

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

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

**EXAMINATION INSTRUCTIONS**

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

**TUESDAY, 27 SEPTEMBER, 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 – SEPTEMBER 2022**

**PRINCIPLES OF AUDITING & ASSURANCE**

**Time Allowed: 3 hours**

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

**ATTEMPT ALL QUESTIONS**

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

1. Which of the following is **NOT** an attribute of Auditing?
  - A. Integrity
  - B. Interest
  - C. Experience
  - D. Competence
  - E. Technical knowledge
  
2. "Truth and Fairness" in auditing means all, **EXCEPT**
  - A. Prepared financial statements were in accordance with the acceptable accounting standards and relevant laws
  - B. That the assets and liabilities exist and are properly valued
  - C. That the financial statements are consistent with the underlying records and proper books of accounts have been kept
  - D. That the financial statements are ensnared in material misstatement
  - E. All stated expenses and revenues relate to the operations of the business for the period
  
3. The concept where the auditor gathers and evaluates audit evidence necessary to reduce, to an acceptable minimum level, the audit risk is
  - A. Independent Examination
  - B. Expectation Gap
  - C. Reasonable Assurance
  - D. True and Fair
  - E. Technical Standards
  
4. The misconception that detection of fraud is the main aim of auditing is
  - A. Window dressing
  - B. Expectation gap
  - C. Misrepresentation
  - D. Adverse opinion
  - E. Audit risk

5. Which of the following features is **NOT** required to run an audit firm effectively and profitably
- A. Aloofness of seniors in the supervision of work of juniors
  - B. Proper planning of work and its allocation to appropriate staff
  - C. Quality control and evidence of work completed
  - D. Timely communication of audit assignment progress and problem areas
  - E. Review of work done by managers and engagement partners
6. The audit of account balances is known as
- A. Statutory Audit
  - B. Private Audit
  - C. Cash Flow Audit
  - D. Financial Position audit
  - E. Systems Audit
7. The relationship between the shareholders and the auditors can be described by the
- A. Organisational Theory
  - B. Agency Theory
  - C. Conflict Theory
  - D. Management Theory
  - E. Systematic Theory
8. Which of the following is **NOT** a service rendered by Auditors?
- A. Taxation
  - B. Litigation
  - C. Secretarial
  - D. Accounting
  - E. Liquidation
9. The audit committee of a public limited liability company shall comprise of
- A. One Shareholder and Four Non-Executive Directors
  - B. Two Shareholders and Three Non-Executive Directors
  - C. Three Shareholders and Two Non-Executive Directors
  - D. Four Shareholders and One Non-Executive Director
  - E. Five shareholders

10. Which of the following is **NOT** considered a threat to the independence of an auditor?
- A. Recurring fee from one client is less than 5% of gross practice income
  - B. Overdue and current audit fees could be converted as a loan
  - C. Beneficial shareholdings held by auditor's spouse in client business
  - D. Engagement of an ex-employee of the auditor
  - E. Acceptance of non-commercial goods and services from client
11. Before acceptance of an audit appointment, which of the following principles is least important
- A. Prudence
  - B. Objectivity
  - C. Independence
  - D. Ethical Requirements
  - E. Integrity
12. Written agreement on the scope and nature of the audit work to be undertaken sent by the auditors to client at the beginning of an audit is contained in the Letter of
- A. Appointment
  - B. Acceptance
  - C. Comfort
  - D. Engagement
  - E. Representation
13. In exceptional cases, when auditors report to a proper authority in the interest of the public, he would not be bound by
- A. Objectivity
  - B. Third Party Reporting
  - C. Letter of Consent
  - D. Duty of Non-Compliance
  - E. Duty of Confidentiality
14. Which of the following is **NOT** contained in current audit file?
- A. A copy of the accounts being audited
  - B. A description of the internal control system
  - C. List of accounting matters of importance e.g. accounting policies
  - D. Cross reference to the internal control record and letter of weakness
  - E. A schedule of important statistics including output sales composition, employment, accounting ratios

15. A situation where the auditor fails to exercise the degree of reasonable skill and care in a circumstance is known as
- A. Criminal Liability
  - B. Audit Risk
  - C. Conflicts of Interest
  - D. Negligence
  - E. Exception
16. Which of the following is **NOT** a benefit of the proper planning of an audit work?
- A. Assisting the direction and control of the work
  - B. Establishing the intended means of achieving the objectives of the audit
  - C. Ensuring that critical aspects of the audit work have less concentration
  - D. Ensuring that the work is completed expeditiously
  - E. Facilitating the review of the audit work
17. The risk that the auditor issues an unqualified opinion when the financial statement is not in conformity with the applicable financial reporting framework is
- A. Adverse Opinion
  - B. Control Risk
  - C. Risk-Based Audit
  - D. Total Audit Risk
  - E. Negligence
18. Which of the following is **NOT** an audit working paper?
- A. The record of planning and performance of the audit
  - B. The evidence obtained from the audit work to support the auditor's opinion
  - C. The supervision and review of the audit work
  - D. The evidence resulting from the audit work performed to support the auditor's opinion
  - E. The schedule of staff salaries of the audit firm
19. Which of the following is **NOT** a source of audit evidence?
- A. Accounting records and supporting documents
  - B. Financial statements prepared by auditors
  - C. Minutes of meetings held within the organisation
  - D. Third parties' confirmations
  - E. Information from audit procedures by the auditor

20. How can the auditor maintain control over the external confirmation process?
- A. The auditor should send out the confirmation requests
  - B. The confirmation requests should be properly addressed
  - C. The auditor must insist that the replies to confirmation requested are sent directly to him
  - D. The auditor should select those to whom a request will be sent
  - E. The cut off date should be identified
21. An audit design used to establish reasonable assurance that the firm and its personnel comply with professional standards and regulatory requirements is
- A. External confirmation
  - B. Analytical review
  - C. Quality control
  - D. Peer review
  - E. Staff verification
22. An error that arises from an isolated event that has not recurred other than on specifically identifiable occasion and is therefore not representative of errors in the population is
- A. Sampling error
  - B. Anomalous error
  - C. Population error
  - D. Tolerable error
  - E. Independence error
23. The sampling technique that is appropriate where the population consists of a wide range of values among the items under examination is
- A. Cluster sampling
  - B. Haphazard sampling
  - C. Systematic sampling
  - D. Stratified sampling
  - E. Random sampling
24. Which of the following is **NOT** a process of verifying assets?
- A. Analytical procedures
  - B. Beneficial ownership
  - C. Appropriate presentation
  - D. Existence
  - E. Valuation

25. Significant items that are generally **NOT** subjected to analytical procedures are
- A. Creditors and purchases
  - B. Inventories and cost of sales
  - C. Provisions and Other Incomes
  - D. Investment and investment income
  - E. Debtors and sales
26. Which of the following is **NOT** an adjusting event occurring after the statement of financial position date?
- A. The renegotiation of amounts in receivables
  - B. The receipt of information regarding rates of taxation
  - C. Insurance claims receivable which were in the course of negotiation at the statement of financial position date
  - D. Valuation which provides evidence of a permanent diminution in value of property
  - E. Inventory at branches not visited by the auditors
27. Which of the following scope of internal control systems does **NOT** extend beyond control of accounting procedures?
- A. Risk Assessment
  - B. Management perspective
  - C. Monitoring
  - D. Control Environments
  - E. Control Activities
28. The main function of internal control questionnaire is to highlight precisely
- A. Profitability evaluation
  - B. Dividend payable
  - C. Assets and liabilities
  - D. Areas of strengths and weaknesses
  - E. Source and destination of documents
29. Which of the following is **NOT** an important principle of obtaining and performing an assessment of internal audit function?
- A. Management Perspective
  - B. Due Professional Care
  - C. Technical Competence
  - D. Organisational Status
  - E. Scope of function

30. Which of the following is **NOT** included as Assurance completion procedure?
- A. Drafting the audit report
  - B. Field work completion
  - C. Engagement partner sign-off
  - D. Filing the audit report
  - E. Debriefing

**SECTION A: PART II**

**SHORT ANSWER QUESTIONS**

**(20 MARKS)**

**ATTEMPT ALL QUESTIONS**

1. The procedures required to conduct an audit in accordance with International Standards on Auditing (ISAs) necessary to achieve the objective of the audit are stated in the..... paragraph.
2. A unit of an organisation saddled with the appraisal and control of its operations is known as.....
3. One of the functions of the audit committee is to liaise effectively between .....and the external auditors.
4. An auditor provides many assurance services. State **TWO** assurance engagement services an auditor can render.
5. The principle that oblige auditors to be honest, fair and truthful in their dealings is.....
6. The Council charged with the responsibility for developing and publishing accounting standards to be observed in the preparation of financial statements in your country is .....
7. The guidelines issued by a professional body on the moral duties, values and obligations of its members is known as.....
8. The process of deciding in advance, the overall audit strategy and guidelines to follow in obtaining sufficient evidence and complete an audit effectively within the specified time is.....
9. The system of audit used by the auditor to focus on the high risks areas of a client's business instead of performing detailed audit tests is referred to as .....



10. The documentation of the procedures applied, information obtained and the conclusions the auditor reached in an audit engagement is known as .....
11. The contents of ..... are usually information relating to the audit of a client for a single period.
12. All information gathered from an audit assignment and used by auditor for the bases of his opinion is .....
13. The type of audit procedure used to obtain audit evidence by monitoring a process or procedure performed by others is known as .....
14. The audit procedure process commonly used in obtaining audit evidence as to the authenticity of the account balances is known as .....
15. Verification of debtor balances where the auditor writes the debtor to confirm the details of sums shown as outstanding in the records of the debtor is known as .....
16. When an auditor plans to engage an expert in an audit assignment, the expert's certification process should be evaluated to determine his .....
17. Audit procedures applied by auditor where every item has a chance of being selected to represent the population is known as .....
18. The maximum deviation from standard that an auditor is willing and ready to accept is referred to as .....
19. The evaluation of significant deviation from predicted amounts or inconsistent relationships with other relevant financial information is.....
20. The method of sample selection where items are selected at a constant interval or particular pattern is.....

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

- a. Explain the term “Audit Expectation Gap” (2 Marks)
- b. State and explain **TWO** categories of assurance (3 Marks)
- c. List **FIVE** persons disqualified to act as an auditor (2½ Marks)
- d. List **FIVE** rights of the Auditor (5 Marks)

**(Total 12½ Marks)****QUESTION 2**

- a. List **SIX** account balances where an auditor uses external confirmation (3 Marks)
- b. Briefly explain the following terms
  - i. Positive external confirmation
  - ii. Negative external confirmation (3 Marks)
- c. List **FIVE** information the auditor uses bank confirmation to verify (2½ Marks)
- d. Define an “expert” and state **THREE** areas where an auditor uses the work of an expert. (4 Marks)

**(Total 12½ Marks)****QUESTION 3**

- a. List **EIGHT** contents of an asset register. (4 Marks)
- b. Explain the term “Peer Review” and state **THREE** reasons it is not common in your country. (4½ Marks)
- c. Differentiate between anomalous error and tolerable error. (4 Marks)

**(Total 12½ Marks)**

#### **QUESTION 4**

- a. State **THREE** advantages and **FOUR** disadvantages of judgmental sampling (3½ Marks)
- b. List **FOUR** factors with an example each that the auditor considers to determine the reliability of data. (6 Marks)
- c. Briefly explain the following terms:
- i. Subsequent events
  - ii. Adjusting events
  - iii. Non-adjusting events (3 Marks)

**(Total 12½ Marks)**

#### **QUESTION 5**

- a. List **FOUR** directorates in the office of Auditor-General and state their functions (4 Marks)
- b. Differentiate between Pre-audit queries and Post-audit queries (2½ Marks)
- c. State **THREE** problems faced by Public Accounts Committee (3 Marks)
- d. State **THREE** objectives of Budget Monitoring Committee (3 Marks)

**(Total 12½ Marks)**

#### **QUESTION 6**

- a. State with examples, **THREE** risks faced by clients who rely on Information Technology system for key business activities (6 Marks)
- b. List **FOUR** advantages of automated working papers. (2 Marks)
- c. Briefly explain the following
- i. Application controls
  - ii. General controls
  - iii. Audit trail (4½ Marks)

**SECTION A – PART 1**

**MULTIPLE-CHOICE SOLUTIONS**

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

27. B
28. D
29. A
30. D

**Examiner's comment:**

This part covered the entire syllabus. Candidates performance was good. Many candidates (60%) scored more than 18 marks.

**SECTION A – PART 11**

**SHORT-ANSWER SOLUTIONS**

1. Scope of the audit
2. Internal audit
3. The management
4. Statutory audit, Private audit, Review
5. Integrity
6. Financial Reporting Council of Nigeria
7. Members Code of Conduct
8. Audit planning
9. Risk-based audit approach
10. Audit working papers
11. Current audit file
12. Audit evidence
13. Observation
14. Verification
15. Positive circularisation
16. Technical competence
17. Random sampling
18. Tolerance error
19. Analytical review
20. Systematic sampling

**Examiner's comment:**

Different areas of the syllabus were used for this section. The performance was average as 50% of the candidates scored more than 12marks

**SECTION B**

**SOLUTION 1**

a. **Audit Expectation Gap**

It is the misconception between the actual role of the auditor and what people expect of the auditor.

The profession posits that the auditor's report is addressed to the directors of the company and the shareholders. However, there is the misconception that it is the auditor's duty to detect fraud, when in actual fact the detection of fraud is the responsibility of the directors.

b. **Two categories of Assurance**

**Reasonable Assurance**

A high level of assurance provided by the practitioner's conclusion expressed in a positive form, e.g. "in our opinion the financial statements give a true and fair view".

A moderate level of assurance provided by the practitioner's conclusion expressed in a negative form, e.g. "Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements do not give a true and fair view".

c. **Persons disqualified to act as an auditor**

- i. An officer of the company or of any associated company
- ii. An infant
- iii. A person found by a competent court to be of unsound mind
- iv. A body corporate except that a member of an incorporated partnership may be appointed

- v. An undischarged bankrupt, unless s/he shall have been granted leave to act as an auditor of the company concerned by the court which adjudged him/her bankrupt.

