



**THE INSTITUTE OF CHARTERED  
ACCOUNTANTS OF NIGERIA**

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# **INSIGHT**

**ATSWA MARCH 2026 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 2026 EXAMINATIONS (PART III)****PRINCIPLES OF AUDITING & ASSURANCE**

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

**EXAMINATION INSTRUCTIONS**

1. All solutions should be in **blue** or **black** 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 or around 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 24, 2026**

**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 2026  
PRINCIPLES OF AUDITING & ASSURANCE**

**Time Allowed: 3 hours**

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

**ATTEMPT ALL QUESTIONS IN THIS SECTION**

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

1. Which of the following is **NOT** a form of audit qualification?
  - A. Disclaimer of opinion
  - B. Adverse opinion
  - C. Subject to opinion
  - D. Except for opinion
  - E. Audit opinion
  
2. Which of the following statement(s) is(are) correct?
  - i. Substantive testing is not required provided that internal controls are strong.
  - ii. Extended substantive testing is required whenever internal controls are weak.
  - iii. Extended substantive testing is required when there is no internal audit department.
  - A. i only
  - B. ii only
  - C. i and ii
  - D. i and iii
  - E. ii and iii
  
3. Which of the following processes is **NOT** applicable to due diligence?
  - A. Review the financial statement of the enterprise
  - B. Prepare and compare the enterprise's ratios with industry and other standards
  - C. Review management projections and expectations
  - D. Make cash flow projections
  - E. Prepare financial statement for the client

- 4 Which of the following is **NOT** relevant for vouching cash sales?
- A. Salesmen's summary
  - B. Daily cash sales summary
  - C. Bank statements
  - D. Monthly statements sent to customers
  - E. Cash Book
- 5 Which of the following correctly identifies a risk that might affect a firm's ability to continue as a going concern?
- A. Competition from several competitors.
  - B. Decision to issue standard unmodified audit reports not mentioning the going-concern status during the past five years.
  - C. Obsolescence of all products due to rapid changes in technology in the industry.
  - D. The nature of inventory items
  - E. Management turnover rate
- 6 Financial statements that are prepared to meet the common information needs of a wide range of users are .....
- A. Special purpose financial reports
  - B. Management reports
  - C. Audit of historical financial statements
  - D. Private reports
  - E. Investigative reports
- 7 Which of the following is a key problem with auditing small entities?
- A. Directors may not work as hard as in large companies
  - B. Management may override internal controls that exist.
  - C. Management may attach no importance to internal checks and balances in the schedules of duties of staff.
  - D. Entity may have an unstructured organogram.
  - E. Disbursements from sales proceeds are usually allowed.
- 8 Which of the following is **NOT** an objective of internal control in an entity?
- A. To carry on the business of the entity in an orderly and efficient manner
  - B. To strengthen management's firm grip on the performance of staff
  - C. To ensure adherence to management's policies
  - D. To safeguard the assets of the entity
  - E. To secure completeness and accuracy of records

- 9 The importance of internal controls to auditors includes the following:
- i. They prevent errors and frauds or material misstatements.
  - ii. They aid avoidance of the tax liability on an entity.
  - iii. They detect errors and frauds or material misstatement.
  - iv. They ensure complete and adequate recording of transactions.
  - v. They help to ensure reliable financial reporting and compliance with relevant laws, regulations and standards.
- A. i, ii, and iii
  - B. ii, iii, and iv
  - C. i, ii, and iv
  - D. ii, iv, and v
  - E. i, iii, iv and v
- 10 Which of the following statements is **NOT** true?
- A. It is the responsibility of the management of every entity to ensure the existence and operation of an efficient internal control system.
  - B. Control environment means the overall attitude, awareness and actions of management regarding internal controls
  - C. Internal controls are meant to prevent risks from occurring or to minimize the impact of such risks.
  - D. A small-size entity does not require establishment of internal control system because of cost considerations.
  - E. Auditors rely on internal controls to reduce the amount of substantive testing required.
- 11 An example of Internal Control is .....
- A. Flowchart
  - B. Narratives
  - C. Management information
  - D. Supervision
  - E. Transactionary motive
12. The primary role of the Auditor General is to
- A. Approve the national budget
  - B. Issue licenses to private Companies
  - C. Audit public accounts and report to the Legislature
  - D. Supervise State Governors
  - E. Enforce Court Judgments
13. The Auditor General of your country derives authority from which legal document?
- A. International Law
  - B. The Constitution of the country
  - C. The Police Force
  - D. Procurement Act
  - E. Companies and Allied Matters Act (CAMA)

14. The focus of a value for money audit is
- A. Reducing budget allocations
  - B. Increasing government revenue
  - C. Ensuring economy, efficiency, and effectiveness
  - D. Tax collection
  - E. Supporting political decisions
15. Which of the following is a common ethical conflict for accountants employed in private or public entities?
- A. Choosing audit procedures
  - B. Pressure to manipulate financial records
  - C. Deciding audit fees
  - D. Selecting accounting software
  - E. Selecting appropriate audit staff
16. The key ethical conflict that arises when an accountant is charged with governance in an entity is:
- A. Ensuring compliance with tax law only
  - B. Balancing transparency with confidentiality and protecting stakeholder interests
  - C. Preparing payroll
  - D. Performing bank reconciliations
  - E. Compliance with rules and regulations
17. What is the fundamental principle of professional ethics that requires accountants to avoid conflicts of interest?
- A. Objectivity
  - B. Confidentiality
  - C. Professional competence
  - D. Due care
  - E. Integrity
18. What does the concept of whistleblowing mean?
- A. Reporting fraudulent activities or noncompliance to authorities inside or outside the Organisation
  - B. Issuing an audit report
  - C. Approving financial statements
  - D. Preparing tax returns
  - E. Modifying auditor's opinion
19. Auditors are protected from the risk of liability for breach of confidence or defamation, if they acted in the following manner, **EXCEPT**
- A. Disclosure is made in public interest
  - B. Disclosure is made to an appropriate body or person
  - C. There is no malice motivating the disclosure
  - D. Disclosure is made in their capacity as auditors of the entity concerned
  - E. Disclosure is influenced by powerful personality within the organisation

20. The circumstance which makes an accountant to face difficulty of decision between moral and conflicting principles is known as
- A. Ethical Persuasion
  - B. Ethical Dilemma
  - C. Rule based ethics
  - D. Ethical Freedom
  - E. Ethical Decision
21. The following are indications that professional accountant is acting in the interest of the public, **EXCEPT**
- A. Ensuring accountability
  - B. Provision of high-quality services
  - C. Assisting client to manage his business
  - D. Upholding their integrity
  - E. Ensuring objectivity when making reports
22. Which of the following is **NOT** a classification of Computer Assisted Audit Techniques (CAATs)?
- A. Data analysis
  - B. OS and DBMS Security monitoring software/utilities.
  - C. Software and code tools.
  - D. Network security and monitoring.
  - E. Inputting the items at the same time.
23. Vouching is used primarily to test which of the following assertions about classes of transactions?
- A. Occurrence
  - B. Classification
  - C. Authorisation
  - D. Completeness
  - E. Confirmation
24. Which of the following is **NOT** an application control?
- A. Maintenance of master files
  - B. Completeness and accuracy of processing
  - C. Compliance with authorisation and procedures
  - D. Development of computer applications
  - E. Completeness of accuracy and authorisation of inputs
25. Which of the following is **NOT** a threat to security, reliability and loss of data in computer files?
- A. Excessive heat and cold
  - B. Loss due to poor IT project management
  - C. Restricted access to computer
  - D. Errors caused by overwriting
  - E. Natural and man-made disasters

