



**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA**

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# **INSIGHT**

**SEPTEMBER 2024 ATSWA EXAMINATIONS  
PART III**

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

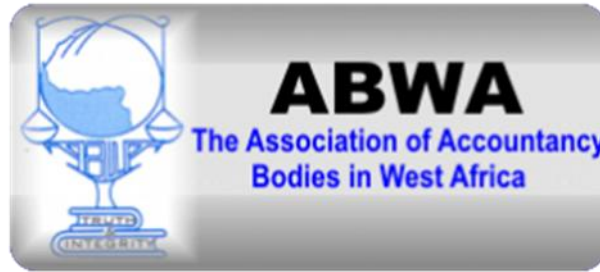
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**THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA**



**ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
MARCH 2025 EXAMINATIONS (PART III)**

**PRINCIPLES OF AUDITING & ASSURANCE**

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

**EXAMINATION INSTRUCTIONS**

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

**TUESDAY, MARCH 25, 2025**

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

**THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA**  
**ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA**  
**PART III EXAMINATIONS – MARCH 2025**  
**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** among the content of Auditor's Report?
  - A. The heading
  - B. Period covered
  - C. Details of fees charged
  - D. Work done
  - E. Name of the Auditor and the date the report was signed
2. Unintentional mistake in the financial statement is known as
  - A. Fraud
  - B. Error
  - C. Teeming and lading
  - D. Audit risk
  - E. Risk assessment
3. Appraisal activity established by an entity and carried out within the entity is referred to as
  - A. Internal control
  - B. Internal auditing
  - C. Supervision and monitoring
  - D. Authorisation and approval
  - E. Physical control
4. Which of the following is **NOT** a technique used for value for money audit?
  - A. Management and Systems Review
  - B. Effectiveness Review
  - C. Efficiency Assessment
  - D. Review of the Management Objectives and Policies
  - E. Analysis of Planning and Control Processes

5. In issuing qualified audit report, which of the following guidelines may **NOT** be observed by the auditor
- A. The qualification must be concise to the extent that it does not impair clarity
  - B. The qualification should be specific as to the items and facts and as far as possible, the amount involved
  - C. The qualification should discuss the auditor's personal relationship with the directors
  - D. Based on the available information, the qualification should make clear the effect on the financial statements
  - E. The qualifying statement should be direct, informative and unambiguous
6. Which of the following is **NOT** a limitation of audit risk assessment?
- A. It saves audit cost and fees
  - B. Subjective values have to be placed on inherent control risk
  - C. It may result in a mechanical approach which leads to a loss of auditor's judgment
  - D. More time may be spent on the mechanics of the process and the assessment at the expense of the time spent in obtaining the audit evidence
  - E. The assignment of risk levels is often not suitably specific which puts into question the validity of any conclusion reached
7. Which of the following factors cannot minimize audit risk?
- A. Entity is financially stable without excessive debts and is likely to remain so in the foreseeable future
  - B. Internal controls are strong and the entity's accounting personnel are competent.
  - C. Past audit experience has provided evidence of good accounting controls with no major audit problems
  - D. Products and services of the entity are highly susceptible to vagaries of market forces
  - E. Entity's relationship with the regulatory authorities has been good
8. There is a great need for high quality audit work on the part of Accountants in public practice because
- A. Auditors now compete with one another for clients
  - B. Auditors are desirous of restoring confidence in their reports
  - C. Auditors want to collect higher fees
  - D. Most clients are failing to pay the auditors' fees
  - E. Audit engagements are becoming very complicated

9. Which of the following is **NOT** a function of Internal Control Questionnaire
- A. Highlighting the relationships between different parts of the system
  - B. Designing a series of tests
  - C. Ascertainment of the system
  - D. Review and assessment of the adequacy of the system
  - E. Identifying areas of weaknesses
10. Observations raised by the Auditor-General in a particular transaction seeking further clarifications is known as
- A. Public alarms
  - B. Pre-audit queries
  - C. Project audit
  - D. Public enterprises
  - E. Post-audit queries
11. Apart from the statutory qualifications, which of the following qualities and traits should an auditor **NOT** possess?
- A. Intelligence and factfulness
  - B. Familiarity with the latest developments affecting- audit
  - C. Diligence
  - D. Intimate relationship with the client
  - E. Professional knowledge
12. Information technology systems that proffer solutions to non-routine problems and help directors monitor the entity's performance is known as
- A. Decision Support System
  - B. Executive Support System
  - C. Management Information System
  - D. Knowledge Management System
  - E. Office Automation System
13. Which of the following is an objective of Application controls?
- A. Ensuring the completeness and accuracy of the accounting records
  - B. Ensuring proper development of computer applications
  - C. Preventing or detecting unauthorised changes to programmes
  - D. Preventing unauthorised amendments to data files
  - E. Ensuring continuity of operations

14. Timely control techniques for ensuring the completeness of inputs are known as
- A. Systems Control and Review File
  - B. Cut-off controls
  - C. Control over inputs
  - D. Audit Trails
  - E. System support controls
15. Which of the following is **NOT** an opinion expressed by the auditor in a modified audit report?
- A. Qualified opinion
  - B. Adverse opinion
  - C. Disclaimer of opinion
  - D. Unqualified opinion
  - E. Emphasis of matter opinion
16. Which of the following is **NOT** an objective of debriefing?
- A. Ensuring that all matters that may be used in the report to the board and management are identified and included
  - B. Assisting in the assignment, training and development of the audit team
  - C. Improving the efficiency and effectiveness of future audits
  - D. Signing off the financial statements
  - E. Allowing key players to obtain important information that will lead to improvement in future performance
17. Which of the following is **NOT** an objective of due diligence?
- A. Determining the strengths and weaknesses of the entity
  - B. Ascertaining the economic worth of the entity
  - C. Evaluating the needed financial injection that will be necessary to achieve the objective of the planned investment
  - D. Ascertaining the worthwhileness of the investment
  - E. Ensuring interested and loyal parties are beneficiaries of the contract
18. The Principle of Confidentiality imposes an obligation on members in Public Practice to
- A. Refrain from using confidential information acquired in the course of audit work for personal or third party advantage
  - B. Maintain confidentiality even in the presence of court mandate
  - C. Maintain confidentiality of information when there is a public duty to disclose
  - D. Refrain from producing documents or other evidence in the course of legal proceedings
  - E. Disrespect the need to maintain confidentiality of information within the client's company

19. Which of the following is **NOT** a function of the audit committee?
- A. Strengthening the role of non-executive directors from being misled by management
  - B. Increasing the credibility of audited financial statements
  - C. Confirming the appointments of the statutory auditor
  - D. Preventing fraudulent financial reporting
  - E. Helping the Board of Directors in meeting their responsibilities
20. Which of the following is **NOT** an example of contingent liabilities?
- A. Legal claims initiated by the client where damages are expected to be awarded
  - B. Product warranty or guarantee
  - C. Pension liability if unfunded
  - D. Guarantee on behalf of subsidiary companies
  - E. Bills discounted with recourse
21. Which of the following is **NOT** an objective of internal audit?
- A. Checking compliance with laid down policies and procedures
  - B. Reviewing the company's policies in the light of changing improvements
  - C. Training staff of statutory auditors on technical areas of the company's activities
  - D. Detection and prevention of errors and fraud
  - E. Carrying out special investigations at management's request
22. In the preparation of the financial statements of publicly quoted companies, which of these will least affect the directors?
- A. Users of the financial statements
  - B. Accounting requirements
  - C. Regulatory requirements
  - D. Legislation
  - E. Political environment
23. **TWO** types of material misstatements of financial statements are
- A. Specific and qualitative
  - B. Quantitative and qualitative
  - C. Specific and quantitative
  - D. Specific and regulated
  - E. Qualitative and regulated



24. Control risk should be assessed in terms of
- A. Speed control
  - B. Types of potential fraud
  - C. Financial statement assertions
  - D. Control environmental factors
  - E. Management control
25. Which of the following procedures will most likely provide an auditor with the evidence on whether an entity's internal control activities are suitably designed to detect material misstatements?
- A. Re-performing the activities for a sample transactions
  - B. Performing analytical procedures using data aggregated at a high speed
  - C. Vouching a sample of transactions directly related to the activities
  - D. Observing the entity's personnel performing the activities
  - E. Interviewing the management staff
26. Which of the following are users of financial statements for decision making?
- I. Bankers
  - II. Debtors
  - III. Creditors
  - IV. Potential investors
  - V. Regulators
- A. I, II and IV only
  - B. II, III, IV and V
  - C. I, II, III, IV and V
  - D. I, III, IV and V
  - E. I, II and III
27. The concept which provides that a third party cannot impose obligations upon the auditor is known as
- A. The special conditions of a contract
  - B. Contract limitations
  - C. Third party rights
  - D. Privity of contract
  - E. The law of Tort
28. The sources of knowledge of the industry in which the client operates cannot be derived from
- A. The legislations and regulations that significantly affect the entity
  - B. The accounting manual
  - C. The entity's management
  - D. Government publications relating to the industry
  - E. Previous experience with the entity and of its industry

29. Due care in auditing is synonymous with the concept of
- Reasonable care
  - Prudent person
  - Professional skills
  - Integrity
  - Equity
30. The act which occurs because the auditor failed to exercise that degree of reasonable skill and care in the conduct of an audit is known as
- Fraud
  - Criminal liability
  - Negligence
  - Unethical standards
  - Civic Liability

## **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

- Forensic Auditors are trained in....., .....and deterring frauds and white collar crimes.
- The opinion in which the Auditor states that the accounts do not give a true and fair view is called.....
- A technique of updating files with transactions data immediately the event occurs is called .....
- The two basic types of an assurance engagement are ..... and .....
- The type of service whereby an auditor assists company to realise the best returns on their assets when the company is winding up is known as .....
- Forensic accounting encompasses both..... and Investigative Accounting.
- Inherent risk is an element of audit risk. The other two are ..... and .....
- An assurance engagement in which an Auditor expresses opinion on a set of financial statements designed to enhance the degree of confidence of the

shareholders other than the Management is called a.....

9. The purpose of a/an..... is to define clearly the extent of the auditor's responsibilities and to minimize the areas of potential misunderstanding between the client and the auditor.
10. The entire set of data from which selected few have equal chance of representing the whole items and on which the auditor can draw his conclusion, is referred to as.....
11. The letter to confirm the accuracy of financial information that a company had submitted to the auditors for verification is.....
12. The level of sampling risk an auditor is willing to accept is determined by .....
13. The internal control which observes and directs the execution of activities by all level of staff is known as.....
14. The auditor's assessment of the hiring policies, experience and professional qualifications of internal auditing staff, is to determine .....
15. The mechanism of financial control raised by the Auditor-General for seeking further clarification on a particular transaction is.....
16. The internal auditor in the public sector whose responsibility is to advise on policies introduced by the establishment from time to time is in.....
17. A software that performs the types of checks on data that auditor might otherwise have to perform by hand is ..... software.
18. A detailed tracking of transactions process through a system to ensure its correctness is.....
19. The systems which provide the facilities for data to be passed to and from the central computer via remote terminals is.....
20. The external auditor is put on ..... when in the course of his duty, he has a valid reason to doubt a transaction.

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

The professional Code of Conduct and Guide for a professional Accountant has **FIVE** fundamental principles.

**Required:**

- a. List the **FIVE** fundamental principles. (5 Marks)
- b. Briefly discuss the **FIVE** fundamental principles. (7½ Marks)

**(Total 12½ Marks)****QUESTION 2**

- a. State **FIVE** procedures for writing a good Management letter. (7½ Marks)
- b. List **FIVE** contents of a good Management letter (5 Marks)

**(Total 12½ Marks)****QUESTION 3**

- a. Define the term “Letter of Engagement” and state **FOUR** of its purposes. (4 Marks)
- b. State **THREE** examples of expectation gap. (4 Marks)
- c. List **FIVE** types of general insurance business. (2½ Marks)
- d. Explain the term “Professional Ethics”. (2 Marks)

**(Total 12½ Marks)****QUESTION 4**

- a. State **THREE** implied terms imputed by law in an audit contract. (3 Marks)
- b. Briefly explain the following terms
  - (i) Inherent risk
  - (ii) Control risk
  - (iii) Detection risk (4½ Marks)
- c. List and explain **FIVE** sources of audit evidence (5 Marks)

**(Total 12½ Marks)****QUESTION 5**

- a. Distinguish between:
  - i) Private audit and Statutory audit (2 Marks)
  - ii) External audit and Internal audit (2 Marks)
- b. Write short notes on the following:
  - i) Complete audit (2 Marks)
  - ii) Interim audit (2 Marks)
  - iii) Continuous audit (2½ Marks)

- c. State **TWO** categories of Assurances

(2 Marks)

**(Total 12½ Marks)**

### **QUESTION 6**

Information Technology Controls are often described in two categories. These are General controls and Application controls

#### **Required:**

- a. Define General controls  
b. List and briefly explain **FIVE** types of General Controls

(2½ Marks)

(10 Marks)

**(Total 12½ Marks)**

## **SECTION A**

### **PART I: MULTIPLE CHOICE SOLUTIONS**

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

#### **Examiner's comment**

There are 30 multiple choice questions. This part covered the whole syllabus.

Candidates' performance was good and encouraging.

Percentage of attempt is 100%. 60% of the candidates scored 15 and above. Highest mark is 22 and lowest mark is 7.

## **SECTION A: PART II**

### **SHORT ANSWER SOLUTIONS**

1. Investigating, detecting
2. An adverse opinion
3. Real time processing
4. Reasonable assurance engagement, Limited assurance engagement
5. Liquidation service
6. Litigation support
7. Control risk, detection risk
8. Statutory audit
9. Engagement letter
10. Population
11. Letter of representation
12. Sample size
13. Monitoring controls
14. Reliance on the work of the internal auditor
15. Post audit query
16. Management audit
17. Audit interrogation software
18. Audit trail
19. Online system
20. Enquiry

### **Examiner's comment**

There are 20 short answer questions. More than 40% of candidates got Nos. 5, 8, 16 and 18 wrong.

Percentage of attempt is 100%. 50% of the candidates scored 8 and above. Highest mark is 9 and lowest mark is 2.

## SECTION B

### SOLUTION 1

- a) The five fundamental principles of ICAN Code are:
- i. Integrity
  - ii. Objectivity
  - iii. Professional competence and due care.
  - iv. Confidentiality
  - v. Technical standards
- b)
- i. Integrity:  
A professional accountant should be straightforward and honest in all professional and business relationships.
  - ii. Objectivity:  
A professional accountant should not allow bias, conflict of interest or due influence of others to override his or her professional or business judgments.
  - iii. Professional competence and due care:  
A professional accountant has a continuing duty to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current development in practice, legislations and techniques. A professional accountant should act diligently and in accordance with applicable technical and professional standards when providing professional services.
  - iv. Confidentiality:  
A professional accountant should respect the confidentiality of information acquired as a result of professional or business relationship and should not disclose any such information to third parties without proper and specific authority unless there is a legal or professional right or duty to disclose. Confidential information should not be used for the personal advantage of the professional accountant or third parties.
  - v. Technical Standards:  
A professional accountant should comply with relevant laws and regulations and should avoid any such actions which discredit the profession.

### Examiner's comment

Candidates are required to list 5 fundamental principles of Professional Code of Conduct and Guide for Professional Accountant. They are to briefly discuss on the five fundamental principles listed.