**d. Rights of Auditor**

- i. Right of access at all times to books of accounts and vouchers of the company
- ii. Right to inquire from the officers, including the directors of the company, such information and explanations as are deemed necessary for the performance of his/her duties
- iii. Right to attend any general meeting of the company and to receive notices of, and other communications relating to any general meeting on any part of the business of the meeting which concerns him/her as auditor
- iv. Right to apply to the court for directions in relation to any matter arising in connection with the performance of his/her functions under the Companies and Allied Matters Act and to have the costs of any such application met by the company, unless directed by the court
- v. Right to be notified in writing in the event of an intended resolution to remove him/her or appoint some other persons in his/her stead, to submit a written statement which must be circulated to members and be read, if so required, at the general meeting
- vi. Right to communicate with a retiring auditor, if any, before accepting appointment as auditor.
- vii. Right to contract with a company, in addition to his/her statutory duties to the members of the company, expressly or by implication, to undertake obligations to the company in relation to the detection of defalcations, and advice on accounting, taxation, raising of finance and other matters.

### **Examiner's comment**

- a. The question tests candidates understanding of audit expectation gap which is different from the expectation of the layman.
- b. Candidates are required to know the major categories of assurance. In the case only two are required.
- c. Candidates knowledge of knowing those who are not qualified to be auditors in the requirement of this questions. Some specific person's are not qualified to be auditor of a company.
- d. Auditors are given some rights by the law. These rights are required to be stated by the candidates.

### **SOLUTION 2**

#### **a. Account balances where an auditor uses external confirmation**

- i. Bank balances and other information from bankers
- ii. Accounts receivable balances
- iii. Inventories held by third parties at bonded warehouses for processing or on consignment
- iv. Property title deeds held by lawyers or financiers for safe custody or as security
- v. Investment purchased from stockbrokers but not delivered at the statement of financial position date
- vi. Loans from lenders
- vii. Accounts payable balances

#### **b. Brief explanations**

- i. **Positive external confirmation** is used by the auditor for the respondents to either indicate by agreeing with the given information, or by asking the respondents to fill in the necessary information.



ii. **Negative external confirmation** asks the respondents to reply only in the event of disagreement with the information provided in the request.

c. **Information the auditor uses bank confirmation to verify:**

- i. Names of signatories
- ii. Loans and advances taken and securities pledged
- iii. Valuables deposited with the bank for safe keeping
- iv. Securities pledged
- v. Bank account balances
- vi. Accounts held with other banks
- vii. Signing instructions

d. **Definition of an expert**

An expert is a person or firm possessing special skill, knowledge and experience in a particular field, apart from accounting and auditing such as an actuary, engineer, architect etc.

**Areas where an auditor uses the work of an expert**

- i. Valuations of certain types of assets, like land and buildings, plant and machinery, works of art, and precious stones.
- ii. Determination of quantities or physical condition of assets, like, minerals stored in inventory piles, underground mineral and petroleum reserves, and the remaining useful life of plant and machinery.
- iii. Determination of amounts using specialized techniques or methods, like an actuarial valuation.
- iv. The measurement of work completed and to be completed on contracts in progress.
- v. Legal opinions concerning interpretations of agreements, statutes and regulations.

### **Examiner's comment**

- a. Candidates are required to state balances in the financial statements where auditor uses external bodies for confirmation.
- b. Candidates to distinguish positive external confirmation from external confirmation.
- c. Candidates are required to know information the auditor uses bank confirmation to verify.
- d. Candidates to know the meaning of an expert in auditing and areas where an auditor uses the work of an expert.

### **SOLUTION 3**

#### **a. Contents of an asset register**

- i. Name of the asset
- ii. Suppliers name
- iii. Date of purchase
- iv. Original cost of the asset
- v. Estimated useful life of the asset
- vi. Estimated residual value
- vii. Summary of expenditure on repairs to date
- viii. Estimated replacement cost entered at annual intervals
- ix. Details of eventual disposal
- x. Depreciation rate

#### **b. Peer Review**

Peer review is the process through which the firms have agreed to set up mechanisms for the review of the processes adopted by each other with a view to identifying practice weaknesses which could be addressed to improve the quality of standards in their respective firms.

**Peer review is not so common in Nigeria for the following reasons:**

- i. Cost may be prohibitive
- ii. Legality and confidentiality of allowing others to go through a client's file is not protected
- iii. Exposure of the firm's procedures and standards to competing audit firms is inevitable

**c. Differences between Anomalous and Tolerable Errors**

**Anomalous error** is 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.

**Tolerable Error** is the maximum error in a population that the auditor is willing to accept.

**Examiner's comment:**

- i. Candidates are required to know the contents of an asset register.
- ii. Understanding "Peer Review" and reasons why it is not common in Nigeria.
- iii. Candidates to know the difference between anomalous error and tolerable error.

**SOLUTION 4**

**a. Advantages of judgmental sampling**

- i. It has been in use for many years and lend itself for easy application through experience.
- ii. No special knowledge of statistics is required
- iii. No time is wasted in playing with mathematics
- iv. The auditor can bring his judgment to bear, using the sixth sense

**Disadvantages of judgmental sampling**

- i. It is unscientific
- ii. It is wasteful. Usually sample sizes are too large
- iii. No quantitative results are obtained

- iv. Personal bias in the selection of samples is unavoidable
- v. There is no real logic to the selection of the sample or its size
- vi. The sample selection can be imposed to meet the auditor's needs
- vii. The conclusion reached on the evidence from samples is usually vague

**b. Factors the auditor considers to determine the reliability of data**

- i. Source of the information available.  
For example, information is ordinarily more reliable when it is obtained from independent sources outside the entity.
- ii. Comparability of the information available  
For example, broad industry data may need to be supplemented to be comparable to that of an entity that produces and sells specialized products.
- iii. Nature and relevance of the information available  
For example, whether budgets have been established as results to be expected rather than as goals to be achieved.
- iv. Controls over the preparation of the information  
For example, controls over the preparation, review and maintenance of budgets.

**c. Brief Explanation**

- i. **Subsequent event** is an event (favourable or unfavourable) which occurs between the financial position date and the date on which the financial statements are approved by the board of directors.
- ii. **Adjusting events** are events which provide additional evidence relating to conditions existing at the financial position date. They require changes in amounts to be included in the financial statements.
- iii. **Non-adjusting events** are events which arise after the statement of financial position date concerning conditions which did not exist at that time. Consequently, they do not result in changes in amounts in the financial statements. They may, however, be of such materiality that their disclosure is required by way of notes to ensure that the financial statements are not misleading.

### **Examiner's comment**

- a. Candidates are required to know the advantages and disadvantages of judgemental sampling.
- b. Candidates to list factors with examples which auditor considers to determine the reliability of data.
- c. Candidates are required to know these terms: subsequent events, adjusting events and non-adjusting events.

### **SOLUTION 5**

#### **a. Directorates in the office of the Auditor-General and their functions:**

- i. Treasury Accounts, which handles the audit of accounts and financial statements
- ii. State Accounts, which audit the transactions of pay officers operating in various States
- iii. Public Enterprises, which oversees the audit of parastatals
- iv. Project Audit which investigates justifications to pay officers operating in various States.
- v. Pension which conducts pre-audit of gratuities and pensions
- vi. Losses and Investigations that handles all cases of loss of funds
- vii. Annual report and Public Accounts Committee (PAC) which handles all reports and links with PAC deliberations.

#### **b. Differences between Pre-audit and Post-audit queries**

**Pre-audit queries** are observations or points raised by **Internal Audit** in particular transactions seeking further clarifications.

**Post-audit queries** are observations or points raised by **the Auditor-General** in particular transactions seeking further clarifications.

#### **c. Problems faced by Public Accounts Committee**

- i. Political instability (either through violent change as in the military regimes or change of political party) 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
  - v. Resolutions are not always implemented.
- d. **Objectives of the Budget Monitoring and Price Intelligence Unit also known as 'The Due Process' office**
- i. To harmonize and update the policies and practice in public procurement
  - ii. To ensure that project conceptualization, packaging and execution are in tandem with targets as contained in approved budgets
  - iii. To strictly enforce the Due Process principles of transparency, competition, efficiency and value for money in the procurement of public goods, works and services
  - iv. To ensure that the execution of contract is monitored
  - v. To prevent extra-budgetary spending and inflation of contract prices.

**Examiner's comment**

- a. Candidates are required to state directorates in the office of Auditor General and their functions.
- b. The fundamental differences between Post-audit queries and Pre-audit queries are required by the examiner.
- c. Candidates are required to know problems faced by Public Accounts Committee.
- d. Candidates are required to know the objectives of Budget Monitoring Committed.

**SOLUTION 6**

- a. **Risks faced by clients who rely on IT systems for key business activities**
  - i. **Natural disasters** are a set of risks to IT systems. Damage to buildings and computer hardware can result in loss or corruption of business data records. Examples:  
Floods, earthquake, fire, and thunderstorm.

ii. **General threats** to IT systems and data include

Examples:

- viruses – a program that can copy itself and spread from one computer file to another, often disrupting computer operations;
- spam, scams and phishing – unsolicited email that seeks to fool people into revealing personal details or buying fraudulent goods; and
- hardware and software failure – due to power outage or data corruption.

iii. **Criminal threats** to IT systems and data

Examples

- denial-of-service – online attacks that prevent website access for authorised users
- fraud – altering data for illegal benefit
- hackers – people who illegally break into computer systems
- passwords theft – often a tool for malicious hackers
- security breaches – online intrusion, physical break-ins
- staff dishonesty – theft of sensitive information e.g., customer details.

b. **Advantages of automated working papers**

- i. The risk of errors is reduced
- ii. The working papers will be neater and easier to review
- iii. The time saved will be substantial as adjustments can be made easily to all working papers, including working papers summarizing the key analytical information
- iv. Standard forms do not have to be carried to audit locations as forms can be designed to be called up and completed on the computer screen
- v. Audit working papers can be transmitted for review via the internet.

**c. Brief explanations of:**

- i. **Application Controls** relate to the transactions and standing data pertaining to each computer-based accounting system and are therefore specific to each such application. The objectives of application controls, which may be manual or programmed, are to ensure the completeness and accuracy of the accounting records and the validity of the entries made in these records resulting from both manual and programmed processing.
- ii. **General Controls** are controls, other than application controls, which relate to the environment within which computer based accounting systems are developed, maintained and operated, and which are therefore applicable to all the applications. The objectives of general controls are to ensure the proper development and implementation of applications and the integrity of program and data files and of computer operations. Like application controls, general controls may be either manual or programmed.
- iii. **Audit Trails** means that transactions could be followed stage-by-stage through a system to ensure that they had been processed correctly. A sales system transaction record could be traced right through the system because the audit trail would show a reference to the customer order, delivery note, invoice, and cheque/cash receipt.

**Examiner's comment**

- a) Candidates state 3 risks faced by clients who rely on Information Technology System for key business activities.
- b) Candidates to list 4 advantages of automated working papers.
- c) The question tests candidates understanding of:
  - i. Application controls
  - ii. General controls
  - iii. Audit trail



**THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA****ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
SEPTEMBER 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 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, 28 SEPTEMBER, 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 – SEPTEMBER 2022**

**COST ACCOUNTING**

**Time allowed: 3 hours**

**SECTION A: Part 1                      MULTIPLE-CHOICE QUESTIONS                      (20 Marks)**

**ATTEMPT ALL QUESTIONS**

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

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

1. Which of the following is **NOT** included in the required information at the operational management level?
  - A. Efficiency of individuals in the department
  - B. Costs and sales variances
  - C. Short- and long-term finances
  - D. Inventory position of each item in the store
  - E. Ascertainment of operational control
  
2. Normal loss is best described as
  - A. Input multiplied with expected % of normal loss
  - B. Normal loss % multiplied with actual production
  - C. Input multiplied with expected actual production
  - D. Normal loss % multiplied with actual weight
  - E. Normal loss % multiplied with cost of production
  
3. A good cost accounting report must possess all the following qualities, **EXCEPT**
  - A. Timeliness
  - B. Accuracy
  - C. Tax consciousness
  - D. Cost effectiveness
  - E. Relevance

4. Which of the following usually makes use of composite cost unit?
- A. Batch costing
  - B. Process costing
  - C. Service costing
  - D. Contract costing
  - E. Job costing
5. Units that represent the notional quantity of completed units substituted for actual quantity of incomplete units is described as
- A. Finished goods
  - B. Output units
  - C. Equivalent units
  - D. Actual units
  - E. Expected output
6. The process of gradual and continual improvement in cost reduction during the manufacturing stage of an existing product is called
- A. Target costing
  - B. Throughput accounting
  - C. Kaizen costing
  - D. Cost accounting
  - E. Backflushing
7. Costs which remain fixed within a relevant range of activity is known as
- A. Direct costs
  - B. Variable costs
  - C. Indirect costs
  - D. Step fixed cost
  - E. Production costs
8. Given the following data:
- |                   |              |
|-------------------|--------------|
| Sales             | 89,350 units |
| Closing inventory | 33,156 units |
| Opening inventory | 23,864 units |
- Production Budget is
- A. 98,242 units
  - B. 98,342 units
  - C. 98,542 units
  - D. 98,552 units
  - E. 98,642 units

9. Selense Limited produced the following budget for an activity level of 200,000 units

	<b>N</b>
Direct Material	30,000
Direct Labour	80,000
Fixed Expenses	77,000

What would be the total cost for a level of activity of 225,000 units?

