

**THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA****ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
MARCH 2022 EXAMINATIONS (PART III)****PRINCIPLES OF AUDITING**

**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, mathematical set, 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, 29 MARCH, 2022**

**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 2022**

**PRINCIPLES OF AUDITING**

**Time Allowed: 3 hours**

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

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

1. Which of the following is **NOT** a directorate under the office of the Auditor-General of your country?
  - A. Treasury Accounts
  - B. Project Audit
  - C. Presidency Audit
  - D. State Accounts
  - E. Pensions
  
2. Which of the following is an ethical principle governing the auditor's professional responsibilities?
  - A. Creativity
  - B. Objectivity
  - C. Suitability
  - D. Marketability
  - E. Profitability
  
3. Content of audit working papers may be affected by the following matters, **EXCEPT**
  - A. Nature of the engagement
  - B. Auditor's methodology used
  - C. Auditor's reporting format
  - D. Analyses of transactions
  - E. Complexity of client's business

4. The main purpose of letter of engagement is to
- A. Prepare the financial statements
  - B. Define clearly the extent of directors' and auditors' responsibilities
  - C. Appoint the new auditor
  - D. Test the system of internal control
  - E. Advise the client
5. Unintentional mistake in the financial statement is known as
- A. Fraud
  - B. Error
  - C. Teeming and lading
  - D. Audit risk
  - E. Risk assessment
6. Which of the following is **NOT** a symptom of going concern problems?
- A. Occurrence of substantial losses
  - B. Heavy dependence on overseas holding company
  - C. Deferment of normal purchases
  - D. Increase in number of staff
  - E. Increased dependence on short term finance
7. The ..... Act regulates the operations of banks and other financial institutions in the country.
- A. Chartered Institute of Bankers
  - B. Security Exchange Commission
  - C. National Insurance Commission
  - D. Banks and Other Financial Institutions
  - E. Central Bank of your country
8. Auditors can obtain knowledge of client's industry and entity from all, **EXCEPT**
- A. Previous experience with the entity and its industry
  - B. Discussion with predecessor auditor
  - C. Publications related to the industry
  - D. Companies and Allied Matters Act/Company Act
  - E. Discussions with knowledgeable people about the industry

9. The processes outlined in an audit programme are designed mainly to
- A. Detect errors or irregularities
  - B. Obtain audit evidence
  - C. Ensure early completion of audit
  - D. Protect the auditor against litigation
  - E. Highlight movement in the accounts between years
10. Assertions about account balances at the period end used by the auditors in gathering evidence include all, **EXCEPT** which of the following
- A. Existence
  - B. Rights and obligations
  - C. Reliability
  - D. Completeness
  - E. Valuation and allocation
11. The process of obtaining and evaluating audit evidence through representations of information or an existing condition directly from a third party is known as
- A. Internal confirmation
  - B. External confirmation
  - C. Authority confirmation
  - D. Periodic confirmation
  - E. Subtle confirmation
12. The process of dividing a population into sub population is known as
- A. Subgroup
  - B. Stratification
  - C. Unit
  - D. Risk
  - E. Grouping
13. Which of the following procedures is usually adopted by auditors to verify assets and liabilities?
- A. Observation
  - B. Inspection
  - C. Computation
  - D. Balancing items
  - E. Analytical review

14. Example of Internal control is
- A. Management information
  - B. Supervision
  - C. Transactionary motive
  - D. Narratives
  - E. Flowcharts
15. Factors that determine success of Internal control system include all BUT one of the following
- A. Nature, size and volume of transactions
  - B. Management attitude to control
  - C. Geographical distribution of the enterprise
  - D. Cost and benefit of setting up controls
  - E. System analysis
16. Appraisal activity established by an entity and carried out within the entity is referred to as
- A. Internal control
  - B. Internal auditing
  - C. Supervision and monitoring
  - D. Authorisation and approval
  - E. Physical control
17. What technical term describes the type of assessment carried out by an auditor on the work of another auditor?
- A. Quality review
  - B. Peer review
  - C. Self assessment
  - D. Superior review
  - E. Analytical review
18. Which of the following is used to determine whether appropriate control system exists to prevent specific errors or omissions?
- A. Internal Control Questionnaire
  - B. Internal Control Evaluation Questionnaire
  - C. Internal Control Sampling
  - D. Internal Auditing
  - E. Internal Control Assessment

19. The power to appoint the Auditor-General of your country is vested in the
- A. Senate President
  - B. National Assembly
  - C. President
  - D. Minister of Finance
  - E. Public Accounts Committee
20. In most jurisdictions, Auditors of Public Interest Entities will be appointed by
- A. Board of Directors
  - B. Audit Committee
  - C. Government
  - D. Shareholders
  - E. Security and Exchange Commission
21. The Auditor-General submits his reports to the
- A. House of Senate
  - B. President
  - C. National Assembly
  - D. Parliament
  - E. Public Accounts Committee
22. The use of computers to perform some techniques in the conduct of audit work by the auditor is known as
- A. Computer Aided Accounting Software
  - B. Computer Assisted Aided Techniques
  - C. Computer Software Analysis
  - D. Computer Assisted Technologies
  - E. Computer Accounting Software
23. The type of facility which involves the creation of a fictitious entity within the framework of the regular application is called
- A. Simulation facility
  - B. Integrated test facility
  - C. Around the computer facility
  - D. Program logic and coding facility
  - E. Application control facility

24. Which of the following is an example of matters that do not affect auditor's opinion
- A. Inherent risk
  - B. Detection risk
  - C. Qualified report
  - D. Emphasis of matter
  - E. Adverse opinion
25. The Auditor's report includes the following basic elements, **EXCEPT**
- A. Title
  - B. Addressee
  - C. Scope Paragraph
  - D. Director's signature
  - E. Auditor's signature
26. Adjusting events include all, **EXCEPT**
- A. Property
  - B. Noncurrent assets
  - C. Discovery of fraud
  - D. Mergers and acquisitions
  - E. Debtors
27. **ONE** of the objectives of carrying out due diligence is to
- A. Ascertain the economic worth of an entity
  - B. Determine the level of preparedness of an entity
  - C. Assess the management of an entity
  - D. Know the directors of an entity
  - E. Familiarise with the members or shareholders of an entity
28. Which of the following is least likely to be required in an audit?
- A. Test appropriateness of journal entries and adjustment
  - B. Review accounting estimates for biases
  - C. Evaluate the business rationale for significant, unusual transactions
  - D. Make a legal determination of whether fraud has occurred
  - E. Test the adequacy of the internal control system

29. The meeting held in the auditor's office to share and discuss information on the success or failure of a just concluded audit is called
- A. Completion/Exit meeting
  - B. Debriefing
  - C. Partner's meeting
  - D. Report writing meeting
  - E. Management meeting
30. The process of auditing and presenting reports in a manner admissible for evidence in the court of law is called
- A. Investigation auditing
  - B. Peer review
  - C. Forensic auditing
  - D. Due diligence
  - E. Internal Audit

**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 external audit function of the examination of financial statements of the government and all its allied activities is performed by .....
2. The observations and points raised by the auditor in a particular transaction requiring further clarifications are known as .....
3. The type of audit that focuses on a particular activity within the establishment is known as .....
4. Procedure deemed necessary in the circumstances to achieve the objective of an audit is referred to as .....
5. The type of service whereby an auditor assists company to realise the best returns on their assets when the company is winding up is known as .....
6. An intentional misrepresentation affecting the financial statements by one or more individuals among management, employees or third party is referred to as .....



7. Which institution is charged with the responsibility of administering Banks and Other Financial Institutions Act (BOFIA) with the aims of ensuring high standards of banking practice and sustaining financial stability?
8. The technical term used for the process that sets the scope, timing and direction of the audit and guides development of the more detailed audit plan is .....
9. The type of control that ensures that one person is not responsible for both recording and processing of a complete transaction is referred to as .....
10. Two categories of working paper file of an auditor are ..... and.....
11. The procedure whereby trade debtors are contacted directly to confirm their balances is referred to as .....
12. The method where words are used to describe the systems of Internal control is known as .....
13. The processes, the auditor is expected to undertake to bring an audit to end in an orderly and efficient manner is known as .....
14. Subsequent events can be classified into either ..... or.....
15. Test which seeks to provide audit evidence that internal control procedures are being applied as prescribed is called .....
16. A company can remove an auditor before the expiration of his term of office through the means of .....
17. If the disclosure or non-disclosure of an item will affect the decision of users of financial statements, it is considered to be .....
18. The program which the auditor writes with the intention to perform the same operation as a clients' program is known as.....
19. That audit which determines whether an entity is utilising its resources in the most economical and efficient manner is termed .....
20. In order to guard against suffering serious losses as a result of negligence in the work they perform, auditors may set up ..... mechanism for reviewing the processes adopted by each other's audit firm's systems and procedures.

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

- a. State **FIVE** sampling selection methods and explain each of them **(5 Marks)**
  - b. Enumerate **FOUR** advantages each of statistical and judgmental sampling **(4 Marks)**
  - c. Briefly explain the following terms:
    - i. Anomalous error **(1 Mark)**
    - ii. Sampling risk **(1 Mark)**
    - iii. Analytical procedures **(1 Mark)**
    - iv. Tolerable error **(1/2 Mark)**
- (Total 12½ Marks)**

**QUESTION 2**

- a. State **FIVE** scopes and components of Internal Control System **(5 Marks)**
  - b. Explain the **FIVE** components stated in (a) above **(7½ marks)**
- (Total 12½ Marks)**

**QUESTION 3**

- a. Itemize **FOUR** functions of the office of the Auditor-General of your country **(4 Marks)**
  - b. Briefly explain the **FOUR** functions stated in (a) above **(6 Marks)**
  - c. List **FIVE** functions of the Bureau of Public Procurement(BPP)/Public Procurement Committee (PPC) **(2½ Marks)**
- (Total 12½ Marks)**

**QUESTION 4**

Explain briefly the following terms

- a. Forensic audit **(2½ Marks)**
  - b. Issues documentation **(2½ Marks)**
  - c. Debriefing **(2½ Marks)**
  - d. Qualified opinion **(2½ Marks)**
  - e. Audit completion checklist **(2½ Marks)**
- (Total 12½ Marks)**

### QUESTION 5

- a. State and explain the roles of Public Accounts Committee in the audit process  
**(5 Marks)**
- b. Enumerate **FIVE** problems of Public Accounts Committee  
**(2½ Marks)**
- c. State and explain **FIVE** types of audit carried out by the Internal Auditor in the Public Sector  
**(5 Marks)**  
**(Total 12½ Marks)**

### QUESTION 6

- a. Briefly explain “Database Management Systems” (DBMS)  
**(2½ Marks)**
- b. State and explain **THREE** controls that might be incorporated into Database Management Systems.  
**(6 Marks)**
- c. State and explain **TWO** control problems associated with small computer systems.  
**(4 Marks)**  
**(Total 12½ Marks)**

### SECTION A: PART 1

### MULTIPLE-CHOICE QUESTIONS

**(30 MARKS)**

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

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

#### **EXAMINER'S COMMENTS**

The thirty questions covered the entire syllabus. Candidate's performance was encouraging as many scored more than 20 marks.

## **SECTION A: PART II**

### **SHORT-ANSWER QUESTIONS**

**(20 MARKS)**

1. The Auditor General
2. Audit Query
3. Operational audit
4. Audit programme
5. Liquidation
6. Fraud
7. Central Bank of Nigeria
8. Overall audit strategy
9. Segregation of duties
10. Permanent audit file and Current audit file
11. Debtors circularization
12. Narrative notes
13. Audit completion procedures
14. Adjusting events or Non-Adjusting events
15. Compliance test
16. Ordinary resolution
17. Material
18. Parallel simulation
19. Value-for-money audit
20. Peer review

## EXAMINER'S COMMENTS

The questions were taken from different parts of the syllabus. Performance was good. Many candidates (70%) scored more than 10 marks.

## SECTION B

### SOLUTION 1

(a) Five sampling selection methods are:

- i Random Sampling
- ii Systematic Sampling
- iii Haphazard Sampling
- iv Stratified Sampling
- v Cluster Sampling

- i. **Random Sampling:** This ensures that all items in the population have an equal chance of selection, for example by use of random number tables.
- ii. **Systematic Sampling:** This involves selecting items using a constant interval between selections, the first interval having a random start. When using systematic selection, the auditors need to ensure that sampling interval corresponds with a particular pattern in the population.
- iii. **Haphazard Sampling:** This may be an acceptable alternative to random selection provided the auditors are satisfied that the sample is not unrepresentative of the entire population. When auditors use this method, care needs to be taken to guard against making a selection which is biased, for example, towards items which are easily located, as they may not be representatives.
- iv. **Stratified Sampling:** This involves the division of the population into layers or strata, each stratum being subjected to a separate test which could be conducted by random or interval sampling methods.

This technique is appropriate where the population consists of a wide range of values among the items under examination. Under such circumstances, the entire population would be split into a number of layers, each covering a specific range of values or prices, and each layer would then be subjected to a separate test.

The relative materiality of each stratum would determine the confidence level and precision range required.

- v. **Cluster Sampling:** This is suitable when data to be examined are stored in such a manner that the selection of group, or cluster, would be appropriate test. In these circumstances, each cluster could be allocated a number, the particular cluster to be tested being selected by the use of random table.