More than 70% of candidates attempted this question. More than 50% of candidates scored more than 7 marks. Highest mark is 12.

The question is appropriate for the level. 80% of candidates attempted this question.

## **SOLUTION 2**

- a) Five procedures for writing a good Management letter include:
- i. The identified weaknesses should be discussed verbally with the client. This is important since the auditor's understanding of the system may have been faulty owing to misinformation by an un-cooperating staff. Prejudice on the part of the auditor can also lead to a faulty conclusion. Furthermore, there may be other compensating controls to take care of an apparent weakness.
  - ii. A formal letter should be prepared specifying the areas of weaknesses, their possible effects and, most importantly, recommendations for remedial actions.
  - iii. A request should be included in the letter for the client's comment and actions intended to correct the identified weaknesses.
  - iv. Follow up is very important on the auditor's next visit.
  - v. Timeliness is of essence for an effective Management letter. The letter should be forwarded early enough to allow management sufficient time to take remedial action before the commencement of a final audit.
- b) Five contents of a good management letter include:
- i. A note of the purpose of the letter
  - ii. A note of the purpose of the internal control investigation.
  - iii. Disclaimer to the effect that the auditor's examination cannot be relied upon to disclose all weaknesses or fraud that may exist in the system.
  - iv. A list of weakness. The explanation has to be specific as to quality and quantity if applicable, and the possible consequences spelt out in details. Distinction should be made between material and minor weaknesses.
  - v. A recommendation for improvement.
  - vi. A request to management to send a written reply to the points raised and proposed actions to rectify the weaknesses.
  - vii. Previous recommendations not acted upon.

## **Examiner's comment**

30% of candidates attempted this question. Performance of candidates is poor.

Scanty answers were provided for procedures for writing a good Management letter. However, good attempt was shown in listing contents of a good Management letter. Highest mark is 8.

### **SOLUTION 3**

#### **a) Letter of Engagement**

The letter of engagement is sent by the auditors to a client at the beginning of any audit. It sets out the terms of the engagement and forms the basis of the contract. Prior to the commencement of any audit work, the auditor uses it to agree in writing, the precise scope and nature of the audit work to be undertaken.

#### **Purposes of Letter of Engagement**

- i) To define clearly the extent of the auditors' and directors' responsibilities.
- ii) By formalizing the terms of the engagement, it helps to minimize the possibility of any misunderstanding between the auditors and the clients.
- iii) It provides written confirmation of the auditors' acceptance of the appointment.
- iv) It confirms in writing verbal arrangements in respect of scope of the audit, the form of their report and the scope of any non-audit service.
- v) It provides information on the basis for charging fees.

#### **b) Examples of Expectation Gap**

- i) Standard gap
- ii) Performance gap
- iii) Liability gap

#### **c) The general insurance business includes the following:**

- i) Fire insurance
- ii) Marine and aviation insurance
- iii) General accident insurance
- iv) Motor vehicle insurance
- v) Oil and gas insurance
- vi) Engineering insurance
- vii) Miscellaneous insurance

#### **d) Professional Ethics**

Professional Ethics are those codes of conduct put in place by a professional body e.g. ICAN for its members to follow. They are those expected mode of behaviour for members of a professional body.

#### **Examiner's comment**

Candidates were able to define and explain what a Letter of Engagement is. The purposes of Letter of Engagement are also stated clearly by the candidates.

However, 3 purposes of Letter of Engagement were used for the marking exercise

because of (b) part of the question that has 4 marks for stating 3 examples of expectation gap.

Candidates were able to explain the term “Professional Ethics very well.

70% of candidates attempted this question. The highest score is 12.

#### **SOLUTION 4**

**a) The implied terms imputed by the law into an audit contract are:**

- i) Duty of care
- ii) Independence
- iii) Confidentiality
- iv) Professional competence
- v) Due diligence

**b) Brief explanation**

##### **Inherent risk**

Inherent risk is the susceptibility of an account balance or class of transactions to material misstatement, either individually or when aggregated with misstatements in other balances or classes, while assuming no related internal control.

To assess inherent risk, the auditors use their experience of the client company from their previous audits together with professional judgement to evaluate numerous factors, for example, at the financial statement level and at the account balance and class of transaction level.

##### **Control risk**

Control risk is the risk that material misstatement could occur in account balance or class of transactions, either individually or when aggregated with misstatements in other balances or classes, and not be prevented, or detected on a timely basis, by the accounting and internal control systems.

When control risk is assessed at less than high, the auditors need to document the basis for conclusion.

##### **Detection Risk**

Detection risk is the risk that auditors' substantive procedures (tests of details of transactions and balances or analytical procedures) would not detect a material misstatement that exists in an account balance or class of transactions, either individually or when aggregated with misstatement in other balances or classes.

When the auditors determine that detection risk regarding a material financial statement assertion cannot be reduced to an acceptably low level, the auditors need to consider the implication for their audit report and may consider whether to withdraw from the engagement.

**c) Sources of audit evidence:**

- i) Inspection
- ii) Observation
- iii) Inquiry
- iv) Confirmation
- v) Recalculation
- vi) Re-performance
- vii) Analytical Procedures

**Inspection**

This consists of examining records or documents, whether internal or external, in paper form, electronic form, or other media.

**Observation**

This consists of looking at a process or procedure being performed by others.

**Inquiry**

This consists of seeking information of knowledgeable persons, both financial and non-financial, throughout the entity or outside the entity.

**Confirmation**

This is the process of obtaining a representation of information of an existing condition directly from a third party.

**Recalculation**

This consists of checking the mathematical accuracy of documents or records.

**Re-performance**

This is the auditor's independent execution of procedures of controls that were originally performed as part of the entity's internal control, either manually or through the use of CAATs, for example, re-performing the ageing of accounts receivable.

**Analytical procedures**

This consists of evaluation of financial information made by a study of plausible relationships among both financial and non-financial data.

**Examiner's comment**

Candidates performed poorly in stating implied terms imputed by law in an audit contract.

The keywords like duty of care, independence, confidentiality, due diligence and professional confidence were skipped by many candidates.

Candidates made good attempt in explaining Inherent risk, Control risk and Detection risk, Sources of audit evidence. Candidates understood this topic as many sources were provided. However, explaining the sources of evidence were not explicit enough.

60% of candidates attempted this question. The highest score is 12.

## **SOLUTION 5**

### **a. i Private Audit**

A private audit is one undertaken at the instance of an interested party (e.g. a sole trader) or parties (partners of a partnership), even though there is no legal obligation that an audit should be carried out. The scope of the audit may be determined by the client.

### **Statutory Audit**

While a statutory audit arises under the Company law as a result of which it is a statutory obligation for the accounts of every limited liability company to be audited annually by a professional qualified auditor. Statutory audits have their scope largely determined by the governing legislation which the client or the auditor has no authority to vary in any way. Even though the appointment of an auditor is a statutory requirement, the relationship between the company and the auditor is governed by contract.

### **a. ii External and Internal Audit**

External audit is where independent persons are brought in from outside an organization to review the accounts prepared by the management.

Internal audit is where an organization appoints a full time staff to monitor and report on the running of the company's operations as a service to the management.

### **b. i Complete audit**

This applies to smaller concerns where the volume of transactions and complexity of records do not require the auditor's attendance more than once each year. This visit normally takes place as soon as the company's financial year ends, and it continues until it has been completed and the audit report signed.

### **b. ii Interim Audit**

In the case of larger clients, the auditor will often find it necessary to proceed with the audit on an interim basis in view of the volume of testing to be undertaken in order to reach an opinion on the reliability of the records. Interim audits, as arranged with the co-operation of the client, may be bi-annual, quarterly or even monthly, depending on the volume of audit work considered necessary. It may also be conducted any time before the year ends.

### **b. iii Continuous Audit**

Where the system of internal control operated by a large company displays fundamental and material weaknesses, the auditor may be obliged to check a higher proportion of transactions than would otherwise be necessary, and in exceptional circumstances, members of the audit team may be required to execute checking work continuously throughout the period to which the accounts relate.

- c. Two categories of assurances engagements:
  - (i) Reasonable assurance engagements
  - (ii) Limited assurance engagements

### Examiner's comment

Good attempt was made by the candidates in highlighting the difference between statutory audit and private audit.

So also for external audit and internal audit.

Candidates have poor knowledge of complete audit. Good attempt was made on Interim audit and Continuous audit.

Candidates understand the two categories of assurance engagements available.

70% of candidates attempted this question. The highest mark is 12.

### SOLUTION 6

- a) General Control: are those controls in the environment in which system and programs are developed, are used on a day-to-day basis, and are therefore applicable to all the applications.
- b) Types of general controls are:
  - i) System development control
  - ii) Segregation of duties control
  - iii) Computer operational control
  - iv) Computer file control
  - v) Computer security and standby arrangement control
- i. **System development control:** These are controls in the environment in which system and programs are developed. Some of the objectives of this control is to ensure standard procedures and proper documentation for system development.
- ii. **Segregation of duties control:** Major sections of the computer department including systems development, computer operations, data control and the library function should be segregated.
- iii. **Computer operational control:** This involves the establishment of a well-defined organisational structure within the computer department. The organisational structure should clearly set out the roles and responsibilities of various personnel within the computer department.
- iv. **Computer file control:** Under this file movement, register should be maintained and access to the file library should be restricted to authorised persons only.

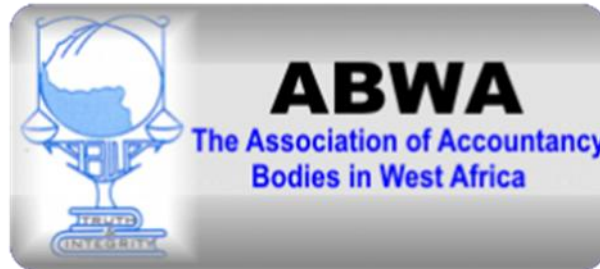
- v. **Computer security and standby arrangement control:** This involves restriction of access to the computer system, installation of an electricity generating plant as back-up in the event of power failure from public sources, installation of an UPS (Uninterruptible Power Supply) facility to ensure continuous supply of clean electricity to the computer.

**Examiner's comment**

30% of candidates attempted this question. Poor definition of General Controls by the candidates.

Poor attempt on types of General Controls available.

The highest mark is 8.

**THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA****ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
MARCH 2025 EXAMINATIONS (PART III)****COST ACCOUNTING**

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

**EXAMINATION INSTRUCTIONS**

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

**WEDNESDAY, MARCH 26, 2025**

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



**THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA**  
**ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA**  
**PART III EXAMINATIONS – MARCH 2025**

**COST ACCOUNTING**

**Time Allowed: 3 hours**

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

**ATTEMPT ALL QUESTIONS**

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

1. A flexible budget is a budget that
  - A. Comprises variable costs only
  - B. Is constantly being changed
  - C. Is adjusted to reflect different costs at different activity levels
  - D. Will be changed at the end of the month in order to reflect the actual costs of a department
  - E. Is adjusted to reflect the incremental adjusted step costs
2. Which of the following is **NOT** a special cost used for managerial decisions?
  - A. Imputed cost
  - B. Adjusted cost
  - C. Sunk cost
  - D. Committed cost
  - E. Discretionary cost
3. The amount of expenditure incurred on, or attributable to a thing or activity is termed
  - A. Costing
  - B. Price
  - C. Value
  - D. Cost
  - E. Expenses
4. Direct expenses are also called ----- expenses
  - A. major
  - B. chargeable
  - C. overhead
  - D. sundry
  - E. incremental

5. Total sales less total variable cost is
- A. margin of safety
  - B. contribution
  - C. marginal cost
  - D. conversion cost
  - E. profit
6. The arrangement of items in logical groups having regard to their nature or purpose is termed
- A. Coding
  - B. Classification
  - C. System
  - D. Symbolisation
  - E. Decoding
7. A bonus paid in addition to normal wages where an employee has a good record of promptitude on schedule is known as .....
- A. Profit bonus
  - B. Shift bonus
  - C. Group bonus
  - D. Punctuality bonus
  - E. Co-partnership bonus
8. Indirect material used in production is classified as ----- overhead
- A. office
  - B. general
  - C. distribution
  - D. factory
  - E. selling
9. Total of all indirect costs is termed -----
- A. prime cost
  - B. work cost
  - C. production cost
  - D. cost of sales
  - E. overhead
10. Which of the following is **NOT** a quality of a good costing information report?
- A. Timeliness
  - B. Relevance
  - C. Brevity
  - D. Convertibility
  - E. Cost Effectiveness

**Use the following to answer Questions 11 and 12.**

Budgeted Production: 4,000 units

Actual Production: 3,600 units

Standard Hours per unit: 5

Actual working Hours 19,200

11. The Efficiency ratio is:

- A. 97.35%
- B. 96.50%
- C. 95.75%
- D. 94.66%
- E. 93.75%

12. The Activity ratio is:

- A. 90%
- B. 80%
- C. 70%
- D. 60%
- E. 50%

13. Just – In – Time combines the benefits of

- A. Job order production and line production
- B. Batch production and line production
- C. Job order production and Batch production
- D. Batch quantity and line production
- E. Job order quantity and line production

14. Budgetary control helps in the implementation of

- A. Standard costing
- B. Production analysis
- C. Marginal costing
- D. Technical analysis
- E. Absorption costing

15. Capacity ratio is described as

- A.  $(\text{Standard hours for Actual Output} / \text{Actual Hours Worked}) \times 100\%$
- B.  $(\text{Standard Hours for Actual Output} / \text{Budgeted Hours}) \times 100\%$
- C.  $(\text{Actual Hours Worked} / \text{Budgeted Hours}) \times 100\%$
- D.  $(\text{Budgeted Capacity} - \text{Actual Capacity}) / \text{Budgeted Capacity} \times 100\%$
- E.  $(\text{Budgeted Hours} / \text{Maximum Hours in Budgeted Period}) \times 100\%$

**The following information is given for Questions 16 and 17:**

	Standard	Actual
Outputs	100 units	200 units
Quantity of material required per unit of output	4 kg per unit	3 kg per unit
Price	₦4 per kg	₦3 per kg

16. The material cost variance is

- A. ₦450 Adv
- B. ₦420 Adv
- C. ₦450 Fav
- D. ₦200 Adv
- E. ₦200 Fav

17. Material usage variance is

- A. ₦800 Adv
- B. ₦800 Fav
- C. ₦700 Adv
- D. ₦700 Fav
- E. ₦600 Adv

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

A machine costs GH¢500,000 and would generate net cash flow each year as follows:

Years	1	2	3	4	5
Cash flows (GH¢)	150,000	300,000	50,000	100,000	200,000

The machine cost of capital is 10% with no scrap value at the end of its 5 years life. (work DCF to 3 decimal places)

18. The payback period is

- A. 5 years
- B. 4 years
- C. 3 years
- D. 2 years
- E. 1 year

19. The net present value of the machine is

- A. GH¢114,349 positive
- B. GH¢114,349 negative
- C. GH¢119,780 positive
- D. GH¢119,780 negative
- E. GH¢119,800 positive

20. Lead time is defined as the time interval between.....
- A. when an order is placed and when the goods are received.
  - B. stock out and replenishment
  - C. date of ordering and production.
  - D. when an order is made and date of conversion into finished goods.
  - E. ordering time and time the goods are sold.
21. Standard output of a product is 0.75 units per hour. A worker worked for 60 hours producing 60 units. What is the time saved?
- A. 25 hours
  - B. 20 hours
  - C. 15 hours
  - D. 10 hours
  - E. 0 hour
22. Which of the following is **NOT** a method of costing?
- A. Batch Costing
  - B. Service Costing
  - C. Standard Costing
  - D. Contract Costing
  - E. Job Costing
23. A document used in material recording, which contains lists of materials, with specifications, materials codes and quantity of materials required for a particular job, process or production unit is
- A. Bill of Material
  - B. Purchase Requisition Note
  - C. Material Return Note
  - D. Goods Received Note
  - E. Purchase Order
24. Mayowa-Blessing Hospital requires additional nurse for every ten patients, this represents
- A. Fixed Cost
  - B. Step Cost
  - C. Variable Cost
  - D. Mixed Cost
  - E. Production Cost
25. The feature of CODING which states that codes should be of equal length and of the same structure is known as
- A. Uniqueness
  - B. Exhaustiveness
  - C. Uniformity
  - D. Distinctiveness
  - E. Relevance

26. The following extract is taken from the production budget of Sure Limited:

Production (units)	2,000	3,000
Production cost (L\$)	11,100	12,900

The budgeted cost allowance for an activity level of 4,000 units is

- A. L\$17,200
  - B. L\$15,200
  - C. L\$14,700
  - D. L\$13,700
  - E. L\$13,500
27. A measure of a product for which cost may be ascertained and used for the purpose of cost control is
- A. Cost structure
  - B. Cost object
  - C. Cost centre
  - D. Cost unit
  - E. Cost audit
28. A company's break-even-point is 6,000 units per annum. The selling price is ₦180 per unit and the marginal cost is ₦80 per unit. The company's annual fixed cost is
- A. ₦700,000
  - B. ₦600,000
  - C. ₦500,000
  - D. ₦450,000
  - E. ₦400,000
29. The following information relates to a company making television sets.

