (p.a.)	48,000,000
Housing allowance	12,000,000
Transport allowance	2,000,000
Utility allowance	800,000
Meal allowance	500,000
Leave allowance	4,800,000
Clothing allowance	2,000,000

Mr. OTOGE was provided with official car. The cost of the car is ₦7,500,000. He was also provided with a driver and a private personal assistant who were paid ₦300,000 and ₦500,000 per annum respectively.

Prior to joining Zenon Bank Limited, Mr. OTOGE was on annual salary of ₦32,000,000 while working with Caban Bank Plc. He resigned from the bank, effective May 31, 2021.

**Additional information:**

- (i) Mr. OTOGE is married with 6 children, all are of school age. He maintains his aged parent who lives with him in Lagos.
- (ii) He paid an annual life assurance premium of ₦3,000,000.
- (iii) His employers deducted and remitted on his behalf the following mandatory deduction of ₦4,900,000 and ₦1,166,667 for NHF and pension respectively for 2021.
- (iv) He paid NHIS premium of ₦350,000 in 2021 to a health service provider to provide medical cover for himself and his family.

**Required:**

Compute the tax liability of Mr. OTOGE for the relevant assessment year.

**(Total 12½ Marks)**

## QUESTION 5

Dr. John Okon created a trust for his children- Kufre, Bassy and Samuel before he died in 2015. As at December 31, 2015, the following information was extracted from the records of the trustee:

	₦
Adjusted trading profit for the year ended December 31, 2015	2,400,000
Rental income (gross) 2015	1,100,000
Other miscellaneous income	1,100,000

The following information is also relevant:

- (i) Fixed annuity to a beneficiary - Kufre ₦120,000
- (ii) Fixed remuneration for the trustee ₦80,000
- (iii) Variable trustee remuneration - 5% of total computed income
- (iv) Other expenses ₦400,000
- (v) The trust provides discretionary payments to the children towards their maintenance and education as follows: Kufre (₦240,000); Bassey (₦230,000) and Samuel (₦250,000).
- (vi) Capital allowance was agreed at ₦240,000
- (vii) ₦300,000 of other expenses are not tax deductible.
- (viii) It is stipulated in the trust that the beneficiaries are to share half of the distributable income equally.

Required: Calculate

- a. The net computed income (6½ Marks)
  - b. The amount each beneficiary will include in his/her income tax returns in the relevant year of assessment. (6 Marks)
- (Total 12½ Marks)**

## QUESTION 6

Turn-By-Turn Nigeria Limited is owned by Nigerians and has been in business since year 2018. The results of the company as at 31 December 2020 are as follows:

	₦	₦
<b>Assets employed:</b>		
Non-current assets		180,000,000
Current assets	550,000,000	
Less: Current liabilities	<u>360,000,000</u>	
Net Current assets		<u>190,000,000</u>
Net assets		<u>370,000,000</u>
<b>Financed by:</b>		
Share capital		140,000,000
Statutory reserves		60,000,000
General reserves		100,000,000
Long term loans		<u>70,000,000</u>
		<u>370,000,000</u>

You are provided with the following additional information:

- (i) The revenue of the company during the year ended December 31, 2020 was ₦240,000,000
- (ii) Gross profit was ₦35,000,000
- (iii) Assessable profit was ₦2,100,000
- (iv) Unrelieved capital allowances brought forward from 2020 year of assessment was ₦300,000
- (v) Capital allowances for 2021 year of assessment amounted to ₦800,000

You are required to:

- a. Compute the company's minimum tax liability for 2021 year of assessment. (4 Marks)
  - b. Compute the company's income tax liability for 2021 year of assessment. (8½ Marks)
- (Total: 12½ Marks)**

## NIGERIAN TAX RATES

### 1. CAPITAL ALLOWANCES

	Initial %	Annual %
Building Expenditure	15	10
Industrial Building Expenditure	15	10
Mining Expenditure	95	Nil
Plant Expenditure (excluding Furniture & Fittings)	50	25
Manufacturing Industrial Plant Expenditure	50	Nil
Construction Plant expenditure (excluding Furniture and Fittings)	50	Nil
Public Transportation Motor Vehicle	95	Nil
Ranching and Plantation Expenditure	30	50
Plantation Equipment Expenditure	95	Nil
Research and Development Expenditure	95	Nil
Housing Estate Expenditure	50	25
Motor Vehicle Expenditure	50	25
Agricultural Plant Expenditure	95	Nil
Furniture and Fittings Expenditure	25	20

### 2. INVESTMENT ALLOWANCE 10%

### 3. RATES OF PERSONAL INCOME TAX

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

	<b>Taxable Income</b>	<b>Rate of Tax</b>
	(₦)	(%)
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**

- Large Companies (over ₦100million A/Turnover) 30%
- Medium Companies (₦25million to ₦100Million A/Turnover) 20%
- Small Companies (less than ₦25million A/Turnover) 0%

**5. TERTIARY EDUCATION TAX** (2.5% of Assessable Profit)

**6. CAPITAL GAINS TAX** 10%

**7. VALUE ADDED TAX** 7.5%

**SECTION A: PART I**

**MULTIPLE-CHOICE SOLUTIONS**

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

22. A
23. B
24. A
25. A
26. A
27. C
28. A
29. B
30. A

### **Examiner's comment**

The MCQs covered all aspects of the syllabus. All the candidates attempted the questions. The general performance was above average.