26. The auditor may use the computer to carry out the audit of a client in all these situations, **EXCEPT**
- A. Analytical procedures
  - B. Preparation of audit programmes
  - C. Accuracy of audit work/assignment
  - D. Evaluation of audit risk
  - E. Flowcharting the client's system
27. An independent audit adds value to the financial statement because the audit
- A. Confirms the exact accuracy of management's financial representations
  - B. Lends credibility to the financial statements
  - C. Guarantees that financial data are fairly presented
  - D. Assures the readers of financial statements that any fraudulent activity has been corrected
  - E. Assures government that tax would be paid
28. Which of the following best describes the reason why an independent auditor is appointed to report on financial statements?
- A. Management fraud may exist, and it is more likely to be detected by independent auditors than internal auditors.
  - B. Different interests may exist between the entity preparing the statements and the persons using the statements, and thus external assurance is needed to enhance the credibility of the statements
  - C. A misstatement of account balances may exist, and all misstatements are generally corrected as a result of the independent auditor's work
  - D. An entity may have a poorly designed internal control system
  - E. The tax authorities require that financial statements be audited
29. Which of the following best describes relationships among auditing, attestation, and assurance services?
- A. Attestation is a type of auditing service
  - B. Auditing and attestation services represent two distinctly different types of assurance services.
  - C. Auditing is a type of assurance service
  - D. Assurance is a type of attestation service
  - E. Auditing encompasses assurance and attestation
30. In which of the following files can the working papers relating to previous years' audit be obtained?
- A. Correspondence File
  - B. Current Audit File
  - C. Administrative File
  - D. Working paper File
  - E. Permanent Audit File

## ATTEMPT ALL QUESTIONS

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

1. In Information Technology (IT) based assurance, the acronym IDEA stands for .....
2. A sample technique where each item of the population has equal chance of being selected is called .....
3. An auditor cannot obtain absolute assurance where there are inherent .....
4. A member re-evaluating the work he did may result in .....
5. The conceptual framework requires professional accountants to be aware of circumstances that may impair their ..... and objectivity.
6. The method of recording systems of controls of an entity where words are used to describe the system is .....
7. The method of recording system of controls of an entity which outlines the formal relationship that exist in the organisation, but which does not specify the precise duties of the individuals concerned is .....
8. The internal control assessment and recording technique with the function to highlight precisely the areas of strength and weakness in the internal control system is .....
9. Those tests which seek to produce audit evidence that internal control procedures are being applied as prescribed is .....
10. The ethical principle that requires accountants to remain free from bias and conflicts of interest is .....
11. The process of reporting wrongdoing within or outside an organization to expose unethical or illegal acts is .....
12. The framework that auditors use to assess internal controls over financial reporting is .....
13. The ethical principle that requires accountants to keep client information private unless disclosure is legally required is .....
14. Audit files can be classified into **TWO**; namely ..... and.....
15. The kind of report issued when the auditor has obtained sufficient appropriate audit evidence to conclude that the financial statements, taken as a whole, are not materially misstated and there is no need to disclose additional information in the report is .....
16. The tests that involve comparisons of financial data for the current year to those of prior years, budgets, non-financial data, or industry averages is.....



### QUESTION 3

- a. Explain how Computer Assisted Audit Techniques (CAATs) assist in obtaining Audit evidence. (1½ Marks)
  - b. State and briefly explain **TWO** audit approaches in an IT-based environment. (3 Marks)
  - c. State **FOUR** control steps to be taken before making the decision to acquire a computer system or software packages. (4 Marks)
  - d. Explain **FOUR** challenges that an auditor encounters in IT-based environments. (4 Marks)
- (Total 12½ Marks)**

### QUESTION 4

In planning the audit, auditors should obtain and document an understanding of the accounting system and the control environment sufficient to determine their audit approach.

- (a) List **FIVE** factors that determine the nature, timing and extent of the procedures performed by auditors to understand the accounting system and the control environment of an entity. (5 Marks)
  - (b) State and explain **FIVE** methods auditors use in ascertaining the internal control system of an entity. (7½ Marks)
- (Total 12½ Marks)**

### QUESTION 5

- a. What is an audit plan? (2 Marks)
  - b. Write short notes on the following:
    - i. Risk based audit (2½ Marks)
    - ii. Total audit risk (2 Marks)
    - iii. Control risk (2 Marks)
  - c. State **FOUR** contents of Current Audit File. (4 Marks)
- (Total 12½ Marks)**

### QUESTION 6

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

## **SECTION A: PART I**

### **MULTIPLE CHOICE SOLUTIONS**

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

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

There are 30 multiple Choice Questions in this part. All areas of the syllabus are covered.

Candidates' performance was encouraging. The highest mark is 25 and the lowest mark is 6.

## **SECTION A: PART II**

### **SHORT ANSWER SOLUTIONS**

1. Interactive Data Extraction and Analysis (IDEA)
2. Random Selection Method
3. Risks
4. Self - review threat
5. Independence
6. Narrative notes
7. Organisation chart
8. ICEQ (Internal Control Evaluation Questionnaire)
9. Test of Controls
10. Objectivity
11. Whistleblowing
12. Committee of Sponsoring Organisation (COSO)
13. Confidentiality
14. Permanent Audit File and Current Audit File
15. Unmodified Audit Report
16. Analytical Review
17. Appropriation Act.
18. Investigative and litigation skills
19. Control environment
20. Auditor-General

### **Examiner's comment**

There are 20 Short Answer Questions which covered the whole syllabus. The performance was good. The highest mark is 18 and the lowest mark is 1.

## **SECTION B**

### **SOLUTION 1**

- (a) Audit working paper will contain information relating to planning of the audit work, execution of the audit work and conclusion on the audit. In general, audit working paper will include the following documents:
- i. Information concerning the legal and organisational structure of the client company
  - ii. Extract or copies of important legal documents, agreements, and minutes.
  - iii. Evidence of the planning process including audit programmes and any changes thereto.
  - iv. Evidence of the auditors understanding of the accounting and internal control system

- v. Evidence of the inherent and control risk assessments and any revision thereof
  - vi. Evidence of the auditor's consideration of the work of internal audit and their conclusions thereon
  - vii. Analyses of transactions and balances
  - viii. Analyses of significant ratios and trends
  - ix. A record of the nature, and extent of auditing procedures undertaken and the results of such procedures
  - x. Details of procedures regarding companies whose financial statements are audited by another auditor
  - xi. Copies of communication with others auditor, experts and other third party
  - xii. Copies of correspondence with the entity, reports to the management and note of discussions with the entity's management
  - xiii. A summary of the significant aspects of the audit including details of the information available, the amounts involved, management views, the conclusions reached and how these matters are resolved or treated, and
  - xiv. Copies of the approved financial statements and the auditor's report
- (b) The following are the significance of Audit working papers to audit practitioner:
- i. It enables the audit team to account for the work done
  - ii. It enables the audit partner to review the adequacy and quality of the work done
  - iii. It serves as evidence that could be used during litigations
  - iv. It helps the audit team to plan and control future audits
  - v. It facilitates quality control reviews and inspections by regulator
  - vi. It helps the audit team to retain matters of high significance
  - vii. It serves as a proof that the audit teamwork was performed in accordance with relevant standards and regulations
  - viii. It provides a logical basis and justification for various conclusions reached during the audit
  - ix. It ensures work done equals work planned
  - x. It encourages a methodical approach to audit
- (c) Elements of assurance engagement
- i. A tripartite relationship consisting of:
    - the professional accountants that provided the services;
    - the directors or responsible officers that prepared the financial statements;
    - the users of the assurance report e.g Investors, Regulators.
  - ii. The subject matter: This is the financial statements or cash flow forecast prepared by the responsible officer for the professional accountants to review.

- iii. The suitable criteria: These are the rules against which the subject matter is evaluated in order to reach an opinion e.g. CAMA
- iv. The evidence: This refers to all material information used by the professional accountant to arrive at his/her opinion.
- v. The assurance report: This is the written report containing the professional accountant's opinion presented to the users.

### **Examiner's comment**

- a. Enumerating the contents of audit working papers
- b. Highlighting the significance of audit working papers to audit practitioners.
- c. Explaining five elements of assurance engagements.

Candidates' performance was very good. More than 80% of the Candidates attempted this question. Marks allocated to part (c) of the question are inadequate because candidates are required to explain five elements of assurance engagement. 2½ marks are inadequate. If the question requires listing or mentioning, the 2½ marks allocated would have been appropriate.

### **SOLUTION 2**

- a. The following are the three list of stakeholders to whom incidence of non-compliance should be reported to:
  - i. Those charged with governance
  - ii. Shareholders of the company
  - iii. The authorities
- b. Examples of responsibilities of the auditors to each of the above stakeholders:
  - i. Those charged with governance
    - Unless all of those charged with governance are also involved in management of the entity and are therefore already aware of these matters, the auditor must communicate these matters to those charged with governance.
    - If the non-compliance is intentional and material, the communication should be made as soon as practicable.
    - If the auditor suspects that those charged with governance are involved in the non-compliance he must communicate to the next highest level of management (e.g. an audit committee). If no higher authority exists, the auditor must consider taking legal advice.
  - ii. Shareholders of the company
    - If the auditor concludes that the non-compliance has a material effect on the financial statements and has not been adequately reflected in them, then he must give a qualified or adverse opinion.