	<b>GH¢</b>
Budgeted Sales Revenue	2,600,000
Budgeted Profit	260,000
Budgeted contribution	1,040,000

The Budgeted sales to break-even is

- A. **GH¢2,050,000**
- B. **GH¢2,045,000**
- C. **GH¢1,950,000**
- D. **GH¢1,945,000**
- E. **GH¢1,850,000**

30. A master budget comprises
- A. The entire set of the budgets
  - B. The budgeted statement of cash flow
  - C. The budgeted statement of cash flow, budgeted statement of comprehensive income, and budgeted statement of financial position
  - D. The budgeted statement of comprehensive income
  - E. The budgeted statement of value added

**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 system which involves establishment of budgeted performance for each activity of the business for the budget period is known as -----
2. The value of a benefit sacrificed in favour of an alternative course of action is .....
3. Material control involves planning, organising and controlling of the procurement, storage and usage of materials in order to achieve the objectives of efficiency and .....

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

Annual consumption of material	96,000 units
Purchase price of material	Le50 per unit
Ordering cost per order	Le180
Annual carrying cost	12%

4. The number of orders per annum is -----
5. Total ordering cost is -----
6. A technique employed to reduce costs associated with movement of men and machines when performing a job is -----
7. Any activity that triggers the cost of a product/service is known as -----

### Use the following to answer Questions 8 and 9

The following data are presented:

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

Using high and low method

8. The overhead absorption rate per hour is -----
9. The total fixed overhead is -----
10. The method of apportionment of overheads that recognises the fact where two or more service department render services to each other and each receiving department are charged for the cost of services rendered by the other is called.....
11. The cost of activities relating to creation and stimulation of demand for company's product and securing of orders from customers is .....
12. The process of gathering, recoding, analysing and presenting information to management in order to assist them in planning, controlling and decision making is known as .....
13. The system of attributing cost to cost units on the basis of benefit received from indirect activities is called .....
14. A system in which cost accounts are distinct from financial accounts, where the two sets of accounts are kept simultaneously in agreement with the use of control accounts is.....
15. The aggregate of indirect material cost, indirect labour cost and indirect expenses is known as.....
16. The formula for cost per service unit is derived as .....
17. Administrative overhead is usually absorbed as a percentage of .....
18. Cost-plus contracts provide for payment of allowable actual costs plus an agreed element to cover the .....
19. The use, by several undertakings, of the same costing principles or practices is known as .....
20. Losses in production above the level deemed to be acceptable for the process is .....



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

Cost accounting is applicable to all manufacturing and non- manufacturing sectors in every economy.

**Required:**

- a. List **FIVE** non-manufacturing businesses in which cost accounting is a necessity. (5 Marks)
- b. List **EIGHT** objectives of cost accounting. (4 Marks)
- c. List **SEVEN** functions of cost accounting (3½ Marks)

**(Total 12½ Marks)****QUESTION 2**

At the beginning of March 2023, Iyalaaje Company had in store, inventory of 800 units valued at ₦200 per unit. The following represents further receipts and issues for the month of March 2023.

**Receipts:**

March 8 ..... 700 units @ ₦180 per unit  
March 17 ..... 800 units @ ₦200 per unit  
March 25 ..... 500 units @ ₦250 per unit

**Issues:**

March 9 ..... 600 units @ ₦250 per unit  
March 11..... 800 units @ ₦250 per unit  
March 31..... 1000 units @ ₦180 per unit

You are required to complete the inventory account showing the balance at March 31, 2023 using the following valuation methods:

- i. First -in – First – Out method
- ii. Last – in – First – Out – method (Total 12½ Marks)

**QUESTION 3**

- a. Explain “Batch Costing” and its features (2½ Marks)
- b. Lanlehin Ltd undertakes to supply 1,000 units of a component per month for the month of January, February and March 2023. Every month, a batch order is opened against which materials and labour costs are booked at actuals. Overheads are charged at a rate per labour hour. The selling price is L\$150 per unit. The analysis of the costs is as follows:

	Batch Output (Number)	Material Cost L\$	Labour Cost L\$
January	1,250	62,500	25,000
February	1,500	90,000	30,000
March	1,000	50,000	20,000

Labour is paid at the rate of L\$20 per hour.

The other details are:

	Overheads L\$	Total Labour L\$
January	120,000	4,000
February	90,000	4,500
March	150,000	5,000

**You are required to:**

- Present the cost and profit per unit of each batch order (7 Marks)
- Determine the overall position of the order of 3,000 units. (3 Marks)

**(Total 12½ Marks)**

#### **QUESTION 4**

BATAM Limited presented the following monthly sales estimates:

Months	Sales GH¢'000	Months	Sales GH¢'000
January	1,000	June	800
February	1,200	July	1,000
March	1,400	August	800
April	800	September	600
May	600	October	1,000

- Of the sales, 80% is estimated to be on credit and 20% for cash. 75% of the credit sales are collected in one month and the balance in two months. There are no bad debts.
- Purchases amount to 80% of sales are paid for in the month preceding the sales.
- Wages and salaries are estimated to be payable as follows:  
  
April GH¢90,000; May – GH¢80,000; June – GH¢100,000; July; - GH¢100,000; August – GH¢90,000 and September; - GH¢90,000.
- The firm took a loan of GH¢1,200,000 in January with interest @10% per annum. Interest to be paid quarterly in January, April and so on.

- e. The firm is to make payment of tax of GH¢50,000 in July.
- f. The firm has a cash balance of GH¢200,000 on 1 April.

**Required:**

Prepare a cash budget for six months beginning from the month of April.  
(Total 12½ Marks)

**QUESTION 5**

VENTOL Limited manufactures three products and presents the following data for the year:

	Products		
	A	B	C
Selling price per unit (Le)	100	75	50
Profit/Volume (PV) ratio (%)	10	20	40
Maximum sales demand (Units)	40,000	25,000	10,000
Raw material content as a			
Percentage of variable costs (%)	50	50	50

The fixed expenses are estimated at Le680,000. The company uses a single raw material in all the three products. Raw material is in short supply and the company has a quota for the supply of raw materials of the value of Le1,800,000 for the year to manufacture its products to meet its sales demand.

**Required:**

- a. Determine the product mix which will give a maximum overall profit keeping the short supply of raw materials in view. (9½ Marks)
- b. Compute the maximum profit. (3 Marks)

(Total 12½ Marks)

**QUESTION 6**

The following information relates to DARLINGTON GUEST HOUSE:

- i. Salaries of staff: ₦1,020,200 p.a
- ii. Wages of the room attendant: ₦40 per day
- iii. There is a room attendant for each room. He is paid wages only when the room is occupied.
- iv. Lighting, Heating and Power:
  - a. The normal lighting expenses for each room for the whole month is ₦1,000 when occupied.
  - b. Power is used only in cold weather and the charges are ₦400 per month for a room, when occupied.
- v. Repairs to building: ₦100,000 p.a

- vi. Licence: ₦48,000 p.a
- vii. Sundries: ₦66,000 p.a
- viii. Interior decoration and furnishing: ₦100,000 p.a.
- ix. Depreciation @ 5% p.a. is to be charged on buildings costing ₦4,000,000 and 10% p.a. on equipment costing ₦1,000,000.
- x. Interest to be charged at 20% on investment in buildings and equipment amounting to ₦5,000,000
- xi. There are 100 rooms in the guest house, 80% of the rooms are generally occupied in harmattan and 30% in raining season. Harmattan and raining seasons may be assumed to be 6 months each during the year. A month is considered to be 30 days.

**You are required to**

Calculate the room rent to be charged to give a profit of 25% on cost excluding interest. Give your answer to the nearest whole number.

**(Total 12½ Marks)**

## SECTION A

### PART I: MULTIPLE CHOICE SOLUTIONS

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

### Workings to Q11 and 12

11. Efficiency Ratio = Standard Hours for Actual Output / Actual Hours x 100%  
Standard Hours = 3,600 units x 5hrs = 18,000 hours  
= 18,000 / 19,200 x 100%  
Efficiency Ratio = 93.75%
12. Ratio = Standard Hours for Actual Output / Budgeted Hours x 10%  
Budgeted Hours = 4,000 x 5hrs = 20,000 hours  
18,000 / 20,000 x 100%  
Activity Ratio = 90%

### Workings to Q 16 and 17

16.  $MCV = (SQ \times SP - (AQ \times AP))$   
 $(400 \times \text{N}4) - (600 \times \text{N}3)$   
 $\text{N}1600 - \text{N}1800$   
 $= \text{N}200 \text{ Adv.}$

17. Material Usage Variance:  
 $MUV = (SQ - AQ)SP$   
 $(400\text{kg} - 600\text{kg}) \text{ N}4$   
 $= 800 \text{ Adv}$

### Workings to Q 18 and Q 19

18. Payback period:

Years	Cashflow GHc	Cumulative Cash Inflow GHc	Balance GHc
0	(500,000)	-	(500,000)
1	150,000	150,000	(350,000)
2	300,000	450,000	(50,000)
3	50,000	500,000	0

Payback period is 3 years

19. Net Present Value

Years	Cashflow GHc	Df@10% N	Present Value N
0	(500,000)	1	(500,000)
1	150,000	0.909	136,364
2	300,000	0.826	247,934
3	50,000	0.751	37,655
4	100,000	0.683	68,301
5	200,000	0.621	<u>124,184</u>
		+ NPV	<u>114,349</u>

### Workings Q 21

Time allowed (TA)

$TA = 60 \text{ units} / 0.75 \text{ units}$   
 $= 80 \text{ hours}$

Time Saved (TS) = TA – TS

$= 80 \text{ hours} - 60 \text{ hours}$

Time saved = 20 hours

### Workings to Q 26

	Level of Activity (units)	Production cost (₦)
Highest	3,000	12,900
Lowest	<u>2,000</u>	<u>11,100</u>
Difference	<u>1,000</u>	<u>1,800</u>
Variable cost per unit = ₦1,800 / 1,000 units		
= ₦1.80 per unit		

Fixed cost @ Highest Level of Activity using:  $Y = a + bx$

$$12,900 = a + 1.8 (3,000 \text{ units})$$

$$a = 12,900 - 5,400$$

$$a = \text{₦}7,500$$

Budgeted Allowance for an activity level of 4,000 units

$$= 7,500 + 1.8 (4,000 \text{ units})$$

$$= \text{₦}14,700$$

### Workings to Q 27

BEP (QTY) = Fixed Cost / Contribution per unit

$$\text{Contribution per unit} = \text{₦}180 - \text{₦}80 = \text{₦}100$$

$$\text{BEP (QTY)} = 6,000 \text{ units}$$

$$\text{Fixed cost} = x$$

Therefore;

$$6,000 = x / 100$$

$$x = 6,000 \times \text{₦}100$$

$$x = \text{₦}600,000$$

### Workings to Q 29

Budgeted Fixed Cost = Budgeted Contribution – Budgeted Profit

$$= \text{₦}1,040,000 - \text{₦}260,000$$

$$= \text{₦}780,000$$

Contribution Margin Ratio = Budgeted Contribution / Budgeted Sales

$$= 1,040,000 / 2,600,000$$

$$= 0.4$$

BEP (Sales Value) = Fixed Cost / Contribution Margin Ratio

$$= 780,000 / 0.4$$

$$= \text{₦}1,950,000$$

**Examiner's comment**

This part consists of 30 multiple-choice questions covering a very substantial portion of the entire syllabus. It was attempted by all candidates and performance was good as more than 60% of them scored 50% and above of the marks allocated.

A few candidates did not prepare for the examination and this was obvious from the choices they made. Candidates are enjoined to ensure total coverage of the syllabus when preparing for future examinations.



## **SECTION A: PART II**

### **SHORT ANSWER SOLUTIONS**

1. Budgetary Control
2. Opportunity Cost
3. Economy
4. 40 times
5. Le7,200
6. Motion Study
7. Cost Driver
8. GHc120 per hour
9. GHc1,800,000
10. Secondary Apportionment
11. Selling & Distribution Overhead
12. Cost Accounting
13. Activity-Based Costing (ABC)
14. Interlocking Accounts
15. Overhead
16. Total costs for the period divided by number of service units in the period
17. Cost of Sales/Direct Cost/Works Cost
18. Profit
19. Uniform Costing
20. Abnormal Loss

### **Workings for Q4 and Q5**

$$Q = \sqrt{2Dc/Cc}$$

$$Q = \sqrt{2 \times 96,000 \times 180/12\% \times \text{N}50}$$

$$Q = \sqrt{2 \times 96,000 \times 180/6}$$

$$Q = 2400 \text{ units}$$

$$\begin{aligned} \text{Total number of orders per annum} &= D/Q \\ &= 96,000/2400 \\ &= 40 \text{ times} \end{aligned}$$

$$\begin{aligned}
 \text{Total ordering cost} &= \text{number of orders} \times \text{unit ordering cost} \\
 &= 40 \times \text{Le}180 \\
 &= \text{Le}7,200
 \end{aligned}$$

### Workings for Q 8 and Q9

8. Variable overhead absorption rate = Difference in Overheads/Difference in Activity Level

	Level of Activity Hours	Overheads ₦
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>

$$\begin{aligned}
 \text{VOAR} &= \text{Le}2,400,000 / 20,000 \\
 &= \text{Le}120 \text{ per hour}
 \end{aligned}$$

9. Determination of Total fixed costs using  $Y = a + bx$

@ Highest level of activity:

$$5,400,000 = a + 120 (30,000)$$

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

$$a = \text{Le}1,800,000 \text{ Total fixed overhead}$$

### Examiner's comment

This part consists of 20 short answer questions drawn from virtually every section of the syllabus. It was attempted by all candidates and performance was fair as about 45% of them scored 50% and above of the marks allocated.