- A. ~~N~~205,750  
B. ~~N~~203,850  
C. ~~N~~200,950  
D. ~~N~~200,750  
E. ~~N~~200,550
10. When a production budget is being prepared, the quantity that needs to be produced is calculated by the following equation
- A. Opening inventory less quantity sold plus closing inventory  
B. Opening inventory less quantity sold  
C. Quantity sold plus closing inventory less opening inventory  
D. Opening inventory plus quantity sold plus closing inventory  
E. Quantity sold plus opening inventory less closing inventory
11. Which of the following will **NOT** appear in a cash budget?
- A. Machinery bought on hire purchase  
B. Depreciation of machinery  
C. Sales revenue  
D. Material cost  
E. Wages
12. A budget that gives a summary of all the functional budgets and projected Profit or Loss Account is known as ..... Budget
- A. flexible  
B. fixed  
C. operational  
D. master  
E. capital

13. -Budgetary control helps in the implementation of
- A. Standard costing
  - B. Ratio analysis
  - C. Marginal costing
  - D. Cost analysis
  - E. Technical analysis

**Use the following information to answer Questions 14 and 15:**

A worker in XYZ Limited takes 6 hours to complete a job under a scheme of payment by results. Standard time allowed for the job is 9 hours. His wage rate is ₦15 per hour. Material cost of the job is ₦160 and overhead is recovered at 200% of total direct wages.

14. The total factory cost of the job under Rowan plan scheme is
- A. ₦725.00
  - B. ₦705.00
  - C. ₦620.00
  - D. ₦525.00
  - E. ₦520.00
15. The total factory cost of the job under Halsey plan scheme is
- A. ₦307.50
  - B. ₦309.50
  - C. ₦409.50
  - D. ₦497.50
  - E. ₦509.50
16. Material cost variance is equal to
- A. Material price variance + Material Yield variance
  - B. Material price variance + Material Usage variance
  - C. Material usage = Material Mix + Variance
  - D. Material Yield Variance + Material Mix Variance
  - E. Material usage Variance + Material Yield

17. A system of accounting which focuses on the output of an organisation and then works backward to attribute costs to inventory and cost of sales is

- A. Target
- B. Throughput
- C. Backflush
- D. Lifecycle
- E. Just – In – Time

18. Given the following data:

	<b>GH¢</b>
Budgeted sales	750,000
Budgeted contribution	300,000
Budgeted profit	75,000

The break-even sales is

- A. GH¢652,750
- B. GH¢632,050
- C. GH¢575,750
- D. GH¢562,500
- E. GH¢555,750

19. Which of the following is **NOT** associated with process costing?

- A. Normal loss
- B. Abnormal loss
- C. Scrap
- D. Cost of goods sold
- E. Abnormal gain

20. Joint costs are apportioned as

- A. Total Joint costs/Expected total units of joint costs
- B. Total Joint costs/Total Number of inputs
- C. Total Joint costs/Total Number of Units of Joint Products
- D. Total Joint costs/Total Number of Expected Joint Products
- E. Total Joint costs/Actual Number of Equivalent Products

21. A budget which, by recognising different cost behaviour patterns and designed to change as the volume of activity changes is known as

- A. Fixed budget
- B. Activity budget
- C. Functional budget
- D. Flexible budget
- E. Behavioral budget

22. The cost journal entries relating to material purchased is

- A. DR: Production overheads control account; CR: Store Ledger control account
- B. DR: Store Ledger control account CR: Cost Ledger control account
- C. DR: Work in Progress control account; CR: Store Ledger control account
- D. DR: Cost Ledger control account; CR: Store Ledger control account
- E. DR: Production Cost control account; CR: Store Ledger control account

23. From the following data:

	<b>L\$</b>
Fixed cost	20,000
Profit	4,000
Sales	60,000

The Profit/Volume (P/V) Ratio is

- A. 50%
- B. 47%
- C. 45%
- D. 40%
- E. 30%

24. A cost driver is

- A. An item of production overhead
- B. A common cost which is shared over cost centres
- C. An activity which generates costs
- D. Any cost relating to vehicles
- E. A cost of production

25. Use the information below to answer **Question 25**

Month	January	February	March	April	May	June
Sales (in units)	1,000	2,000	3,000	4,000	5,000	6,000

It is the company's policy to collect 20% in the month of sales and balance the following month. The uniform selling price is ₦20 per unit.

The collection in the month of May is

- A. ₦54,000
  - B. ₦64,000
  - C. ₦74,000
  - D. ₦84,000
  - E. ₦94,000
26. The efficiency ratio is described as
- A. Standard hours for actual output/Budgeted Hours x 100%
  - B. Actual Hours Worked/Budgeted Hours x 100%
  - C. Standard Hours for Actual Output/Actual Hours Worked x 100%
  - D. Budgeted Capacity – Actual Capacity/Budgeted Capacity x 100%
  - E. Budgeted Hours/Maximum Possible Hours in Budgeted period x 100%
27. Budgeting without any reference to past records is
- A. Flexible budgeting
  - B. Performance budgeting
  - C. Traditional budgeting
  - D. Zero based budgeting
  - E. Activity based budgeting

**Use the following information to answer Questions 28 and 29**

The standard cost sheet per unit of Olododo Ltd consists of the following:

Direct Material A @ ₦ 4 per kg of ₦ 16

Direct Material B @ ₦ 3 per kg of ₦ 18

Actual output 170 units.

28. The standard quantity per unit of output for Materials A and B is
- A. Material A: 7kg; Material B: 8kg
  - B. Material A: 6kg; Material B: 7kg
  - C. Material A: 5kg; Material B: 6kg
  - D. Material A: 4kg; Material B: 6kg
  - E. Material A: 3kg; Material B: 5kg



29. The standard quantity for 170 units of output is
- A. Material A: 680kg; Material B: 1,020kg
  - B. Material A: 680kg; Material B: 1000kg
  - C. Material A: 550kg; Material B: 640kg
  - D. Material A: 440kg; Material B: 620kg
  - E. Material A: 320kg; Material B: 520kg
30. Headson manufactures a single product. For the forthcoming period, the budget contains the following information:

	<b>R</b>
Sales	1,000,000
Fixed overheads	140,000
Contribution	200,000

The margin of safety in percentage terms is

- A. 10%
- B. 20%
- C. 30%
- D. 40%
- E. 50%

**SECTION A: PART II**

**SHORT ANSWER QUESTIONS**

**(20 Marks)**

**ATTEMPT ALL QUESTIONS**

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

1. The verification of cost accounts and a check on the adherence to the cost accounting plan is called .....
2. A sheet that records and maintains for each vehicle the details of trips, running time, capacity, and distance covered is known as .....
3. The practice of forecasting the cost of completing a project with a defined scope is called .....

**Use the following to answer Questions 4 and 5:**

Semi-Annual Carrying Cost	6%
Demand varies from 500 units to 1500 units per month	
Ordering cost per order:	₦180
Raw material required per unit of finished product:	2kg
Purchase price of raw material per unit:	₦50 per kg

4. The Economic Order Quantity is .....
5. Number of orders per annum is .....
6. A technique used to measure the time that may be taken by a workman of reasonable skills and ability to perform various elements of the tasks in a job is known as .....

7. The following information is provided by PKN NIG LTD:

Activity Level (Hours)	10,000	20,000	30,000
Overheads (₦)	3,000,000	4,200,000	5,400,000

The total overheads at 25,000 hours level of activity is .....

8. The process of allocation and apportionment of overheads to various departments is .....
9. At break-even-point, ..... and ..... are equal
10. A form of process costing under which costs are accumulated and analysed under various elements of costs and the cost per unit is ascertained by dividing the total cost by the number of units produced is known as .....
11. The document which contains several detachable portions each of which is detached and sent by the foreman to the production control department on completion of each operation of a job is known as .....
12. The fixed costs which are directly caused by a product, which would be saved if the products were discontinued is called .....
13. The accounting system applicable where work consists of separately identifiable contracts, jobs and batch is known as .....

14. The time it takes for the cash inflows from a project to repay the cash outflows is .....
15. An unavoidable and acceptable loss which occurs due to the inherent nature of the materials and production process is called .....
16. The extra revenues earned as a direct result of a particular course of action is known as .....
17. A control account that summarises the aggregate of all material transactions is called .....
18. A part of a business accountable for costs and revenues is .....
19. A set of accounting records which provides both financial and cost accounts using a common input data for all accounting purposes is known as .....
20. A section of an entity for which control may be exercised and budgets prepared is called .....

**SECTION B:**

**ATTEMPT ANY FOUR QUESTIONS**

**(50 MARKS)**

**QUESTION 1**

The end product of the installation of cost accounting system in an entity is the preparation of a good cost accounting report.

- a. List **SIX** qualities required of such report **(3 Marks)**
  - b. List **NINE** steps to be taken in setting up a cost accounting system **(4½Marks)**
  - c. State **FIVE** features of a good cost accounting system **(5 Marks)**
- (Total 12½Marks)**

## QUESTION 2

Step-Up Limited has power generators and produces its power. The company presents its data for power costs as follows:

Horse power hours	Production DeptA	Production Dept B	Service Dept X	Service Dept Y
Needed capacity production	10,000	20,000	12,000	8,000
Used during the month of July	8,000	13,000	7,000	6,000

During the month of July, costs for generating power amounted to ₦ 93,000; of which ₦25,000 was considered to be fixed cost. Service department X renders service to A, B and Y in the ratio 13:6:1, while service department Y renders service to A and B in the ratio 31:3. Given that the direct labour hours in the departments A and B are 16,500 hours and 21,750 hours respectively.

You are required to calculate power cost per labour hour in each of these two departments using the elimination method. (Zero decimal places) **(12½Marks)**

## QUESTION 3

SEQUA Limited manufactures two products AB and CD by mixing the following raw materials in the proportion below:

Raw Material	Product AB	Product CD
A	80%	-
B	20%	-
C	-	50%
D	-	50%

The weight of finished goods of AB and CD are equal to the weight of their ingredients. During the month of September, it is expected that 600 tonnes of AB and 2000 tonnes of CD will be sold. The inventories for the month of September 2021 are as follows:

<b>Material</b>	<b>Inventory in Quantity 1<sup>st</sup> September (Tonnes)</b>	<b>Inventory in Quantity 30<sup>th</sup> September (Tonnes)</b>
A	150	200
B	100	400
C	2000	3000
D	2500	2000
Product AB	100	50
Product CD	500	600

The purchase price of materials for September to be as follows:

<b>Material</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
Cost per Tonne (₦)	5,000	4,000	1,000	2,000

All materials will be purchased on 3<sup>rd</sup> of September.

**You are required to prepare:**

- Production budget for the month of September 2021 **(5 Marks)**
- Material requirement budget for September 2021 **(5 Marks)**
- Material purchase budgeting indicating the expenditure for the month of September 2021. **(2½ Marks)**

**(Total 12½Marks)**

#### **QUESTION 4**

Crown Nigeria Limited manufactures and sells three chemicals produced by consecutive processes. In each process, 2% of the total weight put in is lost while 10% is scrapped. The amount realised from scrap is as follows:

Process 1 - ₦20 per kg

Process 2 - ₦20 per kg

Process 3 - ₦4 per kg

The products of the three processes are dealt with as follows:

	<b>Process 1</b>	<b>Process 2</b>	<b>Process 3</b>
Sent to store for sale	25%	50%	100%
Passed to the process	75%	50%	-

The following particulars relate to the month of September 2020

	Process 1	Process 2	Process 3
Material used (kg)	10,000	1,400	13,480
Cost per kg (₦)	24	40	16
Manufacturing wages (₦)	61,600	51,520	36,200

**You are required to:**

Prepare an account for each process for the month of September 2020 and to show your computation of the cost per kg of each product. **(12½ Marks)**

### QUESTION 5

A firm produces three products Zaa, Zuu and Zee, using different quantities of the same resources. Budget information per unit of the product is as follows:

	<b>Zaa</b>	<b>Zuu</b>	<b>Zee</b>
	<b>₦</b>	<b>₦</b>	<b>₦</b>
Market Selling Price	1,800	2,500	3,000
Direct Labour (₦140 per hour)	280	560	700
Material A (₦60 per Kg)	300	240	420
Material B (₦120 per Kg)	480	720	600
Variable Overhead (₦80 per hour)	160	320	400
Fixed Overhead per unit	240	140	240
Total Cost	1,460	1,980	2,360
Profit	340	520	640
Total Budgeted Sales Units	500	800	1,600

Fixed overhead per unit was derived by dividing the total fixed overheads by the number of units sold.

It is projected that the market would absorb all units produced.

During June, the management anticipates that there will be shortage of Material B and that only 13,600 Kgs will be available.

**You are required to:**

- Prepare calculations to show production that will maximise the firm's profit for the month of June, and determine such profit. **(11½ Marks)**

- b. State **TWO** possible factors that may cause input materials to be a budget constraint. **(1 Mark)**

**(Total 12½ Marks)**

### **QUESTION 6**

The following data relates to ABC Limited which makes a single product with budgeted sales of 10,000 units. The selling price and contribution margin ratio per product is ₦200 and 40% respectively. The fixed cost is ₦600,000.