- If the scope of the auditor's work is restricted by management such that he cannot reach an opinion, then he must give a qualified opinion or disclaim his opinion.
  - If the auditor cannot decide whether non-compliance has occurred due to the nature of the circumstances, rather than because of any restrictions imposed on him by management, he must consider the impact on his audit report.
- iii. The authorities
- If the auditor has identified or suspects non-compliance he must determine whether he has a responsibility to report to third parties.
  - In certain circumstances, or jurisdictions, this may override the auditor's duty of confidentiality to his client. For example, in Nigeria, the auditor has a legal duty to report suspicions of money laundering.
- c. The following are the audit procedures required where non-compliance with laws and regulations is discovered in a business entity:
- i. Obtain an understanding of the nature of the act and the circumstances under which it has occurred.
  - ii. Evaluate the possible effect of the non-compliance on the financial statements.
  - iii. For suspected non-compliance, discuss the matter with management. If compliance is not proved, take legal advice.
  - iv. If there is insufficient evidence of suspected non-compliance, consider the impact on the audit report.
  - v. Consider whether the non-compliance impacts on other areas of the audit (for example, on the overall risk assessment).
- d. Indications of non-compliance with laws and regulations by a business entity includes the following:
- i. Payment of huge or unusual fines or penalties to regulatory authorities
  - ii. Past, ongoing or likely investigation by regulatory authorities
  - iii. Repeated and adverse media commentary
  - iv. Lack of audit trail or sufficient evidence on specific transactions. Cases of missing documents
  - v. Unexpected disengagement or resignation of key finance, legal and compliance staff
  - vi. Evidence disagreement within the Board and Management Staff

### **Examiner's comment**

- a. Candidates are required to list 3 relevant stakeholders to whom incidences of non-compliance with laws and regulations should be reported to.  
Candidates who attempted this question adequately addressed the points (relevant Stakeholders).
- b. Candidates to state 2 examples each of the responsibility of the auditor to the stakeholders identified in (a) above.
- c. Candidates to highlight the audit procedures required where non-compliance with laws and regulations is discovered in a business entity.
- d. Candidates are required to list 6 indications of non-compliance with laws and regulations by a business entity.

The performance of Candidates in (d) was not good. Indications of non-compliance with laws and regulations by a business entity were not clearly stated by the candidates.

The highest mark is 12 while the lowest mark is ½.

### **SOLUTION 3**

- a. CAATs are methods of obtaining audit evidence in a computer-based environment which is different from the manually based system. CAATs help auditors to gather and analyse audit evidence in the following ways:
  - i. Data extraction and analysis – CAATs can extract large volumes of data from systems, helping auditors analyse transactions, identify anomalies and spot trends.
  - ii. Automated testing - CAATs can test controls, like validating transactions approvals or checking for duplicates.
  - iii. Efficiency – Automative repetitive tasks like sampling or data reconciliation, saving time and reducing errors.
- b. Some of the audit approaches to be used when auditing in an IT-based environment are:
  - i. Audit round the computer: The auditor does not directly examine the processing procedure which takes place within the computer. He only obtains assurance regarding the completeness, accuracy, and validity of computer processing by reconciling the computer outputs to the inputs.
  - ii. Auditing through the computer: The auditor obtains the assurance regarding the completeness, accuracy, and the validity of the computer processing through a direct examination of the processing procedures which take place within the computer. This approach demands computer knowledge and skills and involve the use of CAATs.

- iii. **Audit within the computer:** The approach is characterised using embedded audit facilities such as Integrated Test Facility and System Control Audit Review File. This approach avoid the need for special computer time to perform audit tests.
- c. **Four control steps prior to acquisition of computer system or software packages:**
  - i. A feasibility study should be carried out, consider the requirement, costs and the benefits, to ensure that the expenses are justified. All interested parties within the organisation should be identified and involved throughout the whole procedures of acquisition.
  - ii. **Suitability.** There is the risk that the organisation may not have the expertise to evaluate the relative advantages of the systems which may restrict future development. The software package to be acquired must fit precisely the organisation's business activities.
  - iii. **Support Facilities.** The support facilities to be offered by the supplier and or software house should be considered and a maintenance or after sales service contract entered.
  - iv. **Standards.** Standards covering controls and accounting principles to which all procedures regarding hardware and software should conform.
- d. **The following are the challenges that an auditor encounters in an IT based environment:**
  - i. **Cybersecurity and Data Protection:** Cybersecurity is a top concern, with auditors needing to evaluate the effectiveness of security measures against risks like ransomware and hacking. Ensuring compliance with complex data privacy laws (e.g., GDPR) is a major hurdle.
  - ii. **Technological Complexity and Data Volume:** The move to digital systems makes it harder for auditors to understand the system architecture, which is far more complex than traditional manual systems. The sheer volume, velocity, and variety of "big data" pose difficulties for data acquisition, validation, and analysis.
  - iii. **Skill Shortages:** There is a high demand for IT auditors with specialized skills in data analytics, AI, and cybersecurity, creating a talent gap.
  - iv. **Disappearing Audit Trails:** Many computerized procedures do not produce physical documents, making it difficult to trace transactions, thus leading to gaps in the audit trail.
  - v. **Change Management and Emerging Tech:** Rapid changes in IT infrastructure, cloud computing, and the adoption of emerging technologies (AI, blockchain, IoT) create new risks that auditors are often not adequately trained to assess.

- vi. Remote Auditing Obstacles: Conducting audits remotely can lead to weak communication, reduced collaboration, and limited ability to verify the physical existence of assets.
- vii. Regulatory Compliance: Navigating diverse, ever-changing, and often conflicting regulatory frameworks across different jurisdictions is a significant burden.

**Examiner's comment**

- a. Candidates are required to explain how Computer Assisted Audit Techniques (CAATs) assist in obtaining audit evidence
- b. Candidates to state and briefly explain 2 audit approaches in an IT-based environment.
- c. Candidates are required to state 4 control steps to be taken before making the decision to acquire a computer system or software packages.
- d. Candidates to explain 4 challenges that an auditor encounters in IT-based environments.

About 50% of the Candidates attempted this question.

The challenges that an auditor encounters in IT-based environments were not properly addressed by the candidates.

The highest mark is 12½ while the lowest mark is 1.

**SOLUTION 4**

- a. The factors determining the nature, timing, and extent of the procedures performed by Auditors in order to understand the accounting system and control environment of an entity are:
  - i. Materiality consideration
  - ii. The size and complexity of the entity and its operations
  - iii. Their assessment of inherent risk
  - iv. The complexity of the entity's computer system
  - v. The types of internal control involved
  - vi. The nature of the entity's documentation of specific transactions
  - vii. The entity's reporting requirements
- b. Methods of ascertaining the internal control system of an entity by Auditors are:
  - i. Examining previous audit work
  - ii. Examining the client's documentation of the system
  - iii. Interviews with the client's staff
  - iv. Tracing transactions
  - v. Reviewing the client's documents and records
  - vi. Observation of procedures

### **Examining Previous Work**

Apart from the first audit, the audit files should provide a record of the system as it operated at the last date. Unless there has been no major change, this requires updating.

### **Examining the client's Documentation of the system**

Some entities have manuals of procedures. These provide source of information to the existing control systems. It is important to check whether the system as described in the manual is what is actually practiced.

### **Interviews with client's staff**

During various stages of audit, the auditor will need to sit down with some members of the staff of the client and find out how they carry out the functions. This procedure will reveal existing controls and give indications of the potential problems.

### **Tracing transactions**

The walk-through tests allow auditors to identify any actual procedures that vary from intended procedures. It also helps the understanding of the entire process as well as identification of risk.

### **Reviewing client's documents records**

The auditor can also ascertain the client's control system by examining some available documents provided by the client. For example, minutes of management meetings may reveal implementation or steering group meetings should be held for significant system changes and documentations of these will be useful source of information.

### **Observation of procedures**

It is sometimes useful to watch staff carrying out procedures such as wages pay-out, receiving materials into stores, etc to be able to ascertain the existing and practiced control procedures.

### **Examiner's comment**

- a. Candidates to list 4 factors that determine the nature, timing and extent of the procedures performed by auditor to understand the accounting system and the control environment of an entity.
- b. Stating and explaining 5 methods auditors use in ascertaining the internal control system of an entity.