Several candidates were obviously in a haste to answer the questions, hence they gave answers which appeared similar to the correct answers, but not correct.

Candidates are advised to patiently understand the exact requirements of questions before answering them in the future.

## SECTION B

### SOLUTION 1

- a. Non-manufacturing businesses where cost accounting is a necessity:
  - i. Hospitals: Determination of cost per patient night in hospitals and clinics for the purpose of cost ascertainment and budgetary control.
  - ii. Transport: Cost per passenger per kilometer in transport undertakings for cost ascertainment and cost control purposes.
  - iii. Departmental Stores: Operating statement of departmental efficiency and profitability, inventory turnover, efficiency of profitability, and inventory control in departmental stores.
  - iv. Farming: Crop and field operating statement and decision-making information such as utilization of marginal costing system on whether to accept or reject a farm or crop in a farming business.
  - v. Banking: Branch operating statements in the banking industry.
  - vi. Educational Institutions: Cost per full time or part-time student is used by colleges for cost ascertainment and cost control purposes.
  - vii. Medical
  - viii. Hotel and Catering Services
  - ix. Insurance and Other Financial Institutions
  - x. Audit and Accounting Services
  - xi. Communication Services
  - xii. Musical, Entertainment, etc.
- b. Objectives of cost accounting are to:
  - i. Ascertain the cost per unit of production
  - ii. Help in determining the selling price
  - iii. Help in cost control and cost reduction
  - iv. Assist management in decision making
  - v. Facilitate cost estimation
  - vi. Report production activities
  - vii. Provide the basis for comparative analysis through data collection
  - viii. To provide the principles and procedures to be followed in cost accounting
  - ix. Inform management about inefficiency and carelessness. Provide a basis for operating policies
  - x. Profitability analysis
  - xi. Performance evaluation
  - xii. Planning/Budgeting and Forecasting
  - xiii. Decision making
  - xiv. Statutory and regulatory compliance

- c. Purposes of cost accounting are:
- It helps to establish a method of controlling cost
  - It aids in the determination of costs and profits during a given accounting period
  - To assist managers through the provision of relevant information when faced with the problem of what to do in a situation that involves alternative courses of action.
  - It assists in setting standards of performance and provides feedback information for control purposes.
  - To facilitate the preparation of feasibility studies of new projects by bringing out the element of cost that will go into different budgets.
  - It assists management in the determination of the cost of inventory control carried out in financial statements.
  - It assists in the monitoring of variances it helps to set budgets.
  - It identifies the area of wastages and enables the management to avoid it.
  - It assists in cost comparisons between different departments, machines and alternative processes,
  - It helps management to maintain maximum efficiency with the adoption of an efficient costing system.

### Examiner's comment

This question tests candidates' understanding of the basic principles of cost accounting. It was attempted by only about 25% of the candidates and performance was fair as about 40% of them scored 50% and above of the marks allocated.

Many candidates failed to understand the difference between "objectives" and "functions", thereby mixing both together. Some others did not attach any importance to the basic principles in their preparation.

Candidates are reminded that a thorough knowledge of the basic principles is necessary as a foundation to the methods and techniques of the subjects.

### SOLUTION 2

Iyaalaje Limited

Valuation of Inventory for March 2023, using the First-In-First-Out method

Date	Receipt			Issue			Balance		
	Qty	Amount ₦	Amount ₦	Qty	Price ₦	Amount ₦	Qty	Price ₦	Amount ₦
1/3	Bal b/d						800	200	160,000
8/3	700	180	126,000				1,500		286,000
9/3				600	200	120,000	900		166,000
11/3				800		148,000	100		18,000
17/3	800	200	160,000				900		178,000
25/3	500	250	125,000				1,400		303,000
31/3				000		203,000	400		100,000

## Workings

- i. Valuation of issue of 800 units dated 11/3

	N
200 units @ N200 per unit	40,000
<u>600 units @ N180 per unit</u>	<u>108,000</u>
800	<u>148,000</u>

- ii. Valuation of issue of 800 units dated 31/3

	N
100 units @ N180 per unit	18,000
800 units @ N200 per unit	160,000
<u>100 units @ N250 per unit</u>	<u>25,000</u>
<u>1,000</u>	<u>203,000</u>

## Iyaalaje Limited

Valuation of Inventory for March 2023, using the Last – in – First – Out method

Receipt				Issue			Balance		
Date	Qty	Price N	Amount N	Qty	Price N	Amount N	Qty	Price N	Amount N
1/3	Bal b/d								<u>160,000</u>
8/3			<u>126,000</u>				<u>1,500</u>		<u>286,000</u>
9/3						<u>108,000</u>			<u>178,000</u>
11/3						<u>158,000</u>			<u>20,000</u>
17/3			<u>160,000</u>						<u>180,000</u>
25/3			<u>125,000</u>				<u>1,400</u>		<u>305,000</u>
31/3				<u>1,000</u>		<u>225,000</u>			<u>80,000</u>

## Workings

- i. Valuation of issue of 800 units dated 11/3

	N
100 units @ <del>N</del> 180 per unit	18,000
<u>700 units @ <del>N</del>200 per unit</u>	<u>140,000</u>
<u>800</u>	<u>158,000</u>

- ii. Valuation of issue of 800 units dated 31/3

	N
500 units @ <del>N</del> 250 per unit	125,000
<u>500 units @ <del>N</del> 200 per unit</u>	<u>100,000</u>
<u>1,000</u>	<u>225,000</u>

### Examiner's comment

This question tests candidates' understanding of inventory valuation methods. It was attempted by about 85% of the candidates and performance was good as about 70% of them scored 50% and above of the allocated marks.

A few candidates missed the calculation of unit costs where materials were issued from two or more batches. Some mixed FIFO and LIFO methods in their computations.

Candidates are advised to be more perceptive when dealing with different methods which appear similar in name and nature.

### QUESTION 3

- a) Batch costing is a form of specific order costing under which each batch is treated as a cost unit, and the costs are accumulated and ascertained separately for each batch. The unit cost is a batch or a group of identical products, instead of a single job, order or contract. The cost per unit is ascertained by dividing the total cost of a batch by the number of items produced in that batch.

#### Features of Batch Costing

- i. Each batch is treated as a cost unit.
- ii. All costs are accumulated and ascertained for each batch.
- iii. A separate Batch Cost Sheet is used for each batch and assigned a certain number by which the batch is identified.
- iv. The cost per unit is ascertained by dividing the total cost of a batch by the number of items produced in that batch.

#### (b i) Lanlehin Limited

##### Presentation of cost and profit of the batches for January to March 2023

	January	February	March
<b>Batch</b>	<b><u>1250</u></b>	<b><u>1500</u></b>	<b><u>1000</u></b>
	<b>₦</b>	<b>₦</b>	<b>₦</b>
Selling price / Unit	<u>150</u>	<u>150</u>	<u>150</u>
Total sales value (A)	187,500	225,000	150,000
Less: Cost of production:			
Material	62,500	90,000	50,000
Labour	25,000	30,000	20,000
Overheads	<u>37,500</u>	<u>30,000</u>	<u>30,000</u>
Total costs (B)	<u>125,000</u>	<u>150,000</u>	<u>100,000</u>
<b>Total Profit (A - B)</b>	<b><u>62,500</u></b>	<b><u>75,000</u></b>	<b><u>50,000</u></b>
	<b>₦</b>	<b>₦</b>	<b>₦</b>
Selling Price/Unit	150	150	150
Cost per unit (Total costs/Batch output)	<u>(100)</u>	<u>(100)</u>	<u>(100)</u>
<b>Profit per unit</b>	<b><u>50</u></b>	<b><u>50</u></b>	<b><u>50</u></b>

Workings:

i. Computation of Labour Rate: Labour Cost/Batch output

	Batch Output	Labour cost N	Labour Rate per hour N
January	1,250	25,000	20
February	1,500	30,000	20
March	1,000	20,000	20

ii. Computation of Labour Hours: Labour Cost/Labour rate per hour

January	February	March
$25,000/20$	$30,000/20$	$20,000/20$
= 1,250 hrs	= 1,500 hrs	= 1,000 hrs

iii. Computation of Overheads per hour: Overheads / Total Labour hours

January	February	March
$\text{N}120,000/4,000\text{hrs}$	$\text{N}90,000/4,500\text{hrs}$	$\text{N}150,000/5,000\text{hrs}$
= N30/hr	= N20/hr	= N30/hr

iv. Computation of Total overheads:

January	February	March
$\text{N}30 \times 1,250\text{hrs}$	$\text{N}20 \times 1,500\text{hrs}$	$\text{N}30 \times 1,000\text{hrs}$
= N37,500	= N30,000	= N30,000

(b ii) Overall Position for the Batch of 3,000 Units

	N
Selling price (N150 x 3,000 units)	450,000
Less: Total Costs (N100 x 3,000 units)	<u>(300,000)</u>
<b>Total Profit</b>	<b><u>150,000</u></b>

### Examiner's comment

This question tests candidates' understanding of batch costing. It was attempted by about 80% of candidates and performance was fair as about 55% of them scored 50% and above of the marks allocated.

The major pitfall was that candidates believed that there are separate principles guiding the aggregation of costs for a batch whereas it is the same with where every production was a single batch. They therefore complicated a simple issue.

Candidates are enjoined to get a thorough understanding of the principles guiding batch costing as different from normal job or process costing.

## QUESTION 4

### BATAM Limited

#### Cash Budget for April – September, 20XX

INFLOWS	April	May	June	July	Aug	Sept
	N'000	N'000	N'000	N'000	N'000	N'000
Cash sales	160	120	160	200	160	120
Collections from Debtors	1,080	760	520	600	760	680
Total (A)	1,240	880	680	800	920	800
OUTFLOWS:	N'000	N'000	N'000	N'000	N'000	N'000
Payments to Creditors	480	640	800	640	480	800
Wages	90	80	100	100	90	90
Interest on Loan	30			30		
Tax				50		
Total (B)	600	720	900	820	570	890
Bal.	N'000	N'000	N'000	N'000	N'000	N'000
Net cash flow (A – B)	640	160	(220)	(20)	350	(90)
Bal b/d	200	840	1,000	780	760	1,110
Bal c/d	840	1,000	780	760	1,110	1,020

#### Workings:

##### Sales Receipt Pattern:

	J	F	M	A	M	J	JA	S	O	N	D
Sales(N)	<u>1000</u>	<u>1200</u>	<u>1400</u>	<u>800</u>	<u>600</u>	<u>800</u>	<u>1000</u>	<u>800</u>	<u>600</u>	<u>1000</u>	
Cash sales (N)	<u>200</u>	<u>240</u>	<u>280</u>	<u>160</u>	<u>120</u>	<u>160</u>	<u>200</u>	<u>160</u>	<u>120</u>	<u>200</u>	
Credit sales (80%)	<u>800</u>	<u>960</u>	<u>1120</u>	<u>640</u>	<u>480</u>	<u>640</u>	<u>800</u>	<u>640</u>	<u>480</u>	<u>800</u>	
Collections:	N	N	N	N	N	N	N	N	N	N	N
75% (1mth)	600	720	840	480	360	480	600	480	360	600	
25% (2 months)	200	240	280	160	120	160	200	160	120	200	
		<u>1080</u>	<u>760</u>	<u>520</u>	<u>600</u>	<u>760</u>	<u>680</u>	520			

##### Purchases Payment Pattern:

	J	F	M	A	M	J	J	A	S	O	N
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Sales	<u>1,000</u>	<u>1,200</u>	<u>1,400</u>	<u>800</u>	<u>600</u>	<u>800</u>	<u>1,000</u>	<u>800</u>	<u>600</u>	<u>1,000</u>	
Purchases											
(80% of sales)	<u>800</u>	<u>960</u>	<u>1120</u>	<u>640</u>	<u>480</u>	<u>640</u>	<u>800</u>	<u>640</u>	<u>480</u>	<u>800</u>	
Payment	<u>960</u>	<u>1120</u>	<u>640</u>	<u>480</u>	<u>640</u>	<u>800</u>	<u>640</u>	<u>480</u>	<u>800</u>		

#### Interest Payment (Quarterly)

April: ₦1,200,000 10% x 3/12 = ₦30,000

July: ₦1,200,000 10% x 3/12 = ₦30,000

Note: Interest payment on loan is made in advance



### Examiner's comment

This question tests candidates' understanding of cash budgeting. It was attempted by about 90% of candidates and performance was equally good as more than 70% of them scored 50% and above of the marks allocated.

A few candidates omitted items which occurred only once, for example loan and tax, thereby affecting their balances. A few others had challenges with the grammatical interpretation of the instructions.

Candidates should understand that although cash budgeting is purely arithmetic, there is a need to interpret instructions correctly.

### QUESTION 5

#### VENTOL Limited Statement of Product Mix

Particulars	Product A	Product B	Product C
	₦	₦	₦
Selling price/Unit	100	75	50
Less: Variable cost per unit:	<u>90</u>	<u>60</u>	<u>30</u>
Contribution per unit	<u>10</u>	<u>15</u>	<u>20</u>
Limiting factor – Raw Materials	45	30	15
Contribution Over limiting factor	10/45	15/30	20/15
Contribution per limiting factor	0.22	0.50	1.33
Ranking	3 <sup>rd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>

#### Allocation of Resources: Available ₦1,800,000

Products	Max. Sales Demand	Cost per unit of material (₦)	Total cost of material required (₦)	Balance (₦)
C	10,000	15	150,000	1,650,000
B	25,000	30	750,000	900,000
A	20,000	45	900,000	NIL

#### Product Mix for the Company:

Products	Units
C	10,000
B	25,000
A	20,000

**b. Statement of Maximum Profit**

Products	Qty Sold	Contribution per unit (₦)	Total contribution (₦)
A	20,000	10	200,000
B	25,000	15	375,000
C	10,000	20	<u>200,000</u>
Total contribution			775,000
Less: Fixed expenses			<u>(680,000)</u>
Profit			<u>95,000</u>

Workings:

Particulars	A	B	C
Sales per unit (₦) (A)	100	75	50
Profit volume ratio (%) (B)	10	20	40
Contribution per unit (C)	10	15	20
variable cost per unit (₦) (D = A – C)	90	60	30
Raw Material content (E = D x 50%) (₦)	45	30	15

**Examiner's comment**

This question tests candidates' understanding of making decisions regarding optimum product mix where there is a limiting factor. It was attempted by about 75% of candidates and performance was good as more than 65% of them scored 50% and above of the marks allocated.

Some candidates were unable to prioritise the products using the contribution theory which was key to making the necessary decision.

Candidates are advised to study this all important topic in greater detail when preparing for future examinations.