**(b) Advantages each of Statistical and Judgmental Sampling**

**Advantages of Statistical Sampling are:**

- i. It leads to unbiased result.
- ii. The result obtained can be independently verified.
- iii. It makes use of all the variables in the population.
- iv. Sample size is objectively determined.

**Advantages of Judgmental Sampling are:**

- i. It allows the auditor to make use of his experience, knowledge and judgment to determine the sample size.
- ii. It does not involve any difficult mathematical formulae.
- iii. No condition must be present before this method can be used.
- iv. It can be used to achieve more than one audit objective.

**(c) Explanation of terms:**

- i. Anomalous error means an 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.
- ii. Sampling risk arises from the possibility that the auditor's conclusion, based on a sample may be different from the conclusion reached if the entire population were subjected to the same procedures.
- iii. Analytical procedures are evaluations of financial information made by a study of plausible relationships among both financial and non-financial data. Analytical procedures also encompass the investigation of identified fluctuations and relationships that are inconsistent with other relevant information or deviate significantly from predicted amounts.
- iv. Tolerable Error is the maximum error in a population that the auditor is willing to accept.

## **EXAMINER'S COMMENTS**

- (a) The question tests candidates' understanding of sampling methods.
- (b) So also, advantages of the two main sampling techniques were tested. Candidates are required to state four advantages of statistical and judgmental sampling techniques.
- (c) Candidates are tested in simple terminologies in error and risks.

## **SOLUTION 2**

### **(a) The scope and components of Internal Control System are:**

- i. The Control Environment
- ii. Risk Assessment
- iii. Control Procedures
- iv. Information and Communication Systems
- v. Monitoring

### **(b) Explanations**

#### **i. The Control Environment**

This is the foundation of all other components of internal control. This refers to all the overall attitude, awareness and actions of directors and management regarding the internal control systems and its importance in the entity, i.e. a strong control environment can complement specific control procedures, but does not in itself ensure the effectiveness of the internal control system.

#### **ii. Risk Assessment**

Managers need to assess business risk as part of designing and operating the internal control system to minimize errors and irregularities. Business risk represents factors, events and condition that can prevent an organization from achieving its business objectives. If management effectively assesses and respond to risk, the auditor will need to accumulate less evidence than when management fails to, because control risk is lower. Conditions that may increase business risk include new personnel, new technology, corporate restructuring and foreign operations.

#### **iii. Control procedures**

Control procedures sometimes called control activities represent policies and procedures and specific actions taken by a client's management and employees that help ensure management's directives are carried out. Control procedures involve establishing a policy of control and defining procedures to effect the policy. All control procedures should be analyzed for risk.



iv. **Information and Communication system**

The information and communication component of internal control is a necessary prerequisite for achieving management objective. Communication includes report production and distribution. Every organization is expected to capture pertinent information relating to both internal and external events and both financial and non-financial activities of the organization. For an audit, the auditor should obtain an understanding of the information system and the related business process relevant to financial reporting.

v. **Monitoring**

Internal controls need to be monitored. Management should assess the quality of control performance on a timely basis. Monitoring involves the process of assessing the design of controls and their operation on a timely basis and taking necessary corrective actions. Examples of monitoring controls include: Company of Operations Manager's Report and Published Financial Statement, analysis of customer's complaints, periodic comparison if recorded amounts to actual assets and examining internal auditor's reports on control performance.

**EXAMINER'S COMMENTS**

- (a) Candidates understanding of scopes and components of Internal Control System are tested. This involves mentioning/stating the scopes of Internal Control System.
- (b) Explanation of the scopes of Internal Control Systems are required from the candidates.

**SOLUTION 3**

**(a) Functions of the office of the Auditor-General are:**

- i. Financial and Regularity audit
- ii. Economy and efficiency audit
- iii. Effectiveness audit
- iv. Value for money audit

**(b) Brief discussions of the functions**

**i. Financial and Regularity 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 while a regularity audit is the type of audit which verifies

that expenditure has been incurred on approved services and in accordance with statutory and other regulations and authorities governing them Regularity audit is sometimes called Compliance Audit.

ii. **Economy and efficiency audit:** This is a measurement of how economic resources are efficiently employed. It is also to highlight areas of wastes, extravagant or unrewarding expenditure. It looks into failures to maximize receipts, financial arrangements that are detrimental to the treasury and weaknesses leading to them.

iii. **Effectiveness 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 is also called Programme Results Audit. It aims at focused or comprehensive audit in government.

iv. **Value-for-Money Audit**

This is variously called Performance Audit, or Economic and Efficiency audit. The essence is to determine whether an entity is acquiring, managing or utilizing its resources in the most economical and efficient manner. It traces the causes of any inefficiencies or uneconomical practice. Value-for-money Audit is defined as an objective professional and systematic assessment of:

- nature and function of an authority's managerial systems and procedures
- economy and efficiency with which its services are processed and
- effectiveness of its performance in achieving objectives

Value for money audit has 5 phases which are the proposal phase, the scooping phase, the planning phase, the implementation phase and the evaluation phase.

### **(c) Functions of the Bureau of Public Procurement**

- i. Formulate the general policies and guidelines relating to public sector procurement for the approval of the Council.
- ii. Publicize and explain the provisions of this Act
- iii. Subject to thresholds as may be set by the Council, certify Federal Procurement prior to the award of contract
- iv. Supervise the implementation of established procurement policies
- v. Monitor the prices of tendered items and keep a national data base of standard prices
- vi. Publish the details of major contracts in the procurement journal
- vii. Publish paper and electronic editions of the procurement journal and maintain an archival system for the procurement journal

- viii. Maintain a national database of the particulars and classification and categorization of federal contractors and service providers.
- ix. Collate and maintain in an archival system, all federal procurement plans and information
- x. Undertake procurement research and surveys
- xi. Organise training and development programme for procurement professionals
- xii. Periodically review the socio-economic effect of the policies on procurement and advise the council accordingly.
- xiii. Prepare and update standard bidding and contract documents
- xiv. Prevent fraudulent and unfair procurement and where necessary apply administrative sanctions
- xv. Review the procurement and award of contract procedures of every entity to which this Act applies.
- xvi. Perform procurement audits and submit such reports to the National Assembly bi-annually.
- xvii. Introduce, develop, update and maintain related database and technology
- xviii. Establish a single internet portal that shall, subject to section 16(2) to this Act serve as a primary and definitive source of all information on government procurement containing all public sector procurement information at all times and
- xix. Co-ordinate relevant training programme to build institutional capacity.

#### **EXAMINER'S COMMENTS**

- (a) Itemizing four functions of the office of the Auditor-General in various countries.
- (b) Explanation of functions of the office of Auditor-General.

#### **SOLUTION 4**

##### **(a) 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 often requires investigative skill and appropriate grounding in the law and presentation of evidence in the court by auditors.

##### **(b) Issues Documentation**

To assist the partner in the efficient review of the financial statements and clearance of the audit, it is helpful for the audit team to prepare Issues Documentation. All unresolved matters are brought together from the various sections and presented in this document to aid the partner's decisions on the final wording of the opinion. The engagement partner may evidence

clearance of the opinion on the financial statements by signing off the issues documentation.

(c) **Debriefing**

This is a meeting held in the auditor's office, among the audit team, to share and discuss information on the success or failure of the audit just completed.

The objectives of debriefing at the end of the audit are:

- i. To ensure that all matters that may be used in the report to the board and to management are identified and included.
- ii. To assist in the assignment, training and development of the audit team.
- iii. To improve the efficiency and effectiveness of future audits.
- iv. To allow key players to obtain important information that will lead to improvement in future performance.

(d) **Qualified Opinion**

A qualified opinion should be expressed when the auditor concludes that an unqualified opinion cannot be expressed, but that the effect of any disagreement with management, or limitation on scope is not so material and pervasive as to require an adverse opinion or a disclaimer of opinion. A qualified opinion should be expressed as being "except for" the effects of the matter to which the qualification relates.

(e) **Audit Completion Checklist**

This is a checklist prepared to help ensure that all relevant matters are attended to before the audit report is signed. It could be a manual or electronic record. The audit manager should go through the checklist and ensure that various aspects of the work have been completed before presenting the Issues Documentation (with the checklist) for final clearance.

**EXAMINER'S COMMENTS**

Candidates understanding of the following technical terms are required

- (a) Forensic audit
- (b) Issues Documentation
- (c) Debriefing
- (d) Qualified opinion
- (e) Audit completion checklist

## **SOLUTION 5**

### **(a) Roles of Public Account Committee in the audit process**

#### **i. Power to Conduct Investigation**

The committee has the vested power to direct or causes to be directed an investigation into:

- a) Any matter or thing with respect to which it has power to make laws and
- b) The conduct of affairs of any person, authority, ministry or government department charged, with the duty of or responsibility for:
  - i. Executing or administering laws enacted by the National Assembly and
  - ii. Disbursing or administering moneys appropriated or to be appropriated by the National Assembly.

The committee also has the power to make laws with respect to any matter within its legislative competence and correct any defects in existing laws and to expose corruption, inefficiency or wastes in the execution and administration of laws within its legislative competence and in the disbursement or administration of funds appropriated by it.

#### **ii. Power as to Matters of Evidence**

The composition of PAC is geared towards functioning like a court or enquiry empowered to look into civil and criminal cases as regards allocation and disbursement and use of public funds by public officers who have been entrusted with the responsibility of judiciously using the funds, carrying out government programmes and recommending appropriate actions against officers found wanting in carrying out their duties.

Public Accounts Committee appointed in accordance with section 62 of the 1999 Constitution shall have power to:

- a) Produce all such evidence, written or oral, direct or circumstantial, as it may think necessary or desirable, and examine all persons as witnesses whose evidence may be material or relevant to the subject matter, and

- b) Require such evidence to be given on oath.  
The purpose of the provision of the constitution and establishment of the PAC is to expose corruption, inefficiency or waste in the execution or disbursement of administration of funds appropriated by it.

The Public Accounts Committee is empowered to:

- i. Examine such audited accounts of the federation and of all offices and courts of the Federation and the Auditor-General report thereon as may be referred to it.
- ii. Examine the accounts and reports of ministries and Departments of the Government of the Federation; the Audited-Accounts of statutory corporations, boards and such other government bodies and the causes which led to, or might have led to, any excess over approved appropriations.
- iii. In the performance of its functions, the PAC is further empowered to procure all such evidence, oral or written and examine such persons at it may deem necessary or desirable and require any person to produce any books, documents or records, as it may deem necessary and desirable.

**(b) Problems of Public Account Committee are:**

- i. Political instability leading to continuous changes in the composition of the committee.
- ii. Financial statements to be examined are often in arrears.
- iii. Members are not knowledgeable in accounting and financial reporting.
- iv. Lack of co-operation and information from the expected facilitators and
- v. Resolutions are not always implemented amongst others.

**(c) Five types of Audit carried out by the Internal Auditor in the public sector**

- i. **Operational Audit:** This focuses on a particular activity within the establishment e.g. audit of agricultural and Rural Development in a local government.
- ii. **Functional Audit:** This focuses on a particular function e.g. audit of salary preparation.
- iii. **Organizational Audit:** This focuses on all activities with establishment globally viewed. It includes both operational and functional audit.

- iv. **Investigation:** This focuses on ad-hoc assignments and
- v. **Management Audit:** This focuses on advising on policies introduced from time to time by the establishment.

#### **EXAMINER'S COMMENTS**

- (a) Stating and explaining the roles of Public Accounts Committee in the audit process
- (b) Enumerating five problems of Public Accounts Committee.
- (c) Candidates to state and explain five types of audit carried out by the Internal Auditor in the Public Sector

#### **SOLUTION 6**

- (a) **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.
- (b) **Three Controls that might be incorporated into Database Management Systems (DBMS) are:**
  - 1. Controls to Prevent Unauthorized Changes to Programs:  
These include:
    - i no access to live program files by any personnel except for the operations personnel at the central computer;
    - ii password protection of programs;
    - iii restricted access to the central computer and terminal;
    - iv maintenance of a console log and scrutiny by the data processing manager and by an independent party such as the internal auditors;
    - v periodic comparison of live production programs to control copies and supporting documentation.
  - 2. Controls to Prevent or Detect Errors during Operation:  
These include:
    - i restrictions of access to terminals by use of password and restrictions of programs themselves to certain fields;
    - ii satisfactory application controls over input, processing and master files and their contents;
    - iii use of operations manuals and training of all users;

- iv maintenance of logs showing unauthorised attempts to access and regular scrutiny by the data processing manager and internal auditors;
- v physical protection of data files;
- vi training in emergency procedures.

3. Controls to Ensure Integrity of the Database System:  
These include:

- i restriction of access to the data dictionary. This contains standard descriptions, including definitions, characteristics and inter-relationship of data;
- ii segregation of duties between the data processing manager, the database administration function and systems development personnel;
- iii liaison between the database administration function and systems development personnel to ensure integrity of systems specifications;
- iv preparation and update (as necessary) of user manuals in conjunction with the data dictionary.

(c) **Control Problems Associated With Small Computer Systems**

These include:

- (i) Lack of planning over the acquisition and use of PCs;
- (ii) Lack of documentary evidence; and
- (iii) Lack of security and confidentiality.