**You are required to calculate:**

- a. Number of units to break-even **(2 Marks)**
- b. Sales at break-even point **(1½ Marks)**
- c. What number of units to be sold to achieve a profit of ₦200,000 **(2 Marks)**
- d. What sales value will achieve a profit of ₦200,000 **(2 Marks)**
- e. What number of units should be sold to achieve a profit of ₦200,000 if tax rate is 40% **(2 Marks)**
- f. The margin of safety in units and value **(3 Marks)**

**(Total 12½ Marks)**

### **SECTION A – PART I**

#### **MULTIPLE CHOICE SOLUTIONS**

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

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

### Workings to Q8

	Units
Closing inventory	33,156
Sales	<u>89,350</u>
	122,506
Opening inventory	<u>(23,864)</u>
Production in units	<u>98,642</u>

### Workings to Q9

	₦
Direct material	30,000
Direct Labour	<u>80,000</u>
Total variable cost	<u>110,000</u>

Variable cost per unit:       $\text{₦}110,000/200,000 \text{ units} = \text{₦}0.55$

Total cost @ a level of 225,000 units level of activity

$$Y = a + bx$$

$$77,000 + \text{₦}0.55 \times 225,000 = \text{₦}200,750$$



**Workings to Q 14 and 15**

Particulars	Rowan Plan Scheme	Halsey Plan Scheme
Time saved (Time Allowed – Time taken)	9 hours – 6 hours = 3 hours	9 hours – 6 hours = 3 hours
Bonus	TT / TA x TS x Rate per hour: $6/9 \times 3 \text{ hours} \times \text{₦}15 = \text{₦}30$	$\frac{1}{2} \text{ (TS)} \times \text{rate per hour: } \frac{1}{2} (3) \times \text{₦}15 = \text{₦}22.50$
Basic Wage	TT x Rate per hour: $6 \text{ hrs} \times \text{₦}15 = \text{₦}90.00$	TT x Rate per hour: $6 \text{ hrs} \times \text{₦}15 = \text{₦}90.00$
Total Earnings / wages	Basic wage + Bonus = $\text{₦}90 + \text{₦}30 = \text{₦}120$	Basic wage + Bonus = $\text{₦}90 + \text{₦}22.50 = \text{₦}112.50$
Material cost	₦160.00	₦160.00
Overheads	$200\% \times 120 = \text{₦}240$	$200\% \times \text{₦}112.50 = \text{₦}225.00$
Total factory cost	$\text{₦}120 + \text{₦}160 + \text{₦}240 = \text{₦}520$	$\text{₦}112.50 + \text{₦}160 + \text{₦}225 = \text{₦}497.50$

**Workings to Q18**

	₦
Budgeted Sales	750,000
Budgeted Variable cost	(450,000)
Budgeted contribution	300,000
Budgeted Fixed cost	(225,000)

Contribution margin ratio:  $300,000/750,000 = 0.4$

Break – even sales

BEP(Value): Fixed cost / contribution margin ratio  
 $= \text{₦}225,000 / 0.4$   
 $= \text{₦}562,500$

**Working to Q 23**

Fixed cost + Profit / Sales x 100% = 40%

**Workings to Q 25**

Month	Jan	Feb	March	April	May	June	July
Units	1,000	2,000	3,000	4,000	5,000	6,000	
Units price	₦20	₦20	₦20	₦20	₦20	₦20	
Sales value (₦)	20,000	40,000	60,000	80,000	100,000	120,000	
Collections (₦): 20%	4,000	8,000	12,000	16,000	20,000	24,000	
80%	-	16,000	32,000	48,000	64,000	80,000	96,000
Total collections (₦)	4,000	24,000	44,000	64,000	84,000	104,000	96,000

### Workings for question 28 and 29

Particulars	Material A	Material B
Standard Qty per unit of output	₦16 / ₦4 = 4kg	₦18 / ₦3 = 6kg
Standard Qty for 170 units	170 units x 4kg = 680kg	170 units x 6kg = 1,020kg

### Workings to Q 30

	₦
Revenue	1,000,000
Variable costs	<u>(800,000)</u>
Contribution	200,000
Fixed costs	<u>(140,000)</u>
Profit	<u>60,000</u>

CMR  $200,000/1,000,000 \times 100\% = 20\%$  or 0.2  
BEP (Naira)  $140,000 / 0.2 = \text{₦}700,000$   
Margin of safety  $= \text{₦}1,000,000 - \text{₦}700,000 = 300,000$   
Margin of safety (%)  $= 300,000 / 1,000,000 \times 100\% = \underline{30\%}$

### Examiner's comment

The section which contains 30 questions covers a wide range of the various sections of the syllabus on costing. All the candidates attempted the questions and general performance is good as about 85% of them scored above the pass mark. The major pitfall of candidates who did not do well is that they did not cover the syllabus adequately.

The candidates are advised to ensure complete coverage of the syllabus in the future.

## SECTION A – PART II

### SHORT-ANSWER SOLUTIONS

1. Cost Audit
2. Daily Log/Time Sheet
3. Cost Estimation
4. 1,200kg
5. 20 times
6. Time Study
7. ₦4,800,000

8. Departmentalisation of Overheads
9. Total Revenue/Sales and Total Cost
10. Unit Costing
11. Job Ticket
12. Attributable Fixed Costs / Identifiable Fixed Costs
13. Specific Order Costing
14. Payback Period (PBP)
15. Normal Loss
16. Incremental Revenue/Income
17. Store Ledger Control Accounts
18. Profit Centre
19. Integrated Cost Accounts
20. Budget Centre

### Workings for Q 4 and 5

$$Q = \sqrt{2 \times (2 \times 1000 \times 12) \times 180 / 12\% \times 50}$$

$$Q = 1200 \text{ units}$$

$$\text{Annual Demand (DD)} = 2 \times 1000 \times 12 = 24,000\text{kg}$$

$$\text{Number of orders per annum} = \text{DD}/Q$$

$$= 24,000\text{KG} / 1,200 \text{ Kg} = 20 \text{ times}$$

### Workings for Q 7

	Activity Level (Hrs)	Overheads (N)
Highest	30,000	5,400,000
Lowest	<u>(10,000)</u>	<u>(3,000,000)</u>
Difference	<u>20,000</u>	<u>2,400,000</u>

$$\text{Variable cost per hour} = \text{N}2,400,000 / 20,000 = \text{N}120 \text{ per hour}$$

Determine the total fixed cost using;  $Y = a + bx$

@ Highest level of activity

$$5,400,000 = a + 120 (30,000 \text{ hrs})$$

$$a = 5,400,000 - 3,600,000$$

$$a = \text{N}1,800,000$$

Total overheads cost @ 25,000 hours:

$$Y = \text{N}1,800,000 + \text{N}120(25,000 \text{ hours})$$

$$Y = \underline{\underline{\text{N}4,800,000}}$$

### **Examiner's comment**

The 20 questions in this section also tested different topics across the syllabus. All candidates attempted the questions but performance was below average as about 45% of the candidates scored 50% and above of the marks allotted.

As with the multiple-choice questions, the major pitfall was inadequate preparation.

Candidates should realise that the multiple-choice questions and the short-answer questions cover 50% of the marks obtainable in the examination, therefore they should devote quality time towards their preparations.

### **SECTION B**

#### **SOLUTION 1**

**a.** Qualities required of a good cost accounting report are:

- i. It must be accurate
- ii. It must be understandable
- iii. It must be timely
- iv. It must be relevant
- v. It must be objective and unbiased
- vi. It must be cost effective
- vii. It must be factual
- viii. It must be orderly in the preparation
- ix. It must be appropriate to the business
- x. It must be clear
- xi. It must be sufficient and accurate
- xii. It must be brief and concise
- xiii. It must avoid ambiguity.

**b. Steps involved in setting up a costing system**

- i. Ascertain the object of management in installing the system
- ii. Ascertain the management needs for the system
- iii. Ascertain and understand the technical features of the class of the industry
- iv. Staff composition by qualification, experience and competence
- v. Implement the system with full capacity
- vi. Study the expected individual characteristics of the company such as:
  - a. The stages through which the product must pass before it is completed.
  - b. The nature of the products

- c. The layout of the factory
  - d. Nature of materials to be used and method of storage
  - e. The method of remunerating the labour
  - f. The personality of the key personnel and the capabilities of the staffs
- vii. Select a suitable costing method
  - viii. Design suitable forms to collect cost data
  - ix. Design the cost codes
  - x. Training of client's employees if need arises
  - xi. Prepare a cost office manual to guide the costing staffs in operating the system.
  - xii. Build a feedback mechanism into the system
  - xiii. The extent of details in which information is required should be determined
  - xiv. The various field where cost control is to be exercised should be determined
  - xv. Existing methods should be studied.

**c. Features of a good cost accounting system**

- i. The costing system adopted in a particular organisation must suit its nature and size of business and its information.
- ii. The costing system must be economical to the organisation and the benefits derived from the system should be more than its cost of installation.
- iii. The system should be more flexible to take care of changing business situations and information needs of the organisation.
- iv. The system should be simple to understand and easy to operate.
- v. The costing should ensure proper system of accounting for materials, labour and overheads.
- vi. The costing system should clearly mention the details of records to be maintained and the degree of accuracy of data required.
- vii. The costing system should meet the requirements of management and its information needs since costing system is for the internal control purpose.
- viii. Where possible, concepts like management by exception, responsibility accounting should be adopted
- ix. All forms of proformas should be adopted to minimise clerical work and formulate efficient system of material control and adequate wage procedure.
- x. The costing system must take care of the importance of comparability of data with previous period's data.
- xi. Segmenting (departmentalization) of costs – a sound plan devised for allocation, apportionment, absorption of overhead cost.
- xii. The system should be capable of reconciling of financial and cost accounts

**Examiner's comment**

The question tests qualities of good report, features of a good cost accounting system and also steps involved in setting up a good costing system.

80% of the candidates attempted the questions and performance was good as over 70% of the candidates who attempted the question scored 50% and above of the marks allotted. A few candidates did not take time to understand the instructions on the question.

The candidates should read well before the commencement of the examination and be more patient in answering such questions in the future.

**SOLUTION 2**

**Step Down Limited**  
**Calculation of Power cost per**

Particulars	Basis of apportionment	Total ₦	Prod. Dept. A	Prod. Dept. B	Service Dept. X	Service Dept. Y
Fixed cost	HP hours @ needed production 10:20:12:8	25,000	5,000	10,000	6,000	4,000
Variable cost	HP hours @ actual production. 8:13:7:6	68,000	16,000	26,000	14,000	12,000
		93,000	21,000	36,000	20,000	16,000
Dept X overheads to Dept A, B & Y @ ratio 13:6:1			13,000	6,000	(20,000)	1,000
Dept Y Dept A and B @ 31: 3			15,550	1,500	-	(17,000)
Total Power cost (a)			49,550	43,500		
Labour Hours worked (b)			16,500	21,750		
Power cost per labour hour (N) (c = a/b)			₦3.00	₦2.00		

**Examiner's comment**

This question tests candidates' understanding of cost absorption and apportionment. 70% of the candidates attempted the question and performance was just average as 45% of the candidates who attempted the question scored 50% and above of the marks allotted.

The major issue which caused poor performance was lack of understanding of the question.

Candidates are advised to study this topic in detail to gain a better grasp of it in the future.

### SOLUTION 3

a. **SEQUA Ltd**

**Preparation for Production Budget for the month of September 2021**

<b>Particulars</b>	<b>Product AB (Tonnes)</b>	<b>Product CD (Tonnes)</b>
Closing inventory	50	600
Finished goods required for sales	600	2000
Total Requirement	650	2600
Less: Opening inventory	100	500
<b>Production Budget</b>	<b><u>550</u></b>	<b><u>2100</u></b>

b. **Material required in Tonnes Budget for the month of September 2021**

<b>Particulars</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
Closing Inventory	200	400	3,000	2,000
<i>Add:</i> Usage for production:				
A : 80% x 550	440			
B: 20% x 550		110		
C : 50% x 2100			1,050	
D: 50% x 2100				1,050
	640	510	4,050	3,050
<i>Less:</i> Opening inventory	150	100	2,000	2,500
<b>Material required Budget in Tonnes</b>	<b><u>490</u></b>	<b><u>410</u></b>	<b><u>2,050</u></b>	<b><u>550</u></b>



**c. Material Purchase Budget in Value for the month of September 2021**

<b>Materials</b>	<b>Tonnes</b>	<b>Price per Tonne (₺)</b>	<b>Total (₺)</b>
A	490	5,000	2,450,000
B	410	4,000	1,640,000
C	2050	1,000	2,050,000
D	550	2,000	1,100,000
Material purchase in value			<b><u>7,240,000</u></b>

**Examiner's comment**

The question tests candidates' knowledge of preparation of functional budgets. Almost 90% of the candidates attempted the question and performance was good as 60% of those who attempted it scored 50% and above of the marks allotted.

The major area of difficulty was the Part C of the question which required the material purchase budget. Several candidates failed to calculate correctly.

Budget and budgetary control is a major part of the syllabus and should be well prepared for.

**SOLUTION 4**

**Process 1 Account**

<b>Details</b>	<b>Kg</b>	<b>Price/kg ₺</b>	<b>Amount ₺</b>	<b>Details</b>	<b>Kg</b>	<b>Price/kg ₺</b>	<b>Amount ₺</b>
Input material	10,000	24	240,000	Normal Loss	200	-	-
Manufacturing wages			61,600	Scrap	1,000	20	20,000
				Store	2,200	32	70,400
				Process 2	6,600	32	211,200
	<b>10,000</b>		<b>301,600</b>		<b>10,000</b>		<b>301,600</b>

**Workings:**

- i. Computation of Normal loss:  $2\% \times 10,000\text{kg} = 200\text{kg}$
- ii. Computation of scrap:  $10\% \times 10,000\text{kg} = 1,000\text{kg}$
- iii. Computation of output to store:  $25\% \times 8,800\text{kg} = 2,200\text{kg}$
- iv. Computation of output to Process 2:  $75\% \times 8,800\text{kg} = 6,600\text{kg}$
- v. Cost per kg: Total cost – Scrap value/ Expected output =  
 $301,600 - 20,000/8,800\text{kg} = \text{₦}32$

**Process 2 Account**

Details	Kg	Price/kg ₦	Amount ₦	Details	Kg	Price/kg ₦	Amount ₦
Process 1	6,600	32	211,200	Normal Loss	160	-	-
Input material	1,400	40	56,000	Scrap	800	20	16,000
Manufacturing wages			51,520	Store	3,520	43	151,360
				Process 3	3,520	43	151,360
	<b>8,000</b>		<b>318,720</b>		<b>8,000</b>		<b>318,720</b>

**Workings:**

- i. Computation of Normal loss:  $2\% \times 8,000\text{kg} = 160\text{kg}$
- ii. Computation of scrap:  $10\% \times 8,000\text{kg} = 800\text{kg}$
- iii. Computation of output to store:  $50\% \times 7,040\text{kg} = 3,520\text{kg}$
- iv. Computation of output to Process 3:  $50\% \times 7,040\text{kg} = 3,520\text{kg}$
- v. Cost per kg = Total cost – Scrap value/ Expected output  
 $= 318,720 - 16,000/7,040\text{kg}$   
 $= \text{₦}43$

**Process 3 Account**

Details	Kg	Price/kg ₦	Amount ₦	Details	Kg	Price/kg ₦	Amount ₦
Process 2	3,520	43	151,360	Normal Loss	340	-	-
Input material	13,480	16	215,680	Scrap	1,700	4	6,800
Manufacturing wages			36,200	Finished Goods	14,960	26.50	396,440
	<b>17,000</b>		<b>403,240</b>		<b>17,000</b>		<b>403,240</b>

**Workings:**

- i. Computation of Normal loss:  $2\% \times 17,000\text{kg} = 340\text{kg}$
- ii. Computation of scrap:  $10\% \times 17,000\text{kg} = 1,700\text{kg}$
- iii. Cost per kg =  $\frac{\text{Total cost} - \text{Scrap value}}{\text{Expected output}}$   
 $= \frac{403,240 - 6,800}{14,960\text{kg}}$   
 $= \text{₦}26.50$

**Examiner's comment**

The question tested candidates' understanding of process costing. 50% of the candidates attempted the question and performance was poor as only about 45% of those who attempted the question scored 50% and above of the marks allotted.