**QUESTION 6****Darlington Guest House****Computation of Charge per Room**

Particulars	₦	₦
Salaries of Staff		1,020,200
Room attendants' wages:		
Harmattan Period (180 days x 80 x ₦40)	576,000	
Raining Period (180 days x 30 x ₦40)	<u>216,000</u>	792,000
Lighting, Heating, & Power:		
Hot season (₦1,000 x 100 rooms x 80% x 6 months)	480,000	
Cold season (₦1,000 x 100 rooms x 30% x 6 months)	180,000	

Power – (Cold season: N400 x 100 rooms x 30% x 6 months)	<u>72,000</u>	732,000
Repairs of Building		100,000
Licence		48,000
Sundries		66,000
Interior Decoration		100,000
Depreciation on Building (5% x <del>N</del> 4,000,000)	200,000	
Depreciation on Equipment (10% x <del>N</del> 1,000,000)	<u>100,000</u>	300,000
Interest on Investment (20% x <del>N</del> 5,000,000)		<u>1,000,000</u>
Total cost		<b>4,158,200</b>
Profit of 25% on cost excluding Interest		789,550
<del>N</del> (4,158,200 – 1,000,000) x 25%		
Total cost for the Room to be charged		<b><u>4,947,750</u></b>
No. of room-days		19,800
Room rent to be charged per day		<del>N</del> 249.88
		(approx. <del>N</del> 250)

#### WORKINGS:

##### Computation of No. of Room – days

Summer: 100 rooms x 80% x 30 x 6 months	14,400
Winter: 100 rooms x 30% x 30 x 6 months	<u>5,400</u>
	<u>19,800</u>

##### i. Computation of Room attendants' wages:

Summer: <del>N</del> 40 x 80% x 100 rooms x 6mths x 30 days	576,000
Winter: <del>N</del> 40 x 30% x 100 rooms x 6mths x 30 days	<u>216,000</u>
	<u>792,000</u>

##### ii. Computation of cost of Lightning, Heating & Power:

###### Lightning & Heating:

Hot season: <del>N</del> 1,000 x 100 rooms x 80% x 6months	480,000
Cold season: <del>N</del> 1,000 x 100 rooms x 30% x 6 months	180,000

###### Power:

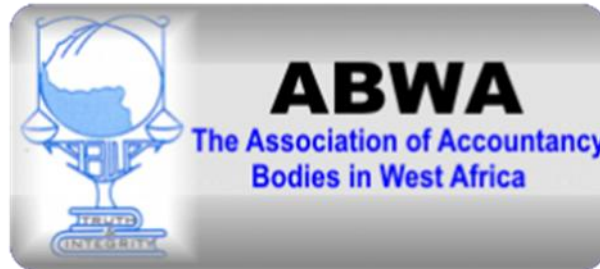
Cold season: N400 x 100 rooms x 30% x 6 months	<u>72,000</u>
	<u>732,000</u>

#### Examiner's comment

This question tests candidates' knowledge of relevant costing where prices of products and services are to be determined. It was attempted by about 70% of candidates and performance was good as more than 65% of them scored 50% and above of the marks allocated.

The major pitfall here was grammatical interpretation of the question details. Several candidates were not patient enough to understand the meaning of some of the requirements, hence they gave their own interpretations.

Candidates are advised that understanding the requirements of a question is very critical to performing well in such a question.

**THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA****ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
MARCH 2025 EXAMINATIONS (PART III)****TAXATION**

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

**EXAMINATION INSTRUCTIONS**

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

**WEDNESDAY, MARCH 26, 2025**

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

**THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA  
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
PART III EXAMINATIONS – MARCH 2025**

**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 **NOT** a feature of carry forward loss relief?
  - A. It does not require approval before the relief can be granted
  - B. The relief is available only against profit from the same source of income where the loss originally occurred
  - C. It is a means of relieving losses
  - D. The relief applies only to corporate bodies
  - E. The relief is available to both individual and corporate bodies
2. Which of the following is **NOT** an advantage of loss relief to a taxpayer?
  - A. Reduction in the amount of assessable profit for a year or future years
  - B. Encourages tax compliance
  - C. Improves income of tax authorities
  - D. Gives opportunity for enhanced cash flow for a taxpayer
  - E. Reduces the total tax payable by taxpayer
3. Which of the following is an allowable expense/provision in taxation of banks?
  - A. Increase in provisions on advances under finance lease
  - B. Increase in provisions for diminution in the value of investment
  - C. Increase in provisions on non-performing loans
  - D. Increase in provisions for gratuity
  - E. Unrealised exchange loss
4. Which of the following taxes does **NOT** relate to transaction of real estate companies in Nigeria?
  - A. Tertiary education tax
  - B. Companies income tax
  - C. Value Added tax
  - D. Withholding tax
  - E. Luxury tax

5. The Tertiary Education Tax fund is disbursed to Federal and State Tertiary Educational Institutions specifically for the provision or maintenance of the following, **EXCEPT**
- A. Essential physical Infrastructure for teaching and learning
  - B. Instructional materials and equipment
  - C. Research and publication
  - D. Academic staff training and development
  - E. Staff salaries and allowances
6. Which of the following is **NOT** a chargeable asset under capital gains tax?
- A. Life assurance policy
  - B. Incorporated properties
  - C. Artworks and paintings
  - D. Land
  - E. Options
7. Which of the following conditions is **NOT** necessary before donations can be allowed under Companies Income Tax Act (CITA)?
- A. It must not be capital in nature
  - B. It must have been made to one of the approved bodies
  - C. It must be made out of profit
  - D. It must be made to a political party
  - E. It must not exceed 10% of assessable profit
8. Many accounting softwares hosted in the cloud come along with modules for tax management used for the following, **EXCEPT**
- A. Tax planning and forecasting
  - B. Tax payment
  - C. Automated tax computation
  - D. Tax monitoring
  - E. Tax returns preparation and filling
9. Which of the following is **NOT** a benefit of blockchain to business and tax administration?
- A. Used to facilitate tax payment to the government at highly reduced processing cost
  - B. Increase traceability
  - C. Increase tax revenue
  - D. Reducing cost
  - E. Enhancing security

10. A company which has incurred an expenditure on its qualifying plant and equipment in an approved manufacturing activity, in an export processing zone, is entitled to capital allowance in any year of assessment at a rate of
- A. 70%
  - B. 75%
  - C. 85%
  - D. 90%
  - E. 100%
11. Which of the following options best describes tax incentives granted to small and medium-sized companies engaged in primary agricultural production?
- A. Pioneer status for an initial period of 4 years and an additional period of 2 years, subject to satisfactory performance
  - B. Pioneer status for an initial period of 6 years and an additional period of 2 years, subject to satisfactory performance
  - C. Pioneer status for an initial period of 4 years and additional period of 4 years subject to satisfactory performance
  - D. Pioneer status for an initial period of 4 years and additional period of 6 years subject to satisfactory performance
  - E. A reduction in import duty on tractors from 35% to 15%
12. Which of the following is **NOT** a circumstance where a tax consultant may disclose information on a taxpayer?
- A. Disclosure is permitted in law
  - B. There is a professional duty or right to disclosure, when not prohibited by law
  - C. Disclosure is required by pressure group
  - D. Disclosure is authorised by the client
  - E. Disclosure to appropriate authorities of infringement of the law that comes to light
13. Which of the following is **NOT** an allowable expense in computing partnership income?
- A. Cost of passages to and from Nigeria
  - B. Interest on capital payable to partners
  - C. Salaries
  - D. Domestic expenses of a partner
  - E. Other expenses wholly or mainly undertaken for the purpose of business

14. Which of the following is **NOT** an independent service provided by tax practitioners?
- A. Preparation of tax records
  - B. Computation of end of year liabilities
  - C. Compliance with tax legislations
  - D. Filing of tax returns
  - E. Payment of taxpayers tax liability
15. Which of the following is **NOT** an example of taxable income?
- A. Profits on disposal of investments
  - B. Dividends, interest or discount
  - C. Any charge or annuity
  - D. Gain or profit from any trade, business or profit from Employment
  - E. Welfare benefits or social security
16. The following are some of the matters usually dealt with in a partnership agreement for tax purposes, **EXCEPT**
- A. Amount to be contributed by each partner as capital
  - B. The rate of interest payable, if any, on capital
  - C. Salary, if any, payable to a partner
  - D. Number of dependent relatives
  - E. Profit or loss sharing ratio
17. In the absence of a partnership agreement or deed, interest on loan advanced by a partner to the firm is allowed at the rate of
- A. 2%
  - B. 4%
  - C. 5%
  - D. 6%
  - E. 10%
18. In whose hands is the income of a trust taxed?
- A. Investor
  - B. Accountant
  - C. Finance Director
  - D. Beneficiary
  - E. Trustee



19. Which of the following person is **NOT** liable to pay the tax due from settlement, trust and estates?
- A. The beneficiary including any annuitant
  - B. The trustee
  - C. The executor
  - D. The settlor or the person who created the trust in circumstances where he can direct the disposition of the income or the right thereto
  - E. The employer
20. Which of the following best describes the companies that are specifically exempted by Finance Act, 2021, from the payment of minimum tax?
- A. Companies that earn a gross turnover of less than ₦25,000,000 in the relevant year of assessment
  - B. Companies that earn a gross turnover of less than ₦20,000,000 in the relevant year of assessment
  - C. Companies that earn a gross turnover of less than ₦15,000,000 in the relevant year of assessment
  - D. Companies that earn a gross turnover of less than ₦10,000,000 in the relevant year of assessment
  - E. Companies that earn a gross turnover of less than ₦5,000,000 in the relevant year of assessment
21. Which of the following is **NOT** allowable for tax purpose?
- A. Donation to government institutions
  - B. Donation to friendly institutions
  - C. Donation made out of profit
  - D. Donation made of a capital nature
  - E. Donation below ten percent of the company's total profit
22. A loss arising from letting of land and building is **NOT** available as a relief to
- A. an agent
  - B. an individual
  - C. a company
  - D. a parastatal
  - E. an executor

23. Which of the following is **NOT** a rule on loss relief?
- A. Trading losses to be deducted from assessable profits of an assessment year shall not exceed the actual loss incurred by the company in the previous assessment year
  - B. Losses are not aggregated with assessable profits in the computation of a company's total profits
  - C. When losses incurred in two different assessment years are being carried forward against future profits, the first loss incurred will be relieved in priority to the subsequent loss
  - D. When trade ceases, any terminal loss resulting therefrom which could not be relieved in the year of cessation due to insufficiency or non-availability of profit, is deemed lost
  - E. There is a provision under the Nigerian tax system for carry-back of terminal loss
24. According to the Finance Act 2023, Investment allowance is given on qualifying expenditure incurred on
- A. Mining
  - B. Plant, Equipment and Machinery
  - C. Building
  - D. Industrial Building
  - E. None of the above
25. In the taxation of banks, the following expenses are not allowed, **EXCEPT**
- A. Increase in staff salaries
  - B. Increase in provision on performing loans account
  - C. Increase in provision on advances under finance lease
  - D. Increase in provision on other assets or accounts receivable
  - E. Unrealised exchange loss
26. Which of the following options best describe a small company, which is exempted from the payment of tertiary education tax in accordance with the provisions of the Finance Act, 2021?
- A. A company that earns gross turnover of ~~₦~~20,000,000 or less
  - B. A company that earns gross turnover of ~~₦~~25,000,000 or less
  - C. A company that earns gross turnover of ~~₦~~35,000,000 or less
  - D. A company that earns gross turnover of ~~₦~~40,000,000 or less
  - E. A company that earns gross turnover of ~~₦~~45,000,000 or less

27. Education Tax is payable by **ALL** companies at the rate of 3% of ..... profit
- A. Chargeable
  - B. Adjustable
  - C. Assessable
  - D. Attributable
  - E. Net
28. Which of the following expenses is **NOT** admissible under the Capital Gains Tax Act CAP C1 LFN 2004 (as amended)?
- A. Any professional cost, such as solicitor's fee
  - B. Any donation to a political party
  - C. Any selling expenses such as advertisement cost
  - D. The cost of acquiring any disposed asset
  - E. The cost of refurbishing the chargeable asset prior to disposal
29. Capital Gains tax on companies is payable to.....
- A. Joint Tax Board
  - B. State Internal Revenue Service
  - C. Federal Inland Revenue Service
  - D. Committee of Ministers
  - E. Central Bank of Nigeria
30. Which of the following reports, returns, communications or other information should a professional accountant be associated with?
- A. Reports containing a materially false statement
  - B. Reports containing a misleading statement
  - C. Reports containing statements or information provided recklessly
  - D. Reports omitting required information where such omission would be misleading
  - E. Reports containing vital information for the users of the account

**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 loss relief that applies to both individual and corporate bodies is called .....

2. The board of Trustees of Tertiary Education Tax fund is comprised of ..... persons.
3. According to the Finance Act 2021, the sums obtained by way of compensation for loss of office exceeding ..... will be subject to capital gains tax.
4. An aggrieved taxpayer who is not satisfied with the decision of the Revenue after an objection, can appeal to .....
5. By virtue of sections of the Value Added Tax Act Cap V1 LFN 2004 (as amended), every company is expected to register for tax purposes with the FIRS within ..... of commencement of business.
6. The time limit allowed for payment of undisputed tax liabilities raised by FIRS is ..... from the date of services of notice of assessment.
7. The Finance Act 2021, provides that a daily administrative penalty of .....is payable by a taxpayer who prevents the FIRS in accessing its records and this penalty will accrue each day the failure continues.
8. The system of tax administration that allows a taxpayer to compute his tax payable for the years of assessment, file the returns and pay the tax is known as .....
9. For the purpose of the determination of benefits-in-kind for an employee living in official quarters, such employee will be liable to ..... of the rateable value of such quarters.
10. The tax imposed on non-essential items but consumed by the privileged in the society is called.....
11. The rule that applies in a situation where a partner resigns from another partnership business before forming or joining a new one in the same or similar trade is .....
12. The person who receives the remainder of what is left of the personal property after specific legacies have been settled is .....
13. The category of companies specifically exempted by Finance Act, 2021, from the payment of minimum tax is .....
14. Despite the exemption of profits of small companies from tax, a company doing business with a small company is expected to deduct withholding tax from relevant payments due to the company and remit same to the.....

15. Every company enjoys only one type of loss relief. This type of loss relief is called .....
16. An industry where the creation of products and services is home-based, rather than factory based is .....
17. Withholding tax deducted on a .....is regarded as final tax in the hand of the recipient.
18. According to Finance Act 2021 (as amended), the tertiary education tax is due and payable within ..... after the Federal Inland Revenue Service has served notice of the assessment on a company.
19. Capital gains on the disposal of a landed property through..... by government is exempted from capital gains tax.
20. The technology that can be used to facilitate tax payments to the government at highly reduced processing cost is called .....

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

**QUESTION 1**

Section 87 of Personal Income Tax Act (PITA) 2004 (as amended), established the State Board of Internal Revenue Service (SBIRS).

**Required:**

- a. List the composition of the State Board of Internal Revenue of each State of the federation. (6 Marks)
  - b. State the quorum for a valid meeting of the State Board of Internal Revenue under section 87(3) of the Act. (1½ Marks)
  - c. Itemise the functions of the State Board of Internal Revenue. (5 Marks)
- (Total 12½ Marks)**

**QUESTION 2**

The Federal Inland Revenue Services (FIRS) has developed tax management solution known as TAX PRO MAX which has the capacity to handle different aspects of tax administration.

**Required:**

- a. List **FIVE** of the tax management solutions contained in TAX PRO MAX. (5 Marks)

- b. Explain the **FIVE** solutions you listed.

(7½ Marks)  
**(Total 12½ Marks)**

### QUESTION 3

A company that is aggrieved against an assessment, demand notice, or by any action or decision of the Federal Inland Revenue Service (FIRS) may appeal against such assessment, or notice, or decision within 30 days from the date it receives a copy of the order or decision being appealed, or from the date it is deemed to have been made by the FIRS.