This question was poorly attempted. Many Candidates who attempted this question did not know the factors that determine the nature, timing and extent of the procedures to be performed by auditors in order to understand the accounting system and the control environment of an entity.

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

## SOLUTION 5

a. **Audit Plan:** An audit plan is the specific guideline to be followed when conducting an audit. It detailed list of work to be carried out in advance in carrying out the audit work. It helps the auditor to obtain sufficient evidence for the audit and keeps the audit cost at a reasonable level. It also helps to avoid misunderstandings with the client. In order to conduct an audit effectively and efficiently, the work needs to be planned and controlled.

b. **Short notes on the following:**

Risk-based audit

Total Audit risk

Control risk

i. **Risk- based audit:** It is the system of audit used by auditors in order to concentrate on the high-risk clients and on high risks areas of a client's business rather than performing detailed audit tests on all areas of a client's business. It enables achievement of cost effectiveness in audits.

ii. **Total Audit risk:** This is the risk of giving an inappropriate opinion when the financial statements are materially misstated. This is the risk that the auditor issues an modified opinion when the financial statement is not in conformity with the applicable financial reporting framework.

Total audit risk has three components:

- Inherent risk
- Control risk and
- Detection risk

iii. **Control risk:** is the probability that if material misstatement occur, the internal controls may fail to prevent or detect material error. It is the risk that internal controls will fail to prevent or detect material error. If the internal controls are weak, the risk of fraud and error will be high and auditor will need to perform substantive test e.g. lack of integrity by top management staff.

The nature of the accounting methods in operations. It is pertinent to note that the auditor's preliminary assessment of controls will help to determine control risk.

c. The Current file contains matters relating to the current year's audit. The contents include the following:

- i. A copy of the accounts being audited
- ii. An index to the file
- iii. A description of the Internal Control System in the form of ICQ, Flowcharts, or written description together with supervision documents.
- iv. List of audit queries raised during the audit and their explanations
- v. A schedule of important statistics including output, sales composition, employment, accounting ratios.

- vi. A schedule for each item in the Balance Sheet (the Statement of Financial Position).
- vii. A schedule for each item in the Statement of Profit or Loss and Other Comprehensive Income showing its makeup.
- viii. Copy of letter of representation or Management representation
- ix. Letters to the client setting out Internal control weaknesses.

**Examiner's comment**

- a. Candidates to explain what is an audit plan.
- b. Candidates to write short notes on risk-based audit, total audit risk and Control risk.
- c. Candidates to state 4 contents of current audit file.

Candidates' performance was good. Highest mark is 12 while the lowest is 1.

**SOLUTION 6**

**a. Functions of the office of the Auditor-General are:**

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

**b. Brief discussions of the functions:**

**i. Financial and Regularity Audit**

A financial audit is undertaken to ensure that:

- Systems of accounting and financial control are efficient and operating Properly, and
- Financial transactions have been correctly controlled, authorised and accounted for while a regularity audit is the type of audit which verifies that expenditure has been incurred on approved services and in accordance with statutory and other regulations and authorities governing them Regularity audit is sometimes called Compliance Audit.

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

**iii. Effectiveness audit**

This is an examination to assess whether programmes or projects undertaken to meet established policy goals or objectives have met their respective aims. It is also called Programme Results Audit. It aims at focused or comprehensive audit in government.

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

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

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

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

**c. Functions of the Bureau of Public Procurement**

- i. Formulate the general policies and guidelines relating to public sector procurement for the approval of the Council.
- ii. Publicize and explain the provisions of this Act
- iii. Subject to thresholds as may be set by the Council, certify Federal Procurement prior to the award of contract
- iv. Supervise the implementation of established procurement policies
- v. Monitor the prices of tendered items and keep a national data base of standard prices
- vi. Publish the details of major contracts in the procurement journal
- vii. Publish paper and electronic editions of the procurement journal and maintain an archival system for the procurement journal
- viii. Maintain a national database of the particulars and classification and categorisation of federal contractors and service providers.
- ix. Collate and maintain in an archival system, all federal procurement plans and information
- x. Undertake procurement research and surveys
- xi. Organise training and development programme for procurement professionals
- xii. Periodically review the socio-economic effect of the policies on procurement and advise the council accordingly.
- xiii. Prepare and update standard bidding and contract documents
- xiv. Prevent fraudulent and unfair procurement and where necessary apply administrative sanctions

- xv. Review the procurement and award of contract procedures of every entity to which this Act applies.
- xvi. Perform procurement audits and submit such reports to the National Assembly bi-annually.
- xvii. Introduce, develop, update and maintain related database and technology
- xviii. Establish a single internet portal that shall, subject to section 16 (2) to this Act serve as a primary and definitive source of all information on government procurement always containing all public sector procurement information and
- xix. Co-ordinate relevant training programme to build Institutional capacity.

**Examiner's comment**

- a. Candidates to itemise 4 functions of the office of the Auditor-General.
- b. Candidates to explain 4 functions stated in (a) above.
- c. Candidates to list 5 functions of the Public Procurement Authority.

Candidates' performance was good. Candidates' understanding of the question are based on localisation of Public Procurement in various countries where candidates wrote this paper. For example, it is called Bureau of Public Procurement in Nigeria.

About 80% of the candidates attempted the question.

The highest mark is 12½ while the lowest mark is 0.

**THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA****ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
MARCH 2026 EXAMINATIONS (PART III)****COST ACCOUNTING**

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

**EXAMINATION INSTRUCTIONS**

1. All solutions should be in **blue** or **black** 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 or around 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 25, 2026**

**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 2026**

**COST ACCOUNTING**

**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. An investment is being considered for which the net cash flows have been estimated as follows:

Year	0	1	2	3	4
Cashflow (₦)	(950,000)	300,000	450,000	580,000	220,000

The discount rate of the investment is 20%

The Net Present Value of the investment is .....

- A. ₦84,220 (Positive)
- B. ₦74,000 (Positive)
- C. ₦66,220 (Positive)
- D. ₦54,216 (Positive)
- E. ₦44,216 (Positive)

**Use the following information to answer Questions 2 and 3:**

Information relating to Contract PKN provided. The contract price is L\$6,000,000, 70% of the contract was completed. However, architect gave certificate only for 50% of the contract price on which 80% was paid. Cost incurred to date L\$3,500,000.

2. The value of work certified is .....
- A. L\$5,000,000
  - B. L\$4,500,000
  - C. L\$4,000,000
  - D. L\$3,500,000
  - E. L\$3,000,000
3. The cost of work uncertified is .....
- A. L\$2,500,000
  - B. L\$2,250,000
  - C. L\$1,750,000
  - D. L\$1,500,000
  - E. L\$1,000,000

4. A good coding system must be
- A. Voluminous
  - B. Numerical
  - C. Alphabetical
  - D. Selective
  - E. Distinctive
5. A process of gathering, analysing and synthesising information regarding the duties and responsibilities of a specific job is .....
- A. Job description
  - B. Job analysis
  - C. Job specification
  - D. Job dialogue
  - E. Job evaluation
6. Variable cost of product and service is ..... cost.
- A. Standard
  - B. Marginal
  - C. Differential
  - D. Absorption
  - E. Sunk
7. The process of charging the proportion of common items of cost to two or more cost centers on predetermined basis is cost .....
- A. apportionment
  - B. allocation
  - C. absorption
  - D. budget
  - E. unit
8. Limiting factor is described as the -----
- A. extent to which the company could manufacture its products
  - B. factor of production which is short in supply
  - C. act of production which is easily achievable
  - D. production which is most expensive
  - E. factor of production which increases the revenue

Use the following information to answer Questions 9 and 10:

Gulf Industries Limited specialises in the manufacture of small capacity motors. The cost structure of a motor is as follows:

	GH¢
Material	50
Labour	80

Variable overhead is 75% of labour cost. Fixed overheads of the company amount to GH¢240,000 per annum. The sales price of the motor is GH¢230 each.