**Explanations:**

i. **Lack of Planning Over the Acquisition and Use of PCs**

When an organization sets out to acquire a computer system, a series of steps should be under taken before making the decision to purchase.

- **Authorization**

A feasibility study should be carried out, examining the requirements, the costs and the benefits, to ensure that the expense is justified. Suppliers should be invited to tender, and responses from the suppliers should be evaluated and compared. All interested parties within the organization should be identified and involved throughout the whole procedure. If possible, other users of the system should be contacted and asked for their opinion.



- **Suitability**

There is a risk that the client will not have the expertise to evaluate the relative merits of systems. This could give rise to compatibility and/or capacity problems thereby restricting future developments, unless in the last resort, the entire system is replaced. Many first time users tend to purchase standard software packages which create an even greater risk as regards suitability, for such systems may not fit precisely the company's trading methods. Moreover, the first time user is unlikely to have the expertise required to tailor such packages.

- **Support Facilities**

The support facilities offered by the supplier and/or software house should be ascertained and a maintenance contract entered. The client should ensure that:

- i. In the event of machine breakdown, prompt service and, if necessary, backup facilities are available;
- ii. any bugs in the programme can be sorted out;
- iii. minor modifications to the program can be carried out;
- iv. adequate systems documentation and operator manuals have been provided, such documentation falling into three generally accepted categories:
  - program documentation: which states in detail how each program within each part of the system operates, what files are being opened and accessed, and what functions are being performed;
  - operator instructions: which are designed to be "desk-top" instructions enabling the PC user to access and use the system as required;
  - user manual: which is the "layman's guide" to the operation of the whole system and would usually include the operator instruction
- v. Operators have received adequate instruction.

- **Standards**

In a formal data processing environment there will normally be standards covering controls and accounting principles to which all procedures regarding hardware and software should conform.

Strict disciplines must be imposed to ensure that recognized systems development controls are applied and sufficient administration procedures are implemented.

- ii. **Lack of Documentary Evidence**

Many PCs operate in real time via VDUs, which allows users to have direct access to the computer thus enabling them to input data, update files and make one-off enquiries on data held on files. The necessity for edit programs and hard copy is avoided.

- iii. **Lack of Security and Confidentiality**

This includes:

- a. ***Lack of segregation of duties***

Poor segregation of duties all too easily occurs since frequently the same person prepares the data, feeds it into the computer, supervises the processing and acts as end user. This lack of division of duties enhanced opportunities for fraud, the user having access to assets and the recording and disposal of assets. The auditors may well have to perform extensive substantive verification work to compensate for this serious lack of control.

- b. ***Lack of Control Over Users***

Because PCs do not require a protected environment the terminals are readily available to any user. In order to safeguard the records, control to prevent unauthorized users from using the computer are necessary (use of locks, passwords and so on).

- c. ***Lack of Control Over Alterations to Programs***

When in the wrong hands, there is a danger that programs might be altered without detection or that program are written at the time data is being processed without adequate testing.

Stringent supervisory arrangements are required to prevent unauthorized personnel from having access to the programs together with programmed controls preventing unauthorized running.

**EXAMINER'S COMMENTS**

- (a) Candidates are required to explain Database Management Systems (DBMS)
- (b) Stating and explaining THREE controls that might be incorporated into Database Management Systems.
- (c) Stating and explaining TWO control problems associated with small computer systems.
- (d)

**GENERAL REMARKS**

- (a) Section B (Theory) seems skewed to Public Sector because Question 3 and Question 5 are testing candidates' knowledge in the same areas of syllabus when some topics are untouched.
- (b) Questions 6(b) and 6(c) are too loaded and demanding as both suggested solutions of the examiner and the Tuition House reveal.

Theory questions on the following topics were not tested in Section B

Professional Ethics

Auditor's liability

Audit evidence

Verification of assets and liabilities

I recommend that proper blending of questions to cover many key areas should be carried out in future for section B

**THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA**



**ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
MARCH 2022 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, mathematical set, 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 with you in the 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, 30 MARCH, 2022**

**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 2022**

**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. Cost Accounting is concerned with all the following, **EXCEPT**
  - A. Establishment of budgets and standard costs
  - B. Determination of actual costs of operation
  - C. Providing information on historical costs of operation
  - D. Establishment of the analysis of variances
  - E. General administration of the business
2. Decision making is concerned with
  - A. Prioritising suppliers' payments
  - B. Establishment of cost objectives
  - C. Design of cost system and procedures
  - D. Making a choice between alternatives
  - E. Analysis and recording of past costs
3. Cost per unit of production or service provided by costing system is used by management as a factor in
  - A. Material cost control
  - B. Wages cost control
  - C. Organisational planning
  - D. Production planning and cost control
  - E. Capital expenditure decision making
4. A good cost accounting information must possess all the following qualities, **EXCEPT**
  - A. Tax consciousness
  - B. Timeliness
  - C. Accuracy
  - D. Cost effectiveness
  - E. Robustness

5. The amount of expenditure incurred on or attributable to, a specified thing or activity is referred to as
- A. Cost
  - B. Cost per unit
  - C. Price
  - D. Total cost
  - E. Imputed cost
6. Which of the following is the correct basis of apportioning costs of rates and cleaning between cost centers in an organisation?
- A. Floor Area
  - B. Number of employees
  - C. Turnover
  - D. Book value of premises
  - E. Volume of production
7. Which of the following is **NOT** an example of a cost unit?
- A. A piece of machine
  - B. Guest per night
  - C. Passenger per trip
  - D. Outpatient visit
  - E. Kilowatt-hour
8. Prime Cost + Indirect Cost =
- A. Factory Overhead
  - B. Production Cost
  - C. Market Value of Production
  - D. Total Cost
  - E. Cost of work in progress
9. The costs that need to be considered when taking a decision are known as
- A. Period costs
  - B. Unavoidable costs
  - C. Variable costs
  - D. Product costs
  - E. Relevant costs
10. Which of the following does **NOT** belong to costs classified according to behaviour?
- A. Fixed cost
  - B. Stepped fixed cost
  - C. Product cost
  - D. Variable cost
  - E. Mixed cost

11. Which of the following is **NOT** affected by cost behaviour?
- A. Nature of cost
  - B. The existence of spare capacity
  - C. Element of cost
  - D. The level of activity
  - E. The volume of sales demand
12. The process of cost allocation involves
- A. Sharing of a common cost
  - B. Allotment of direct cost
  - C. Re-budgeting of production cost
  - D. Allotment of whole items of cost
  - E. Recovery of overhead cost
13. Which of the following is **NOT** a semi-variable cost?
- A. Cost of electricity
  - B. Telephone charges
  - C. Salesman salary
  - D. Cost of running of motor vehicle
  - E. Rent of a factory premises
14. A production or service location, function or activity for which cost, and revenue can be ascertained is known as
- A. Operation centre
  - B. Profit centre
  - C. Revenue centre
  - D. Cost centre
  - E. Functional centre
15. Which of the following does **NOT** characterise a Just-In-Time (JIT) environment?
- A. A move towards a batch size of one
  - B. Storage-pull production
  - C. A move towards zero inventory
  - D. 100% on time deliveries
  - E. Elimination of non-value adding activities
16. Which of the following is **NOT** a reason for stock-taking error?
- A. Frequent verification of stock sheet
  - B. Error in weighing, counting or measuring
  - C. Omitting a whole group of stock
  - D. Poor writing, illegible figures causing misreading
  - E. Calculation errors on stock

17. Given: Usage      40 – 120 units  
          Lead time    20 – 30 days  
          EOQ            2,500 units

The maximum stock level is

- A. 1,700 units  
B. 2,500 units  
C. 3,495 units  
D. 3,600 units  
E. 5,300 units
18. Which of the following items would **NOT** be considered as part of the cost of imported materials taken into stores?
- I. Trade discount  
II. Freight and carriage charges  
III. VAT  
IV. Cost of non-returnable containers
- A. I  
B. III  
C. I & III  
D. III & IV  
E. I, III & IV
19. A cost driver is
- A. An activity which generates cost  
B. A common cost which is shared over cost centers  
C. A cost that connects all cost together  
D. Any cost incurred by a transport firm  
E. An item of factory overheads

**Use the following information to answer questions 20 and 21.**

Joseph values his stock of raw materials at the end of every month using weighted average method. His raw material purchases for the month of June was as follows:

June 5	-	1,000 kgs @	<del>N</del> 25 per kg
June 19	-	2,500 kgs @	<del>N</del> 20 per kg
June 28	-	1,100 kgs @	<del>N</del> 28 per kg

During the same period, Joseph issued the following quantities of raw materials for factory use: 1,300kgs on June 20, 1,500kgs on June 25, and 1,600kgs on June 30.



20. What is the value of materials issued on June 25
- A. ₦25,125
  - B. ₦30,000
  - C. ₦32,145
  - D. ₦33,700
  - E. ₦37,500
21. At which price would the closing stock of raw materials at June 30 be valued?
- A. ₦24.33
  - B. ₦24.43
  - C. ₦25.45
  - D. ₦25.63
  - E. ₦28.00
22. Which of the following is **NOT** a basic production-based remuneration scheme?
- A. Piece work
  - B. Inconvenience allowance
  - C. Time work
  - D. High day-rate system
  - E. Overtime premium
23. Which of the following is **NOT** a primary source of information for labour remuneration preparation?
- A. Attendance Register
  - B. Clock cards
  - C. Job sheets
  - D. Tax Clearance Certificate
  - E. Clocking cards
24. Which of the following is **NOT** a precaution to eliminate or reduce payroll fraud?
- A. Payment countermand at bank
  - B. Work segregation
  - C. Institution of suitable procedures on employee identification
  - D. Adequate authorisation procedures
  - E. Proper supervision of material deliveries
25. Which of the following is **NOT** a functional classification of overheads
- A. Administrative Overheads
  - B. Production Overheads
  - C. Operating Overheads
  - D. Selling Overheads
  - E. Distribution Overheads

26. Which of the following relevant ledgers is NOT maintained under interlocking accounting system?
- A. Work-in-progress ledger
  - B. Production overhead ledger
  - C. Cost of sales ledger
  - D. Stores ledger
  - E. Nominal ledger
27. Which of the following are subdivisions of specific order costing?
- I Job costing
  - II Process costing
  - III Service costing
  - IV Batch costing
  - V Contract costing
- A. I & IV
  - B. I, IV & V
  - C. II, III & IV
  - D. II, III & V
  - E. I, II, III, IV & V
28. Which of the following is NOT a requirement for an effective and workable job costing system?
- A. Quantity of identical items ordered by customer
  - B. Sound system of communication
  - C. Well organised apportionment basis
  - D. Appropriate time booking system
  - E. Comprehensive work documentation
29. A site engineer assesses the value of work on a contract site to be GH¢2,000,000. The initial payment made on the contract was GH¢850,000 and the agreed retention percentage is 20%. What is the amount of the current progress payment?
- A. GH¢680,000
  - B. GH¢750,000
  - C. GH¢920,000
  - D. GH¢1,150,000
  - E. GH¢1,600,000
30. The costing method commonly used in petroleum refinery is
- A. Batch costing
  - B. Job costing
  - C. Service costing
  - D. Process costing
  - E. Contract costing

## SECTION A: PART II

## SHORT ANSWER QUESTIONS

### ATTEMPT ALL QUESTIONS

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

1. The collection of cost data in an organised way by means of an accounting system is .....
2. A general term that encompasses tracing accumulated costs and allocating such costs to a cost object is .....
3. Cost = quantity multiplied by .....
4. Any activity for which a separate measurement of costs is desired is known as.....
5. Costs which may be saved when a given alternative option is adopted are referred to as .....
6. The way in which total costs per unit are affected by fluctuations in the level of activity is referred to as .....
7. Special charges made in the cost accounts, but not in the financial accounts to reflect the use of the company's assets is known as .....
8. A stock recording system whereby the stock balance is shown on the record after every stock movement is known as .....
9. The two main approaches to the task of stock-taking are ..... and .....
10. The budgeted productive hours for a piece of work after 20% idle time has been incurred is 15,600 hours. If the total budgeted wage bill is Le113,100, what will be labour wage per hour?
11. The totality of indirect cost associated with manufacturing activities is referred to as .....
12. The costing technique for sharing overheads between different products on a fair basis, reflecting volume and efforts is .....
13. The point of focus for accumulating costs relating to an activity in an activity-based costing system is known as .....
14. Continuous operation/process costing is sometimes called .....

15. Kery undertakes a job that costs L\$600,000 to complete, if Kerry is expecting a sales margin of 20% on the job, what will be the price of the job?
16. The decision rule where a binding single limiting factor exists is to maximise.....per unit of the limiting factor
17. The costs already incurred, which are not relevant for making a decision towards a proposed project is referred to as .....
18. The activity which helps to design products which meet customer needs at lowest cost while assuring the required standard of quality and reliability is .....
19. Work study as a means of raising production efficiency of an operating unit has two main parts, namely, ..... and.....
20. The concept of continuous improvement that involves everybody from the CEO to the most junior employee is called .....