## **SECTION A: PART II**

### **SHORT-ANSWER SOLUTIONS**

1. Indirect tax
2. Itinerant worker
3. Tax agenda
4. Six (6) Years
5. Tax Appeal Tribunal
6. Objectivity
7. Confidential
8. Tax clearance certificate
9. 30 days
10. Federal High Court
11. Fixed duties
12. 5%
13. ₦1,000,000
14. 10%
15. Small businesses
16. Foreign employment
17. Gratuity
18. Franked investment income
19. Three assessment years
20. First accounting period

### **Examiner's comment**

The SAQs are direct and straightforward. All the candidates attempted the questions. The general performance was fair.

## **SECTION B**

### **SOLUTION 1**

- a) The transactions in respect of which tax clearance certificate must be produced include:
- i. Application for a government loan for industry or business;
  - ii. Registration of motor vehicle;
  - iii. Application for firearms licence;
  - iv. Application for foreign exchange or exchange control permission to remit funds outside Nigeria;
  - v. Application for certificate of occupancy;
  - vi. Application for the award of contracts by the government, its agencies and registered companies;
  - vii. Application for approval of building plans;
  - viii. Application for trade licence;
  - ix. Application for transfer of real property;
  - x. Application for import or export licence;
  - xi. Application for agent licence;
  - xii. Application for pools or gaming licence;
  - xiii. Application for registration as a contractor;
  - xiv. Application for distributorship;
  - xv. Confirmation of appointment by government, as Chairman or member of public board, institution, commission, company or to any other similar position made by the government;
  - xvi. Stamping of guarantor's form for Nigerian passport;
  - xvii. Application for registration of a limited liability or of a business name;
  - xviii. Application for allocation of market stalls;
  - xix. Appointment or election into public office;
  - xx. Change of ownership of the vehicle by the vendor;
  - xxi. Application for a plot of land;
  - xxii. Stamping of a statement of the nominal share capital of a company to be registered and any increase in the registered share capital of the company; and
  - xxiii. Stamping of a statement of the amount of loan capital.

b) (i) **Self-assessment**

Self-assessment is a system of tax administration in which the taxpayer is granted the right, by law, to compute his own tax liability, pay the tax due and file his tax returns with evidence of payment of the tax paid on or before the due date. The relevant tax authority (FIRS) shall accept all tax returns submitted by the taxpayer and carry out necessary checks to ensure that all required information have been appropriately entered into the tax return forms.

A company that files a self-assessment return is required to pay the tax due in one lump sum on the due date of filing the return or in such number of monthly instalments, not exceeding six, as the FIRS may

approve but the final instalment must be paid on or before the due date of filing. An application to FIRS for instalment payment of tax shall be accompanied by proof of payment of the first instalment to a designated bank.

**(ii) Back duty assessment**

Where a taxpayer or its representative has committed fraud, wilful default or neglect in connection with the tax assessed on it, the FIRS is empowered to assess such company to additional tax in order to make good any loss attributable to the fraud, wilful default or neglect.

The additional tax referred to above can be raised by the Revenue Service at any time or as often as it may consider necessary without a time limit, but the decision of TAT, Benin Zone, has restricted the powers of tax authorities to assess taxpayers to back-duty except where fraud, wilful default or neglect on the part of the taxpayer has been established by a tribunal or a court of competent jurisdiction.

**Examiner's comment**

The question tested the knowledge of the candidates on Tax Clearance Certificate, Self and Back Duty assessment. About 97% of candidates attempted the questions. The general performance was below average.

The candidates are advised to study well and practise many tutorial questions for future examinations.

**SOLUTION 2**

a) **The three variants of VAT are:**

**The gross products variant**

This allows deductions for all purchases of raw materials and components. Tax is levied on all sales with no deduction for business inputs. No deduction is made for capital goods, such as, plant and machinery and depreciation.

**The income tax variant**

This allows deductions for purchases of raw materials and components plus depreciation on capital goods. The economic base of income variant is the net national product, that is, net investment (gross investment minus depreciation) is taxed.

**The consumption variant**

With the consumption variant of VAT, the economic base is equivalent to total private consumption. Here, deductions are made for all business purchases and capital assets. Of all the three variants of VAT, the consumption variant is popular and widely used by many countries including Nigeria.

b) **EMILOKAN Nigeria Limited**  
**VAT Remittable to FIRS in July 2020**

	₦	₦
Value of taxable supplies including exempted/zero rated supplies and VAT	18,600,000	
Value of exempted/zero-rated supplies included in the above	(4,800,000)	
Total supplies subject to VAT	13,800,000	
VAT received on supplies (7.5/107.5 x N13,800,000)		962,791
VAT on domestic supplies/purchases for which invoicing requirements have been met	110,300	
VAT on import	<u>285,600</u>	
VAT on purchases not wholly used in making vatable Supplies	395,900	
VAT remittable	<u>(62,000)</u>	<u>(333,900)</u>
		<u><b>628,891</b></u>

**Examiner's comment**

This is a good theory question on Value Added Tax computation. About 85% of the candidates attempted the question and the general performance was above average.

**SOLUTION 3**

- a) **Luxury tax** can simply be defined as tax imposed on goods and services that are considered by the government as luxury goods and services. Luxury goods and services are those that are not considered to be essential by the government and which are consumed by the rich or wealthy class of the society.