9. The number of motors that must be manufactured and sold in a year in order to break-even is .....
- A. 8,000 units
  - B. 7,000 units
  - C. 6,000 units
  - D. 5,000 units
  - E. 4,500 units
10. The number of motors to be made and sold to make a profit of GH¢100,000 per year is ....
- A. 9,500 units
  - B. 8,500 units
  - C. 7,500 units
  - D. 6,500 units
  - E. 5,500 units
11. A cost which will continue to remain constant per unit irrespective of the level of production is ..... cost
- A. Fixed
  - B. Variable
  - C. Step
  - D. Sunk
  - E. Sink
12. The regulation of the cost of operating a business which is concerned with keeping costs within acceptable limits is .....
- A. work study
  - B. cost control
  - C. target costing
  - D. cost reduction
  - E. cost appreciation

13. The process of establishing the time for a qualified worker to carry out a specified job at a specified level of performance is .....
- A. work study
  - B. methods study
  - C. labour analysis
  - D. work measurement
  - E. time measurement
14. The main objective of using regression analysis in cost accounting is to .....
- A. establish reason and effect of relationships
  - B. aid in the prediction of costs
  - C. aid in the assignment of cost responsibilities.
  - D. increase the precision of cost measurement
  - E. aid in the area of control of cost

**Use the following information to answer Questions 15 and 16:**

SOLO-MAKINDE LTD has a weekly demand rate for certain stationeries which can range from 300 to 400 units with the lead time ranges from 3-5 weeks. It is the company's policy to order 1,400 units at a time.

15. The re-order level is .....
- A. 2,700 units
  - B. 2,500 units
  - C. 2,300 units
  - D. 2,200 units
  - E. 2,000 units
16. The Minimum inventory Level is .....
- A. 900 units
  - B. 800 units
  - C. 600 units
  - D. 500 units
  - E. 300 units
17. The process of determining actual costs after they have been incurred is cost .....
- A. estimation
  - B. allocation
  - C. ascertainment
  - D. classification
  - E. behaviour

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

MBA Plc is investing in a new plant and machinery to upgrade its production facilities. The Machine costs ₦800,000 to initiate with the cost of capital of 10%. The expected cash flows are;

Year	1-5	₦125,000
	6-10	₦100,000
	11-infinity	₦75,000

18. The cumulative cost of capital for Year 1 to 5 is .....

- A. 5.692
- B. 4.792
- C. 3.893
- D. 3.791
- E. 2.354

19. The Net Present Value of the project is .....

- A. ₦218,125
- B. ₦208,125
- C. ₦198,125
- D. ₦188,125
- E. ₦178,125

**Use the following information to answer Questions 20 and 21:**

A manufacturing concern which has adopted standard costing furnishes the following information:

Standards:

Material of 100kg is required to produce 70kg of finished products

Price of material at ₦1 per kg

Actual:	
Output	210,000kgs
Material used	280,000kgs
Cost of material	₦252,000

20. Material Usage Variance is .....

- A. ₦30,000 (Fav)
- B. ₦25,000 (Adv)
- C. ₦20,000 (Fav)
- D. ₦20,000 (Adv)
- E. ₦15,000 (Adv)

21. Material Price Variance is .....

- A. ₦48,000 (Adv)
- B. ₦38,500 (Fav)
- C. ₦38,200 (Adv)
- D. ₦28,500 (Fav)
- E. ₦28,000 (Fav)

Use the following information to answer Questions 22 and 23:

Receipts and issues of part Number 6528 for the month of August are as follows:

	Receipts	Total value	Issues
	Units	GH¢	Units
3 <sup>rd</sup> Aug	2,000	6,900	-
7 <sup>th</sup> Aug	3,000	9,900	-
11 <sup>th</sup> Aug	2,000	8,000	-
16 <sup>th</sup> Aug	-	-	4,000
24 <sup>th</sup> Aug	3,000	10,500	-
30 <sup>th</sup> Aug	-	-	5,000

Opening inventory of part Number 6528 were 1,000 units, valued at GH¢2,800

22. Closing inventory value using weighted average pricing method is .....

- A. GH¢9,830
- B. GH¢8,830
- C. GH¢7,830
- D. GH¢6,830
- E. GH¢5,830

23. Closing inventory is .....

- A. 5,000 units
- B. 4,000 units
- C. 3,000 units
- D. 2,000 units
- E. 1,000 units

Use the following set of data to answer Questions 24 and 25:

The following set of data for 6 periods were provided:

Period	Activity Level (Units)	Cost (L\$)
1	3,200	26,980
2	2,840	23,060
3	2,410	21,550
4	3,642	29,290
5	3,860	28,800
6	2,905	27,680

Using the High and Low method of cost separation,

24. The total fixed cost is .....

- A. L\$11,950
- B. L\$10,950
- C. L\$9,500
- D. L\$8,500
- E. L\$7,500

25. Variable cost per unit is .....

- A. L\$7.00
- B. L\$6.00
- C. L\$5.00
- D. L\$4.00
- E. L\$3.00

26. The data below relates to Process 1:

Input of raw material 3,000 units

Normal loss (%) 10

Output 2,800 units

The abnormal gain in units is .....

- A. 300
- B. 250
- C. 200
- D. 150
- E. 100

**Use the following set of data to answer Questions 27 and 28:**

The cost sheet of Job Number 52100 shows the following:

Direct material        ₦158,000

Direct wages         ₦70,000

Variable overheads   ₦15,000

Fixed overheads     ₦6,000

27. The job attracts a profit of 20% on selling price. The amount of profit is .....

- A. ₦82,500
- B. ₦72,250
- C. ₦65,250
- D. ₦62,250
- E. ₦60,250

28. The price to be charged to give a profit of 20% on selling price is

.....

- A. ₦411,750
- B. ₦410,750
- C. ₦350,750
- D. ₦311,250
- E. ₦302,750

29. Animashaun Plc is considering buying a tractor for GH¢6,000,000 which will have a useful life of 4 years with the following cash flows profile:

Cash inflows (GH¢)	Year 1	Year 2	Year 3	Year 4
	2,000,000	3,000,000	2,500,000	1,500,000

The payback period for the investment is .....

- A. 4 years: 3.2months
- B. 3 years: 3.1months
- C. 2 years: 4.8months
- D. 2 years: 2.2months
- E. 2 years: 1.2months

30. A company's forecast demand is 1,000 units per month, the ordering cost is ₦200 per order, the unit cost ₦8. It is estimated that carrying cost would be 15% per annum. The forecast Economic Order Quantity is .....

- A. 4,000 units
- B. 3,500 units
- C. 3,000 units
- D. 2,000 units
- E. 1,800 units

**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:**

Use the following information to answer Questions 1, 2 and 3:

YARO MALAIKA manufactures a single product which sells for ₦1,000 per unit. The direct materials cost of the product is ₦300 per unit. Other factory costs total ₦5,000,000 each month. The bottleneck factor in production is the assembly of the unit, which is a labour-intensive process. There are 40,000 labour hours available in assembly each month and each unit take 4 hours to assemble.

- 1. The budgeted return per factory is .....
- 2. Cost per factory hour is .....

3. The throughput accounting ratio each month is .....
4. A modern costing technique used for estimating the associated cost of producing a product from the inception to withdrawal stage is .....

**Use the following information to answer Questions 5 and 6:**

YORI YORI Plc is investing in a new project. The project costs ₦1,600,000 to initiate with the cost of capital of 10%. The expected cash flows are.

Year 1-5	₦250,000
6- 10	₦200,000
11 - infinity	₦150,000

5. The cumulative discounting factor from year 11 to infinity is .....
6. The net present value of the project is .....
7. Contract price is GH¢5,000,000, Cash received GH¢3,200,000 being 80% of work certified. Cost incurred to date is GH¢3,000,000. The value of work certified is .....

**Use the following data to answer Questions 8 and 9**

The following relates to "JEKOM" product:

Fixed Overhead	₦100,000
Variable Expenses	₦10 per unit
Selling price	₦15 per unit

8. The break even in units is .....
9. The desired sales volume in units to earn a profit of ₦10,000 is .....
10. The regulation of the costs of operating a business which is concerned with keeping costs within acceptable limits is .....
11. The collection of instructions governing the responsibilities of persons and the procedures, forms and records relating to the preparation and use of budgetary data is .....
12. The loss expected during the normal course of operations is .....
13. The use of a technique where inventories are valued at variable costs and fixed costs are treated as period cost in the profit statement is .....
14. The point of no profit or loss is .....

**Use the following information to answer Questions 15 and 16:**

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



## QUESTION 2

Damilare Health Care Centre consists of 20 beds. The Centre is open for 300 days in a year. For 200 days, the Centre has the full capacity of 20 patients per day and the balance 100 days, it has an average 16 beds only occupied per day.