**SECTION B:      ATTEMPT ANY FOUR QUESTIONS IN THIS SECTION**

**QUESTION 1**

1. APEXA Garments Limited started business three years ago as a maker of children's dresses. The company's scope of operation has expanded to a level that requires establishment of a cost accounting system. The Company's Managing Director has invited you to make a brief presentation to the management on Cost Accounting System using the following as guides:
  - a. Definition of Cost Accounting.
  - b. **THREE** aims of establishing cost accounting system.
  - c. **FIVE** main purposes of using cost codes in a business organisation.
  - d. **FIVE** advantages of Cost Accounting Information.

## QUESTION 2

- a. Define the term overhead apportionment
- b. Estopp Limited has three production departments; Mashing, Boiling and Fermenting, and two main service departments; Transport and Security.

The overheads incurred by the departments are as follows:

Department	L\$
Mashing	192,000
Boiling	128,000
Fermenting	104,000
Transport	38,400
Security	24,000

Analysis of the services provided by Transport and Security departments reveals the following percentages of total time spent for the benefit of each department.

Service Department	Production Department			Service Department	
	Mashing	Boiling	Fermenting	Transport	Security
Transport	35%	30%	20%	-	15%
Security	60%	10%	20%	10%	-

### Required:

Show the apportionment of production service department costs to production departments using the repeated distribution method.

## QUESTION 3

The following balances were extracted from the books of TIMEXX Construction Limited in respect of construction of an office complex awarded to it by Estyl Corporation on 1<sup>st</sup> July 2019. The Company prepares its accounts to 30<sup>th</sup> June, 2020.

	N
Materials purchased for the project	360,000
Material issued from store	180,000
Cost of plant used on site	120,000
Wages	250,000
Direct Expenses	85,600
Head Office Expenses	33,400
Sub-Contractor Charges	30,650
Cash received relating to work certified	935,000

### Additional Information

- (i) The materials on site on 30<sup>th</sup> June 2020 was ~~₦~~154,350
- (ii) Accrued wages and direct expenses were ~~₦~~15,650 and ~~₦~~8,350 respectively as at 30<sup>th</sup> June 2020.
- (iii) Depreciation on plant is to be provided at 25% per annum
- (iv) The cash received was in respect of work completed and certified as at 30<sup>th</sup> June 2020 from which a retention fee of 15% was deducted.
- (v) The company only takes credit for 2/3 of the profit on the work certified.

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

- a. Prepare Contract Account for the year ended 30<sup>th</sup> June 2020, showing the amount included in TIMEXX Construction Limited profit and loss account.
- b. Calculate the work in progress.
- c. Show Estyl Corporation Account in the books of TIMEXX Construction Limited.

### QUESTION 4

- 4. Skidon Limited has a cash balance of GMD432,000 as at the beginning of June. The following information are extracted from the records of the company.
  - (i) Creditors for purchases give 1 month's credit
  - (ii) Credit sales are settled as follows:
    - 40% in month of sale
    - 45% in the next month
    - 12% in the following monthThe balance is considered in receivables
  - (iii) Salaries are paid in the current month
  - (iv) Fixed overheads are paid one month in arrears which also include a monthly depreciation of GMD80,000
  - (v) Other budgeted payments and receipts for the period are presented in the table below.

Month	Cash Sales	Credit Sales	Purchases	Salaries Fixed	Overheads
	GMD	GMD	GMD	GMD	GMD
April		1,184,000	883,200	144,000	480,000
May		1,312,000	979,200	144,000	480,000
June	320,000	1,280,000	960,000	152,000	480,000
July	352,000	1,440,000	1,104,000	209,000	512,000
August	400,000	1,600,000	1,200,000	160,000	512,000

**You are required to prepare for June, July and August:**

- A schedule of budgeted collection from debtors
- A cash budget

## QUESTION 5

- Wesco Limited has received a request for quotation for a one-off contract from a customer.

The company uses relevant costing approach when quoting for a contract of such nature. According to the contract specifications, Wesco Limited will require two types of materials and a certain number of skilled labour hours for the contract.

**Material Y.** The contract requires 4,800 litres of this material, which is also used by the company in its normal production activities. The company currently has in stock 3,200 litres of material Y which it has purchased few weeks back at a cost of GMD313,600. At the time of preparing the quotation the price of the material has risen by 5%.

**Material Z.** 320 litres of this material will be required. 400 litres of the material which cost GMD50,000 are in the store and are not required for normal production. If not used on the contract, the stock of material Z would be sold for GMD176 per litre.

**Skilled Labour.** 1280 hours of skilled labour will be required. Skilled labour is paid GMD152 per hour. The company usually produces TAR, and on which all its available skilled labour are engaged.

The following information relates to production of TAR.

	GMD per litre
Selling price	1,600
Skilled labour	(608)
Other variable costs	<u>(352)</u>
Contribution	<u>640</u>

**Required:**

Prepare calculations showing the total relevant costs for deciding about the contract with respect to the following cost elements.

- Materials Y and Z
- Skilled labour
- Total contract relevant cost

**QUESTION 6**

- The cash flows of Sankay Limited for three projects A, B and C are given below:

	Project A Le	Project B Le	Project C Le
Capital Expenditure	80,000	128,000	144,000
Cash Inflow			
Year 1	40,000	24,000	52,000
2	16,000	32,000	66,000
3	16,000	40,000	26,000
4	8,000	16,000	26,000
5	24,000	16,000	28,000
6	12,800	40,000	20,000

**You are required to:**

Calculate the payback period for the three projects.

- List **FOUR** reasons why payback method of capital investment appraisal is widely used despite its limitation.



## **SECTION A**

### **PART 1**

### **MULTIPLE-CHOICE SOLUTION**

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

28. D  
29. B  
30. D

### Workings

#### Q 17.

Maximum stock level

= Reorder level + EOQ - (Minimum usage x minimum lead time)

Reorder level = maximum usage x maximum lead time

= 120 x 30 = 3600 units

Maxi stock level = 3600 + 2500 - (40 x 20)

= 5300 units

#### Q 20.

Weighted Average Price = Stock Value + Receipt Value

Quantity in Stock + Quantity Received

(1,000kg x ₦25) + (2,500kg x ₦20)

(1000 + 2500)

= ₦75,000 = ₦21.428

3,500kg = approx. ₦21.43

No material was purchased after the issue of 1,300kg on June 20. Therefore, the next issue of 1500kg of June 25 will be valued at ₦21.43

1500kg x ₦21.43 = ₦32,145

#### Q.21.

The price at which closing stock of raw materials would be valued:

= 
$$\frac{(700\text{kg} \times ₦21.43) + (1,100 \times ₦28)}{700\text{kg} + 1,100\text{kg}} = ₦25.45$$

#### Q 29

Current progress payment

= Value Certified - Retention - Payment made already

= ~~₦2,000,000~~ - 20% (2,000,000) 850,000

= 2,000,000 - 400,000 - 850,000

= ₦750,000

## **EXAMINER'S COMMENT**

This part consists of 30 questions drawn from almost all the sections of the syllabus. It was attempted by all the candidates and performance was above average as over 60% of the candidates scored 50% and above of the marks allotted. Performance was not impressive in some sections of the syllabus which are perceived as dry and unpopular.

Candidates should remember that all sections of the syllabus are of equal importance and should be duly covered during their preparations in the future.

## **PART 11      SHORT-ANSWERS SOLUTION**

1. Cost accumulation
2. Cost assignment
3. Price/Rate
4. Cost object
5. Avoidable cost
6. Cost behaviour
7. Notional Charges
8. Perpetual inventory
9. Periodic stocktaking and continuous stocktaking
10. ~~N~~5.80
11. Production/Manufacturing overhead
12. Overhead Apportionment
13. Cost pools
14. Average costing/Repetitive/Rolling/Perpetual Operation
15. ~~N~~750,000
16. Contribution
17. Sunk cost/Historical Cost/Past Cost
18. Quality Assurance/Total Quality Management
19. Methods study and Work measurement
20. Kaizen

### WORKINGS

$$\begin{aligned}\text{Q10. The total labour hours} &= \frac{15,600}{(1-0.20)} \text{ or } \frac{15,600}{1} \times \frac{100}{80} \\ &= 19,500 \text{ hours} \\ \text{: Wage per hour} &= \frac{\text{N}113,100}{19,500\text{hrs}} = \text{N}5.80\end{aligned}$$

$$\begin{aligned}\text{Q. 14. Price of Job} &= \frac{600,000}{(1 - 0.20)} = \text{N}750,000\end{aligned}$$

### **EXAMINER'S COMMENT**

This part consists of 20 questions drawn from various sections of the syllabus and was attempted by all the candidates.

Performance was below average due to lack of patience by most candidates who considered the Section B as more critical to their success in the examinations.

Candidates should realise that 20 marks are too many to be treated as unimportant; therefore, they should devote more efforts to this part in the future.

## SECTION B

### SOLUTION 1

a. Definition of Cost Accounting

The establishment of budgets, standards, costs and actual costs operations, processes, activities or products; and the analysis of variances, profitability, or the social use of funds.

Alternative Solution

Cost Accounting is the application of accounting and costing principle, methods and techniques in the ascertainment of cost and the analysis of savings and/or excesses as compared with previous experience or standard.

b. Aims of establishing cost accounting system

- i. Ascertainment of the cost of goods produced or services provided
- ii. Ascertainment of the future costs of goods and services
- iii. Comparison of budgeted costs, with the actual costs and then investigate the variances
- iv. Determination of profitability or otherwise of a product, a service, a department or the entire organisation.
- v. Identification of management needs in terms of information, in order to make sound decisions.
- vi. Confirmation of the cost of goods produce or services provided

c. Purposes of using cost codes in business

- i. To facilitate mechanized data processing
- ii. To serve as a control over the accuracy of postings by establishing check codes.
- iii. To aid logical and systematic arrangement of costing records.
- iv. To assist precise identification of items.
- v. To reduce clerical work.
- vi. To reduce data storage, since a codes occupy lesser storage space than full description.
- vii. It assists the organization to effectively manage cost.
- viii. It aids in identifying profit making
- ix. It helps the management in time management
- x. It aids in sustainability growth

d. Advantages of Cost Accounting

- i. It helps in identification of efficient and inefficient methods in order to take corrective measures to improve efficiency.
- ii. It helps to facilitate production control
- iii. It helps to identify profitable and unprofitable product, projects and services
- iv. It facilitates stock control
- v. It facilitates accurate estimation of cost of various cost units.
- vi. It aids decision making such as make or buy, delete or retain pricing or Outsourcing.
- vii. It helps to generate comparative information on jobs, products, projects and Services.
- vii. It assists in improving cost efficiency
- ix. It improves departmental accountability
- x. It gives in pricing decisions.

#### **EXAMINER'S COMMENT**

This question tests candidates' understanding of the basic introduction to cost accounting i.e. definitions, establishment of cost accounting systems, cost coding and cost information.

About 85 % of the candidates attempted the question and performance was very good as about 95% of candidates scored 50% and above of the marks allocated. The major pitfall in this question was in the area of candidates not being very versed in topics not involving computations.

Candidates are advised to devote quality study time to the theory part of the subject in their future preparations.

## SOLUTION 2

- a. Overhead apportionment is the procedure whereby indirect costs are spread fairly between cost centres
- b.

	Mashing ₦	Production Department Boiling ₦	Production Department Fermenting ₦	Service Department Transport ₦	Service Department Security ₦
Overhead Cost	192,000	128,000	104,000	38,400	24,000
Reapportion					
Transport(3.5:3:2:1.5)	13,440	11,520	7,680	(38,400)	5,760
Reapportion					
Security(6:1:2:1)	17,856	2,976	5,952	2,976	(29,760)
Reapportion					
Transport(3.5:3:2:1.5)	1,041.60	892.80	595.2	(2,976)	446.40
Reapportion					
Security(6:1:2:1)	267.84	44.64	89.28	44.64	(446.40)
Reapportion					
Transport(3.5:3:2:1.5)	15.62	13.39	8.93	(44.64)	6.70
Reapportion					
Security(6:1:2:1)	4.02	0.67	1.34	0.67	(6.70)
Reapportion					
Transport(3.5:3:2:1.5)	0.23	0.20	0.13	(0.67)	0.10
Reapportion					
Security(6:1:2:1)	0.06	0.01	0.02	0.01	(0.10)
	<u>224,625.38</u>	<u>143,447.71</u>	<u>118,326.90</u>		

## EXAMINER'S COMMENT

This question tests candidates' understanding of apportionment of overheads. About 80% of the candidates attempted the question and performance was average as about 50% of the candidates scored 50% and above of the marks allotted. The major pitfall in this question was that candidates were confused about the difference between allocation, absorption and apportionment. Candidates are advised to acquire a deeper understanding of the terms which are apparently similar but actually different in meanings

# SOLUTION 3

3a.