#### Required:

- a. Itemise the procedure for hearing the appeal before the Tax Appeal Tribunal. (10½ Marks)
- b. State the conditions that must be satisfied for appeals before the Federal High Court to be valid. (1 Mark)
- c. State the conditions that must be satisfied for appeals before the Court of Appeal and supreme court to be valid. (1 Mark)
- (Total 12½ Marks)**

### QUESTION 4

- a. There are specified rules to be considered in the application of loss relief.

#### Required:

What are the rules governing the claim for loss relief? (5 Marks)

- b. Mokanka Nigeria Limited has been sustaining losses for many years but made recovery in 2017. The adjusted results of the company for the years are as follows:

		₦
Year ended Dec 31, 2012	Loss	350,000
Year ended Dec 31, 2013	Loss	250,000
Year ended Dec 31, 2014	Loss	457,000
Year ended Dec 31, 2015	Loss	75,000
Year ended Dec 31, 2016	Profit	79,000
Year ended Dec 31, 2017	Profit	450,000

Capital allowances for the periods are as follows:

Assessment Year	₦
2013	25,000
2014	37,500
2015	32,000
2016	45,000

**Required:**

Compute the company's tax liabilities for 2013 – 2016 assessment years. Ignore minimum tax provisions. (7½ Marks)

**(Total 12½ Marks)**

**QUESTION 5**

The rise of E-commerce globally and in Nigeria, has brought about new and greater challenges to accounting practices including tax administration. This is more so because, the traditional taxation procedure rely on physical presence or economic connection to a physical location, but E-commerce, however, has little dependence on physical location.

**Required:**

- Enumerate the specific taxation challenges brought about by electronic transactions. (4½ Marks)
- Explain the justification for the taxation of E-Commerce. (5 Marks)
- State **THREE** alternative approaches for taxing E-commerce. (3 Marks)

**(Total 12½ Marks)**

**QUESTION 6**

- Briefly explain **FOUR** main reasons a tax practitioner should leverage on new technology such as cloud computing. (4 Marks)
- In April 2004, Dr. Mensah acquired a house at a cost of ₦60 million. Other acquisition expenses incurred were ₦100,000 for legal fees and ₦200,000 for valuation fees. On November 30, 2004, a duplex was constructed in the excess space at a cost of ₦12million.

On June 1, 2005, the duplex was sold to Uncle Jimmy for ₦16 million. The actual market value was ₦20 million and the value of remaining property was ₦68 million. On January 1, 2006, Dr. Mensah sold the remaining property for ₦72 million after paying for the following expenses:

	₦
Improvements prior to sale	1,000,000
Estate agency fees	400,000
Legal fees	120,000
Advertising	240,000
	<u>1,760,000</u>

**Required:**

Compute the capital gains tax for the relevant years of assessment. (8½ Marks)

**(Total 12½ Marks)**

## **NIGERIAN TAX RATES**

### **1. CAPITAL ALLOWANCES**

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

### **2. INVESTMENT ALLOWANCE - has been removed in accordance with the Finance Act 2023.**

### **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.

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

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

- |                                     |  |
|-------------------------------------|--|
| <b>4. COMPANIES INCOME TAX RATE</b> | <b>30%</b>   |
| <b>5. TERTIARY EDUCATION TAX</b>    | (2% of Assessable Profit up to 2018 Finance Act)<br>2.5% (Finance Act 2021), 3% (Finance Act 2023) |



6.	<b>CAPITAL GAINS TAX</b>	<b>10%</b>
7.	<b>VALUE ADDED TAX</b>	<b>7.5%</b>

## **SECTION A: PART I**

### **MULTIPLE CHOICE SOLUTIONS**

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

### **Examiners' comment**

The questions in this section covered the entire syllabus. All the candidates attempted the questions and the general performance was above average.

## **SECTION A: PART II**

### **SHORT ANSWER SOLUTIONS**

1. Carry forward loss relief
2. Thirteen
3. ~~N~~10,000,000.00
4. Tax appeal Tribunal
5. Upon commencement
6. 30 days
7. ~~N~~25,000
8. Self-assessment
9. Annual rateable value of the accommodation
10. Luxury tax
11. No application of the commencement rule, however, he will be assessed on preceding year basis
12. Residual legatee
13. Companies that earn a gross turnover of less than N25,000,000 in the relevant year of assessment/small companies
14. Federal Inland Revenue Service/ SIRS
15. Carry Forward Loss Relief
16. Cottage Industry
17. Franked Investment Income (Dividend)
18. 30 days
19. Forced Acquisition
20. Blockchain

### **Examiners' comment**

This section was compulsory. All the candidates attempted the questions. The general performance was fair

## **SECTION B**

### **SOLUTION 1**

#### **a. Composition**

The State Board of Internal Revenue for each state of the federation comprises:

- i. The Chairman of the State Internal Revenue Service as Chairman of the Board who shall be a person experienced in taxation and a member of a relevant recognized professional body, appointed by the State Governor subject to confirmation by the State House of Assembly;
- ii. The Directors from within or outside the state services;
- iii. A Director from the State Ministry of Finance;
- iv. The Legal Adviser to the State Internal Revenue Service;
- v. Three other persons appointed by the State Governor on their personal merit, one each representing a senatorial district in the state; and
- vi. The Secretary of the State Internal Revenue Service, who shall be an ex-officio member

#### **b. Quorum**

Any five members of the State Board of Internal Revenue of whom one shall be the Chairman or a director, shall constitute a quorum.

#### **c. Functions of the State Board of Internal Revenue**

The State Board of Internal Revenue shall be responsible for:

- i. Ensuring the effectiveness and optimum collection of all taxes and penalties due to the government under the relevant laws;
- ii. Doing all such things as may be deemed necessary and expedient, for the assessment and collection of the tax and shall account for all sums so collected, in a manner to be prescribed by the commissioner;
- iii. Making recommendations, where appropriate, to the JTB on tax policy, tax reform, tax legislation, tax treaties and exemptions as may be required from time to time;
- iv. Generally controlling, the management of the state services on matters of policy, subject to the provisions of the law setting up the state internal revenue services; and
- v. Appointing, promoting, transferring, and imposing discipline on employees of the state revenue services.

#### **Examiners' comment**

This is a simple question testing the candidates' knowledge on the composition and functions of the State Board of Internal Revenue (SBIR). About 75% of the candidates attempted the question but the general performance was below average. Majority of those who attempted the question did not understand lucidly the composition of the SBIR.

Candidates should study very well the relevant tax authorities as slated in the syllabus. No area of the syllabus should be neglected for future examinations.

## **SOLUTION 2**

a) TAXPRO MAX designed by FIRS to handle different aspect of tax administration include:

- i. E – registration;
- ii. E – assessment;
- iii. E – payment;
- iv. E – filing;
- v. E – Tax calculator;
- vi. E – TCC;
- vii. E – reporting; and
- viii. E –tax audit.

(b)

- i. E-registration: development and use of robust and integrated tax management software makes it possible for accurate taxpayers' data to be captured by the tax authority. Each taxpayer enrolled is assigned a unique tax identification number (TIN) and it is now possible for taxpayers to do self enrolment through a web application services.
- ii. E-assessment: when taxpayer file returns electronically, it is possible for their tax liabilities to be computed and assessment notice generated automatically and sent to their email accounts.
- iii. E-payments: technology has made it possible for taxpayer to make payment through several electronic channels, such as point of sale(POS); internet banking; bank transfers; unstructured supplementary services data (USSD) or even using their credit/debit cards from the comfort of their homes.
- iv. E-filing: most integrated tax management solutions come along with a module that facilitates electronic filing. This enables taxpayers file their returns from their homes without the stress of going to the tax office which might be several kilometers away. For instance, the FIRS has been encouraging taxpayer and their consultants to compute the accurate amount of taxes to be paid. This function has been part of the FIRS website ([www.firs.gov.ng](http://www.firs.gov.ng)) in the last few years.
- v. E-tax calculator: Modern tax authorities develop and deploy this tool on their websites to enable taxpayers and their consultants to compute the accurate amount of taxes to be paid. This function has been part of the FIRS website ([www.firs.gov.ng](http://www.firs.gov.ng)) in the last few years.

- vi. E-tcc: many industrial and corporate taxpayers require their tax authorities to issue tax clearance certificate (TCC) to them on yearly basis. Through the use of appropriate technology, taxpayers can apply for their TCCs electronically and get them sent to their email accounts, if the conditions are met.
- vii. E-reporting: Each tax authority requires various performance reports to be generated on a periodic basis. These reports can be generated within seconds at the click of a button;
- viii. E-tax audit – Technology has made it possible for the entire of tax audit to be carried out without the tax auditors visiting the premises of the taxpayer and vice versa. For instance, all the pre and post-audit meetings can be held using video conferencing tools and documents exchanged electronically through emails.

### **Examiners' comment**

This is a theory question on tax management solution recently developed by the Federal Inland Revenue Service (FIRS). About 65% of the candidates attempted the question. The general performance was below average. Most of the candidates could not state the tax management solutions contained in Tax Pro Max.

There is a need for more attention on the technology in taxation as contained in the syllabus.

### **SOLUTION 3**

- a. The procedures for hearing the appeal before the tax appeal tribunal are as follows:
  - i. The tax appeal tribunal (TAT) gives seven (7)days notice to the applicant and FIRS of the date and place fixed for hearing the appeal;
  - ii. An appeal should be heard by not less than three members of the tax tribunal in attendance with the chairman or any other member ( in the absence of the chairman), presiding;
  - iii. A member with vested interest in any matter before the Tax Appeal Tribunal must disclose such interest and abstain from attending any sitting, at which the matter is to be heard;
  - iv. The tribunal may conduct its hearing remotely via virtual means using such technology or application as may be necessary to ensure fair hearing
  - v. All appeals before the tax appeal tribunal are heard in public;
  - vi. Appellant may be represented by a professional adviser or may give its evidence by written notice;
  - vii. Appellant leads the case by proving that the assessment is excessive. That is, onus of proof is put on the appellant;
  - viii. The representative of the FIRS can prove to the Tax Appeal Tribunal that:

- Appellant failed to file returns, audited accounts etc. as required by CITA;
- or
- The appeal is frivolous, vexatious or an abuse of an appeal process; or
  - It is expedient to require appellant to pay a security deposit.
- ix. The Tax Appeal Tribunal can confirm, reduce, increase or annul the assessment as deemed necessary;
  - x. The Tax Appeal Tribunal decisions are recorded in writing by the chairman, and a certified true copy is supplied to the appellant or the FIRS on request, within 3 months of the decision;
  - xi. Particulars of the extent to which the Tax Appeal Tribunal is dissatisfied with the appellant accounts books etc. non-compliance with precepts delivered by the Tax Appeal Tribunal by the appellant or his representatives and refusal to answer question put, should all be noted in the decision of the Tax Appeal Tribunal; and
  - xii. Notice of the amount of tax chargeable as determined by the Tax Appeal Tribunal;

The tax payable is determined by the Tax Appeal Tribunal is payable within one month of the date of notice of assessment, notwithstanding that an appeal may be pending on same, before the Federal High Court.

- b. For appeals before the Federal High Court to be valid the following conditions must be satisfied:
  - i. Amount involved must not be less than ₦400;
  - ii. The appeal must be on point of law;
  - iii. Notice of appeal must be given to TAT within 30 days of after the judgement; and
  - iv. The ground of law on which the decision of TAT is being challenged should be stated.
- c. For appeals from Federal High Court to Court of Appeal, Supreme Court to be valid, the following conditions must be satisfied;
  - i. Amount involved must not be less than ₦1,000;
  - ii. The appeal must be on the points of law;
  - iii. Notice of appeal against the decision of the Federal High Court (FHC) must be given within 30 days after the judgement of the FHC; and
  - iv. The grounds of law on which the decision of the FHC is being challenged must be stated.

### **Examiners' comment**

This is a straight forward question testing candidates' knowledge on Tax Appeal Tribunal. About 60% of the candidates attempted the question. The general performance was below average. Most of the candidates did not have good knowledge of the procedure for hearing the appeal before the Tax Appeal Tribunal.

The candidates should not neglect any aspect of the syllabus when preparing for the examinations in future.

#### **SOLUTION 4**

- (A) The procedures for granting carry forward loss relief are as follows:
- The relief is in respect of the loss brought forward from the preceding year of assessment;
  - This relief is automatically granted hence, no need for claiming it in writing as is the case under current year's loss relief;
  - The relief is available only against the gains or profit of the same trade as the source, from where the loss was.
  - The aggregate deduction from assessable income in respect of any loss must not exceed the amount of such loss;
  - The amount to be relieved must not have been relieved under the current year's relief provision;
  - Losses incurred in property letting can be relieved under the carry forward loss relief provision (and not under the current year's loss relief); and
  - Losses can be carried forward indefinitely but losses cannot be carried back.

(B)

<b>MOKANKA NIGERIA LIMITED</b>			
<b>Computation of company income tax liabilities for 2013 - 2019 YOAs</b>			
YOA		<b>₦</b>	<b>₦</b>
2013	Loss for the year		<u>(350,000)</u>
	Unrelieved loss c/f		<u>(350,000)</u>
	Capital allowance for the year	<u>25,000</u>	
	Unutilized capital allowance c/f	<u>25,000</u>	
	Tax liabilities	0	
2014	Loss for the year		(250,000)
	Unrelieved loss b/f		<u>(350,000)</u>
	Unrelieved loss c/f		<u>(600,000)</u>
	Capital allowance:		
	For the year	37,500	
	Unutilized capital allowance b/f	<u>25,000</u>	
	Unutilized capital allowance c/f	<u>62,500</u>	
2015	Tax liabilities	0	
	Loss for the year		(457,000)
	Unrelieved loss b/f		<u>(600,000)</u>
	Unrelieved loss c/f		<u>1,057,000</u>
	Capital allowance:		
	For the year	32,000	
	Unutilized capital allowance b/f	<u>62,500</u>	



	Unutilized capital allowance c/f	<u>94,500</u>	
	Tax liabilities	0	
2016	Loss for the year		(75,000)
	Unrelieved loss b/f		<u>(1,057,000)</u>
	Unrelieved loss c/f		<u>(1,132,000)</u>
	Capital allowance:		
	For the year	45,000	
	Unutilized capital allowance b/f	<u>94,500</u>	
	Unutilized capital allowance c/f	<u>139,500</u>	
	Tax liabilities	0	

### Examiners' comment

This is a good question on Loss Relief. About 55% of the candidates attempted the question. The general performance was average. Some studies could not compute the loss relief accurately. Candidates should study carefully this aspect of the syllabus by making good use of the study pack and other reading materials.

### SOLUTION 5a

#### 1. Identification of tax payer/entities

Where there is no physical presence in Nigeria and the company operates across borders, determining which e-commerce entities is subjected to taxation is difficult.

#### 2. Determination of jurisdiction/permanent establishment status

Taxation of income can either be on residence basis (physical presence) or source basis i.e. tax based on the economic activity giving rise to the income.

#### 3. Transparency of online transactions

The decentralized and often the anonymous nature of online transactions makes it difficult for tax authorities to track revenue streams thus, enforcing tax compliance is hampered.

#### 4. Inadequate tax laws

Existing tax laws may not adequately address the unique aspects of digital businesses i.e. online advertising, cloud services etc resulting in potential tax evasion and inconsistent policy application.

#### 5. Transfer pricing issues

E-commerce business engaged in cross border transactions must navigate transfer pricing regulations to prevent profit shifting and ensure fair taxation.