The following are the expenses:

	<b>GH¢</b>
Rent	15,000 per month
Repair and Maintenance (Fixed)	10,000
Food supplied to patients (variable)	28,000
Laundry charges	36,000
Machines (variable)	32,000
Other Expenses (Fixed)	146,000
2 supervisors (each salary)	2,000 per month
4 nurses (each salary)	2,000 per month
2 ward boys (each salary)	1,000 per month

The unit engaged two expert doctors from outside to attend to the patients and the fees were paid to each of them on an average of GH¢10,000 per month. Fees of expert doctors were paid based on number of patients attended by them.

### Required:

#### Calculate

- i. The charge per day per patient to earn a profit of 100% on cost. (9 Marks)
  - ii. The number of patient days required by the unit to break even assuming above charge per patient day. (3½ Marks)
- (Total 12½ Marks)**

## QUESTION 3

- a. State **THREE** differences between marginal costing technique and absorption costing technique. (3 Marks)
- b. ASEEKUN LOWO Plc commenced the production of an energy drink called "SOBO". The standard cost data of the product is given below:

	<b>₦</b>
Direct material	12
Direct labour	8
Variable production overhead	3
Fixed production overhead	8
Standard production cost	31
Standard margin	<u>14</u>
Selling price	<u>45</u>

Production and sales quantities for the month of March, 2025 are as follows:

Production	30,000 units
Sales	28,000 units

Fixed production overhead has been computed on the basis of budgeted level of 31,750 units of the product per month. Fixed overheads are incurred evenly throughout the year. The selling, distribution and administrative expenses per annum are given as follows:

Variable	10% of sales value
Fixed	₦1,800,000

**You are required to** prepare the operating statements for the month ended 31<sup>st</sup> March, 2025 using;

- Marginal costing technique (4 Marks)
- Absorption costing technique. (4 marks)
- Comment on the difference between (i) and (ii) above (1½ Marks)

**(Total 12½ Marks)**

#### QUESTION 4

- Explain the term “Cost behaviour” (2 Marks)
- Highlight and explain basic patterns of **THREE** cost behaviours. (3 Marks)
- SAMUEL Limited is an organisation with the following total cost at two activity levels:

Activity Levels (Units)	17,000	22,000
Total costs (L\$)	140,000	170,000

Variable cost per unit is constant in the range of activity and there is a step up of L\$5,000 in the total fixed costs when activity exceeds 18,000 units.

#### Required:

What are the total costs at an activity level if 17,500 units and 21,000 units were produced? (7½ Marks)

**(Total 12½ Marks)**

#### QUESTION 5

The following data and estimates are available for Me and You Limited for June to August:

	June	July	August
Sales (₦)	450,000	500,000	600,000
Wages (₦)	120,000	130,000	145,000
Overheads (₦)	85,000	95,000	90,000

The following information is available regarding direct materials

	June	July	August	Sept
Opening Inventory (₦)	50,000	35,000	60,000	40,000
Material usage (₦)	80,000	90,000	100,000	-

**Additional information:**

- i. 25% of sales are for cash, the balance is received in the following month. The amount received in June for May's sales is ₦295,000.
- ii. Wages are paid during the month in which they are incurred.
- iii. Overheads include ₦15,000 per month for depreciation. Overheads are settled in the following month. ₦65,000 is to be paid in June for May's overheads.
- iv. Purchases of direct materials are paid for in the month purchased.
- v. 50% down payment for the purchase of battery for office solar in August with the value of ₦200,000.
- vi. The opening cash balance in June is ₦117,500.
- vii. Dividend of ₦205,000 received in June.
- viii. A tax bill of ₦250,000 is to be paid in July

**You are required to:**

- a. Calculate the cost of direct materials purchases in each month of June, July and August. (4 Marks)
  - b. Prepare cash budget for June, July and August. (8½ Marks)
- (Total 12½ Marks)**

**QUESTION 6**

- a. An appropriate and effective cost information is considered relevant to an organisation, it is useful for planning, control and decision making. Explain briefly **THREE** qualities of a good costing information. (3 Marks)
  - b. The main objective of cost accounting is to provide relevant cost data to enable management carry out its functions effectively. Discuss **THREE** main objectives of cost accounting and purposes of cost accounting. (6 Marks)
  - c. Cost control is the regulation of cost of operating a business within acceptable limits and cost reduction reduces the cost of running a business without reducing quality and effectiveness. You are required to differentiate between "Cost Control" and "Cost Reduction" (3½ Marks)
- (Total 12½ Marks)**

## SECTION A: PART I

### MULTIPLE CHOICE SOLUTIONS

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

### Workings

Q1.

Year	Cf	Df@20%	PV
	₹		₹
0	(950,000)	1	(950,000)
1	300,000	0.833	250,000
2	450,000	0.694	312,300
3	580,000	0.579	335,820
4	220,000	0.482	<u>106,096</u>
		+NPV	<u>54,216</u>

Q2. Value of Work Certified = Proportion of work done and certified x contract price

$$= 50\% \text{ of } \text{L\$}6,000,000$$

$$= \underline{\text{L\$}3,000,000}$$

Q3. Cost of work Uncertified = The cost of work Uncertified

Work completed = 70%

Total value of work Done = 70% × 6,000,000 = 4,200,000

Work uncertified = 4,200,000 - 3,000,000 = 1,200,000

Cost of work uncertified =

$$\frac{1,200,000}{4,200,000} \times 3,500,000 = \text{L\$}1,000,000$$

Q9. and Q10.

	N	N
Selling price per unit		230
Less: Variable cost		
Material	50	
Labour	80	
Variable overhead (75% × <del>N</del> 80)	60	<u>(190)</u>
<b>Contribution per unit</b>		<b><u>40</u></b>

Q9. BEP (Unit) = Fixed Cost / Contribution Margin

$$= \text{N}240,000 / \text{N}40$$

$$= \underline{6,000 \text{ motors}}$$

Q10. Desired Sales Volume (units) to have a profit of N100,000

= Fixed cost + Desired profit / Contribution margin

$$= \text{N}240,000 + \text{N}100,000 / \text{N}40$$

$$= \text{N}340,000 / \text{N}40$$

$$= \underline{8,500 \text{ units}}$$

Q15. Re- order level = Maximum usage x Maximum lead time

$$= 400 \times 5 \text{ weeks}$$

$$= \underline{2,000 \text{ units}}$$

Q16. Minimum level = Re-order level – (Average usage x Average lead time)

$$\text{Average usage} = \text{Maximum usage} + \text{Minimum usage} / 2$$

$$\text{Average usage} = 400 + 300 / 2$$

$$\text{Average usage} = 350 \text{ units}$$

$$\text{Average lead time} = \text{Maximum lead time} + \text{Minimum lead time} / 2$$

$$\text{Average lead time} = 5\text{weeks} + 3\text{weeks} / 2$$

$$\text{Average lead time} = 4 \text{ weeks}$$

$$\text{Minimum level} = 2,000 - (350 \times 4)$$

$$\text{Minimum Inventory Level} = \underline{600 \text{ units}}$$

Q18. Cumulative Discounting Factor for 1 to 5 =  $\frac{1-(1+r)^{-n}}{r}$

$$= \frac{1-(1.1)^{-5}}{0.1}$$

$$= \underline{3.791}$$

MBA Plc

Q19. Computation of Net Present Value

Years	Cashflows	Df@10%	PV
	₦		₦
0	(800,000)	1.000	(800,000)
1-5	125,000	3.791	473,875
6-10	100,000	2.354	235,400
11- infinity	75,000	3.855	<u>289,125</u>
		+NPV	<u>198,125</u>

Q20. Material usage variance = SR (SQ - AQ)

$$= \text{₦}1 (300,000 - 280,000)$$

$$= \underline{\text{₦}20,000 \text{ (Fav)}}$$

$$\text{SQ (boau)} = [100 / 70 \times 210,000 \text{ kgs}] = 300,000\text{kgs}$$

Q21. Material Price Variance = AQ (SP - AP)

$$= 280,000 (1 - 0.9)$$

$$= \underline{\text{₦}28,000 \text{ (Fav)}}$$

$$\text{Actual /Cost of material} = \text{₦}252,000 / 280,000 = \text{₦}0.9$$

Q22 and Q23

Date				Issue			Balance		
	Qty	Price	Amt	Qty	Price	Amt	Qty	Price	Amt
1/8	Bal b/d	-	-	-	-	-	1,000	2.8	2,800
3/8	2,000	3.00	6,000				3,000	2.93	8,800
7/8	3,000	3.30	9,900				6,000	3.12	18,700
11/8	2,000	4.00	8,000				8,000	3.33	26,700
16/8				4,000	3.33	13,320	4,000	3.35	13,380
24/8	3,000	3.50	10,500				7,000	3.41	23,880
30/8				5,000	3.41	17,050	2,000	3.42	6,830