TIMEXX Construction Ltd				
DR	Contract Account			CR
	₦	₦		₦
Materials purchased for site		360,000	Materials c/f	154,350
Materials issued		180,000	Cost of date c/f	839,300
Cost of plant (N120, 000×25%)		30,000		
Wages	250,000			
Accrued wages	<u>15,650</u>	265,650		
Direct expenses	85,600			
Accrued expenses	<u>8,350</u>	93,950		
Head office expenses		33,400		
Sub-contractor charges		<u>30,650</u>		
		<u>993,650</u>		<u>993,650</u>
Cost to date b/d		839,300	Value of work certified (wk)	1,100,000
National profit:				
- Taken	147,730			
-Not taken	<u>112,970</u>	<u>260,000</u>		
		<u>1,100,000</u>		<u>1,100,000</u>
Material b/f		154,350	Profit b/f	112,975

b. Work – in- progress

	₦
Cost to date	839,300
Profit taken	<u>147,730</u>
	987,030
Cash Received	<u>(935,000)</u>
Work –in-progress	<u>52,030</u>



c. Estyl Corporation

	N		N
Work Certified	1,100,000	Cash received	935,000
		Bal c/d	165,000
	<u>1,100,000</u>		<u>1,100,000</u>
Balance b/d	165,000		

Working:

$$1. \text{ Cash received (including retention)} = \frac{\text{N}935,000}{(1 - 0.15)} = \text{N}1,100,000$$

$$2. \text{ Notional profit } (\text{N}1,100,000 - \text{N}839,300) = \text{N}260,700$$

$$3. \text{ Profit taken} = \frac{2}{3} \times \frac{\text{Notional Profit} \times \text{cash received}}{\text{work certified}}$$

$$\frac{2}{3} \times \frac{260,700}{1} \times \frac{935,000}{1,100,000} = \underline{\underline{\text{N}147,730}}$$

**EXAMINER'S COMMENT**

This question tests candidates' understanding of accounting for construction contracts.

About 65% of the candidates attempted the question and performance was poor as about 20% of the candidates scored 50% and above of the marks allotted.

The major pitfall in this question was in the area of determining the profit to be taken on ongoing contracts at year end.

Candidates are advised to get more acquainted with the nitty-gritty of the topic when preparing for future examinations.

## SOLUTION 4

### a. Schedule of Budgeted Debtors Collection

	June ₦	July ₦	August ₦
Debtors as at April 28, 2020	142,080		
Debtors as at May	590,400	157,440	
June Sales (wk1)	512,000		153,600
		576,000	
July Sales (wk1)			
		576,000	648,000
August Sales(wk1)	_____	_____	<u>640,000</u>
	<u>1,244,480</u>	<u>1,309,440</u>	<u>1,441,600</u>

### b. Cash Budget

	June ₦	July ₦	August ₦
Opening balance	432,000	465,280	557,720
Receipts from Debtors	1,244,480	1,309,440	1,441,600
Cash Sales	<u>320,000</u>	<u>352,000</u>	<u>400,000</u>
Total Cash available	<u>1,996,480</u>	<u>2,126,720</u>	<u>2,399,320</u>
Purchases	979,200	960,000	1,104,000
Salaries	152,000	209,000	160,000
Fixed Overheads (wk2)	<u>400,000</u>	<u>400,000</u>	<u>432,000</u>
Total Disbursement	<u>1,531,200</u>	<u>1,569,000</u>	<u>1,696,000</u>
Balance c/f	<u>465,280</u>	<u>557,720</u>	<u>703,320</u>

### Workings

	Current ₦ 40%	1month ₦ 45%	2month ₦ 12%
June Sales ₦1,280,000	512,000	576,000	153,600
July Sales ₦1,440,000	596,000	648,000	-
August ₦1,600,000	640,000	-	-

	June ₦	July ₦	August ₦
Fixed Overheads			
Amount (arrears)	480,000	480,000	512,000
Depreciation	<u>(80,000)</u>	<u>(80,000)</u>	<u>(80,000)</u>
	<u>400,000</u>	<u>400,000</u>	<u>432,000</u>

### EXAMINER'S COMMENT

This question tests candidates' understanding of cash budgeting.

About 45% of the candidates attempted the question and performance was very poor as only about 20% of the candidates scored 50% and above of the marks allotted to the question.

The major pitfall in this question was in the area of determining cash flow due where transactions are not fully paid for in the months when they take place.

Candidates are advised to be careful in interpreting instructions accompanying this type of question in their future preparations.

### SOLUTION 5

<b>a.</b> Relevant material costs for material Y and Z	GMD
Material Y- material currently in stock	329,280
(3,200@GMD102.90)	
-Additional materials required	<u>164,640</u>
(1,600@GMD102.90)	
	<u>493,920</u>
Material Z-materials Required (320 @ GMD176)	<u>56,320</u>

#### Working

Replacement price/ltr for material Y with 5% inflation rate

$$= \left( \frac{313,600}{3,200} \right) \times 1.05 = \underline{\underline{\text{GMD102.9}}}$$

<b>b.</b>	Total Relevant cost for Skilled Labour	GMD
	Skilled Labour (1,280hrs @ GMD152)	194,560
	Opportunity cost of Labour (1,280hrs @ GMD160)	<u>204,800</u>
		<u>399,360</u>

Working

$$\text{Contribution of TAR forgone} = \frac{\text{GMD640}}{4\text{hrs}} = \text{GMD160}$$

**i** Where: Hours Required =  $\frac{\text{GMD608}}{\text{GMD512}} = 4\text{hrs/Litre}$

<b>c.</b>	Total Contract Relevant Cost	GMD	GMD
	Material y	493,920	
	Material z	<u>56,320</u>	550,240
	Skilled Labour		<u>399,360</u>
			<u>949,600</u>

**EXAMINER'S COMMENT**

This question tests candidates' understanding of labour cost accounting.

About 20% of the candidates attempted the question and performance was poor as less than 10% of them scored 50% and above of the marks allotted.

The major pitfall in this question was in the area of lack of adequate preparation in the area of accounting for labour.

Candidates are advised to study this topic harder in preparing for future examinations as it is equally important like other elements of cost.

## SOLUTION 6

### Payback Period

a.	Project A		Project B		Project C	
	Cash Flow	Cumulative ₦	Cash Flow ₦	Cumulative ₦	Cash Flow ₦	Cumulative ₦
Year						
0	(80,000)	(80,000)	(128,000)	(128,000)	(144,000)	(144,000)
1	40,000	(40,000)	24,000	(104,000)	52,000	(92,000)
2	16,000	(24,000)	32,000	(72,000)	66,000	(26,000)
3	16,000	(8,000)	40,000	(32,000)	26,000	-
4	8,000	-	16,000	(16,000)	28,000	
5	24,000		16,000		28,000	
6	12,800		40,000		20,000	

Payback:    Project A    =    4 years  
                  Project B    =    5 Years  
                  Project C    =    3 years

### b. Reasons why payback method is widely used.

- i. It is easily understood by all categories of managerial staff.
- ii. It favours quick returns projects which may produce faster growth for the firm and enhance liquidity.
- iii. It provides management with the summary of when the initial investment would be recouped.
- iv. It affords the management choice of projects with quickest payback which tends to minimize time related risk.
- v. It is objective, since it uses project cash flows rather than accounting profits.
- vi. It is appropriate in situations where risky investments are made in uncertain markets.
- vii. The short-term approach typical by the PBP method reduces that possibility of loss through obsolescence.
- viii. It is most suitable when the future is very uncertain.

- ix. It gives an induction to the prospective investors specifying when their finds are likely to be repaid.
- x. A company is compelled to invest in projects having shortest PBP in the case of capital rationing.

#### **EXAMINER'S COMMENT**

This question tests candidates' understanding of the payback method of basic investment appraisal technique.

About 85% of the candidates attempted the question and performance was very good as more than 90% of them scored 50% and above of the marks allotted.

The major pitfall in this question was in the area of omitting to give recommendations arising from their computations.

Candidates are advised to understand that costing information are only useful when fully interpreted for the benefit of the users, namely decision makers.

**THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA****ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
MARCH 2022 EXAMINATIONS (PART III)****PREPARING TAX COMPUTATIONS AND RETURNS**

**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, mathematical set, 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, 30 MARCH, 2022**

**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 2022**  
**PREPARING TAX COMPUTATIONS AND RETURNS**

**Time Allowed: 3 hours**

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

**ATTEMPT ALL QUESTIONS**

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

1. Basis of assessment for taxation of an old established company is
  - A. Continuity basis
  - B. Accrual basis
  - C. Actual basis
  - D. Preceding year basis
  - E. Succeeding year basis
  
2. Under the commencement rule, on which of the years of assessment can a taxpayer exercise his right of election on actual basis?
  - A. 1<sup>st</sup> and 4<sup>th</sup> years of assessment
  - B. 3<sup>rd</sup> and 4<sup>th</sup> years of assessment
  - C. 2<sup>nd</sup> and 3<sup>rd</sup> years of assessment
  - D. 2<sup>nd</sup> and 4<sup>th</sup> years of assessment
  - E. 1<sup>st</sup> and 2<sup>nd</sup> years of assessment
  
3. Under the Companies Income Tax Act CAP C21 LFN 2004 as amended, penultimate year computation is peculiar to
  - A. Adjustment of profit
  - B. Cessation of business
  - C. Commencement of business
  - D. Dissolution of partnership
  - E. Merger and acquisition
  
4. An action to legally reduce tax due is called
  - A. Chargeable ax
  - B. Adjusted tax
  - C. Double taxation
  - D. Tax classification
  - E. Tax avoidance



5. Which of the following levies **CANNOT** be collected by Local Government?
- A. Shops and Kiosks rates
  - B. Motor park fees
  - C. Domestic animal licence fees
  - D. Road closure levy
  - E. Road taxes
6. What is the technical name given to a tax borne by a person other than the tax payer?
- A. Personal Income Tax
  - B. Value Added Tax
  - C. Indirect Tax
  - D. Proportional Tax
  - E. Direct Tax
7. Which tier of Government is responsible for the collection of Tenement rate?
- A. Federal Government
  - B. State Government
  - C. Local Government
  - D. Federal and Local Government
  - E. Federal and State Government
8. The power to assess, collect and administer taxes on limited liability companies under the Companies Income Tax Act CAP C21 LFN 2004 as amended is vested in the
- A. State Board of Internal Revenue
  - B. Joint Tax Board
  - C. Stamp Duties Office
  - D. Federal Inland Revenue Service
  - E. Educational Tax Fund
9. Which of the following is charged with the administration of Tax in Nigeria?
- A. The legislative, Executive and Judiciary
  - B. The Presidency, Senate and House of Representative
  - C. Federal Inland Revenue Service
  - D. Joint Tax Board
  - E. The Federal, State and Local Government Authorities

10. Which of the following is **NOT** a member of the Technical Committee of Federal Inland Revenue Services (FIRS)?
- A. Executive Chairman of FIRS
  - B. All Directors and Heads of Departments of the FIRS
  - C. A representative of the Minister of Finance not below the rank of a Director
  - D. Legal Adviser to FIRS
  - E. Secretary to Federal Inland Revenue Service Board
11. Income derived by an individual from a trade, business, vocation or employment is known as
- A. Unearned Income
  - B. Total Income
  - C. Chargeable Income
  - D. Earned Income
  - E. Disposal Income
12. Which of the following is **NOT** a person in the context of the Personal Income Tax Act CAP P8 LFN 2004 as amended?
- A. A trustee
  - B. A family
  - C. An executor
  - D. A cooperative society
  - E. A community
13. The following information is provided in respect of Chief Alekuwodo for 2019 assessment year

	<b>N</b>
Salary	480,000
Profit on sale of assets	165,000
Proceed from state lottery	100,000

How much should Chief Alekuwodo report in his tax returns?

- A. ~~N~~165,000
- B. ~~N~~480,000
- C. ~~N~~580,000
- D. ~~N~~645,000
- E. ~~N~~745,000

14. Capital Allowances unrelieved in the year of cessation can be carried back and set-off against remainder of profits for
- A. One year of assessment preceding year of cessation
  - B. Two years of assessment preceding year of cessation
  - C. Five years of assessment preceding year of cessation
  - D. Three years of assessment preceding year of cessation
  - E. Four years of assessment preceding year of cessation
15. Investment allowance is given on qualifying expenditure incurred on
- A. Mining
  - B. Plant, Equipment and Machinery
  - C. Building
  - D. Industrial Building
  - E. Motor vehicle
16. Which of the following is **NOT** a condition for granting capital allowances?
- A. The qualifying capital expenditure must have been in use during the basis period
  - B. The claimant must have incurred qualifying capital expenditure
  - C. The qualifying capital expenditure must have been in use for at least three years
  - D. The qualifying capital expenditure must have been in use mainly for purpose of the business of the claimant
  - E. The claimant must remain the beneficial owner of the assets at the end of the basis period
17. Which of the following expenses is **NOT** admissible under the Capital Gains Tax Act CAP C1 LFN 2004 as amended?
- A. Any professional cost such as Solicitor's fee
  - B. Any donation to a political party
  - C. Any selling expenses such as advertisement cost
  - D. The cost of acquiring the asset disposed
  - E. The cost of refurbishing the chargeable asset prior to disposal
18. Which of the following may **NOT** be included as VATABLE person under the provisions of Value Added Tax Act in Nigeria?
- A. An individual
  - B. A sole trader
  - C. A firm
  - D. A school
  - E. A limited liability company