Luxury tax can also be defined as tax levied on goods or services considered to be luxuries rather than necessities.

b) **Examples of goods and services that are considered to be luxuries include**

- i. Private jets;
- ii. Luxury yachts; Luxury cars;
- iii. Business class/first class tickets on airlines;
- iv. Champagnes, wines and spirits;
- v. Jewellery
- vi. Perfume and
- vii. Residential mansion in the Federal Capital Territory (FCT) Abuja.

c) **Benefits of taxation of luxury goods**

- i. **Raise government revenue:** With over 100 billionaires, more than 100,000 multimillionaires and the highest number of world's private jet owners in the country coupled with our penchant to purchase expensive items from other countries, the annual revenue expected to be generated from this source will be awesome.



- ii. **Broaden the tax base:** The non-oil sector tax base is expected to be broadened with the introduction of the luxury tax. The revenue generated from the oil sector has continued to decline since 2013 and this makes it imperative for the government to look for other sources. The luxury tax nonetheless is one of other non-oil sources.
- iii. **Redistribute wealth from the rich to the poor:** The tax generated from this source is expected to be used to provide social amenities to the populace and will benefit the poor people the most. The social imbalance in the system is also to be dealt with.
- iv. **Mitigate the consumption of non-essential goods and services:** The full implementation of this tax may likely curb the penchant for consumption of extremely non-essential items in the long-run. The habit of the consumer of the item as well as the elasticity of the product may also determine the quantity to be purchased.

### Examiner's comment

This is a standard theory question on luxury tax. About 80% of the candidates attempted the question. The general performance was good.

### SOLUTION 4

Mr. OTOGE

**Computation of tax liability for the 2021 assessment year**

	₦	₦
<b>Income – Zenon Bank Limited 1/6/21 – 31/12/21:</b>		
Basic salary – $7/12 \times \text{₦ } 48,000,000$		28,000,000
Housing allowance – $7/12 \times \text{₦ } 12,000,000$		7,000,000
Transport allowance – $7/12 \times \text{₦ } 2,000,000$		1,166,667
Utility allowance – $7/12 \times \text{₦ } 800,000$		466,667
Meal allowance – $7/12 \times \text{₦ } 500,000$		291,667
Leave allowance – $7/12 \times \text{₦ } 4,800,000$		2,800,000
Clothing allowance – $7/12 \times \text{₦ } 2,000,000$		1,166,667
<b>BIK:</b>		
Car – $7/12 \times (5\% \text{ of } \text{₦ } 7,500,000)$	218,750	
<b>Domestic servant:</b>		
Driver – $7/12 \times \text{₦ } 300,000$	175,000	
Personal assistant – $7/12 \times \text{₦ } 500,000$	<u>291,667</u>	<u>685,417</u>
<b>Sub Total</b>		<b>41,577,085</b>
<b><u>Add: Income – Caban Bank Plc – 1/1/21-30/5/21:</u></b>		
$5/12 \times \text{₦ } 32,000,000$		<u>13,333,333</u>
<b>Gross emoluments</b>		<b>54,910,418</b>
<b>Less: tax-exempt items:</b>		
NHF	4,900,000	
Life assurance premium	3,000,000	
Pension	1,166,667	
NHIS	<u>350,000</u>	<u>9,416,667</u>
<b>Gross income</b>		<b>45,493,751</b>

**Less: consolidated relief allowance:**

1% of ₦ 45,493,751 or ₦ 200,000, whichever is higher, plus 20% of ₦ 45,493,751 (454,938 + 9,098,750)

(9,553,688)**Chargeable income****35,940,063**

Apply tax table

₦

First ₦ 300,000 @ 7%

21,000

Next ₦ 300,000 @ 11%

33,000

Next ₦ 500,000 @ 15%

75,000

Next ₦ 500,000 @ 19%

95,000

Next ₦ 1,600,000 @ 21%

336,000

Next ₦32,740,063 @ 24%

7,857,615

Total ₦ 35,940,063

**Tax liability****8,417,615****Examiner's comment**

This is a standard computation question on Personal Income Taxation. About 95% of the candidates attempted the question. The general performance was above average.

**SOLUTION 5**

**Dr. John Okon Trust**  
**Computation of amount due to each beneficiary for the 2016 tax year**

	Total ₦	Kufre ₦	Bassey ₦	Samuel ₦
Income				
Adjusted trading profit	2,400,000			
Less: capital allowances	<u>240,000</u>			
	2,160,000			
Rental income (gross)	1,100,000			
Other income	<u>1,100,000</u>			
Total income	4,360,000			
Less: expenses:				
Trustee remuneration:				
-Fixed	80,000			
-Variable (w1)	193,333			
Other expenses (400-300)	100,000			
Fixed annuity (Kufre)	<u>120,000</u>	120,000	-	-
	<u>493,333</u>			
Computed income	3,866,667			
Less: discretionary payments:	<u>720,000</u>	240,000	230,000	250,000
Remainder of computed income	<u>3,146,667</u>			
Share of distributable income (50%) - Beneficiaries	<u>1,573,334</u>	524,445	524,445	524,445
Trustees' income	<u>1,573,334</u>			
Total due to beneficiaries		<u>884,445</u>	<u>754,445</u>	<u>774,445</u>

### Workings

Variable trustee's remuneration

	₦	₦
Total income		4,360,000
Less:		
Other expenses	100,000	
Fixed trustee remuneration	80,000	
Fixed annuity (Kufre)	<u>120,000</u>	
		<u>300,000</u>
		<u>4,060,000</u>

Variable remuneration =  $5 / 105 \times \text{₦ } 4,060,000 = \text{₦ } 193,330$

### **Examiner's comment**

This is a good question on Trust account. About 55% of the candidates attempted the question. The general performance was below average.