Several candidates had issues with understanding the nitty-gritty of the topic. Candidates should make more efforts towards getting a better grasp of this topic.

## SOLUTION 5

### Determination of contribution per unit:

	Zaa	Zuu	Zee
Total Budgeted Sales (Units)	<u>500</u>	<u>800</u>	<u>1,600</u>
	₦	₦	₦
Selling price per unit <i>(a)</i>	1,800	2,500	3,000
Less: Variable costs:			
Material A	(300)	(240)	(420)
Material B	(480)	(720)	(600)
Direct Labour	(280)	(560)	(700)
Variable Overhead	<u>(160)</u>	<u>(320)</u>	<u>(400)</u>
TOTAL VARIABLE COST <i>(b)</i>	<u>(1,220)</u>	<u>(1,840)</u>	<u>(2,120)</u>
Contribution per unit <i>(c = a - b)</i>	<u>580</u>	<u>660</u>	<u>880</u>
Limiting Factor – Material B	4kg	6kg	5kg
Contribution per Limiting factor:	₦145	₦110	₦176
Ranking	2 <sup>nd</sup>	3 <sup>rd</sup>	1 <sup>st</sup>

Available Resources:

**13,600kg of Material B**

### Allocation of Resources:

Ranking	Product	Kg/unit	Qty sold	Total in kg	Balance in kg
1 <sup>st</sup>	Zee	5	1600	8000	5600
2 <sup>nd</sup>	Zaa	4	500	2000	3600
3 <sup>rd</sup>	Zuu	6	600	3600	-

The firm should produce:

1600 units of Zee;  
500 units of Zaa; and  
600 units of Zuu.

### The profit expected of the production plan

Product	Qty	Contribution per unit	Total contribution
		₦	₦
Zaa	500	580	290,000
Zuu	600	660	396,000
Zee	1600	880	<u>1,408,000</u>
<b>Total contribution</b>			2,094,000
Fixed Cost (1,600@₦240) + (800@₦140) + (500@₦240) =			<u>(616,000)</u>
<b>Profit</b>			<u>1,478,000</u>

- c. Factors that may cause input materials to be a Budget Constraint:
- i. Insufficient funds from the company
  - ii. Non availability of materials
  - iii. Short supply of the materials from the suppliers
  - iv. Changes in price of raw material
  - v. Changes in level of activity

### Examiner's comment

The question tested candidates' knowledge of computation of optimal product mix. About 65% of the candidates attempted the question and performance was above average as above 65% of the candidates who attempted the question scored 50% and above of the marks allotted.

Performance in this question revealed lack of deep knowledge of the topic. Candidates should be more prepared when going for future examinations.

**SOLUTION 6**

a.  $\text{BEP (QTY)} = \frac{\text{Fixed Cost}}{\text{Contribution per unit}}$

Determination of contribution per unit:

If selling price per unit N200  
 Contribution margin is 40% of selling price  
 Then: contribution per unit = 40% of N200 = ~~N80~~  
 Then variable cost per unit = N200 – ~~N80~~ = N120  
 Fixed Cost = N600,000

$\text{BEP (QTY)} = \frac{\text{N600,000}}{\text{N80}}$

$\text{BEP (QTY)} = \underline{7,500 \text{ units}}$

b. Sales at break-even point  
 $\text{BEP (VALUE)} = \frac{\text{Fixed Cost}}{\text{Contribution margin ratio}}$   
 =  $\frac{\text{N600,000}}{0.4}$   
 = N1,500,000

Alternatively

$\text{BEP (VALUE)} = \text{BEP (QTY)} \times \text{Selling price per unit}$   
 = 7,500 x ~~N200~~  
 = N1,500,000

c. What number of units to be sold to achieve a profit of ~~N200,000~~  
 $\text{BEP (Qty) @ Desired Profit} = \frac{\text{Fixed cost} + \text{Target Profit}}{\text{Contribution per unit}}$   
 =  $\frac{600,000 + 200,000}{80}$   
 = 10,000 units

d. What level of sales will achieve a profit of ₦200,000

$$\begin{aligned} \text{BEP(₦) @ Desired Profit} &= \frac{\text{Fixed cost} + \text{Target Profit}}{\text{Contribution margin ratio}} \\ &= \frac{600,000 + 200,000}{0.4} \\ &= \underline{\underline{₦2,000,000}} \end{aligned}$$

**Alternatively**

$$\begin{aligned} \text{BEP(₦) @ Desired Profit} &= \text{BEP(Qty) @ Desired Profit} \times \text{Selling price per unit} \\ &= 10,000 \text{ units} \times \text{₦200} \\ &= \underline{\underline{₦2,000,000}} \end{aligned}$$

e. What number of units should be sold to achieve a profit of N200,000 if tax rate is 40%

$$\begin{aligned} \text{BEP(N) @ Desired PAT @40\%} &= \frac{\text{Fixed cost} + \{\text{Target Profit} / (1 - \text{TR})\}}{\text{Contribution per unit}} \\ &= \frac{600,000 + \{200,000 / (1 - 0.4)\}}{\text{₦80}} \\ &= \frac{\underline{\underline{₦933,333.333}}}{\text{₦80}} \\ &= \underline{\underline{11,667 \text{ Units}}} \end{aligned}$$

f. The margin of safety in units and value

$$\begin{aligned} \text{(i) Margin of Safety in units} &= \text{Budgeted sales units} - \text{BEP (QTY)} \\ &= 10,000 \text{ units} - 7,500 \text{ units} \\ &= \underline{\underline{2,500 \text{ Units}}} \end{aligned}$$

(ii) Margin of safety in Value = Budgeted sales Value – BEP (value)

	<b>₦</b>
Budgeted sales value (10,000 units x ₦200)	2,000,000
Break even in value (7,500 units x ₦200)	<u>(1,500,000)</u>
Margin of safety in value	<b><u>500,000</u></b>

**Alternatively**

$$\begin{aligned} \text{Margin of safety in Value} &= \text{MOS (QTY)} \times \text{Selling Price per Unit} \\ &= 2,500 \text{ units} \times \text{₦200} \\ &= \underline{\underline{₦500,000}} \end{aligned}$$

**Examiner's comment**

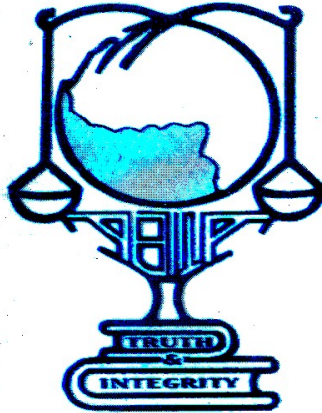
The question tests computation of break even in unit and value with target profit and tax inclusion.

Over 90% of the candidates attempted the question and performance was very good as about 90% of candidates who attempted the question while 87% of them scored 50% and above of the marks obtainable.

The candidates' performance shows they had a clear understanding of the topic. Only a few of them did not fully understand the requirement.

Those who did not perform well should put in more efforts in the future.



**THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA****ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
SEPTEMBER 2022 EXAMINATIONS (PART III)****TAXATION**

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

**EXAMINATION INSTRUCTIONS**

1. All solutions should be in ink. Any solution in pencil will not be marked.
2. Read all instructions on each part of the paper carefully before answering the questions.
3. Ensure that you do not answer more than the number of questions required for **Section B (The Essay Section)**.
4. Check your pockets, purse, 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.

**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 – SEPTEMBER, 2022**

**TAXATION**

**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 an allowable expense under section 23 of CITA (as amended)?
  - A. Domestic/private expenses of individuals
  - B. Capital withdrawn from business
  - C. Repairs and maintenance of assets
  - D. Loss recoverable under insurance
  - E. Expenditure of a capital nature
  
2. Which of the following taxes **CANNOT** be collected by the Federal Government?
  - A. Value added tax
  - B. Withholding tax on companies and non-resident individuals
  - C. Hydrocarbon tax
  - D. Tertiary education tax
  - E. Capital gains tax on individuals
  
3. Compensation for loss of office up to ..... is exempted from capital gains tax
  - A. ₦10 million
  - B. ₦15 million
  - C. ₦25 million
  - D. ₦5 million
  - E. ₦2.5 million

4. Which of the following does **NOT** describe the nature of Value Added Tax (VAT)?
- A. It is a tax on consumption
  - B. It is a multi-stage tax
  - C. Rate is fixed at 7.5%
  - D. Incidence borne by final consumer
  - E. It is a direct tax
5. Luxury tax includes tax on
- A. Beverages and drinks
  - B. Private Jet
  - C. Hospital equipment
  - D. Gain on disposal of asset
  - E. Expensive drug
6. Tax evasion does **NOT** include
- A. Making false claims
  - B. Deliberate attempt of neglecting valuable goods
  - C. Omission of chargeable income from tax return
  - D. Understating income
  - E. Overstating expenditure
7. Which of the following is **NOT** a tax base?
- A. Income
  - B. Consumption
  - C. Capital
  - D. Economy
  - E. Salary
8. Sources of tax laws include
- A. Newspapers
  - B. Textbooks
  - C. Circulars issued by and practices of the Inland Revenue
  - D. Lectures
  - E. Library
9. A partner is assessed to tax on his/her share of partnership profit based on
- A. Preceding year basis
  - B. Quarterly basis
  - C. Half yearly basis
  - D. Actual year basis
  - E. Monthly basis

10. A medium-sized company under CITA is a company with a turnover of
- A. >₦15million but <₦100million
  - B. >₦5million but <₦10million
  - C. <₦10million but >₦50million
  - D. >₦25million but <₦100million
  - E. <₦10million and <₦100million
11. Contract of supplies by individuals is subject to withholding tax rate of
- A. 10%
  - B. 2.5%
  - C. 5%
  - D. 7.5%
  - E. 15%
12. Which of the following is **NOT** an income under the regulated securities lending transactions
- A. Dividend
  - B. Interest
  - C. Securities lending fees
  - D. Redemption benefits
  - E. Income received by an individual
13. Tertiary Education Tax (TET) is distributed among Universities, Polytechnics and Colleges of Education in the ratio
- A. 1 : 1 : 2
  - B. 2 : 1 : 1
  - C. 1 : 2 : 1
  - D. 2 : 1 : 2
  - E. 1 : 2 : 2
14. Which of the following is **NOT** an objective of VAT?
- A. To simplify tax collection process
  - B. To reduce exports
  - C. To increase government revenue
  - D. To reduce tax evasion practices
  - E. To avoid cascading effect

15. Which of the following is **NOT** an indirect tax
- A. Value added tax (VAT)
  - B. Stamp duties
  - C. Custom duties
  - D. Excise duties
  - E. Capital gains tax
16. Which of the following is **NOT** a direct tax?
- A. Personal income tax
  - B. Companies income tax
  - C. Capital gains tax
  - D. Tertiary education tax
  - E. Stamp duties
17. Which of the following will a taxpayer who fails to take advantage of Voluntary Assets and Income Declaration scheme (VAID) will **NOT** be liable to
- A. The tax due
  - B. The interest
  - C. Investigation charges
  - D. Enforcement procedures
  - E. Tax refund
18. Tax identification number (TIN) is a unique ..... digit number allocated to taxpayers with a view to identifying an individual, business or other entity
- A. 10
  - B. 4
  - C. 9
  - D. 11
  - E. 16
19. The principle of an ideal tax system includes the following, **EXCEPT**
- A. Uncertainty
  - B. Flexibility
  - C. Simplicity
  - D. Neutrality
  - E. Equity

20. The enabling law that governs the administration of duties on specified instrument is known as
- A. Personal Income Tax Act Cap. P8 LFN (as amended)
  - B. Capital Gains Tax Act Cap. C1 LFN 2004 (as amended)
  - C. Value Added Tax Act Cap. V1 LFN 2004 (as amended)
  - D. Stamp Duties Act Cap. S8 LFN 2004 (as amended)
  - E. Petroleum Industry Act, 2021
21. Standard VAT rate applicable to goods and services with effect from February 1, 2020 is
- A. 7.5%
  - B. 15%
  - C. 10%
  - D. 5%
  - E. 2.5%
22. One of the sources of fund of the Nigeria Police Trust Fund is a levy of ..... of the net profit of companies operating in Nigeria
- A. 0.005%
  - B. 0.05%
  - C. 0.5%
  - D. 0.0005%
  - E. 0.00005%
23. A company **CANNOT** be chargeable to company income tax in
- A. The name of the principal officer
  - B. The name of the attorney
  - C. Its own name
  - D. The name of a liquidator where the company is in liquidation
  - E. The name of the client
24. An agreed tenor of a loan facility is known as
- A. Facility period
  - B. Loan period
  - C. Repayment period
  - D. Expiration period
  - E. Exemption period