19. Which of the following is **NOT** classified as Ad-valorem under Stamp Duties?
- A. Share Capital of Companies
  - B. Policy of Life Assurance
  - C. Guarantor forms
  - D. Property Valuation
  - E. Bills of Exchange
20. The offences that may be committed by a taxpayer for which penalties are imposed include the following, **EXCEPT**
- A. Failure to keep books of accounts
  - B. Failure to pay tax on due date
  - C. Failure to furnish a return
  - D. Failure to claim capital allowances
  - E. Making a false and misleading statement
21. Which of the following is **NOT** a case of computing chargeable gains using open market values?
- A. Assets transferred to trustee by the seller
  - B. Transactions were not done at arm's length
  - C. Termination of a life interest in a settlement
  - D. Transaction done at arm's length
  - E. Where transaction is between connected persons
22. A claim for revision of assessable profits of a foreign air or sea transport company from a "fair percentage" basis to "Adjusted/Depreciation Ratio" basis is valid only if made within how many years of the relevant assessment years?
- A. 2
  - B. 3
  - C. 4
  - D. 5
  - E. 6
23. In whose hands is the income of a trust taxed?
- A. Investor
  - B. Accountant
  - C. Finance director
  - D. Beneficiary
  - E. Trustee

24. Which of the following is true of withholding tax?
- A. It is an amount paid to suppliers by Non-Governmental Organisation
  - B. It can be used as offset against education tax liability
  - C. It can be used as offset against back year liability
  - D. It is an advance payment of tax which is deducted at source
  - E. It is a tax on contract regarded as final tax
25. Taxable person shall pay to the supplier the Value Added Tax (VAT) on vatiable goods and services purchased by or supplied to him. The tax paid is known as
- A. Capital gains tax
  - B. Import tax
  - C. Output tax
  - D. Input tax
  - E. Excise tax
26. Under the change of accounting date rule, how many assessment years are relevant?
- A. Two
  - B. Three
  - C. Six
  - D. Four
  - E. Five
27. The Personal Income Tax (Amendment) Act 2011 listed the following as “tax exempt”, **EXCEPT**
- A. Overtime
  - B. Gratuities
  - C. Life assurance premium
  - D. National Health Insurance Contribution
  - E. National Housing Fund Contribution
28. Which of the following expenses is allowable for tax purposes?
- A. Capital withdrawn or repaid
  - B. Expenses of capital nature
  - C. Depreciation of non-current assets
  - D. Bad debts written off
  - E. Loss on sale of non-current assets

29. Which of the following assets will enjoy investment allowance?
- Land
  - Motor Vehicles
  - Plant and equipment
  - Building
  - Furniture and fittings
30. Withholding tax deducted at source from dividend due to a non-resident individual is payable to
- Joint Tax Board
  - Country of residence of recipient
  - State of residence of individual
  - State Internal Revenue Board
  - Federal Inland Revenue Service

**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**

- The basis of assessment in the second year of a new business is .....
- The trading loss adjusted for tax purposes at the date of cessation of a business is called .....
- What is the time limit within which the right of election previously exercised by taxpayer can be revoked?
- Taxes on goods produced locally are called .....
- A tax rate which decreases as income increases is described as .....
- Any compulsory payment by an individual to government which does not result in commensurate or direct economic benefit to the payer is in essence, a .....
- The relevant tax authority for the assessment of partners in a partnership business is .....
- The relevant tax law that governs taxation of Trusts, Settlements and Estates is .....

9. The relevant tax authority for the collection of taxes of members of the Nigerian Army residing in Lagos state of Nigeria is .....
10. How many members of the Joint Tax Board or their representatives must be present to constitute a quorum for a meeting?
11. The sum total of an employee's basic salary and other entitlements without other deductions is referred to as .....
12. An allowance granted to a business which has incurred qualifying capital expenditure in the first year of purchase based on the purchase price of the asset is known as .....
13. An allowance claimable on assets acquired for use in rural areas where there is no facility at all, is called .....
14. Partnership does not have to pay tax because it is not .....
15. Capital Gains Tax on individuals is payable to .....
16. Capital Gains Tax will be payable ONLY when the asset is .....
17. Administration and management of Tertiary Education Trust Fund (TETFUND) is vested in .....
18. The process of determining the correct amount of stamp duties payable on an instrument by the Commissioners of Stamp Duties is called .....
19. An appeal to the Federal High Court based on the decision of the Tax Tribunal can be made only on points of .....
20. Under the Capital Gains Tax (CGT) Act, the cost for tax purposes of a non-current assets purchased under hire purchase terms is called .....

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

### **QUESTION 1**

The Tax Appeal Tribunal was established in various zones of the Federation and the meetings are held to hear the appeals of taxpayers in such zones.

**Required:**

- a. Enumerate **FOUR** powers of the Tax Appeal Tribunal **(4 Marks)**
  - b. State the composition of the Tax Appeal Tribunal **(4 Marks)**
  - c. State **THREE** reasons why the office of an Appeal Commissioner would be declared vacant **(4½ Marks)**
- (Total 12½ Marks)**

## QUESTION 2

- a. Define capital allowance (1½ Marks)
- b. Enumerate the conditions under which capital allowance is claimed on qualifying capital expenditure (5 Marks)
- c. Mr. Akanimole who has been in the manufacturing business for many years, submitted the following information on his capital expenditure for his accounting year ended 31<sup>st</sup> December, 2018. The following costs were incurred on the construction of the building for assembling of products and for providing general office accommodation for electrical personnel:

	₦
Site preparation and levelling	450,000
Construction costs	11,640,000
Architect's fees (relating to building work)	360,000
Cost for goods	<u>1,350,000</u>
	<u><b>13,800,000</b></u>

You are required to compute the capital allowance claimable and state the relevant assessment year. State clearly the qualifying expenditure. (6 Marks)  
(Total 12½ Marks)

## QUESTION 3

Morenikeji Ventures Limited sold its property in Ibadan, Oyo state for ₦70 million on January 3, 2019. When the company acquired the house in 2013, it incurred the following costs:

	₦'000
Cost of acquisition	17,000
Agency Commission	300
Legal fee	420
Reconstruction and Renovation	1,500
Insurance Premium against fire and burglary	360

When the building was disposed off in 2019, the following costs were incurred by the company:

	₦'000
Advertisement	500
Agency commission	1,600

Solademi who bought the property also suffered the following costs:

₦'000



Cost of acquisition	70,000
Agency Commission	1,500
Legal fees	700
Renovation and improvement	2,400

**You are required to:**

- Compute the Capital Gains Tax payable by Morenikeji Ventures Limited stating the year of assessment. **(7½ Marks)**
- A tax payer is expected to file an annual returns at least once every year.

**You are required to:**

- State **FIVE** of the contents of annual tax return **(3 Marks)**
  - State the time limit within which annual tax returns must be filed for a new company and an existing company. **(2 Marks)**
- (Total 12½ Marks)**

#### **QUESTION 4**

Logudu Suites Limited is a company engaged in hospitality services. The company prepared its financial statements up to 31<sup>st</sup> December of every year and it is a registered Value Added Tax (VAT) agent with Federal Inland Revenue Services (FIRS). VAT accounts in its 2019 ledger showed:

#### **VAT ACCOUNTS**

	<b>N'000</b>	<b>N'000</b>
VAT paid on materials for Kitchen		1,320
VAT charged on food and drinks	2,310	
VAT charged on accommodation	3,225	
VAT paid on drink for resale		150
VAT charged on other services	1,365	
VAT paid on furniture and equipment for room		188
VAT paid on legal and professional services		68
Amount remitted to FIRS		3000
Balance as at 31 <sup>st</sup> December	<u>6,900</u>	<u>2174</u>
		<u><b>6,900</b></u>

**Required:**

- a. Compute the total amount of VAT due to FIRS for 2019 tax year (6 Marks)
- b. Determine the balance remittable for the year (1½ Marks)
- c. State **FIVE** tangible items exempted from Value Added Tax (VAT) (5 marks)  
(Total 12½ Marks)

**QUESTION 5**

- a. The Joint Revenue Committee was established by Section 92 of the Personal Income Tax Act 1993 (as amended) for each State of the Federation.

**Required:**

- i. State the composition of the Joint State Revenue Committee (6 Marks)
- ii. Itemise the duties of Joint State Revenue Committee (5 Marks)
- b. State the composition of Local Government Revenue Committee (1½ Marks)  
(Total 12½ Marks)

**QUESTION 6**

Stamp duties are taxes on documents and not on transactions or persons. It is currently governed by the provisions of the Stamp Duties Act 1939 as amended to date.

**Required:**

- a. State **FOUR** conditions under which an unstamped instrument may be admitted in evidence? (4 Marks)
- b. State the instruments and receipts liable to stamp duties as stipulated by Section 2 of Stamp Duty Act (4 Marks)
- c. What are the limits of adjudication? (4½ Marks)  
(Total 12½ Marks)

## NIGERIAN TAX RATES

### 1. CAPITAL ALLOWANCES

	<b>Initial</b> %	<b>Annual</b> %
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 ~~N~~200,000 or 1% of Gross Income whichever is higher + 20% of Gross income.

	<b>Taxable</b> <b>Income</b> ( <del>N</del> )	<b>Rate of</b> <b>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. | <b>COMPANIES INCOME TAX RATE</b>      |                           |
|    | Up to 2020 of assessment              | 30%                       |
|    | As amended by the finance Act 2021    |                           |
|    | Effective from 2021year of assessment |                           |
|    | Companies with Gross Turnover below   |                           |
|    | ₦25m                                  | 0%                        |
|    | Companies with turnover above         |                           |
|    | ₦25m and up to N100m                  | 20%                       |
|    | Companies with turnover above         |                           |
|    | 100m                                  | 30%                       |
| 5. | <b>TERTIARY EDUCATION TAX</b>         | (2% of Assessable Profit) |
| 6. | <b>CAPITAL GAINS TAX</b>              | 10%                       |
| 7. | <b>VALUE ADDED TAX</b>                | 7.5%                      |

## **SOLUTION TO MCQ**

1. D

2. C

3. B

4. E

5. E

6. C

7. C

8. D

9. E

10. C

11. D

12. D

13. E

14. C

15. B

16. C

17. B

18. D

19. C

20. D

21. D

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

### **Examiner's report**

The Multiple Choice Questions covered the entire syllabus. The questions are straight forward and simple. All the candidates attempted the questions. The general performance was above average.

### **SOLUTION TO SAQ**

- 1. Prior to 2020 year of Assessment  
Amount of income for first 12 months of business starting from the date of commencement  
OR  
Effective from 2020 year of Assessment  
Preceding Year Basis (PYB) using amount of income from the first day after the first accounting year end for the next accounting year end.
- 2. Terminal or ultimate loss
- 3. Twelve months after the end of third year of assessment
- 4. Excise duty
- 5. Regressive
- 6. Tax

7. State Board of Internal Revenue
8. Personal Income Tax Act CAP P8 LFN 2004 as amended
9. Federal Inland Revenue Services (FIRS)
10. Seven members or their representative
11. Gross emoluments
12. Initial Allowance
13. Rural Investment Allowance
14. A legal entity
15. State Internal Revenue Service Board
16. Disposed of
17. The Board of Trustees
18. Adjudication
19. Law
20. Cash Price of the assests

**Examiner's report**

The Short Answer Questions were drawn from almost all aspects of the syllabus. The questions are very standard. All the candidates attempted the questions. The general performance was good.

## **SOLUTION 1**

### **a) POWER OF THE TAX APPEAL TRIBUNAL**

The tribunal is expected to make rules regulating its procedures and shall for the purpose of discharging its duties, have power to:

- i. Summon and enforce the attendance of any persons and examine him on oath;
- ii. Require the discovery and production of documents;
- iii. Receive evidence on affidavits;
- iv. Call for the examination of witnesses or documents;
- v. Review its discussion;
- vi. Dismiss an application for default or deciding matters ex parte;
- vii. Set aside any order or dismissal of any application for default or any order passed by exparte; and
- viii. Do anything which in the opinion of the tribunal is incidental or ancillary to its functions.

### **b) COMPOSITION OF THE TAX APPEAL TRIBUNAL**

The composition of the Tax Appeal Tribunal is as follows:

- i. It shall consist of five members (hereinafter referred to as “Tax Appeal Commissioners”) to be appointed by the minister;
- ii. A chairman for each zone shall be a legal practitioner who has been so qualified to practice for a period of not less than 15 years with cognate experience in tax legislation and tax matters;
- iii. A chairman shall preside at every meeting of the Tribunal and in his absence, the members shall appoint one of them to be the chairman;
- iv. The quorum at any sitting of the Tribunal shall be three members.

### **c) The following are the reasons why the office of an appeal commissioner would be declared vacant:**

- i. where he has absented himself from two consecutive meetings without approval from the Chairman;
- ii. Where he is confirmed to be of unsound mind;
- iii. Where he has been committed for a criminal offence or felony or offence related to tax matters;
- iv. Where he has attended a meeting concerning a taxpayer in which he has interest without informing the other Commissioners.



**Examiner's report**

This is a theory question on Tax Appeal Tribunal.

About 10 percent of the candidates attempted the question. The general performance was below average. The candidates are advised to study the ICAN study text in detail while preparing for the examinations.