Q24 and Q25

	Activity Level (Units)	Cost (₹)
High	3,860	28,800
Low	<u>2,410</u>	<u>21,550</u>
Difference	<u>1,450</u>	<u>7,250</u>

Find Value for "b" i.e. Variable cost per unit = ₹7,250 / 1,450

$$= \underline{\underline{₹5 \text{ per unit}}}$$

Find value for "a" i.e. Total Fixed cost using  $Y = a + bx$  @ High level of activity

$$28,800 = a + 5 (3,860 \text{ units})$$

$$a = 28,800 - 19,300$$

$$a = \underline{\underline{₹9,500}}$$

OR

Find value for "a" i.e. Total Fixed cost using  $Y = a + bx$  @ Low level of activity

$$21,550 = a + 5 (2,410 \text{ units})$$

$$a = 21,550 - 12,050$$

$$a = \underline{\underline{₹9,500}}$$

Q26.

Process A/C

Details	Qty	Details	Qty
Input	3,000	Normal loss (10% x 3,000)	300
Abnormal gain	<u>100</u>	Output	<u>2800</u>
	<u>3,100</u>		<u>3,100</u>

Q27 and Q28

Details	₦
Direct material	158,000
Direct labour	70,000
Variable overheads	15,000
Fixed overheads	<u>6,000</u>
Total cost	249,000
Profit (25% x ₦ 249,000)	<u>62,250</u>
Selling price	<u>311,250</u>

Q29.

Years	Cashflows (₦)	Cum. Cash inflow (₦)	Balance (₦)
0	(6,000,000)	-	(6,000,000)
1	2,000,000	2,000,000	(4,000,000)
2	3,000,000	5,000,000	(1,000,000)
3	2,500,000	7,500,000	
PBP	2Years + 1,000,000/2,500,000 x 12months		2years + 4.8months

$$Q30. Q = \sqrt{2DO_c/C_c}$$

$$D = 1,000 \times 12\text{months} = 12,000 \text{ units}$$

$$C_c = 15\% \times N8 = N1.20$$

$$Q = \sqrt{2 \times 12,000 \times 200 / 1.2}$$

$$Q = \sqrt{4,000,000}$$

$$Q = \underline{2,000 \text{ units}}$$

### 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 70% of them scored 50% and above of the marks allocated.

A few candidates scored very low marks in this section probably because they did not prepare themselves for the examination. Candidates should take advantage of the opportunity provided by multiple-choice questions to boost their marks.

## SECTION A: PART II

### SHORT ANSWER SOLUTIONS

1. ₦175
2. ₦125 per hour
3. 1.40: 1
4. Product Life Cycle
5. 3.86 or 3.855
6. ₦396,800 (POSITIVE)
7. ₦4,000,000
8. 20,000 units
9. 22,000 units
10. Cost Control
11. Budget Manual
12. Normal Loss
13. Marginal Costing Technique
14. Break Even Point
15. ₦520
16. ₦497.50
17. Contract Costing
18. Throughput Contribution
19. Non-Integral / Interlocking System
20. Memorandum Reconciliation Statement

### Workings

Q1, 2 and 3

1. Return per factory hour =  $\frac{\text{Sales minus direct material costs}}{\text{Time/usage of bottleneck resource}}$   
=  $\frac{\text{₦1,000} - \text{₦300}}{4 \text{ hours}}$   
= ₦175
2. Cost per factory hour =  $\frac{\text{Total factory cost}}{\text{Total Time available on key resource (Bottleneck resource hour)}}$   
=  $\frac{\text{₦5,000,000}}{40,000\text{hrs}}$   
= ₦125 per hour
3. Throughput Accounting Ratio =  $\frac{\text{Return per factory hour}}{\text{Cost per factory hour}}$   
=  $\frac{\text{₦175}}{\text{₦125}}$   
= 1.40 :1

$$\begin{aligned}
 \text{Q5. Cumulative Discounting Factor for Year 1 to 10} &= \frac{1-(1+r)^{-n}}{r} \\
 &= \frac{1-(1.1)^{-10}}{0.1} \\
 &= 6.14
 \end{aligned}$$

$$\begin{aligned}
 \text{Cumulative Discounting Factor for Year 1 to 5} &= \frac{1-(1+r)^{-n}}{r} \\
 &= \frac{1-(1.1)^{-5}}{0.1} \\
 &= 3.791
 \end{aligned}$$

$$\begin{aligned}
 \text{Cumulative Discounting Factor for Year 1 to infinity} &= 1/r \\
 &= 1/0.1 \\
 &= 10
 \end{aligned}$$

Analysis:

Year 1 – 5	3.791
Year 6-10	2.350
Year 11 – infinity	<u>3.860</u>
	<u>10.000</u>

Q6. Computation of Net Present Value (working)

Years	Cashflows	Df@10%	PV
	₦		₦
0	(1,600,000)	1.000	(1,600,000)
1-5	250,000	3.791	947,750
6-10	200,000	2.354	470,800
11- infinity	150,000	3.855	<u>578,250</u>
		+NPV	<u>396,800</u>

$$\begin{aligned}
 \text{Q7. Value of work certified} &= \text{Cash received} / \% \text{ of cash received to work certified} \\
 &= \text{₦}3,200,000 / 80\% \\
 &= \text{₦}4,000,000
 \end{aligned}$$

$$\begin{aligned}
 \text{Q8. BEP (units)} &= \text{Fixed overhead} / \text{Contribution per unit} \\
 &= \text{₦}100,000 / \text{₦}15 - \text{₦}10 \\
 &= 20,000 \text{ units}
 \end{aligned}$$

$$\begin{aligned}
 \text{Q9. Desired sales volume in units to earn a profit of ₦10,000} \\
 &= \text{Fixed overhead} + \text{Desired Profit} / \text{Contribution margin} \\
 &= \text{₦}100,000 + \text{₦}10,000 / \text{₦}5 \\
 &= 22,000 \text{ units}
 \end{aligned}$$

## Q15 and 16

Time Allowed = 9 hours

Time Taken = 6 hours

Rate per Hour = ₦15

Rowan Scheme	₦	Hasley Plan	₦
AH x Rate + AH /SH (SH - AH) x rate (6 hours x ₦15) + 6/9 x (3) x ₦15	<u>120</u>	AH x Rate + 50% (SH - AH) x Rate 6 hours x ₦15 + 50% (3) x ₦15	<u>112.50</u>
	₦		₦
Material Cost	160	Material cost	160
Direct wages	120	Direct wages	112.50
Overheads (200% of Direct wages)	<u>240</u>	Overheads (200% of Direct wages)	<u>225.00</u>
Factory cost	<u>520</u>	Factory cost	<u>497.50</u>

### 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 average as about 45% of them scored 50% and above of the marks allocated.

Several candidates did not show enough interest in this section, forgetting that a whole of 20 marks are involved.

Candidates are advised to show more interest in this section in the future, considering its criticality.