25. Which of the following is **NOT** a base of computing income tax?
- A. Minimum tax basis
  - B. Accounting basis
  - C. Turnover basis
  - D. Dividend basis
  - E. Ascertainment of total profit
26. Which of the following is **NOT** an incentive in Nigeria Export Processing Zone?
- A. No import or export licences shall be required
  - B. Rent-free land at construction stage
  - C. Foreign ownership of business is disallowed
  - D. Remittance of profit and dividends earned by foreign investors in the zones
  - E. Qualified personnel may be employed by companies operating in the zones
27. Any business engaged in primary agricultural production shall be granted pioneer status for an initial period of four years and an additional
- A. Period of 1 (one) year
  - B. Period of 2 (two) years
  - C. Period of 3 (three) years
  - D. Period of 4 (four) years
  - E. None of the above
28. A company is expected to remit VAT to the relevant tax authority within ..... of the month following the month of transaction
- A. 10 days
  - B. 30 days
  - C. 21 days
  - D. 7 days
  - E. 60 days
29. The content of a tax clearance certificate does **NOT** include
- A. Total profit
  - B. Tax payable
  - C. Source of income
  - D. Expiration date
  - E. Birth date

30. Tertiary Education Trust Fund is specifically used for the provision of the following, **EXCEPT**
- a. Essential physical infrastructure
  - b. Instructional material and equipment
  - c. Ecclesiastical development
  - d. Research and publication
  - e. Academic staff training and development

**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 relevant tax authority for personal income tax for members of the armed forces of the Federation of Nigeria is .....
2. Withholding taxes on dividend, interest, rent and royalties when suffered by non-residents represent ..... tax
3. A tax regime where various and similar types of taxes are imposed on taxpayers by different tiers of government is called .....
4. The allowance granted in lieu of depreciation on assets in use for the purpose of business is referred to as .....
5. The excess of tax written down value (TWDV) over sales proceeds on disposal of assets is known as .....
6. Carrying forward loss relief applies to both corporate bodies and .....
7. Tertiary education tax rate is ..... % of assessable profit
8. The process of determining correct stamp duty is known as .....
9. Duties which vary with amount of consideration for document is known as .....
10. The Police Trust Fund levy is ..... % of the net profit of companies operating in Nigeria.



11. Construction of roads, bridges, power plants and buildings are subject to WHT tax rate of .....
12. VAT returns are done on monthly basis with the aid of VAT Form .....
13. The administration of capital gains tax of an individual is vested on the .....
14. Where a taxpayer decides to reinvest the entire consideration, derived from the sale of an old asset in the acquisition of new assets, it would be entitled to ....., if the specified conditions by the Capital Gains Tax Act are met
15. Failure to notify Federal Inland Revenue Service Board (FIRSB) of change in address under VAT administration attracts ..... penalty
16. Failure to withhold or remit withholding tax attracts a penalty of ..... of amount not withheld or remitted
17. The relevant tax authority for officers of the Nigerian Foreign Service is .....
18. Disputes under personal income tax are to be referred to .....
19. The primary objective of taxation is to raise money to meet ..... Expenditure
20. A person receiving an annual payment from an estate is known as an .....

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

**QUESTION 1**

Digital transformation inspired by unprecedented pace of technological advancement is disrupting nearly every industry, and taxation is no exception.

**Required:**

Explain **FOUR** new technologies disrupting tax practice in Nigeria    **(12½ Marks)**

## QUESTION 2

Various tiers of the Nigerian government today are guilty of the problem of multiplicity of taxes most especially at the local government level, whereby similar and multiple taxes are imposed on the citizenry.

### Required:

Explain the following:

- a. Causes of multiple taxation in Nigeria (3<sup>1</sup>/<sub>2</sub> Marks)
  - b. Federal Government's proffered solutions to multiple taxation and other possible solutions (9 Marks)
- (Total 12<sup>1</sup>/<sub>2</sub> Marks)**

## QUESTION 3

- a. Section 12 (2a) of the National Information Technology Development Agency Act, 2007, provides for a levy of one percent (1%) of the profit before tax of companies and enterprises schedule with an annual revenue of ₦100,000,000 as stated in the Third schedule of the Act.

### Required:

State the specified companies liable to pay the levy. (2<sup>1</sup>/<sub>2</sub> Marks)

- b. Madam Ada, a retired pensioner, incorporated XYZ limited, which commenced business on February 1, 2020. The following are the adjusted profits of the company for tax purposes:

	<b>₦</b>
Period ended June 30, 2020 (5 months)	1,521,000
Year ended June 30, 2021	4,430,000
Year ended June 30, 2022	16,100,000

You are provided with the following information:

- (i.) Gross turnover

	<b>₦</b>
Period ended June 30, 2020	7,000,000
Year ended June 30, 2021	29,000,000
Year ended June 30, 2022	101,000,000

(ii.) Capital allowances as agreed with the Revenue:

	<b>₦</b>
Period ended June 30, 2020	340,000
Year ended June 30, 2021	520,000
Year ended June 30, 2022	710,000

**Required:**

Compute the income taxes payable by the company for the relevant assessment year  
(10 Marks)  
**(Total 12½ Marks)**

**QUESTION 4**

Accountants when carrying out their assignments take decisions on ethical issues.

**Required:**

Explain the **FIVE** fundamental principles of ethics as specified by the International Ethics Standards Board for Accountants (IESBA) **(12½ Marks)**

**QUESTION 5**

a. Naira-Jay Limited a manufacturing company bought a warehouse at a cost of ₦300,000,000 in 2012. Acquisition expenses amounted to ₦18,000,000. Due to expansion, Naira-Jay Limited sold the warehouse for ₦750,000,000 in 2015. Incidental expenses include:

	<b>₦</b>
(i.) Agent's commission	75,000,000
(ii.) Solicitor's fee	8,000,000
(iii.) Valuation fee	4,000,000

**Required:**

- a. Compute the capital gains tax payable by Naira-Jay Limited. **(7½ Marks)**
- b. Enumerate **FIVE** functions of the Commissioner of Stamp Duties. **(5 Marks)**  
**(Total 12½ Marks)**

## QUESTION 6

- a. Mr. Kehinde is a staff of APEX Limited. His annual salary per annum is ₦6,500,000. He retired as a Director at the Federal Ministry of Health. You are provided with the following information:
- i. He registered with Crusader Limited for his pension and pays a premium of ₦50,000 per month for his life assurance policy.
  - ii. He received a rent of ₦1,500,000 on his commercial building in 2020.
  - iii. He contributed ₦162,500 to National housing fund during the year.
  - iv. He contributed ₦113,750 to National health insurance scheme.
  - v. He received a gratuity of ₦480,000 during the year.

### Required:

Compute Mr. Kehinde's income tax payable for the relevant assessment year.  
**(12½ Marks)**

## NIGERIAN TAX RATES

### 1. CAPITAL ALLOWANCES

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

2. **INVESTMENT ALLOWANCE** 10%
3. **RATES OF PERSONAL INCOME TAX**

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

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

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

4. **COMPANIES INCOME TAX RATE**
- |  |     |
|--|-----|
| Companies with turn over less than N25 million                     | 0%  |
| Companies with turn over of N25 million but less than N100 million | 20% |
| Companies with turn over of N100 million and above                 | 30% |
5. **TERTIARY EDUCATION TAX** (2.5% of Assessable Profit)
6. **CAPITAL GAINS TAX** 10%
7. **VALUE ADDED TAX** 7.5%

## **SECTION A – PART I**

### **MULTIPLE-CHOICE SOLUTIONS**

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

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

**Examiner's comment**

All the candidates attempted the question. The questions were drawn from all aspects of the syllabus. The general performance was above average.

## **SECTION A - PART II**

### **SHORT-ANSWER SOLUTIONS**

1. Federal Inland Revenue Service
2. Final
3. Multiple taxes
4. Capital allowance
5. Balancing allowance
6. Individuals
7.  $2\frac{1}{2}$
8. Adjudication
9. Ad valorem duties
10. 0.005
11. 2.5%
12. 002
13. SIRS (State Internal Revenue Service)
14. Roll-over relief
15. ₦5,000
16. 10% of the tax not remitted plus interest
17. Federal Inland Revenue Service
18. Tax Appeal Tribunal
19. Government
20. Annuitant

### **Examiner's comment**

These questions are straight-forward. They cover virtually all aspects of the syllabus. The general performance was satisfactory. All the candidates attempted the questions.

## **SECTION B**

### **SOLUTION 1**

Some of the new technologies disrupting tax practice include:

- a. **Cloud computing technology:** Many accounting software are hosted in the cloud. Some of them come along with modules for tax management used for:
  - i. Automated tax computation;
  - ii. Tax returns preparation and filing;
  - iii. Tax planning and forecasting; and
  - iv. Tax payment; etc.
- b. **Artificial intelligence and robotics:** Traditionally, tax practitioners put a lot of efforts in collating and analyzing financial data in order to serve their clients and taxpayers. Artificial Intelligence (AI) and Robotics make it easier for tax practitioner to simplify and accelerate various data related tasks. Robotic Process Automation (RPA) software has been demonstrated to be effective in handling routine and monotonous aspects of the tax man's job.
- c. **Blockchain technology:** Blockchain technology became popular globally through the advancements in digital currency transactions as Bitcoin. Many businesses now leverage on the blockchain technology to record their financial and non-financial transactions in an open, secured and decentralized ledger.
- d. **Data analytics technology:** Data has become the new cash as it is extremely crucial to make useful business financial decisions. Today, data is not just numbers and spreadsheets that accountants and tax practitioners have been familiar with for years. It also includes unstructured data that can be analysed through automated solutions.
- e. **Social media technology:** Social media platforms have been with us for a while and they have become useful tools in the hands of tax practitioner and administrators. Primarily, the social media platforms are used for dissemination of tax information due to its wide reach and appeal to the younger generation.



Beside information sharing, platforms, such as Facebook; Instagram; Twitter; LinkedIn; etc; are useful for collaboration among tax professionals and institutions.

- f. **Mobile app technology:** Tax practitioners can use their mobile devices to access the financial data of their clients anytime and anywhere especially where the client has adopted cloud accounting technology. Also, tax administrators and practitioners could develop and deploy mobile apps which taxpayers and clients respectively could download and install for tax updates and news.

**Examiner's comment:**

This is a good question, testing candidates' knowledge on new technologies that disrupt tax practice in Nigeria. About 80 per cent of the candidates attempted the question. The general performance was good.

**SOLUTION 2**

**a. Causes of multiple taxation in Nigeria**

The causes of multiple taxation in Nigeria include:

- i. Lack of funding, particularly for most states, may result in multiple taxation when the states attempt to source for funds through levying of taxes, without taking into consideration whether or not such taxes are being levied either by the Federal or local governments;
- ii. Deliberate attempt by state government to deny their local governments the revenue due to them. Consequently, a local government, as a way of survival, desperately and aggressively focuses on any drive that will generate revenue to it;
- iii. Lack of tax education and awareness;
- iv. Failure of all the tiers of government to adequately fund their departments and agencies, thus, making them resort to imposing illegal levies and taxes;
- v. Multiplicity of revenue agencies;

- vi. Overlapping taxing rights as contained in the Constitution and the Taxes and Levies (Approved List for Collection) Act, Cap. T2 LFN, 2004; and
- vii. Manual tax administration system and unorthodox tax collection.

**b. (i) Federal government's solution to problem of multiplicity of taxes**

Following the outcry of the citizenry to the problem of multiplicity of taxes, especially its unorthodox collection procedures, the Federal Military Government of Nigeria in 1998, intervened by the promulgation of Act 21 which is now cited as the Taxes and Levies (Approved List for Collection) Act Cap T2 LFN 2004 (as amended).

The purpose of the Act was to resolve the confusion created by the multiplicity of taxes imposed by the three tiers of government, namely: federal, state and local governments.

**The 1999 Constitution and multiplicity of taxes**

The 1999 Constitution of the Federal Republic of Nigeria seeks to eliminate multiple taxation at all levels of government as provided for in Part II, Paragraphs 7 to 10.

**(ii) Other possible solutions to multiplication of taxes in Nigeria, include:**

- Reviewing all the existing taxes in Nigeria and harmonizing, where necessary;
- Reviewing the constitution of address the overlap in taxing rights of different tiers of government;
- Abolishing any unorthodox method of tax collection and implementing technology for tax administration; and Limiting the number of revenue agencies

**Examiner's comment**

This is a straight forward question on multiple taxation. About 85 per cent of the candidates attempted the question. The general performance was above average.

### **SOLUTION 3**

- a) The specified companies liable to pay National Information technology development levy include:
- i. Cyber companies and internet providers;
  - ii. GSM service providers and all telecommunication companies;
  - iii. Pension managers and pension related companies
  - iv. Banks and other financial institutions; and
  - v. Insurance companies.

**b. XYZ LIMITED**

<b>Assessment year</b>	<b>Basis period</b>
A.Y. 2021	1/2/2020 – 30/6/2020
A.Y. 2022	1/7/2020 – 30/6/2021
A.Y. 2023	1/7/2021 – 30/6/2022

**XYZ LIMITED**

**Computation of income tax**

**For assessment years 2021, 2022 and 2023**

<b><u>A.Y. 2021</u></b>	<b><u>₦</u></b>
Adjusted profit	1,521,000
Capital allowances	<u>(340,000)</u>
Total profit	<u>1,181,000</u>
Companies income tax (CIT)	
(0% of total profit)	Nil
Tertiary education tax (TET)	
(0% of assessable profit)	Nil

<u>A.Y. 2022</u>	<u>₹</u>
Adjusted profit	4,430,000
Capital allowances	<u>(520,000)</u>
Total profit	<u>3,910,000</u>
Companies income tax (CIT)	
(20% of total profit)	<u>782,000</u>
Tertiary education tax	
(2% of assessable profit)	<u>88,600</u>
<u>A.Y. 2023</u>	<u>₹</u>
Adjusted profit	16,100,000
Capital allowances	(710,000)
Total profit	<u>15,390,000</u>
Companies income tax	
(30% of total profit)	<u>4,617,000</u>
Tertiary education tax	
(2½% of assessable profit)	<u>402,500</u>

### **Examiner's comment**

This is a two-part question. Part 'a' tested candidates knowledge on the National Information Technology Development Agency Act 2007. Part 'b' is on computation of income taxes payable by the company.