#### 6. Resources constraint of tax authorities

The Federal Inland Revenue Services (FIRS) are faced with infrastructural and other resources constraint that hinders the effective taxation of e-commerce businesses thus, complicating tax fillings and audits.

**7. Technological and Administrative Challenges**

E-commerce businesses often lack the technological infrastructure to track sales and remit taxes accurately resulting in under reporting and tax evasion.

**8. Withholding tax and VAT Compliance**

Ensuring that payments to non-resident e-commerce providers are subject to appropriate withholding taxes requires robust mechanisms which are currently lacking.

Goods are currently defined as being tangible items. E-commerce makes it possible for goods that were previously only available in a tangible form subject to VAT regime to be delivered in an intangible form which will not be subject to VAT.

**5b - JUSTIFICATION FOR THE TAXATION OF E-COMMERCE**

1. **Revenue Generation** - E-commerce business contribute significantly to the Nigeria economy. Taxing the business ensures that the Government can capture a fair share of the revenue generated which can later be used for public services and infrastructure development.
2. **Equity and fairness** - Taxing e-commerce helps ensure that online businesses are subject to the same tax obligations as other traditional businesses in the same line of business.
3. **Regulation and oversight** - E-commerce taxation provides a framework for monitoring and regulating online business activities, which helps combat issues like tax evasion and ensures compliance with national laws.
4. **Encouraging Formalisation** - By imposing taxes, the government encourages e-commerce businesses to formalize their operations contributing to economic growth job creation and a broaden tax base.
5. It increases efficiency in tax system
6. It brings dynamism in tax system through innovations and creativity.

**5c.**

**Alternative approaches for taxing e-commerce**

- i. Based erosion approach
- ii. Visual permanent establishment approach
- iii. Refundable withholding approach

**Examiners' comment**

This is straight forward question on taxation challenges in E-commerce. About 40% of the candidates attempted the question and the general performance was below

average. The major pitfall was lack of adequate knowledge on taxation challenges in electronic transactions.

Candidates should read wide, especially on contemporary issues in preparing for future examinations.

## SOLUTION 6

### a. Four (4) major reasons why practice firms leverage technology include:

- i. **Winning more clients:** It is obvious that majority of clients would prefer to hire tax practice firms that are adaptive to technology changes;
- ii. **Retaining more clients:** Adoption and adaptation of modern technologies would make practising firms to render the much needed valuable and improved services which make clients retain them;
- iii. **Cross-selling services:** Technology provides platforms to enable practising firms make their services more visible to many clients;
- iv. **Adding greater value:** Firms that adopt new technologies are able to automate most of the routine and labour-intensive tasks. This makes it possible for such firms to focus their attention on tasks that generate greater values for their clients.
- v. **Mobility of Service:** Through technology, clients can enjoy various services at different locations
- vi. **Time saving:** Processing of data and report generation becomes faster and more accurate
- vii. **Cost savings in the long run** - It enables firms to operate more efficiently lowering operational expenses and improving profitability.
- viii. **Customer satisfaction** - It improves communication channels, making it easier for customers to interact with brands and resolve issues.

b.

### Dr. Mensah Computation of capital gains tax For 2005 and 2006 tax years

#### 2005 – 01/01/06 to 31/12/2005

	₦	₦
Consideration received:		
(Market value of duplex)		20,000,000
Deduct: Cost of duplex		<u>(12,000,000)</u>
Capital gains		<u>8,000,000</u>
Capital gains tax @ 10%		<u><u>800,000</u></u>

#### 2006 - 01/01/06 to 31/12/2006

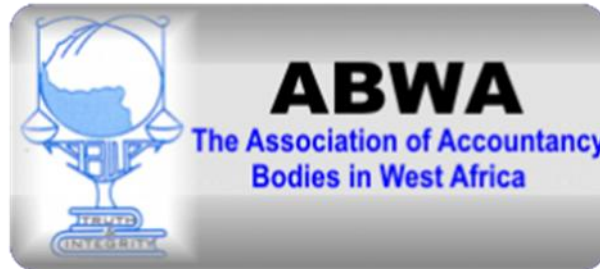
Consideration received	72,000,000
Deduct: incidental selling expenses:	

Estate agency fees	400,000	
Legal fees	120,000	
Advertising	<u>240,000</u>	<u>(760,000)</u>
Net proceeds		71,240,000
Deduct: Cost of acquisition		
Consideration paid incidental cost of acquisition	60,000,000	
Legal fees	100,000	
Valuation fee	200,000	
Cost of improvements	<u>1,000,000</u>	<u>(61,300,000)</u>
		<u>9,940,000</u>
Capital gains tax @10%		<u>994,000</u>

### **Examiners' comment**

This is a two-part question. Part 'a' is on cloud computing, whilst part 'b' is on computation of capital gains tax. About 65% of the candidates attempted the question and the general performance was below average. Most candidates could not explain the importance of leveraging technology as a tax practitioner. Some could not calculate capital gains tax.

Candidates should always practice many questions when preparing for examinations.

**THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA****ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
MARCH 2025 EXAMINATIONS (PART III)****MANAGEMENT**

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

**EXAMINATION INSTRUCTIONS**

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

**TUESDAY, MARCH 25, 2025**

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

**THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA  
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
PART III EXAMINATIONS –MARCH 2025**

**MANAGEMENT**

**Time Allowed: 3 hours**

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

**ATTEMPT ALL QUESTIONS IN THIS SECTION**

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

1. Planning against business failure entails any of the following, **EXCEPT**
  - A. developing of business plan
  - B. growing too fast
  - C. obtaining accurate financial information
  - D. profiling of the target customer
  - E. networking with other businesses
2. Which of the following is **NOT** a disadvantage of a Corporation?
  - A. Government Regulations
  - B. Large Initial Capital
  - C. Lack of Secrecy
  - D. Goal congruence
  - E. Large Size
3. Which of the following is **NOT** a technique for business interaction with the environment?
  - A. Lobbying
  - B. Negotiation
  - C. Alliances
  - D. Public Relations
  - E. Communications Technology
4. Which of the following does **NOT** constitute a possible sanction for breach of ethical compliance in the accounting profession?
  - A. Additional professional education
  - B. Reprimand
  - C. Recognition of action
  - D. Monetary fine
  - E. Refund of fee

5. Which of the following is **NOT** a function of lower level managers?
- A. Coordinating enterprise activities
  - B. Planning work for their section
  - C. Directing the rank and file workers
  - D. Ensuring better productivity
  - E. Maintaining discipline and order
6. Which of the following is **NOT** a factor that affects ethical behaviour?
- A. Stage of moral development
  - B. Individual characteristics
  - C. Government institution
  - D. Structural factors
  - E. Organisational culture
7. Which of the following is **NOT** a feature of bureaucracy?
- A. Division of labour
  - B. Democratic rule
  - C. Authority Hierarchy
  - D. Formal rules and controls
  - E. Impersonality
8. Which of the following is **NOT** among the earliest advocates of scientific management?
- A. Fredrick W. Taylor
  - B. Frank and Lilian Gilbreth
  - C. Mooney and Reiley
  - D. Henry Gantt
  - E. Harryington Emerson
9. Which of the following technique cannot be used in decision making?
- A. Brainstorming
  - B. Decision tree
  - C. Pooling
  - D. Cost-Benefit analysis
  - E. Delphi
10. The organisational type that comprises patterns of relationships, communication channels and authority structure recognised by management is called .....
- A. Informal
  - B. Authority-based
  - C. Bureaucratic
  - D. Formal
  - E. Public

11. The linking of managers, units and sub-units across the organisational structure that are of the same level is known as
- A. Vertical coordination
  - B. Multi-stage coordination
  - C. Departmental coordination
  - D. Horizontal coordination
  - E. Single-stage coordination
12. Which of the following is **NOT** a strength for an organisation in SWOT analysis?
- A. Good leadership
  - B. Dedicated and experienced employees
  - C. Growth of the community
  - D. Good communication skills
  - E. Extensive product knowledge and expertise
13. Which of the following is **NOT** a source of internal recruitment in an organisation?
- A. Promotions
  - B. Employee referrals
  - C. Transfers
  - D. Job posting
  - E. Conversion
14. Which of the following is **NOT** a method of performance appraisal in an organisation?
- A. Counselling
  - B. Descriptive essay
  - C. Ranking
  - D. Assessment by co-employees
  - E. Rating Scale
15. Which of the following is **NOT** a principle that influences plant layout in a manufacturing company?
- A. Minimum movement
  - B. Overall integration
  - C. Head room height
  - D. Flow
  - E. Space utilisation
16. The following are basic rules that guide setting of prices in marketing organisations, **EXCEPT**
- A. All prices must cover costs and profits
  - B. The most effective ways to lower prices is to lower costs
  - C. Review prices frequently to assure that they reflect the dynamics of cost, market demand, responses to the competition and profit objectives
  - D. Price must be established to assure sales
  - E. Price is necessary for market segmentation by gender, age and geography



17. Which of the following is **NOT** a primary function of the accounting department?
- A. Keeping records of the organisation's financial transaction
  - B. Attending to complaints of customers
  - C. Analysing and interpreting financial information
  - D. Preparation of financial statements
  - E. Management of the organisation's funds
18. According to Douglas McGregor, which of the following is **NOT** an assumption of Theory X?
- A. The average human being has an inherent dislike of work and will avoid it if he can
  - B. People lack ambition and dislike responsibilities
  - C. The average human being learns under proper conditions, not only to accept, but to seek responsibility
  - D. The average human being prefers to be directed, wishes to avoid responsibility
  - E. Most people must be coerced, controlled, directed or threatened with punishment
19. A small number of people with complementary skills who are committed to a common purpose, and approach for which they hold themselves mutually accountable is known as a .....
- A. Committee
  - B. Group
  - C. Club
  - D. Team
  - E. Cluster
20. The following are uses of Human resource records, **EXCEPT**
- A. Employee profiling
  - B. Employee scheduling
  - C. Employee rating
  - D. Career management
  - E. Reward management
21. Which of the following factors does **NOT** influence our attitude?
- A. Personality
  - B. Government Policy
  - C. The work environment
  - D. Our values
  - E. Social influences

22. Which of the following is **NOT** a type of office machine?
- A. Photocopies
  - B. Fax machine
  - C. Crane
  - D. Paper shredders
  - E. Scanners
23. Which of the following statements is **FALSE** about business process re-engineering?
- A. It multiplies processes of operations so that there are unnecessary delays in execution
  - B. It gives an appropriate focus to business as it revolves around customer needs.
  - C. It reduces the number of checks/controls and reconciliation processes.
  - D. It eliminates unnecessary activities and thereby helps in reducing organisational complexity.
  - E. It coordinates and integrates several functions immediately.
24. In the implementation of business process re-engineering, the stage at which the new process is monitored to determine if goals are met and examine total quality programmes is the .....
- A. Envision stage
  - B. Diagnosis stage
  - C. Redesign stage
  - D. Evaluation stage
  - E. Reconstruction stage
25. Which of the following is **NOT** a criterion for measuring organisational effectiveness?
- A. Adaptation to the external environment
  - B. Access to public finance
  - C. Integration
  - D. Productivity
  - E. Goal-attainment
26. Which of the following models of organisational effectiveness makes it possible to observe, evaluate and promote group activities?
- A. The 7-S-Model
  - B. The Star Model
  - C. The Command Team Effectiveness (CTEF) Model
  - D. The Dynamic Five-Factor Model of Leadership
  - E. The diamond model

27. Which of the following is **NOT** an ambience in an office?
- Temperature
  - Air quality
  - Convenience
  - Music
  - Lighting
28. The primary function of an office is .....
- Making, using and preserving records
  - Remuneration of personnel
  - Carrying out the management policies
  - Safeguarding of property
  - Providing social facilities
29. Which of the following is **NOT** a pre-classical management theorist?
- Henry Vanum Poor
  - Captain Henry Metcalfe
  - Chester Barnard
  - Charles Babbage
  - Robert Owen
30. Which of the following is **NOT** an objective of organisations and methods (O&M)?
- To reduce cost of production
  - To make planning realisation
  - To ensure free flow of work among departments
  - To ensure efficient flow of information
  - To simplify jobs

**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.**

- ..... is the process of world-wide economic integration and growing inter-dependence, interconnectedness through the flow of goods, services, capital, people and information among nations in the modern world.
- In economic term, ..... is the human effort, which is either physical or mental that is exerted in the production of goods and services.
- ..... is defined as the system by which the affairs of corporate entities are directed and controlled by those charged with the responsibility.
- When a manager leaves work and goes to a weekly meeting of a civic or religious group, to an organising meeting for a local football league, or to a volunteer job

in a political campaign, and he can still apply his management knowledge. This is referred to as .....

5. The principal contributor to the administrative management theory is .....
6. .... is a graphical method of displaying various parts of the decision-making process including courses of action, risks involved and likely outcomes.
7. .... is the process of integrating the activities and objectives of the separate work units of an organisation to efficiently achieve organisational goals.
8. The process of monitoring, comparing and correcting performance in order to make sure that organisational objectives and plans devised to attain them are being accomplished is called .....
9. .... strategy is essentially developed to offer directions to the business for accomplishing their long-term objectives.
10. A ..... arises when an employee complains formally that his rights under the collective agreement have been violated.
11. The type of layout in which the major component remains in a location, other materials, parts, tools, machinery, manpower and other supporting equipment's are brought to this location is known as .....
12. The promotion strategy that seeks to ensure that the organisation establishes and maintains mutual understanding between it and its public is called .....
13. A ..... is one who inspires others to work willingly towards the achievement of a goal through maximum application of his/her personal capabilities and qualities.
14. .... is a mental state we develop through experience which are always ready to exert an active influence on an individual's response to any conditions or circumstances.
15. .... is the ability to understand, use, and manage your own emotions in positive ways to relieve stress, communicate effectively, empathise with others, overcome challenges and defuse conflict.
16. .... plays a major role in driving and implementing business process re-engineering
17. The stage at which the company reviews the existing strategy and business processes and based on the reviews the business processes are targeted for improvement and IT opportunities are identified is called .....
18. .... is the ability of the organisation to exploit the environment in the acquisition of critical resources.
19. The machine that is used to copy from original documents; (the original

document may be handwritten, printed or typewritten) is known as .....

20. .... 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.

## SECTION B:

**ATTEMPT ANY FOUR QUESTIONS**

**(50 MARKS)**

## QUESTION 1

- Explain corporation as a form of business ownership. (2½ Marks)
- State **FOUR** advantages and **TWO** disadvantages of corporation. (6 Marks)
- List **TWO** contents of article of association and **TWO** contents of memorandum of association. (4 Marks)

**(Total 12½ Marks)**

## QUESTION 2

- (a) State **THREE** contributions and **THREE** limitations of human relations theory. (6 Marks)
- (b) Define a system and state **TWO** basic types of system (3½ Marks)
- (c) State and explain **FOUR** components of a system (3 Marks)

**(Total 12½ Marks)**

### QUESTION 3

- (a) Define the acronym SWOT (½ Mark)
- (b) Explain the elements of SWOT analysis (4 Marks)
- (c) List **FOUR** exampleseach of the elements of SWOT analysis (8 Marks)

**(Total 12½ Marks)**

### QUESTION 4

- Explain money market (2½ Marks)
- State **FOUR** functions of money market (4 Marks)
- List **SIX** participants in the money market (6 Marks)

**(Total 12½ Marks)**

### QUESTION 5

- What is business process re-engineering (BPR)? (2½ Marks)
- List **FIVE** factors that influence the need for adoption of BPR (5 Marks)
- List **FIVE** areas the BPR can be adopted in modern organisations today

**(Total 12½ Marks)**

### QUESTION 6

- (a) Define the concept of health and safety (2 Marks)
- (b) State **THREE** importance of health and safety at work (3 Marks)
- (c) Outline **SIX** sources of danger to health and safety at work (3 Marks)
- (d) State **THREE** preventive and protective measures for health and safety at work (4½ Marks)

**(Total 12½ Marks)**

## **SECTION A: PART I**

### **MULTIPLE CHOICE SOLUTIONS**

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

### **Examiner's comment**

The questions covered all the areas of the syllabus. All the candidates attempted the questions and the performance was averagely good. About 72% of the candidates that attempted the questions scored above average.