### **SOLUTION 6**

a) **Turn-By-Turn Nigeria Limited**  
**Computation of minimum tax liability for 2021 year of assessment**

	₦
Gross Turnover	<u>240,000,00</u>
Min. tax @ 0.25%	<u>600,000</u>

#### Decision

Given the fact that the company was not up to 48 calendar months in business at December 31, 2020, the computation of minimum tax liabilities is not applicable.

b) **Turn-By-Turn Nigeria Limited**  
**Computation of the company's income tax liability for the 2021 assessment year**

	₦	₦
Assessable profit		2,100,000
<b>Deduct</b>		
Unrelieved capital allowances b/f	300,000	
Current year capital allowance	<u>800,000</u>	<u>(1,100,000)</u>
		<u>1,000,000</u>
<b>Higher of:</b>		
i. Tax on ₦1,000,000 @ 30%	300,000	
ii. Min. tax @ 0.25%	600,000	600,000
Tertiary education tax (2% of ₦2,100,000)		<u>42,000</u>
Total tax liability		<u>642,000</u>

**Note**

NB: tertiary education tax rate of 2% of assessable profit was used and not 2½, since the relevant year of assessment was before the effective date of Finance Act, 2021.

**Examiner's comment**

This question tested the knowledge of the knowledge of the candidates on minimum tax. About 30% of the candidates attempted the question. The major pitfall of most of the candidates was lack of understanding of the basic techniques in the computation of the company's income tax. The general performance was below average.

**THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA****ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
MARCH 2024 EXAMINATIONS (PART III)****MANAGEMENT**

**PLEASE READ THESE INSTRUCTIONS BEFORE COMMENCEMENT OF THE PAPER**

**EXAMINATION INSTRUCTIONS**

1. All solutions should be in ink. Any solution in pencil will not be marked.
2. Read all instructions on each part of the paper carefully before answering the questions.
3. Ensure that you do not answer more than the number of questions required for **Section B (The Essay Section)**.
4. Check your pockets, purse and mathematical sets, etc to ensure that you do not have prohibited items such as telephone handset, electronic storage device, wrist watches, programmable devices or any form of written material on you in the examination hall. You will be stopped from continuing with the examination and liable to further disciplinary actions including cancellation of examination result if caught.
5. Do not enter the hall with anything written on your docket.
6. Insert your examination number in the space provided above.

**TUESDAY, MARCH 26, 2024**

**DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO**

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA**  
**ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA**  
**PART III EXAMINATIONS – MARCH 2024**

**MANAGEMENT**

**Time Allowed: 3 hours**

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

**ATTEMPT ALL QUESTIONS IN THIS SECTION**

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

1. Which of the following is **NOT** a resource needed to create value in business?
  - A. Natural resource
  - B. Market resource
  - C. Human resource
  - D. Capital factor
  - E. Government
  
2. A partnership can be dissolved for any of the following reasons, **EXCEPT**
  - A. Court order
  - B. Technical insolvency
  - C. Mutual agreement
  - D. Professional advice
  - E. Death of a partner
  
3. Which of the following is **NOT** a factor in the economic environment of business?
  - A. Government licenses
  - B. Gross Domestic Product
  - C. Industrial policy
  - D. Unemployment rate
  - E. Exchange rate
  
4. Which of the following is an area covered by codes of corporate governance in your Country?
  - A. Openness/transparency
  - B. Directors' remuneration
  - C. Independence
  - D. Honesty and integrity (probity)
  - E. Responsibility and accountability

5. The nature of management **DOES NOT** include which of the following?
- A. Management is tangible
  - B. Management is universal
  - C. Management is a process
  - D. Management is dynamic
  - E. Management is creative
6. Which of the following is **NOT** a major feature of the management science approach?
- A. Management is regarded as the problem-solving mechanism with the help of mathematical tools and techniques
  - B. Management problems can be described in terms of mathematical symbols and data
  - C. This approach covers decision making, system analysis and some aspect of human behaviour
  - D. The approach spotlights the importance of a manager's style, management skills, and dynamics of groups that can influence the quantity and quality of output
  - E. Operations research, mathematical tools, simulation, model etc., are the basic methodologies to solve managerial problems
7. Which of the following is **NOT** a limitation of scientific management?
- A. The methods are applicable only in predictable and stable environments
  - B. It over-emphasised the economic and rational nature of man and overstate man's desire for money
  - C. The theory did not attach importance to human behaviour
  - D. Over-emphasis on productivity and profitability leading to exploitation of both workers and customers
  - E. The principle of specialisation is internally inconsistent; to secure the advantages of any one mode the organiser must sacrifice the advantages of the other modes
8. The philosophy of management that is driven by customer needs and expectations and focuses on continual improvement in work processes is known as
- A. Business process re-engineering
  - B. Learning and knowledge management
  - C. Total Quality Management
  - D. Customer Relationship Management
  - E. Theory Z