About 90 per cent attempted the question. The candidates did well in the part 'a' but performed below average in part 'b'. The major pitfall was inability to state the basis period correctly.

#### **SOLUTION 4**

The five fundamental principles of ethics as specified by the International Ethics Standards Board of Accountants (IESBA) are as follows:

a. **Integrity**

A professional accountant shall comply with the principle of integrity, which requires an accountant to be straightforward and honest in all professional and business relationships.

b. **Objectivity**

A professional accountant shall comply with the principle of objectivity, which requires an accountant not to compromise professional or business judgment because of bias, conflict of interest or undue influence of others.

c. **Professional competence and due care**

A professional accountant shall comply with the principle of professional competence and due care, which requires an accountant to:

- i. Attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organization receives competent professional service, based on current technical and professional standards and relevant legislation; and
- ii. Act diligently and in accordance with applicable technical and professional standards.

d. **Confidentiality**

A professional accountant shall comply with the principle of confidentiality, which requires an accountant to respect the confidentiality of information acquired as a result of professional and business relationships.

e. **Professional behavior**

A professional accountant shall comply with the principle of professional behavior, which requires an accountant to comply with relevant laws and regulations and avoid any conduct that the accountant knows or should know might discredit the profession.

A professional accountant shall not knowingly engage in any business, occupation or activity that impairs or might impair the integrity, objectivity or good reputation of the profession, and as a result would be incompatible with the fundamental principles.

**Examiner's comment**

This a standard question, testing candidates knowledge on fundamental principles of the International Ethics Standards Board for Accountants. 95 per cent of the candidates attempted the question. The general performance was above average.

**SOLUTION 5**

**a. Naíra-Jay Ltd**

Computation of capital gains tax (CGT)

For assessment year 2015

	₦	₦
Sales proceeds		750,000,000
Less Allowable selling expenses:		
Agent's commission	75,000,000	
Valuation fee	4,000,000	
Solicitor's fee	<u>8,000,000</u>	<u>87,000,000</u>
Net sales proceeds		663,000,000
Less Cost of acquisition	300,000, 000	
Acquisition expenses	<u>18,000,000</u>	<u>318,000,000</u>
Capital gains		<u>345,000,000</u>
CGT @ 10% of capital gains		<u>34,500,000</u>

- b. The functions of a Commissioner of Stamp Duties are:
- i. He is the administrative head;
  - ii. Assessments: He has the duties of assessing documents on appropriate duties and imposing penalties where applicable;
  - iii. Stamping or embossments: This can be by way of embossment with dies, affixing adhesive stamps, affixing postage stamps in lieu of adhesive stamps and printing on the instrument;
  - iv. The custody of dies and stamps: These are security materials being kept by the commissioner to avoid misuse or loss; and
  - v. Adjudication: A Commissioner may be required to express opinion on the amount of duty to be paid on any executed instrument.

**Examiner's comment**

This is a two-part question. Part 'a' tested candidates knowledge of capital gain tax, whilst part 'b' is on the functions of the Commissioner of Stamp Duties.

About 80 per cent of the candidates attempted the question. About 90% of those who attempted the part 'a' scored above 60%. the general performance on part 'b' was below average.

## SOLUTION 6

a) Mr. Kehinde

Computation of income tax liability For assessment year 2020		₦	₦
Gross salary			6,500,000
Unearned income			<u>1,500,000</u>
Total income			8,000,000
<b>Tax exempt items:</b>			
Life assurance premium	600,000		
Contribution of National housing fund	162,500		
Contribution of National health insurance	113,750		
Gratuity	<u>480,000</u>		<u>(1,356,250)</u>
Gross income			6,643,750
Consolidated relief allowance (CRA)			
(Higher of N200,000 or 1% of gross			
income plus 20% of gross income			
			<u>(1,528,750)</u>
Chargeable income			<u>5,115,000</u>
<b>Income</b>	<b>Tax payable</b>	<b>Rate (%)</b>	<b>₦</b>
First	N300,000	7	21,000
Next	N300,000	11	33,000
Next	N500,000	15	75,000
Next	N500,000	19	95,000
Next	N1,600,000	21	336,000
Next	<u>N1,915,000</u>	24	459,600
	<u>N5,115,000</u>		
Income tax payable			<u>1,019,600</u>



**Examiner's comment**

This is a standard question on computation of personal income tax. About 60 per cent of the candidates attempted the question. The general performance was below average. The major pit fall was inadequate knowledge of the tax exempt items. The candidates should study very well the relevant materials on personal income tax computation to gain better understanding of this aspect of the syllabus.

**THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA****ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
SEPTEMBER 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 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, 27 SEPTEMBER, 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 – SEPTEMBER 2022**

**MANAGEMENT**

**Time allowed: 3 hours**

**SECTION A: Part 1                      MULTIPLE-CHOICE QUESTIONS                      (30 Marks)**

**ATTEMPT ALL QUESTIONS**

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

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

1. Which of the following is a primary objective of business?
  - A. Innovation
  - B. Shareholder Satisfaction
  - C. To make profit
  - D. Employee Satisfaction
  - E. Positive Public Image
  
2. Which of the following is **NOT** an internal stakeholder?
  - A. Directors and Top Management
  - B. Shareholders
  - C. Special Interest Groups
  - D. Senior Management staff
  - E. Other Management Staff
  
3. Which of the following is **NOT** an objective of management?
  - A. Ensure business development and growth
  - B. Reduce the element of risks in the work place
  - C. Ensuring discipline in the work place
  - D. Ensuring political alliances with government
  - E. Attracting the best candidates for the job

4. Who amongst the following was **NOT** a pre-classical management theorist?
- A. Henry Vanum Poor
  - B. Captain Henry Metcalfe
  - C. Chester Barnard
  - D. Charles Babbage
  - E. Robert Owen
5. Which of the following **CANNOT** be associated with the 12 principles of Harrington Emerson?
- A. Principle of competent counsel
  - B. Principle of despatching
  - C. Principle of standardised conditions
  - D. Principle of standards and schedules
  - E. Principle of balancing
6. The following are features of planning, **EXCEPT**
- A. Planning is pervasive
  - B. Planning is nebulous
  - C. Planning is continuous
  - D. Planning is forecasting
  - E. Planning is with precision
7. Which of the following is **NOT** the purpose of strategic management?
- A. Performance
  - B. Focus
  - C. SWOT Analysis
  - D. Timeliness
  - E. Monitoring
8. Which of the following is **NOT** involved in the transformation process of a production system?
- A. Process planning
  - B. Process design
  - C. Process structure
  - D. Production control
  - E. Maintenance

9. The evolution of marketing management follow the following order of their emergence
- A. Product concept, selling concept, production concept, marketing concept
  - B. Product concept, production concept, selling concept, marketing concept
  - C. Selling concept, product concept, production concept, marketing concept, societal marketing concept
  - D. Production concept, selling concept, production concept, marketing concept, societal marketing concept
  - E. Production concept, product concept, selling concept, marketing concept, societal marketing concept
10. Which of the following is **NOT** the primary instrument used in the capital market?
- A. Offer for sale
  - B. Certificate of deposit
  - C. Obtaining term loans
  - D. Right issue
  - E. Private placing
11. Which of the following is **NOT** a primary function of an accounting role?
- A. Designing accounting system
  - B. Preparation of organisational forecasts and budgets
  - C. Interpreting the contents of financial statements and other reports
  - D. Provision of recruitment services
  - E. Preparation of financial statements
12. Which of the following is **NOT** hygiene factor of Frederick Herzberg?
- A. Company policy and administration
  - B. Status
  - C. Nature of the work
  - D. Personal life
  - E. Supervision
13. The sequential stages of group or team development is
- A. Forming, Norming, Storming, Performing and Adjourning
  - B. Norming, Forming, Storming, Performing and Adjourning
  - C. Forming, Storming, Norming, Adjourning and Performing
  - D. Forming, Norming, Performing, Storming and Adjourning
  - E. Forming, Storming, Norming, Performing and Adjourning

14. Which of the following is **NOT** a form of communication?
- A. Semantics
  - B. Upward
  - C. Crosswise
  - D. Downward
  - E. Horizontal
15. The implementation of Business Process Re-engineering is focused on the following objectives, **EXCEPT**
- A. Changing condition
  - B. Speed
  - C. Compression
  - D. Flexibility
  - E. Innovation
16. Which of the following is **NOT** an area for the adoption of Business Process Re-engineering?
- A. Virtual
  - B. Employee appraisal
  - C. Customer complaints
  - D. Workers attitude
  - E. Inventory control
17. Which of the following is **NOT** a criteria for measuring organisational effectiveness?
- A. Productivity
  - B. Cohesion
  - C. Staff mobility
  - D. Adaptation to the external environment
  - E. Integration and sense of identity
18. Which of the following is **NOT** an objective of Organisation and Methods (O&M)?
- A. To reduce cost of production
  - B. To make planning realisable
  - C. To ensure free flow of work among departments
  - D. To ensure efficient flow of information
  - E. To simplify jobs

19. Which of the following is **NOT** the managerial role of Information Communication Technology (ICT) in the managerial control function?
- A. Ease of control
  - B. Detection of deviation from plan
  - C. Facilitates the realisation of productivity at low cost
  - D. Lower communication cost
  - E. Scanning of external environment is made easier and faster
20. Which of the following describes the integration of the economy of a country with the world economy?
- A. Global Economy
  - B. Internationalisation
  - C. Globalisation
  - D. Global Best Practice
  - E. International Business
21. Which of the following is **NOT** a function of a manager under the Decisional roles?
- A. Resource Allocator
  - B. Monitor
  - C. Disturbance handler
  - D. Negotiator
  - E. Entrepreneur
22. Which of the following is **NOT** a limitation of Scientific management?
- A. Scientific management methods are applicable only in predictable and stable environments and have limited applications in complex and unpredictable environments
  - B. It over emphasized the economic and rational nature of man and overstate man's desire for money
  - C. The scientific management theory did not attach importance to human behaviour, i.e., it overlooked the human desire for job satisfaction and social needs of the workers as a group
  - D. Over-emphasis on productivity and profitability led some managers to exploit both workers and customers
  - E. Emphasis on human relations for scientific breakthrough

23. The experiments that led to the human relations school are collectively referred to as
- A. Hawborne experiments
  - B. Hawthorne experiments
  - C. Habronee experiments
  - D. Hawthing experiments
  - E. Hartthorne experiments
24. A statement showing the direction of an organisation is called
- A. Vision
  - B. Mission
  - C. Objective
  - D. Focus
  - E. Goal
25. Which of the following is **NOT** associated with Human Resource Planning Process?
- A. Development of vision and mission
  - B. Identify organizational objectives
  - C. Estimate human resource needs
  - D. Analyze existing human resources
  - E. Calculate net human resource needs for the period
26. Which of the following is **NOT** an external source of recruitment?
- A. Employment Exchanges
  - B. Data Banks
  - C. Labor contractor
  - D. Transfer
  - E. Institutions
27. The process of examining a job with a view to identifying the components and conditions under which it is performed is known as
- A. Job Analysis
  - B. Job Specification
  - C. Job Description
  - D. Job Evaluation
  - E. Job Design
28. Which of the following is **NOT** a type of production system?
- A. Mass production
  - B. Job production
  - C. Flow production
  - D. Unique production
  - E. Assembly production



29. The consumer promotion technique according to which product consumers are told to submit their names for drawing in a raffle draw is classified as
- A. Cash Refunds
  - B. Competition
  - C. Sweepstakes
  - D. Contest
  - E. Samples
30. Which of the following is **NOT** included in Maslow's Hierarchy of needs?
- A. Safety needs
  - B. Self-esteem needs
  - C. Self-actualisation needs
  - D. Clinical needs
  - E. Physiological needs

**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. .... partner has unlimited liability for all actions of the business and he is also referred to as an active partner.
2. The indirect-action component of the external environment is also referred to as ..... environment.
3. .... is an individual's personal belief about whether a behaviour, action or decision is right or wrong.
4. .... involves selecting missions and objectives and the actions to achieve them.
5. .... is the ability to choose appropriate objectives or the appropriate means for achieving a given objective.
6. .... was a professor of mathematics at Cambridge University from 1828 to 1839 who perceived that the methods of science and mathematics could be applied to operations of factories.

7. .... is a plan used to determine alternative courses of action to be taken if an intended plan of action is unexpectedly disrupted or rendered inappropriate.
8. .... decisions are made in routine, repetitive and well-structured situations through the use of pre-determined decision rules.
9. .... is the game plan the management of an organisation uses to stake out a market position, attract and please customers, compete successfully, conduct operations and achieve organisational objectives.
10. In human resources management ..... is defined as the growth or realisation of a person's ability and potential through the provision of learning and educational experiences.
11. .... concept exists in the mind-set of the company executive to make high quality and high performance products.
12. .... is concerned with the process, institutions, markets and instruments involved in the transfer of money among individuals, businesses, and governments.
13. .... theory suggests that an individual's motivation depends on his or her evaluation of the fairness of the reward given to him or her.
14. The leadership style where the leader allows the group complete freedom for decision making without participating himself, but may provide materials or offer assistance by request is .....
15. .... is the process by which the receiver extracts some meaning out of the message received.
16. .... involves the radical re-design of core business processes to achieve dramatic improvements in the area of cost, quality and speed in order to deliver more value to the customer.
17. In the implementation of Business Process Re-engineering, the stage where new process design is developed by devising process design alternatives through brainstorming and creative technique is called .....
18. .... approach to organisational effectiveness looks at internal activities and assesses effectiveness by indications of internal health and efficiency.