The major pitfalls of the candidates were poor preparation and inadequate usage of the study pack.

## **SECTION A: PART II**

### **SHORT ANSWER SOLUTIONS**

1. Globalisation
2. Labour
3. Corporate governance
4. Universality of management
5. Henri Fayol
6. Decision tree
7. Coordination
8. Controlling
9. Corporate
10. Grievance
11. Fixed position layout
12. Public relations
13. Leader
14. Attitude
15. Emotional intelligence
16. Information technology
17. Envision stage
18. Organisational Effectiveness
19. Photocopier
20. Business process re-engineering

### **Examiner's comment**

These questions covered all parts of the syllabus. All the candidates attempted these questions and the performance was above average. About 68% of the candidates scored above average. The candidates are advised to make adequate use of the study pack for improved performance in future examinations.



## **SECTION B**

### **SOLUTION 1**

#### **(a) Corporation**

A corporation comes into existence as a result of legal document which is generally referred to as a “Charter”. This charter is available to any prospective applicant based on request, and who is expected to meet and fulfil certain basic legal requirements. As soon as the company is incorporated, it becomes a legal entity; it can then be regarded as an artificial person in law, which is expected to live forever; and it is owned by the shareholders.

The owners of a corporation are referred to as shareholders or stockholders. The shareholders elect the board of directors which directly controls the management of the corporation. The board of directors is saddled with the responsibility of appointing the chief executive and other top officials who are expected to carry out the management functions delegated to them.

#### **(b) FOUR advantages and TWO disadvantages of corporation**

##### **Advantages of a Corporation**

- (a) Limited Liability
- (b) Capital Formation
- (c) Perpetual Life
- (d) Ease of Expansion
- (e) Transferability of Ownership
- (f) Competent Management Team

##### **Disadvantages of a Corporation**

- (a) Government Regulations
- (b) Large Initial Capital
- (c) Lack of Secrecy
- (d) Goal Incongruence
- (e) Divergence of Owners/Management Interests
- (f) Organisational Expenses

#### **(c) TWO contents of article of association and TWO contents of memorandum of association are as follows:**

##### **Article of Association**

This contains the rules and regulations of the company in question which are the following:

- (a) Appointment and termination of directors
- (b) Procedures for the issue and transfer of shares

- (c) Rights and responsibilities of shareholders
- (d) Procedure for auditing and accounting

### **Memorandum of Association**

In this document, there are laid down guidelines for the company and the members. In addition, there are laid down parameters concerning the company and its outside public listed below:

- (a) The name of the company with letters PLC which means Public Listed Company attached.
- (b) The address and/or location of the business
- (c) The type of business
- (d) A statement indicating that the liability of its corporate members is limited
- (e) The number of shares into which the company's share-capital is divided.

### **Examiner's comment**

The question was structured to test the candidates' understanding of the concept of corporation as a form of business ownership, the contents of Article of Association and Memorandum of Association. About 85% of the candidates attempted the question and about 65% scored above average. Candidates are advised to make adequate use of the study pack for improved performance in subsequent examinations.

### **SOLUTION 2**

#### **(a) Contributions of Human Relations Theory:**

- (a) By stressing social needs, the human relations movement improved on the classical approach, which treated productivity merely as an engineering problem. In a sense, Mayo had rediscovered Robert Owen's century-old dictum that a true concern for workers, those "vital machines", paid dividends.
- (b) His studies revealed a fact that seems common-place today: that an office, factory, or shop is not merely a work place but also a social environment, with employees interacting with each other. And this social environment is very influential in determining the quality and quantity of work produced.
- (c) In addition, Mayo spotlighted the importance of a manager's style and thereby revolutionized management training. More and more attention was focused on teaching people management skills, as opposed to technical skills.
- (d) Finally, his work led to a new interest in the dynamics of groups. Managers began thinking in terms of group incentives to supplement their former concentration on their individual worker.

## **Limitations of Human Relations Theory**

- (a) It over-emphasized emotional-and social needs thus making it another single factor explanation of human behaviour. For this reason, it is called a neo-classical (new classical) theory.
- (b) The model may only selectively applicable. For example, it is not applicable in military and prison establishments where the nature of the command system requires authoritarian practices. However, even the military apply psychological motivation for its personnel.
- (c) The approach contains a pro-management bias and a strong moral undertone because it contains ideas which were put forward on how to eliminate conflict and 'manipulate' the worker to work harder.
- (d) The assumption of the model that individual's needs should be identified and satisfied at work makes the organization a substitute for the community. This view, apart from being a closed model, is unrealistic because the organization cannot accommodate all the factors influencing the behaviour of workers.

### **(b) Definition of a system**

A **system** is a set of interrelated and interdependent parts arranged in a manner that produces a unified whole.

### **Types of system**

- (a) **Closed systems** are not influenced by and do not interact with their environment.
- (b) **Open systems** dynamically interact with their environment. The organization that constantly interacts with its environment.
- (c) The four components of a system are as follows:
  - (i) **Inputs:** no social structure is a self-sufficient or self-contained. All need resources and raw material from the environment to survive. The importation of energy is typically referred to as input. In human services organizations, inputs refer to clients to be served and the resources available to serve them. Input can also be various human, material, equipment, etc that are used to produce goods or services.
  - (ii) **Transformation processes:** Open systems use the energy available to them to transform or reorganize raw materials received as input. Clients represent the raw materials that are transformed from individuals or families with problem to individuals or families in which problems have been alleviated or resolved. These refer to the organization's managerial and technological abilities that are applied to convert inputs into outputs.
  - (iii) **Open system** export some products in to the environment. A client who has

completed all the services prescribed represents this product in human services organizations. The outputs include the products, services, and other outcomes produced by the organization.

- (iv) Feedback; information about results and organization status relate to its environments.
- (v) Synergy: synergy means that the whole is greater than the sum of its parts. In organization terms, synergy means that as separate departments within an organization cooperate and interact, they become more productive than if they had acted in solution. For example, it is obviously more efficient for each department in a small firm to deal with one financing department than for each department to have a separate financing department of its own.
- (vi) Flow. A system has flows of information, material, energy, including human. These enter from the environment from the environment as inputs [raw materials, for example] and exit the system as outputs goods and services.

### **Examiner's comment**

The question was structured to test candidates' understanding of the contributions and limitations of Human Relations theory, basic types and components of a system. About 25% of the candidates attempted the question and about 15% scored above average. Adequate usage of the study pack is recommended for improved performance in subsequent examinations.

### **SOLUTION 3**

#### **(a) Definition of the acronym of SWOT**

**SWOT mean** S – Strength  
W – Weakness  
O – Opportunities  
T – Threat

#### **(b) Explanation of the elements of SWOT Analysis**

A '**strength**' is something positive which should help an activity to succeed. It is a circumstance working in favour of the activity. The policy aim is to take advantage of the strengths.

A '**weakness**' is a negative condition which may hamper the success of an activity. It is an unfavourable condition which could lead to reduced profitability or adoption. The policy aim is to avoid or overcome the weaknesses.

An '**opportunity**' is an innovative event or condition happening outside the organization that could make an activity more successful – to create an

environment more favourable to profitability or adoption. Opportunity should not be confused with strengths. The policy aim is to exploit the opportunities.

A **'threat'** is something potential such as an event or condition which, should it happen, will harm the activity and reduce the chance of success. Threats are external to farming operations. The policy aim is to avoid or overcome the weaknesses.

(c) **FOUR examples each of the elements of SWOT analysis are as follows:**

Strengths could include:

- (a) Good leadership
- (b) Dedicated and experienced employees
- (c) Good communication skills
- (d) Extensive product knowledge and expertise
- (e) Long-time community presence
- (f) Networking and relationships in community
- (g) Knowledgeable of technology

(ii) **Weakness**

Weaknesses could include:

- (a) Lack of a consistent pricing strategy
- (b) Consistent branding/marketing messages
- (c) Limited physical workspace/overcrowded
- (d) Lack of sufficient office space
- (e) Inconsistent communication with potential constituents
- (f) Administration processes need to be written
- (g) Lack of organizational chart

(iii) **Opportunity**

Opportunities could include:

- (a) Limited competition currently
- (b) Skilled, educated workforce with high local unemployment
- (c) Commercial office space available at historic low price
- (d) Growth of the community
- (e) Increasing need for knowledgeable technology people
- (f) Increase demand for networking of computers

(iv) **Threat**

Threats could include:

- (a) Increased local competition and expansion into market by national firms

- (b) Margin erosion by low cost competitors
- (c) High unemployment rates on decline; pool of qualified potential new hires shrinking
- (d) New government policies that affect operation negatively

### **Examiner's comment**

The question was structured to test the candidates' understanding of the acronym SWOT, its elements and examples. About 94% of the candidates attempted the question and about 82% scored above average.

### **SOLUTION 4**

#### **(d) Money market**

Money market is a component of the financial market for assets involved in short term borrowing, lending, buying and selling with original maturities of one year or less. It refers to a collection or group of financial institutions or exchange system set for dealing in short term credit instruments of high quality, such as treasury bills, treasury certificate, call money commercial paper banker's acceptance, etc. these short-term instruments involve a small risk due to lose, because they are issued by obligators of the highest credit ratings and they mature within one year.

#### **(e) Functions of the Money Market**

The money market performs the following functions:

- (a) It provides the basis for operating and executing an effective monetary policy.
- (b) To promote an orderly flow of short-term funds.
- (c) To ensure supply of the necessary means of expanding and contracting credit.
- (d) It is a central pool of liquid financial resources upon which it can make payments when it holds funds surplus to its needs.
- (e) It provides the mechanism through which the liquidity of the banking system is maintained at the desired level.
- (f) To provide banks with the basic financial requirements for effective management of their resources. Thus, help them to universalise their assets holding by providing a forum for investment of their surplus cash.
- (g) Mobilisation of funds from savers (lenders) and transmission of such funds to borrowers (investors).
- (h) It provides a channel for the injection of central bank cash into the system or the economy.

#### **(f) Participants in the money markets**

- (i) **Banks or bank financial institutions**

- (a) Central Bank
  - (b) Commercial banks
  - (c) Merchant bank
  - (d) Development bank
- (ii) **Non-bank financial institutions**
- (e) Insurance companies
  - (f) Building societies
  - (g) Hire purchase companies
  - (h) Pension funds, and
  - (i) Investment trusts

### **Examiner's comment**

The question was structured to test the candidates' understanding of the concept of money market, functions and participants in the money market. About 66% of the candidates attempted the question and about 58% scored above average.

Candidates are advised to use the study pack adequately for improved performance in subsequent examinations.

### **SOLUTION 5**

- (a)
- (i) **Business process re-engineering (BPR)**  
 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. It seeks to help companies radically restructure their organisation by focusing on ground-up redesign of their business process. It means changing the process fundamentally. BPR is also called business process redesign, business transformation, or business process change management.
- (ii) **Factors that influence the need for adoption of BPR**
- (a) Poor performance of the old process
  - (b) Obsolescence of the old process
  - (c) Break down of existing machines and equipment
  - (d) Threat from competitors performance
  - (e) Changing trends of customer expectations
  - (f) Redeployment of insufficient resources
  - (g) To secure better management
  - (h) To improve efficiency
  - (i) To reduce cost
  - (j) To reduce waste

**(c) Areas for adoption of Business Process Re-engineering in modern organisations today**

- (a) E-learning
- (b) E-marketing
- (c) E-payment
- (d) Automatic Teller Machine
- (e) Manufacturing process
- (f) Virtual meetings
- (g) Payroll process
- (h) Claims processes
- (i) Marketing and sales process
- (j) Inventory control
- (k) Customer complaints
- (l) Employee appraisal
- (m) HR recruitment
- (n) Contract bidding and approval
- (o) Online office processes

**Examiner's comment**

The question was structured to test candidates' understanding of the term Business Process Re-engineering, factors that influence its adoption and areas of adoption of B.P.R in modern organisations. About 76% of the candidates attempted the question and about 68% scored above average.

**SOLUTION 6**

**(a) (i) Definition of Safety and Health?**

- (a) Safety - as freedom from danger, injury or damage; security.
- (b) Health - as physical and mental well-being; freedom from disease, pain or defect; normality of physical and mental functions; soundness.

**(b) Importance of Health and Safety at Work**

- (a) It is important to achieve the highest standard of health and safety at the workplace because ill-health and injuries result in loss and damage for the organization. Losses could be as a result of legal fees, fires, compensatory damage, lost production, lost goodwill from workers, customers and the wider community.
- (b) Health and safety at the workplace is also important because it safeguards the health and safety of workers. Morally, no worker should be made to work where his/her welfare is at risk.
- (c) In most countries, there are statutes on health and safety issues which organizations must comply with. Failure to do this, might attract government sanctions.



**(c) Sources of Danger to Health and Safety at the Workplace**

- (a) Slippery floors
- (b) Open cabinets
- (c) Frayed carpets
- (d) Poorly lit stairways or offices
- (e) Unsafe work processes
- (f) Poor ventilation
- (g) Careless storage of hazardous items such as sharp objects, dangerous chemicals, etc.
- (h) Dangerous fumes
- (i) Wrong use/handling of equipment/machinery at the workplace.
- (j) Manufacturing equipment malfunctioning which may be compounded by inadequate maintenance.
- (k) Poor factory layout.
- (l) Horseplay at the workplace
- (m) Inadequate or absence of sewage facility.
- (n) Dirty environment.
- (o) Inadequate safety equipment/gadgets.
- (p) Failure to use safety equipment or refusal to adhere to safety procedures during work.

**(d) Preventive and protective measures for health and safety at work place are as follows:**

- (i) Safety policy: the first step towards of injury or death at the work place is to put in place a safety policy. In some developed countries, this is required by law. The safety policy is a statement of commitment of the management to safety and health at work.
- (ii) Periodic risk assessment: this is the process of identifying hazards and the risks attached to them. It is a proactive strategy aimed at tracking every health and safety risk at work place. Information obtained from this exercise will help in taking preventing measures.
- (iii) Hazard elimination: this may require use of alternatives, designed improvement, change of process, etc.
- (iv) Substitution. For example, 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 procedures: putting in place step-by-step procedures to carry out an operation.
- (vii) Use of protective equipment: such as clothing, gloves, etc

(viii) Hazards can be prevented by designing and installing safety equipment.

(ix) Investigating accidents as they occur and taking corrective measures

**Examiner's comment**

The question was structured to test the candidates' understanding of the concept of Health and Safety at work; importance of health and safety at workplace; sources of dangers to health and safety at work as well as preventive and protective measures to health and safety at work. About 78% of the candidates attempted the question and about 62% scored above average.

This performance can be improved upon in subsequent examinations by making adequate use of the study pack.