9. Which of the following is **NOT** typical of strategic planning?
- A. It is the responsibility of top management
  - B. It requires the use of human and other resources for execution
  - C. It states the organisation's mission and vision
  - D. It describes the set of goals, policies, structure and funding of the organisation
  - E. Time frame is usually long
10. Which of the following is **NOT** true about the characteristic of decision?
- A. Decision-making does not necessarily require that the decision maker understands the situation driving the decision
  - B. Decision-making is so basic that no management function can be performed without it
  - C. Managers at all organisational levels make decisions although they differ in terms of type and scope
  - D. Middle level managers are generally more involved with decisions involving overall operating policies and plans
  - E. Decision-making is the cornerstone of planning
11. A type of structure in which positions are grouped according to similarity of products, location or geography or place and customer is known as
- A. Functional structure
  - B. Hybrid structure
  - C. Divisional structure
  - D. Matrix structure
  - E. Product structure
12. Which of the following **CANNOT** be helpful to an organisation?
- A. Minimising cost
  - B. Checking social and informal groups
  - C. Adapting to changing conditions
  - D. Minimising errors
  - E. Coping with organisational complexities
13. Mintzberg (1994) viewed strategy in terms of 5Ps; which of the following is **NOT** included?
- A. Strategy as a placement
  - B. Strategy as a plan
  - C. Strategy as a ploy
  - D. Strategy as a pattern
  - E. Strategy as a position



14. Which of the following is **NOT** an advantage of an internal recruitment?
- A. It creates promotion opportunities for employees
  - B. It reduces the cost of recruitment
  - C. It enhances workplace diversity
  - D. The organisation benefits from investment it made in training of employees
  - E. Increased employee commitment
15. Which of the following is **NOT** on-the-job method of recruitment?
- A. Demonstration
  - B. Job Rotation
  - C. Understudy
  - D. Short-term courses
  - E. Committee Assignments
16. If all the processing equipment and machines are arranged according to the sequence of operations of the product, the layout is called
- A. Fixed Position Layout
  - B. Product layout
  - C. Process Layout
  - D. Functional Layout
  - E. Combination type of Layout
17. Which of the following is **NOT** a money market instrument?
- A. Commercial bill
  - B. Certificate of deposit
  - C. Treasury certificates
  - D. Corporate shares
  - E. Treasury bills
18. Which of the following is **NOT** a content theory of motivation?
- A. Stacy Adam's Equity theory
  - B. Maslow Hierarchy of Needs Theory
  - C. Aldelfer's ERG Theory
  - D. McGregor's Theory X and Y
  - E. Herzberg's two factor theory
19. The attitude or behaviour which a leader exhibits or demonstrates during supervision of subordinates is called
- A. Leadership continuum
  - B. Autocratic style
  - C. Leadership style
  - D. Management exemplar
  - E. Democratic style

20. Which of the following is **NOT** a category of organisational conflict?
- A. Structural conflict
  - B. Horizontal Conflict
  - C. Vertical hierarchical Conflict
  - D. Line and staff Conflict
  - E. Inter-organisational conflict
21. The relative strength of an employee's identification with emotional attachment and involvement in an organisation is called
- A. Organisational commitment
  - B. Job satisfaction
  - C. Group dynamics
  - D. Employee engagement
  - E. Effective commitment
22. A company that decides to introduce a new method to increase production is managing what category of change?
- A. technology
  - B. people
  - C. competitors
  - D. structure
  - E. process
23. Which of the following is **NOT** a factor that influences the need for adoption of Business Process Re-engineering?
- A. To secure better management
  - B. To improve efficiency
  - C. To create new product
  - D. To reduce cost
  - E. To reduce waste
24. Stages in the implementation of business process re-engineering include the following, **EXCEPT**
- A. Envision stage
  - B. Diagnosis Stage
  - C. Redesign stage
  - D. Evaluation stage
  - E. Process Stage

25. Which of the following approaches assesses effectiveness by observing the beginning of the process and evaluating whether the organisation effectively obtains resources necessary for high performance?
- A. Strategic constituencies
  - B. Goal potency approach
  - C. Internal process approach
  - D. System Resource Approach
  - E. Competing value Approach
26. Which of the following is **NOT** a soft factor in the 7s model of organisational effectiveness?
- A. Skills
  - B. System
  - C. Staff
  - D. Style
  - E. Shared values
27. Which of the following is **NOT** true of an open office?
- A. There is reduction of noise
  - B. It is easy to supervise since everybody is in view
  - C. It economises space
  - D. Exchange of information among staff is easy and this facilitates the flow of work.
  - E. Certain facilities may be easily shared e.g. printers
28. Which of the following is **NOT** an advantage of forms?
- A. Reduces the need for writing
  - B. Time consuming
  - C. Minimising errors
  - D. Uniformity
  - E. Convenience in processing
29. The following are some common sources of safety hazard at the workplace, **EXCEPT**
- A. Slippery floors
  - B. Open cabinets
  - C. Safety boots
  - D. Plant fumes
  - E. Poor ventilation

30. Which of the following is **NOT** a component of Training and Development process?
- A. Assessment of organisation and individual needs
  - B. Drawing up of training programme
  - C. Implementation and management of training programme
  - D. Post-Training evaluation
  - E. Post-retirement training