### QUESTION 5

- a. State and explain the goals and objectives of the National Policy on Occupational Safety and Health. (7½ Marks)
  - b. Outline **TEN** Prevention and Protective Measures for Safety in an Office (5 Marks)
- (Total 12½ Marks)**

### QUESTION 6

- a. What is Business Process Re-engineering (BPR)? (2½ Marks)
  - b. List **FIVE** objectives of Business Process Re-engineering (5 Marks)
  - c. State **FIVE** benefits of Business Process Re-engineering (5 Marks)
- (Total 12½ Marks)**

### SECTION A – PART 1

#### MULTIPLE-CHOICE SOLUTIONS

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

23. B
24. A
25. A
26. Bonus (Award the one (1) mark to all candidates whether the question is attempted or not.)
27. A
28. E
29. C
30. D

### **Examiner's comment**

The questions cover all the areas of the syllabus. All the candidates attempted the questions and the performance was averagely good. About 65% of the candidates that attempted these questions scored above average. The major pitfalls of the candidates were poor preparation and inadequate usage of the study pack. The candidates are advised to guard against these pitfalls in subsequent examinations by using the study pack religiously.

### **SECTION A – PART II**

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

1. General
2. General/mega
3. Ethics
4. Planning
5. Effectiveness
6. Charles Babbage
7. Contingency
8. Programmed
9. Strategy
10. Development
11. Product
12. Finance
13. Equity
14. Laissez-faire
15. Decoding
16. Business process re-engineering
17. Re-design stage
18. Internal process
19. Organisation and Methods (O & M)
20. Periodic Risk Assessment

## **Examiner's comment**

The questions cover all parts of the syllabus. All the candidates attempted the questions and the performance was fairly good. The average performance recorded was largely due to poor preparation and inadequate usage of the study pack. The candidates are advised to make use of the study pack adequately for improved performance in subsequent examinations.

## **SECTION B**

### **SOLUTION 1**

- (a) Business can be defined as a social and lawful human activity, the primary aim of which is to make profit.
- (b) The importance of profit in a business organisation are:
- i It guides an investor as to which type of business to establish.
  - ii It is an objective means of evaluating the performance of business.
  - iii Realising the risks involved in business, profit constitute the critical attraction for venturing into business.
  - iv Profit is the principal factor to firm's survival, growth and expansion. It is only when profit is made that the firm can survive, grow and expand. The profit made can be ploughed back into the business to enhance the sustainability of the firm.
  - v Profit is the means of boosting the wealth of the owners of the business.
  - vi Profit is the parameter used by investors to buy shares in a public limited company.
  - vii Profit enhances the ability of the business to embark on social responsibility, with its attendant benefits.
  - viii Profit is one of the criteria used for resource allocation in industry.
  - ix Profit is used to set performance standards and by implication, it is used to institute control mechanism of organisational activities.
  - x Labour unions use profit as a basis of determining their level of demand.
- (c) The term stakeholders means any individual or group of individuals who have a strong interest in the organisation and what it does or trying to achieve.

Internal stakeholders in business are those within the business and part of it, and they are as follows:

- i Shareholders.
- ii Directors and top management.
- iii Senior management staff.
- iv Other managers and staff.

External stakeholders are individual or group of individuals who do not work for the company, but nevertheless, have keen interest in what the company does and who might be able to influence the way in which the company is governed. They are as follows:

- i Lenders.
- ii Suppliers.
- iii Regulators.
- iv Government.
- v Company auditor
- vi General public
- vii Special interest groups

### **Examiner's comment**

The question tests the knowledge of the candidates on the importance of profit to a business organisation as well as their knowledge of internal and external stakeholders in business. About 88% of the candidates attempted the question and about 76% passed. The major pitfalls of the candidates were poor preparation and inadequate usage of the study pack. Candidates are advised to make adequate use of the study pack for improved performance in subsequent examinations.

### **SOLUTION 2**

a. An office is a space where day-to-day work is carried out. An office is a place in an organisation where business, clerical and professional activities take place. It is a place where private or public records are prepared, handled and preserved for future reference and making them available as and when required.

#### **b. Functions of an office**

##### **An Office:**

- i. Provides a convenient place where managers carry out their functions.
- ii. Collects information from within the organisation. Examples of such information are letters, memoranda, documents generated from other departments.
- iii. Collects information from outside the organisation. The office receives incoming mails from outside e.g. Letters, parcels, documents, invoices, telephone calls etc.

- iv. Records information. The office classifies and records information received from other departments and outsiders in files, computers and other media.
  - v. Provides information for others. Office staff provides information to staff and outsiders who require specific information on the activities of the organisation, such as customers, government, and the general public.
  - vi. Stores information. The recorded information accumulated in the office needs to be preserved and maintained for future reference. The basic objective of preserving information is to make them available as at when needed by management without delay.
  - vii. Helps in organising information. The information received in the office need to be organized, processed and presented in useful forms that can needed for good decision making.
  - viii. Affords a place for receiving visitors. The office provides a place where official visitors are received and meetings are arranged. Such visitors include bank officials, government officials, contractors and other business associates, etc.
  - ix. Arranging logistics: The office is a place where logistics such as transport, distribution, storage, warehousing, and transactions are made that facilitate business activities.
- c. The following factors are taken into consideration in planning the layout of an office:
- i. **Churn Rate:** For many organizations, office layouts are subject to frequent changes. The process of change in office layout is known as Churn Rate which is expressed as the percentage of staff moved during the year.
  - ii. **Statutory Requirement:** Legal requirements as contained in relevant legislations also affect the planning of office layout. The Factories Act of Nigeria and the Factories, Offices and Shops Act of Ghana explicitly specify fire prevention arrangements, lighting levels, ventilations, temperature control, etc.
  - iii. **Business needs:** Office layout should provide an environment suitable for the business of the organization. For example, the layout of a bank will be different from that of an accounting firm.
  - iv. **Accommodation Standards:** Organisations often have a policy on the minimum standard of accommodation for each staff grade. Administration staff may work in open plan offices whereas managers may have individual offices, sized on seniority basis.



- v. **Space Availability:** Planning an office layout will also depend on quality and the types of office space available for use.

1 mark for each correct factor identified up to maximum of 5 marks = Total marks  $12\frac{1}{2}$  marks.

### **Examiner's comment**

The question is structured to test the candidates' knowledge of the concept of office and office layout. About 74% of the candidates attempted the question and about 68% passed. The major pitfalls of the candidates were basically poor preparation for 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 3**

The following factors can aid effective planning:

- i. **Availability of Planning Information:** Where reliable statistical/planning data are available, planning reflects current issues and extrapolation of future events. Such information include price index, population trend, market share, etc.
- ii. **Stable Planning Environment:** Enhances effective planning (e.g economic, political, legal, social-cultural, and technological factors). For greater effectiveness, a reasonable degree of predictability is necessary.
- iii. **Availability of Managers with Planning Skills:** Most managers do not possess these skills. An effective plan is a function of the planning skills of the manager associated with the plan.
- iv. **Knowledge of the Organisation and its Business:** The nature of the business must be clearly understood by managers, if not, costly mistakes may be made when putting up a plan.
- v. **Employees' participation:** Where they participate, they show greater commitment to the success of the plan and implement it better.
- vi. **Flexibility:** Plan must be flexible enough to accommodate future changes in the key assumptions with minimal disruption in the organisation.
- vii. **Timely Control/Review:** Regular review of performance is necessary to ensure effectiveness of planning. This helps in identifying deviations from set goals and timely correction.

1 mark for listing and  $\frac{1}{2}$  mark for explanation =  $1\frac{1}{2} \times 5 = 7\frac{1}{2}$  marks up to a maximum of 5 points

**(b) Advantages of group decision making are:**

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

**Examiner's comment**

The question tests the candidates' understanding of planning and group decision making. About 82% attempted the question and about 74% passed. Majority of those that passed demonstrated good knowledge of the study pack. Candidates that did not do well are advised to concentrate on the usage of the study pack for subsequent examinations for improved performance.

**SOLUTION 4**

**(a) The disadvantages of internal recruitment are:**

- (i) Qualified people may not be available within the organisations.
- (ii) A strict internal recruitment policy might lead to 'in-breeding' i.e. the perpetuation of old ways of doing things and stagnation of the organisation.
- (iii) The organisation may lag behind others within the industry which are recruiting people with superior skills from outside.
- (iv) Reduced talent pool
- (v) It can breed unhealthy rivalry

- (b) The factors influencing plant layout are:
- (a) **Headroom:** Headroom here refers to the distance between the factory floor and the ceiling. The height of the headroom depends on the type of material handling equipment used. Tall material handling equipment, e.g. cranes requires high headroom. It also depends on the size of the final product. An aircraft assembly line for instance, requires high headroom because of the size of aircrafts.
  - (b) **Access:** Access means ease of movement. The factory should be designed in such a way that it will facilitate the free movement of men, materials and machines. The smooth flow of a production process might be impeded if accessibility is poor.
  - (c) **Service required:** Services often required for the efficient operation of an organisation include electricity, telephone and water. Others are computer terminals, fire-prevention equipment, warehouses and repair workshop. The organisation must determine the number, kind and location of these services so that the architect will incorporate them in the design of the building.
  - (d) **Disposal of Waste:** Most production processes generate some waste products. The design should incorporate within it efficient methods of disposing of these wastes without infringing local laws governing environmental pollution.
  - (e) **Ventilation:** The design should allow adequate ventilation through the building. This is particularly important in production processes that generate a lot of heat.
  - (f) **Government Legislation:** Legislation related to the disposal of waste and factory safety influences the design of factories and offices.

*1 mark for listing and ½ mark for explanation up to a maximum of 5 points = 7½ marks.*

### **Examiner's comment**

The question tests the candidates' knowledge of internal recruitment. The other part of the question tests the concept of plant layout and design. About 68% of the candidates attempted the question and about 56% passed. Candidates are advised to make adequate use of the study pack for subsequent examinations for improved performance.

## **SOLUTION 5**

a. The goals of the Policy are to:

- i. Facilitate improvement of occupational safety and health performance by providing the framework for participative occupational safety and health protection of workers including the most vulnerable groups in all sectors of economic activities.
- ii. Ensure harmonization of workers' rights protection with regional and international standards in a private sector-led economic growth thus, focusing the role of the competent authority in facilitating an enabling environment and regulating various provisions for securing safety, health and welfare of workers in Nigerian workplaces.

**The objectives are:**

- i. To create a general framework for the improvement of working conditions and the working environment.
- ii. To prevent accidents and departures from health arising out of or in the course of work.
- iii. To ensure the provision of occupational safety and health services to workers in all sectors of economic activity.

b. Prevention and Protective Measures for Safety in an Office are as follows:

- i. **Safety Policy:** The first step towards prevention of injury or death at the workplace is to put in place a safety policy.
- ii. **Periodic Risk Assessment:** This is the process of identifying hazards and the risks attached to them. It is a proactive strategy aimed at tackling every health and safety risk at the workplace.
- iii. **Hazard Elimination:** This may require use of alternatives, design improvement, change of process, etc.
- iv. **Substitution:** A replacement of hazardous equipment with a less dangerous one.
- v. **Use of Barriers:** Removal of dangerous equipment from workers or workers from dangerous equipment.
- vi. **Use of Procedure:** Putting in place a step-by-step procedure to carrying out an operation.

- vii. **Use of Warning System:** Such as instructions, signs, labels.
- viii. **Use of Protective Equipment:** Such as clothing, gloves, etc.
- viii. Commitment of workers to adherence to safety procedures and use of safety equipment.
- ix. Hazards can be prevented by designing and installing safety equipment and protective devices.
- x. Periodic inspections and checks to eliminate risks.
- xi. Investigating accidents as they occur and taking corrective actions.
- xii. Continuous programme of education and training on safe work habits and methods of preventing accidents.
- xiii. Designation of Safety and Health Officer- this officer shall be the health and safety champion in the organisation.

**Examiner's comment**

The questions tests the candidates' knowledge of National Policy on Occupational Safety and Health. About 86% attempted the question and about 72% passed. Candidates are advised to make adequate use of the study pack for improved performance in subsequent examinations.

**SOLUTION 6**

- (a) Business Process Re-engineering is the process of recreating a core business process with the goal of improving output quality or reducing cost through the introduction of information technology.
- (b) The objectives of BPR are:
  - i. **Customer focus:** Customer service oriented processes is aimed at eliminating customer complaints.
  - ii. **Speed:** The need to deliver products and services faster.
  - iii. **Compression:** Cutting down on prolonged processes in order to cut cost and reduce waste in the value chain.
  - iv. **Flexibility:** Changing conditions and activities of competitors can force organisations to adapt new processes and structure.

- v. **Quality:** The need to deliver up-to-date product and service quality to customers is also an overarching target for visionary organisations.
- vi. **Innovation:** New processes can create a form of competitive advantage in the industry.
- vii. **Productivity:** BPR for improves drastically indices of effectiveness and efficiency in the organisation.

(c) The benefits of BPR are:

It gives an appropriate focus to business as it revolves around customer needs.

- i. BPR helps in building a strategic view of operational procedures by making radical inquiries about how processes are improved and how things could be done.
- ii. It eliminates unnecessary activities and thereby helps in reducing organisational complexity.
- iii. It coordinates and integrates several functions immediately.
- iv. Provides improved viability and adequacy to an organisation by eliminating the delay and unessential phases of operations and management.
- v. Reduced the number of checks/controls and reconciliation processes.
- vi. It helps overcome short-sighted approaches that usually emerge from excessive concentration on functional boundaries.

### **Examiner's comment**

The question tests the candidates' knowledge of this new area of the reviewed syllabus. About 52% of the candidates attempted the question and about 46% passed. The major pitfalls of the candidates were basically poor interpretation of the question. Candidates are therefore advised to demonstrate more seriousness towards preparation for subsequent examinations.