**SOLUTION 2**

- a. Capital Allowance is granted in lieu of depreciation charged on assets utilized in business. Whereas depreciation is based on the accounting policy of the tax payer, capital allowance is computed on qualifying capital expenditures at fixed rate per the provision of the relevant tax law.
- b. Capital allowance is claimed on qualifying capital expenditures under the following conditions:
  - i. The qualifying capital expenditure must be owned by the tax payer as at the end of the basis period;
  - ii. The qualifying capital expenditure must be "in use" as at the end of the basis period;
  - iii. The qualifying capital expenditure must be used for the purpose of trade or business of the tax payer;
  - iv. Where the value of the qualifying capital expenditure is not less than ₦500,000, an acceptance certificate must be obtained from the inspectorate division of the Federal Ministry of Industries.

c. **Mr. Akanimole:**

**Computation of Capital Allowance for Allowance Relevant YOA**

		Industrial Building	Plant & Machinery	Capital Allowance
	Initial Allowance (IA%)	15%	50%	
	Annual Allowance (AA%)	10%	25%	
	Investment Allowance (AA%)	-	10%	
YOA		₦	₦	₦
2019	Cost (Wk 1)	12,450,000	1,350,000	-
	Initial Allowance (Cost X IA%)	(1,867,500)	(675,000)	2,542,500
	Annual Allowance (WK 2)	(1,058,250)	(168,750)	<u>1,227,000</u>
	Investment Allowance (1,350,000) x 10%)	-	=	<u>135,000</u>
		-	=	<u>3,904,500</u>
2020	TWDV b/f	9524,250	506,250	
	Annual Allowance (WK2)	(1,058,250)	(168,750)	<u>1,227,000</u>
2021	TWDV b/f	8,466,000	337,500	
	Annual Allowances	(1,058,250)	(168,750)	<u>1,227,000</u>
		7,407,750	168,750	
2022	TWDV b/f	8,406,000	337,500	
	Annual Allowance (WK 2)	(1,058,250)	(168,750)	<u>1,227,000</u>
	TWDV b/f	7,407,750	168,750	

**WORKINGS**

(WK1)	Qualifying capital expenditure	₦	₦
	Industrial Building:		
	Site preparation and leveling	450,000	
	Construction cost	11,640,000	
	Architect's fee	360,000	12,450,000
	Plant & Machinery:		
	Lift for goods		<u>1,350,000</u>
			<u>13,800,000</u>

(WK2)

### Computation of Annual Allowance (AA)

$$AA = \frac{C - IA}{n}$$

$$\text{Industrial Building} = \frac{\text{N}12,450,000 - 1,867,500}{10 \text{ years}} = \text{N}1,058,250 \text{ p.a.}$$

$$\text{Plant \& Machinery} = \frac{\text{N}1,350,000 - 675,000}{4 \text{ years}} = \text{N}168,750 \text{ p.a.}$$

### Examiner's report

This is a simple question on Capital Allowance.

About 95 percent of the candidates attempted the question. The general performance was above average. The major pitfall was inability of the candidates to clearly identify the qualify expenditure. Students should be advised to study extensively on the computation of capital allowance.

### SOLUTION 3

a. Morenikeji Ventures Limited

#### Capital Gains Tax Computation for 2019 Tax Year

	N'000	N'000
Sales proceed		70,000
<u>Less Expenses</u>		
Advertisement	500	
Commission	<u>1,600</u>	<u>2,100</u>
Net Sales proceed		67,900
<u>Cost of purchase</u>		
Cost	17,000	
Agency commission	300	
Legal Fees	420	
Reconstruction and Renovation	1,500	<u>19,220</u>
Assessable Capital Gains		<u>48,680</u>
Tax @ 10%		<u>4,868</u>

Capital Gains Tax Due = ~~N~~4,868,000

Note: The costs incurred by the buyer are irrelevant and should be completely ignored.

#### **b. i. Contents of Annual Returns**

An annual return should contain the following:

- The audited financial statement;
- The tax computations;
- The capital allowances computations;
- Schedule of fixed assets;
- Schedule of creditors;
- Schedule of debtors;
- An undertaking that the information contained in the annual return is true. (this must be signed by either the company Secretary or a Director);
- A copy of the duly completed self-assessment form.

ii. An annual return must be filed within the following time limit'

- For a new company, within 18 months from the date of commencement or within 6 months after the first account is prepared, whichever is earlier;
- For an existing company within 6 months from the year end.

#### **Examiner's report**

This is a straight forward two-part question.

Part 'a' is on computation of Capital Gain Tax. About 80 percent of the candidates attempted the question. The performance was satisfactory.

Part 'b' tested candidates' knowledge on Annual Tax Returns. About 80 percent attempted this question. The general performance was not satisfactory.

## SOLUTION 4

### a) Logudu Suites Limited

Computation of Total Amount of VAT due for 2019 Tax Year

<u>VAT Output</u>	<u>₦'000</u>	<u>₦'000</u>
Food and Drinks	2,310	
Accommodation	3,225	
Other Services	<u>1,365</u>	6,900
<u>Deduct VAT Input</u>		
Materials for kitchen	1,320	
Drinks for resale	150	<u>1,470</u>
Total VAT due		<u>5,430</u>

Balance Remmittable for the year

	<u>₦'000</u>
Amount Due	5,430
Less:	
Already remitted	<u>(3,000)</u>
Balance remittable	<u>2,430</u>

### b) Tangible items exempted from VAT

- i. Medical and Pharmaceutical products;
- ii. Basic food items;
- iii. Books and Educational materials;
- iv. Newspaper and Magazine;
- v. Baby Products;
- vi. Commercial vehicles and their spare parts;
- vii. Agricultural equipment and products, fertilizer and veterinary medicine;
- viii. All exported goods.

### Examiner's report

This question tested the candidates' knowledge of Value Added Tax (VAT). About 95 percent of the candidates attempted the question. The general performance was good.

## **SOLUTION 5**

### **a. Composition of Joint State Revenue Committee**

- i. The committee consists of the following:**
    - i. Chairman of the State Internal Revenue Services as the chairman;
    - ii. The Chairman of each of the Local Government Revenue Committees;
    - iii. A representative of the Revenue Mobilisation Allocation and Fiscal Commission as an observer;
    - iv. A representative of Bureau on Local Government Affairs not below the rank of a Director;
    - v. The State Sector Commander of the Federal Road Safety Commission as an observer;
    - vi. The Legal Adviser of the State Internal Revenue Service; and
    - vii. The Secretary of the Committee who shall be a staff of the State Internal Revenue Service.
  - ii. The duties of the Joint State Revenue Committee are as follows:**
    - i. Advise the Joint Tax Board and the State and Local Government on revenue matters;
    - ii. Implement decisions of the Joint Tax Board;
    - iii. Harmonise Tax administration in the State;
    - iv. Enlighten members of the public generally on State and Local Government Revenue Matters;
    - v. Carry out such other functions as may be prescribed from time to time by the Joint Tax Board.
- b. Local Government Revenue Committee comprises:**
- i. The Supervisor for Finance as Chairman;
  - ii. Three Local Government Councilors as members;
  - iii. Two other persons experienced in Revenue matters to be nominated by the Chairman of the Local Government on their personal merits.

### **Examiner's report**

This is a simple question on Joint Revenue Committee. About 40 percent of the candidates attempted the question. The general performance was below average.

Candidates should be advised to study every aspect of syllabus extensively. They should also be advised to study past questions for better performance.

## SOLUTION 6

- a. The unstamped or improperly stamped instrument may be admitted under the following conditions:
  - i. Where a criminal proceedings is being held;
  - ii. It can also be admitted before a rent tribunal or a proceeding before the commissioner of stamp duties;
  - iii. Where it may be used to prove fraud;
  - iv. Where the plaintiff is trying to prevent a transaction from being implemented if it is believed that the agreement is void;
  - v. Where it is imperative to refresh the memory of a witness;
  - vi. Where the instrument may be admitted subject to an undertaking that the instrument would be stamped later.
- b. The following are the instruments and receipts liable to stamp duty as stipulated in Section 2 of Stamp Duty Act:
  - i. Appraisements
  - ii. Agreements
  - iii. Instruments of apprenticeship
  - iv. Bank notes, Bills of Exchange, and Promissory Notes
  - v. Bills of Lading
  - vi. Contract Notes
  - vii. Conveyances on Sale
  - viii. Other Conveyances
  - ix. Duplicates and Counterparts
  - x. Exchange, Partition or Division
  - xi. Leases
  - xii. Letter or Power or Attorney and Voting Papers.
  - xiii. Marketable Securities.
  - xiv. Mortgages
  - xv. Notarial Acts
  - xvi. Policies of Insurance
  - xvii. Receipts
  - xviii. Settlements.
  - xix. Share Warrants
  - xx. Warrants of Goods
  - xxi. Capital of Companies

- c. The following are the limitations of an adjudication:
- i. The process cannot authorise the stamping of an instrument after the execution of such instrument which by law cannot be stamped after execution;
  - ii. Where a court has ruled that an instrument is not duly stamped, subsequent adjudication cannot retrospectively make it duly stamped;
  - iii. The process cannot prejudice the rights that have been asserted and relied upon prior to adjudication.

**Examiner's report**

This is a straight forward question on Stamp Duties.

About 20 percent of the candidates attempted the question. The general performance was below average with 30 percent mark on the average. The candidates are advised to make good use of the ICAN study text before examinations.



**THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA****ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
MARCH 2022 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, mathematical set, 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 with you in the 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, 29 MARCH, 2022**

**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 2022**

**MANAGEMENT**

**Time Allowed: 3 hours**

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

**ATTEMPT ALL QUESTIONS**

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

1. The growth that occur to a firm as a result of selling more of its existing product is called
  - A. External growth
  - B. Inorganic growth
  - C. Internal growth
  - D. Steady growth
  - E. Sales growth
  
2. The classification of business that is concerned with enabling several materials and processing into a single unit is called
  - A. Process industry
  - B. Assembly line industry
  - C. Synthetic industry
  - D. Extractive industry
  - E. Secondary industry
  
3. The simplest and the commonest form of business is called
  - A. Cooperative
  - B. Cooperations
  - C. Partnership
  - D. Sole proprietorship
  - E. Joint Stock Company
  
4. The owners of a corporation are always referred to as
  - A. Directors
  - B. Shareholders
  - C. Creditors
  - D. Managers
  - E. Auditors

5. Exchange rate is one of the sub elements of
  - A. Political environment
  - B. Social environment
  - C. Legal environment
  - D. Technological environment
  - E. Economic environment
6. Process used by managers to monitor events, activities or variables occurring in the external environment of the organisation is
  - A. Forecasting
  - B. Environmental scanning
  - C. Environmental diagnosis
  - D. Environmental forecasting
  - E. Environmental assessment
7. The ability to choose appropriate objectives or the appropriate means for achieving a given objective is called
  - A. Efficiency
  - B. Effectiveness
  - C. Performance
  - D. Strategic intent
  - E. Organising
8. The totality of the system by which companies are directed and controlled is
  - A. Leadership
  - B. Corporate governance
  - C. Social responsibility
  - D. Corporate objective
  - E. Corporate management
9. Theory of Bureaucracy was developed by
  - A. Elton Mayo
  - B. Fredrick Taylor
  - C. Henri Fayol
  - D. Max Weber
  - E. Peter Drucker
10. Management theory which sees organisation as unified, purposeful system composed of interrelated parts is
  - A. Human relations theory
  - B. Administrative theory
  - C. Group theory
  - D. System theory
  - E. Contingency theory

11. The assignment of formal authority and responsibility for the execution of specific activities to a subordinate is
- A. Centralisation
  - B. Departmentalisation
  - C. Division of labour
  - D. Delegation
  - E. Unity of command
12. A conscious choice which has been selected among competing alternatives and directed towards a definite purpose is
- A. Strategy
  - B. Mission
  - C. Vision
  - D. Objective
  - E. Decision
13. The process of regulating organisational activities so that actual performance conforms to expected organisational standard and goals is
- A. Coordinating
  - B. Forecasting
  - C. Controlling
  - D. Planning
  - E. Organising
14. Which of the following is a characteristic of effective control system?
- A. Rigidity
  - B. Obsolete
  - C. Economically realistic
  - D. Financially constrained
  - E. Unrealistic
15. The type of cost that change with level of output is
- A. Prime cost
  - B. Sunk cost
  - C. Variable cost
  - D. Fixed cost
  - E. Break-even cost
16. A course of action which lays out organisation vision, mission, performance target and strategy is called strategic
- A. Intent
  - B. Outcome
  - C. Plan
  - D. Change
  - E. Direction

17. Activities relating to equipping employees with knowledge, skills and attitudes they need to perform their job effectively is
- A. Recruitment
  - B. Human resource planning
  - C. Human capital management
  - D. Training and development
  - E. Performance appraisal
18. Which of the following is **NOT** a method that can be used to collect data for job analysis?
- A. Interviews
  - B. Questionnaires
  - C. Observations
  - D. Dairies
  - E. Coupons
19. The process of giving new employees basic information relating to his new work is
- A. Placement
  - B. Induction
  - C. Interview
  - D. Selection
  - E. Job selection
20. The process of comparing the performance of a firm in term of quality with the best practice in the industry is
- A. Productivity
  - B. Inspection
  - C. Benchmaking
  - D. Controlling
  - E. Coordinating
21. Periodic and planned maintenance of physical facilities of a firm is described as
- A. Breakdown maintenance
  - B. Preventive maintenance
  - C. Shutdown maintenance
  - D. Calculated maintenance
  - E. On-going maintenance

22. Systematic gathering, analysis and interpretation of data for marketing decision is
- A. Marketing segmentation
  - B. Marketing research
  - C. Marketing evaluation
  - D. Marketing concept
  - E. Marketing management
23. Which of the following is **NOT** a basis for market segmentation?
- A. Sector
  - B. Social classes
  - C. Age
  - D. Sex
  - E. Occupation
24. The use of name, a term, a symbol or design to identify a product is
- A. Packaging
  - B. Branding
  - C. Promotion
  - D. Trademark
  - E. Copyright
25. Which of the following is **NOT** a sample of accounting packages?
- A. Poise
  - B. Sage
  - C. Microsoft money
  - D. E-view
  - E. Debtor manager
26. Hygiene theory of motivation was propounded by
- A. Henry Fayol
  - B. Abraham Maslow
  - C. Douglas McGregor
  - D. Fredrick Hertzberg
  - E. Victor Vroom
27. An approach to leadership which argued that there is no one best leadership style is
- A. Classical approach
  - B. Democratic approach
  - C. Autocratic approach
  - D. Task approach
  - E. Contingency approach

28. Which of the following is **NOT** a stage in group and team formation and development?
- A. Forming stage
  - B. Storming stage
  - C. Performing stage
  - D. Developing stage
  - E. Norming stage
29. The process by which the receiver extracts some meaning out of the message received is
- A. Encoding
  - B. Messaging
  - C. Channeling
  - D. Decoding
  - E. Replying
30. Which of the following is **NOT** a type of office machine?
- A. Photocopies
  - B. Fax machine
  - C. Crane
  - D. Paper shredders
  - E. Scanners

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

**ATTEMPTS ALL QUESTIONS**

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

1. The primary purpose of business enterprises is.....
2. The growth that occurs as a result of takeover or merger with other firm is called .....
3. Management by objective as a technique in management is associated with .....
4. An external environment with sub components such as exchange rate, inflation rate and capacity utilisation is .....
5. The process of integrating the economy of a country with the world economy is .....