**SECTION A: PART II**

**SHORT ANSWER QUESTIONS**

**(20 MARKS)**

**ATTEMPT ALL QUESTIONS**

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

1. The simplest, most common and the oldest form of business ownership is called .....
2. .... constitute the specific segment of the external environment with which an organisation interfaces in the course of conducting its business.
3. .... is concerned with what is right and what is wrong in human behaviour on the basis of standard behaviour or conduct acceptable by the society.
4. The main objective of management is the efficient ..... of human, material and financial resources.
5. The managerial skill that has to do with knowledge of and proficiency in activities involving methods, processes, and procedures is called .....
6. The management school/approach that brings together the knowledge of various disciplines like Operation Research and Management Science for effective solution of management problems; as well as the applications of statistics, optimisation models, information models, and computer simulations is known as .....
7. .... is the main and primary function of management.
8. The process of grouping activities and resources among people and systematically integrating the groups into a unified system is known as .....
9. The managerial role that involves activities by which an executive develops and maintains contact with people and groups outside the organisation for the purpose of coordinating efforts to achieve a common goal is known as .....
10. The type of control that takes place while the operation is in progress is called .....



### QUESTION 3

- a. State and explain **FIVE** advantages and **THREE** disadvantages of group decision making (8 Marks)
  - b. List and explain **THREE** decision making techniques (4½ Marks)
- (Total 12½ Marks)**

### QUESTION 4

- a. Define plant layout and design (2½ Marks)
  - b. State **FOUR** factors influencing plant layout and design (4 Marks)
  - c. Explain **THREE** types of plant layout (6 Marks)
- (Total 12½ Marks)**

### QUESTION 5

- a. State and explain the **FIVE** levels in Abraham Maslow's hierarchy of needs theory (7½ Marks)
  - b. Outline **FIVE** techniques that can be used to motivate employees in an organisation (5 Marks)
- (Total 12½ Marks)**

### QUESTION 6

- a. Define organisational effectiveness (2½ Marks)
  - b. State **FIVE** criteria for measuring organisational effectiveness (5 Marks)
  - c. State **FIVE** ways by which a destructive conflict can impact negatively on an organisation (5 Marks)
- (Total 12½ Marks)**

## SECTION A: PART I

### MULTIPLE-CHOICE SOLUTIONS

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

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

### **Examiner's comment**

The questions covered all the areas of the syllabus. All the candidates attempted the questions and the performance was averagely good. About 68% of the candidates that attempted these questions scored above average. The major pitfall of the candidates were poor preparation and inadequate usage of the study pack. The candidates are advised to guide against these pitfalls.

## **SECTION A: PART II**

### **SHORT-ANSWER SOLUTIONS**

1. Sole proprietorship
2. Task environment
3. Ethics
4. Utilisation
5. Technical skills
6. Quantitative Management school
7. Planning
8. Organising
9. Liaison
10. Concurrent control
11. Threat
12. Wage and salary administration
13. Conversion
14. Storming
15. Noise
16. Customer(s)
17. Hard and Soft
18. Safety policy
19. Form
20. Product or line layout

## **Examiner's comment**

The questions covered all parts of the syllabus. All the candidates attempted the questions and the performance was fairly good. About 58% of the candidates scored above average and this was largely due to inadequate usage of the study pack. The candidates are advised to make use of the study pack adequately for improved performance.

## **SECTION B**

### **SOLUTION 1**

- (a) Ethics is concerned with what is right and what is wrong in human behaviour on the basis of standard behaviour or conduct acceptable by the society.

Ethics is defined as the discipline dealing with what is good and bad and with moral duty and obligations.

Ethics is an individual's personal belief about whether a behaviour, action or decision is right or wrong.

Examples of ethical issues

- i. Bribes
- ii. Honesty of records keeping
- iii. Misappropriation of corporate assets
- iv. Confidentiality of corporate information
- v. Political contributions
- vi. Conflict of interest
- vii. Customer/supplier relationships
- viii. Honesty in honouring agreements
- ix. Tax evasion
- x. Product safety
- xi. Environmental concerns
- xii. Insider trading

- (b) Causes of unethical behaviours

- i. Pressure to meet unrealistic business objectives, targets and deadlines.
- ii. Desire to further one's career
- iii. Desire to protect one's livelihood
- iv. Job pressure, according to the study, causes employees to engage in unethical behaviours that include cutting corners on quality control, covering up incidents and lying to customers.
- v. Ignorance that the acts are unethical and not knowing the seriousness of the consequences when caught
- vi. Competition for scarce resources, power or position
- vii. A few bad employees with poor ethical background among organisational actors



viii. Lack of maintaining the type of consistent leadership that is necessary for running an ethical organisation. This exposes the employees to opportunities that make them engage in unethical behaviours.

(c) Punishment/Sanctions

- i. Additional professional education
- ii. Reprimand
- iii. Monetary fine
- iv. Removal of authority to engage in public practice or to practice in specific areas of work
- v. Suspension from membership for a specified period
- vi. Exclusion from membership
- vii. Refund of fee
- viii. Work to be completed by another accountant
- ix. Payment of cost of the hearing
- x. Sanctions against the member firm, etc.

**Examiner's comment**

The question was structured to test the knowledge of the candidates on ethical issues in business. About 86% of the candidates attempted the question and roughly 72% passed. The major pitfall of the candidates who performed poorly were inadequate preparation and usage of the study pack.

**SOLUTION 2**

(a) Nature of Management (1 mark each for any four mentioned and explained)

- i. Management is a universal activity
- ii. Management is a continuous process
- iii. Management is a purposeful activity as it is goal oriented
- iv. Management is a social process as it involves people
- v. Management is concerned with the efforts of a group
- vi. Management is intangible
- vii. Management involves decision making
- viii. Management is an integrating process
- ix. Management co-ordinates all activities and resources
- x. Management is dynamic not rigid
- xi. Management is an art as well as science
- xii. Management is being creative

(b)

(i) **Management as a technique**

Management as a technique connotes three basic things; that is, materials, methods and knowledge (technical know-how). Considering management as a technique means there is a unique effective way of doing things and getting things done. In achieving a given task, there is a proper mix of

labour skills, materials, machine hour and financial input that is needed, so that any other similar task can adopt that same technique.

**(ii) Management as a process**

Management is a process involving certain functions and work activities that managers must perform to achieve an enterprise's goals. Managers use principles that guide the management process. The five fundamental functions of management – planning, organizing, staffing, leading and controlling – constitute the process of management. They are the means by which a manager manages.

**(iii) Management as a discipline and profession**

This is seen in the context of specialisation and choosing management as a career. The function of managers in any organisation is very crucial as he harnesses all the other resources to achieve the organisation's objective. This is the reason, management is undertaken in colleges and higher institution as a course of study and further specialisation at Master's degree and Doctor of Philosophy levels. Such course is studied as Business Administration, Business Management, Business Studies, Management Technology, etc.

A profession is an occupation carried by professionals like doctors, lawyers, architects, chartered accountants, builders, etc. It involves knowledge and application of it. Management as a profession is a modern concept different from traditional one.

**(c) Functions of top level managers**

- i. Determining company objectives
- ii. Working out long-range planning
- iii. Establishing board policies
- iv. Coordinating enterprises activities
- v. Adapting effective means of control
- vi. Authorising new facilities and launching research and development projects.
- vii. Appointing top level officers.

**Examiner's comment**

The question tested the candidates' understanding of the nature and process of management. About 76% of the candidates attempted the question and about 58% passed. Candidates are advised to prepare more seriously for the examination by religiously reading their study pack.

### **SOLUTION 3**

(a) Advantages of Group Decision-Making includes:

Some of the advantages of group decision-making are summarised below:

- i. Since group members are likely to have different specialties, they tend to provide more information and tend to be more comprehensive in nature.
- ii. The group can generate number of alternatives.
- iii. Implementation of the decisions is more effective, since the people who are going to implement the decision also participated in the decision process. This increases the commitment of the people to see to the implementation for success.
- iv. The input from a large number of people eliminates the biases that are generally introduced in individual decision-making. It also reduces the unreliability of individual decisions.
- v. The participative decision-making process serves as training ground for subordinates, who develop the skills of objectives, evaluation and decision-making.
- vi. Group decision-making is more democratic in nature while individual decision-making is more autocratic in nature. The democratic processes are more easily acceptable and are consistent with the democratic ideals of our society.

#### **Disadvantages of Group Decision-Making**

There are certain drawbacks to group decisions-making. Some of the disadvantages are:

- i. It is time-consuming. It takes a great deal of time to assemble the group. In addition, a group takes more time in reaching a decision since there are many opinions to be taken into consideration.
- ii. Some members may simply agree with the others for the sake of agreement since there are social pressures to conform and not to be the odd person.
- iii. There may be some personality conflicts that may create inter-personal obstacles which may diminish the efficiency of the process, as well as the quality of the decision.
- iv. The decision made by the group may not always be in line with the goals and objectives of the organization. This is especially true when the goals of the group are in conflict with those of the organization.
- v. The group members may exhibit focus effect. This means that the group may focus on one or a few suggested alternatives and spend all the time evaluating these and may never come up with other ideas, thus limiting the choices.
- vi. It is more expensive than individual decision-making.

(b) The decision-making Techniques are:

- i. **The Brainstorming:** Is a process where a group of individuals generate ideas according to a set of rules designed to promote the generation of new ideas while at the same time avoiding members inhibitions that face-to-face groups usually cause.
- ii. **The Delphi Technique:** Is a systematic procedure sometimes used for developing a consensus of opinion among a group of experts.
- iii. **The Nominal Group Technique:** Is a process of bringing people together as a group to solve a problem.
- iv. **The Marginal Analysis:** Is a technique that can be used to evaluate alternatives by comparing the additional revenues and additional cost as output increases.
- v. **The Cost Benefit or Cost Effectiveness Analysis:** It enables the decision maker to compare the ratios of costs to benefits of alternatives causes of action and to select the alternative that have the best ratio.
- vi. **The Decision Trees:** Is a graphical method of displaying various parts of the decision-making process including causes of action, risks involved and likely outcomes. It enables decision maker to consider alternative solutions, assign financial values to them, estimate the probability of a given outcome for each alternative, make comparism and choose the best alternative.

### **Examiner's comment**

The question was structured to test the candidates understanding of group decision making and decision making techniques. About 86% of the candidates attempted the question and about 67% passed. Candidates are enjoined to prepare more seriously for the examination by adequately making use of the study pack.

### **SOLUTION 4**

(a) **Plant layout and design**

In a factory, office and any place where people work, raw materials, equipment and people should be able to move freely during the production process. Employees should be able to move from one workstation to another, exchange information and enjoy reasonable security and comfort while they work. These could be achieved with a planned layout and careful design of the organisation's facilities.