6. The combination of character, conduct, and activities of the people based on moral principles is .....
7. The process of making the right decisions and implementing them is known as .....
8. The Management theorist who is regarded as the father of scientific management is .....
9. The authority which is based upon a belief in the personal attributes of the person giving the order is called .....
10. Planning which is focused, short-term and specific is called .....
11. A single-use plan covering a relatively large set of activities is .....
12. The number of subordinates that a manager can effectively and efficiently supervise is termed .....
13. A decision made in response to external changes that have already taken place is .....
14. The process of monitoring, comparing and correcting performance to ensure achievement of business goals is .....
15. The production or sales level at which total revenue equals total cost is called .....
16. The forecast of cash receipts and expenditure is .....
17. The process of assigning a specific job to a selected candidate is .....
18. The type of facilities layout in which machine and equipment that perform similar type of work are grouped together in one area is .....
19. A marketing activity aimed at stimulating immediate consumer and dealer demand is called .....
20. Transmission of information from the bottom of the organisation hierarchy to the top is called .....



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

- a. Define the concept of partnership as a form of business. (2½ Marks)
  - b. State **FIVE** advantages and **FIVE** disadvantages of partnership as a form of business organisation. (10 Marks)
- (Total 12½ Marks)**

**QUESTION 2**

- a. What is globalisation? (2½ Marks)
  - b. Explain briefly **FIVE** implications of globalisation for management and business enterprises. (10 Marks)
- (Total 12½ Marks)**

**QUESTION 3**

- a. Define the concept of bureaucracy. (2 Marks)
  - b. State and explain the **THREE** types of authority explained by Max Weber (4½ Marks)
  - c. List **SIX** features of bureaucracy. (6 Marks)
- (Total 12½ Marks)**

**QUESTION 4**

- a. Explain briefly **THREE** factors that influence mechanistic or organic structure in an organisation. (4½ Marks)
  - b. State **FIVE** advantages of decentralisation. (5 Marks)
  - c. Highlight **THREE** advantages of centralisation. (3 Marks)
- (Total 12½ Marks)**

**QUESTION 5**

- a. Explain briefly **FIVE** factors which may influence change in an organisation. (5 Marks)
  - b. Highlight **FIVE** reasons why employees resist change in an organisation. (7½ Marks)
- (Total 12½ Marks)**

### QUESTION 6

- a. What is an Office? (2½ Marks)
- b. List **FIVE** functions to be considered in planning the layout of an office. (10 Marks)
- (Total 12½ Marks)**

## MULTIPLE CHOICE QUESTIONS (MCQ)

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

### EXAMINER'S COMMENTS

The questions cover all the areas of the syllabus. All the candidates attempted the questions and the performance was averagely good. The major pitfalls of the candidates were poor preparation and inadequate usage of the study pack. Candidates are advised to make adequate usage of the study pack for subsequent examinations. The questions are standard for this level of the Institute's examination.

## **SHORT ANSWER QUESTIONS (SAQ)**

1. Profit
2. External Growth
3. Peter Drucker
4. Economic Environment
5. Globalisation
6. Ethics
7. Effectiveness
8. Fredrick Taylor
9. Charismatic Authority
10. Operational Planning
11. Programmes
12. Span of Control
13. Reactive Decision
14. Controlling
15. Break-even Point
16. Cash Budget
17. Placement
18. Process Layout
19. Sales Promotion
20. Upward Communication

## **EXAMINER'S COMMENTS**

The questions cover all parts of the syllabus. All the candidates attempted the questions and the performance was fairly good. The average performance was largely due to poor preparation and inadequate usage of the study pack. The candidates are advised to use the study pack religiously for improved performance in future examinations. The questions are considered standard for this level of the Institute's examination.

## **SECTION B**

### **SOLUTION 1**

**1a. Definition of Partnership**

A form of business which occurs when two or more individuals come together and agree to organize and operate an enterprise jointly with profit as the motive.

**1b. Five advantages of Partnership**

- i. Move managerial skills available than in a sole proprietorship.
- ii. Pooling of financial resources by partner.
- iii. Reduction of strain on one individual as responsibilities can be shared.
- iv. New partners can be admitted.
- v. Enhance ability to attract and retain capable employees.
- vi. Balanced business decision.
- vii. Risk can be shared.

**1c. Five Disadvantages**

- i. Unlimited liability
- ii. Limited life
- iii. Arguments or disagreement can arise among partners.
- iv. Limited access to initial capital.
- v. Difficulty in withdrawing from the firm.
- vi. Risks of implied authority.

### **EXAMINER'S COMMENTS**

The question tests the knowledge of the candidates on partnership as a form of business ownership. About 90% of the candidates attempted the question and about 85% passed. The major pitfalls of the candidates were poor preparation and poor usage of the study pack. Candidates are advised to make adequate use of the study pack for improved performance in subsequent examinations.

## **SOLUTION 2**

**2a.**

### **Meaning of Globalization**

Globalization means integrating the economy of a country with the world economy  
OR

It can also be defined as the process of world-wide economic integration and growing inter-dependence, interconnectedness through the flow of goods, services, capital, people and information among nations in the modern world.

**2b.**

### **FIVE Implications of Globalization**

- (i) It encourages opening up of markets and investment opportunities among nations.
- (ii) Firms in the less developed countries of the world are at a disadvantage arising from the more intense competition from better endowed companies in the advanced nations.
- (iii) Mergers, acquisitions and strategic alliances have resulted as poorer and weaker firms are swallowed up by the stronger ones.
- (iv) Managers are expected to be equipped and developed through greater cross-cultural awareness and sensibility as they communicate with their counterparts across globe.
- (v) It allows managers to acquire skills to manage in culturally diverse settings.
- (vi) Cultural interactions allows firms to achieve and maintain higher standards.

### **EXAMINER'S COMMENTS**

The question tests the candidates' knowledge of globalisation. About 85% of the candidates attempted the question and about 70% passed. Candidates are advised to make adequate use of the study pack for improved performance in subsequent examinations.

### **SOLUTION 3**

**3a.**

#### **Definition of Bureaucracy**

Bureaucracy can be defined as that ideal system wherein positions and tasks are clearly defined, division of labour is precise and clear, objectives are explicit and a clear chain of command is maintained.

**3b.**

#### **THREE types of Authority**

- (i) ***Traditional authority***: It is a form of authority in which order are obeyed as the people giving them are interested with the same through custom or conventions.
- (ii) ***Rational-legal authority***: This is a type of authority in which orders are obeyed because subordinates believe that the person given them is empowered to do so through enforcement or legal sanctions.
- (iii) ***Charismatic authority***: This rests on the appeal of leaders and is based upon a belief in the personal attributes of the person giving the order.

**3c.**

#### **SIX Features of Bureaucracy**

- i. Division of labour
- ii. Authority Hierarchy
- iii. Formal selection
- iv. Career orientation
- v. Formal rules and control
- vi. Impersonality

#### **EXAMINER'S COMMENTS**

The question is structured to test the candidates' knowledge of the concept of bureaucracy and types of authority. About 75% of the candidates attempted the question and about 68% passed. The major pitfalls of the candidates were basically poor preparation and poor interpretation of the question. Candidates are therefore advised to demonstrate more seriousness towards preparation for the examinations by using the study pack religiously in subsequent examinations.

## **SOLUTION 4**

**4a.**

### **Factors that influence mechanistic or organic structure in organisation**

- i. **Size:** Small organizations tend to have organic structure. As the size increases, the structure tends towards being mechanistic.
- ii. **Technology:** Technology may be routine or non-routine, when technology is routine, the structure tends to be mechanistic while non-routine technology tends to be organic.
- iii. **Environmental Uncertainty:** When the level of environmental uncertainty is low, the structure is mechanistic. When the environmental uncertainty is high, the structure is organic.
- iv. **Strategy:** Organizations may adopt prospector strategy which takes the form of creativity, innovation, growth orientation and risk-taking. The other strategy is the defender strategy which emphasizes stable growth, protecting existing markets, serving current customers and minimizing cost. Between these extremes is the analyzer strategy which combines elements of prospectors and defenders.

**4b**

### **FIVE Advantages of Decentralization**

- (i) A decentralized organizational structure stresses delegation of decision-making and lightens the load of the top managers.
- (ii) The development of generalists rather than specialists is encouraged, thereby facilitating succession into positions of general managers.
- (iii) Managers develop their own decision-making skills and are motivated to perform because advancement is related to performance.
- (iv) Intimate social ties and relationships are promoted, resulting in greater employee enthusiasm and coordination.
- (v) Familiarity with important aspects of special work is readily acquired.
- (vi) Efficiency is increased since the managers are near the activities for which they are held responsible and trouble spots can be located and remedied easily.
- (vii) For multi-unit enterprises, full advantage of various local conditions can be obtained.
- (viii) Managers can also exercise more autonomy, with increased job satisfaction and motivation, thereby contributing to the organization's profitability.



**4c**

**Advantages of Centralization**

- (i) Power and prestige are provided for the top executives.
- (ii) Uniformity of policies, practices and decision is fostered.
- (iii) Duplication of functions that are similar is minimized.
- (iv) Elaborate and extensive controlling procedures and practices not required.
- (v) A strong coordinated top management team is developed.

**EXAMINER'S COMMENTS**

The question tests the candidates' understanding of mechanistic and organic structure in an organization. The other parts of the question also test the candidates' knowledge of centralisation and decentralisation. About 82% attempted the question and 76% passed. Majority of those that passed demonstrated that they are familiar with the study pack. Candidates that did not do well are advised to concentrate on the usage of the study pack for future examinations to give them clearer understanding of the concepts.

**SOLUTION 5**

**5a**

**Factors which Influence Change**

- i. New technology which influences marketing, production and human resource functions.
- ii. New management policies, role and organization structure.
- iii. Changes in social trend values and attitudes of the society.
- iv. Marketing activities of the competitors.
- v. Merger with a different company.
- vi. New work methods or procedures.
- vii. A new Chief Executive or management.

**5b**

**FIVE Reasons why Employees may resist change**

- i. Fear of unknown.
- ii. Lack of information.
- iii. Fear of unemployment.
- iv. Lack of participation in change.
- v. Threat to social and interpersonal relationships.
- vi. Inability or reluctance to change habits.
- vii. Threats of challenges.
- viii. Experience of the past changes.
- ix. Threats to expertise.
- x. Threats to established resource allocation and, or power relationship.

## EXAMINER'S COMMENTS

The question tests the candidates' knowledge of change management in an organization. About 76% attempted the question and about 65% passed. Majority of the candidates demonstrated fair usage of the study pack. Candidates are advised to make adequate use of the study pack for subsequent examinations for in depth understanding of the concept.

### SOLUTION 6

#### 6a

##### **What is an Office?**

An office is a place in an organization where business, clerical and professional activities take place.

#### 6b

##### **Factors in Planning an Office Layout**

- i. **Churn Rate:** The process of change in an office is known as churn rate.
- ii. **Statutory requirement:** Legal requirements as contained in relevant legislations affect planning of office layout. The factories Act of most countries specify five prevention arrangements lightening levels, ventilations etc.
- iii. **Business Needs:** Office layout will be influenced by nature and needs of the business.
- iv. **Accommodation standards:** Organizations do have a policy on the minimum standard of accommodation for each staff grade.
- v. **Space availability:** Planning an office layout will depend on the quality and the types of office space available for use.

## EXAMINER'S COMMENTS

The question tests the candidates' knowledge of a typical office. About 85% attempted the question and about 70% passed. Candidates are advised to make adequate use of the study pack for improved performance in subsequent examinations.