(b) **Factors Influencing Plant Layout and Design**

- i. Headroom
- ii. Access
- iii. Service required
- iv. Disposal of Waste
- v. Ventilation
- vi. Government Legislation

(c) Types of Plant Layout include:

- i. **Product or Line Layout:** If all the processing equipment and machines are arranged according to the sequence of operations of the product, the layout is called product type of layout. In this type of layout, only one product of one type of products is produced in an operating area.
  - ii. **Process or Functional Layout:** In this type of layout, the machines and not arranged according to the sequence of operations but are arranged according to the nature or type of the operations. This layout is commonly suitable for non-repetitive jobs. Same type of operation facilities are grouped together such as lathes will be placed at one place, all the drill machines are at another place and so on.
- (b) **Fixed Position Layout:** In this type of layout the major component remain in a fixed location, other materials, parts, tools, machinery, manpower and other supporting equipment's are brought to this location. The major component or body of the product remain in a fixed position because it is too heavy or too big and as such it is economical and convenient to bring the necessary tools and equipment's to work place along with the man power.
- (c) **Combination Type of Layout:** Now a days in pure state any one form of layouts discussed above is rarely found. Therefore, generally the layouts used in industries are the compromise of the above mentioned layouts. Every layout has got certain advantages and limitations. Flexibility is a very important factory layout consideration, such that layouts are modelled according to the requirements of industry.

**Examiner's comment**

The question attempted to test the candidates' understanding of plant layout and design. About 69% of the candidates attempted the question and about 55% passed. Candidates should devote more time on studying using the study pack so as to improve their performance.

## **SOLUTION 5**

### **(a) Maslow's Hierarchy of Need Theory**

This is one of the most widely mentioned and applied theories of motivation which was propounded by Abraham Maslow, a clinical psychologist. The theory was developed in 1943 and popularised during the early 1960s. The theory is based on two fundamental assumptions, first, that different needs are active at different times and only needs not yet satisfied can influence behaviour. Secondly, that needs are arranged in a specified order of importance called hierarchy.

- i. **Physiological Needs:** This is the need for survival and is the lowest level of human needs. The needs consist of food, shelter, water, clothing, sex and sleep. Maslow took the position that until these needs are satisfied to the degree necessary to maintain life, other needs will not motivate people.
- ii. **Safety Needs:** These pertain to the desire to feel safe, free from fear of losing job, property, food, shelter and physical harm. This need is often met in work organisations through fringe benefit, confirmation of appointments, insurance schemes, safe working condition, retirement and pension schemes.
- iii. **Social Needs:** This is the need to affiliate with others and be accepted by others. It involves the need for belongingness, affection, friendship, interaction and acceptance with relation to others.
- iv. **Esteem Needs:** These are needs that relate to having a positive image and also of having contributions that are valued and appreciated by others. These needs include self-confidence, achievement, competence, need for knowledge, need for status, recognition and respect of one by others.
- v. **Self-Actualisation Needs:** This in the thinking of Maslow, is the highest level of needs in the hierarchy. It is called self-fulfilment need. It is the need to become what one is capable of becoming, that is, to maximise one's potentials. I will simply put it as the need to be what you want to be. It concerns the need to maximise the use of one's abilities, skills and knowledge.

### **(b) Techniques used to motivate employees in practice**

- i. Financial rewards (money)
- ii. Employee Participation
- iii. Favourable Conditions of Work
- iv. Enhanced Social relationship
- v. Personal Development

## **Examiner's comment**

The question tested the candidates' understanding of Abraham Maslow's hierarchy of needs theory and techniques of motivation. About 86% of the candidates attempted the question and 64% passed. Candidates are encouraged to devote more time to their study by reading their study pack.

## **SOLUTION 6**

### **(a) Organisational Effectiveness**

The term of organisational effectiveness describes the degree to which an organisation realises its goals. It can be noted that this goal can only be realized effectively by a) information sharing, b) quick and timely decision making, and c) shared awareness of tasks and responsibilities within the organization. Effectiveness is the ability of the organisation to exploit the environment in the acquisition of critical resources.

### **(b) Criteria for measuring organisational effectiveness are**

- i. Adaptation to the external environment
- ii. Integration and sense of identity
- iii. Productivity
- iv. Goal-attainment.
- v. Cohesion
- vi. Efficiency; political effectiveness
- vii. Environmental orientation; optimum allocation of resources; and goal realisation
- viii. Flexibility to environmental changes;
- ix. Flexibility to internal changes; maintenance; and absence of organisational strain.
- x. Optimization of resources;
- xi. Acquisition and maximization of bargaining position with respect to the environment
- xii. Growth
- xiii. Profitability; employee satisfaction; contribution to society and the community
- xiv. Stability and achievement
- xv. Survival; and control over the environment

### **c. Impact of destructive conflict on the organisation**

- i. Discont among group members
- ii. Poor flow of information among members
- iii. Weakness in the cohesion of the group
- iv. Difficulty in achieving the goals of the group
- v. General mistrust among members of the group
- vi. Dissolution of the group

**Examiner's comment**

The question was structured to test candidates' understanding of organisational effectiveness and impact of conflict in an organisation. About 88% of the candidates attempted the question and 65% passed. Candidates are enjoined to prepare more seriously for the examination by adequately making use of the study pack.