## SECTION B

### SOLUTION 1

- a. Advantages of First-In First -Out method of inventory valuation
  - i. It is easy to understand and simple to price the issues
  - ii. It is a good storekeeping practice which ensures that raw material leave the store in a chronological order based on their ages.
  - iii. It is a straightforward method which involves less clerical cost than other methods of pricing
  - iv. This method of inventory valuation is acceptable under standard accounting practice.
  - v. It is consistent and realistic practice in valuation of inventory and finished stock
  - vi. The inventory is valued at the most recent market prices and it is near to the valuation based on replacement cost.

b. Gbogbolowo Limited

i. Valuation of Inventory using Last – in – First – Out Pricing Method

Date	Receipt			Issue			Balance		
	Qty	Price	Amount	Qty	Price	Amount	Qty	Price	Amount
		₦	₦		₦	₦		₦	₦
1/8	Bal b/d						<u>300</u>	20	<u>6,000</u>
2/8	<u>200</u>	22	<u>4,400</u>				<u>500</u>		<u>10,400</u>
4/8				150	22	<u>3,300</u>	<u>350</u>		<u>7,100</u>
6/8	<u>200</u>	23	<u>4,600</u>				<u>550</u>		<u>11,700</u>
11/8				<u>150</u>	23	<u>3,450</u>	<u>400</u>		<u>8,250</u>
19/8				50	23	1,150			
				50	22	1,100			
				<u>150</u>	20	<u>2,000</u>			
				<u>200</u>		<u>4,250</u>	<u>200</u>		<u>4,000</u>
22/8	<u>200</u>	24	<u>4,800</u>				<u>400</u>		<u>8,600</u>
27/8				200	24	4800			
				<u>50</u>	20	1000			
				<u>250</u>		<u>5,800</u>	<u>150</u>		<u>3,000</u>

ii. Valuation of Inventory using Weighted Average Pricing Method

Date	Receipt			Issue			Balance		
	Qty	Price	Amount	Qty	Price	Amount	Qty	Price	Amount
		₦	₦		₦	₦		₦	₦
1/8	Bal b/d						<u>300</u>	20	<u>6,000</u>
2/8	<u>200</u>	22	<u>4,400</u>				<u>500</u>	20.8	<u>10,400</u>
4/8				<u>150</u>	20.8	<u>3,120</u>	<u>350</u>	20.8	<u>7,280</u>
<sup>1</sup> / <sub>2</sub> mk 6/8	<u>200</u>	23	<u>4,600</u>				<u>550</u>	21.6	<u>11,880</u>
11/8				<u>150</u>	21.6	<u>3,240</u>	<u>400</u>	21.6	<u>8,640</u>
19/8				<u>200</u>	21.6	<u>4,320</u>	<u>200</u>	21.6	<u>4,320</u>
22/8	<u>200</u>	24	<u>4,800</u>				<u>400</u>	22.8	<u>9,120</u>
27/8				<u>250</u>	22.8	<u>5,700</u>	<u>150</u>		<u>3,420</u>

**Examiner's comment**

This question is in two parts, both testing candidates' knowledge of inventory accounting. It was attempted by about 75% of the candidates and performance was good as about 60% of them scored 50% and above of the marks allocated.

However, many candidates could not list the advantages of First-In-First-Out method of inventory valuation because it did not include computations.

Candidates are reminded that a thorough knowledge of the theories is necessary as a foundation to the computational aspects of the topic.

## SOLUTION 2

### Damilare Health Care Centre

#### i. Statement showing Cost Per Patient Day

Details	₦	₦
<b>Variable costs:</b>		
Laundry charges	36,000	
Foods	28,000	
Medicines	32,000	
Doctor fees (2 x ₦10,000 x 12)	<u>240,000</u>	
		336,000
<b>Fixed costs:</b>		
Repair & Maintenance	10,000	
Rent (₦15,000 x 12)	180,000	
Other fixed expenses	146,000	
Supervisors' salary (2 x 12 x 2,000)	48,000	
Nurses' salary (4 x 12 x 2,000)	96,000	
Ward boys' salary (2 x 12 x 1,000)	<u>24,000</u>	
		<u>504,000</u>
<b>Total costs:</b>		840,000
Add: Profit (100% on Total cost)		<u>840,000</u>
<b>Total Revenue Required</b>		<u>1,680,000</u>
No of patients Days [(200 x 20) + (100 x 16)] (1/2 mark)	5,600	
Charges per Day	1,680,000/ 5600	₦300

ii. Breakeven point = Fixed Costs / Contribution per patient day  
= ₦504,000 / ₦300 – ₦60  
= 2,100 patient Days

Workings: variable cost per patient day = ₦336,000 / 5,600  
= ₦60

#### Examiner's comment

This question tests candidates' understanding of service costing, with particular reference to hospital accounting. It was attempted by about 40% of the candidates and performance was below average as about 35% of them scored 50% and above of the allocated marks.

This topic is obviously not a popular one, therefore not well prepared for. This accounted for the below average performance in this very simple area. Candidates are enjoined to prepare for every topic under the syllabus as they are all examinable.

### SOLUTION 3

- a. Differentiate between Marginal and Absorption Costing Techniques under the following criteria:

S/N	CRITERIA	ABSORPTION COSTING	MARGINAL COSTING
i.	Product cost	Product cost is made up of both variable and fixed production costs	Product cost is made up of only variable production costs.
ii.	Period cost	Fixed production costs are treated as part of cost of production.	All fixed costs (including fixed production costs) are treated as part of period cost
iii.	Inventory valuation	ACT uses product costs i.e. both variable and fixed production costs in the valuation of inventory	MCT uses only variable costs of production in the valuation of inventory
iv.	Over/under absorption of overhead recovery	Treatment of fixed production cost give rise to over/under absorption of overhead	Over/under absorption of overhead does not arise
v.	Basis of management decisions	It is not used for management decision making.	It is used for management decision making,

- b. ASEEKUN LOWO Plc

- i. Operating Statement for the month of March 2022 using Marginal Costing Technique

Sales (28,000units @ ₦45 per unit)	₦	1,260,000	₦
Less: Marginal Cost of Sales:			
Direct Material (30,000 @ ₦12 per unit)	360,000		
Direct Labour (30,000 @ ₦8 per unit)	240,000		
Variable Production Overhead (30,000@ ₦3 per unit)	<u>90,000</u>		
	690,000		
Less: closing inventory (2,000@ ₦23 per unit)	<u>(46,000)</u>		
	644,000		
Add: Variable selling and Distribution: (10% x 1,260,000)	<u>126,000</u>	(770,000)	
<b>Contribution</b>			<b>490,000</b>
Less: Period/Fixed costs:			
Fixed selling and Distr. Overheads (1,800,000/12)	150,000		
Fixed Production overheads (31,750@₦8 per unit)	<u>254,000</u>	<u>(404,000)</u>	
<b>Net Profit</b>			<b><u>86,000</u></b>

ii. **ASEKUN LOWO Plc**

**Operating Statement for the month of March 2022 using Absorption Costing Technique**

	N	N
Sales (28,000units @ N45 per unit)		1,260,000
Less: Marginal Cost of Sales:		
Direct Material (30,000 @ N12 per unit)	360,000	
Direct Labour (30,000 @ N8 per unit)	240,000	
Variable Production Overhead (30,000@N3 per unit)	<u>90,000</u>	
Fixed production overhead (30,000@N8 per unit)	<u>240,000</u>	
	930,000	
Less: closing inventory (2,000@ N31 per unit)	<u>(62,000)</u>	
	868,000	
Add: Under Absorption Overhead: (1750@N8 per unit)	<u>14,000</u>	<u>(882,000)</u>
Gross profit		378,000
Less: Non production costs:		
Variable selling & Distr. Overheads	126,000	
Fixed selling & Distribution cost	<u>150,000</u>	<u>(276,000)</u>
<b>Net Profit</b>		<b><u>102,000</u></b>

	Net Profit N	Closing Inventory N
Absorption costing Technique	102,000	62,000
Marginal Costing Technique	(86,000)	<u>(46,000)</u>
Difference	<u>16,000</u>	<u>16,000</u>
Direct Labour (30,000 @ N8 per unit)	240,000	

**Examiner's comment**

This question tests candidates' understanding of absorption and marginal costing, with emphasis on their impacts on financial statements. It was attempted by about 80% of candidates and performance was good as about 75% of them scored 50% and above of the marks allocated.

However, several candidates performed poorly in the theoretical aspect of the topic in the (a) part.

Candidates are encouraged to get a good grasp of the theory of the topic because they provide the basic foundation to the topic.

## **SOLUTION 4**

- a. **Cost Behaviour** is described as degree of responsiveness of an item of cost to changes in level of activity. It is also the reaction of a cost item to changes in the activity level, where the level of activity is referred to as the amount of work done.
- b. Basic Patterns of cost behaviour
- i. Fixed cost  
A fixed cost is a cost that remains unchanging (constant) as activity level changes. The costs is unaffected by changes in activity level. Fixed Costs are those costs which do not vary with change in the volume of production up to a given range. Fixed Costs have the following characteristics:  
  
Total Fixed Costs do not vary with change in the volume of production within a relevant range.  
  
Average Fixed Costs (Fixed Cost per unit) varies with the change in the volume of production.
  - ii. Variable cost  
A variable cost is a cost that vary (change) proportionately with activity level. There is direct relationship between volume and variable cost. Variable Costs are those costs which vary in direct proportion to the volume of production. The following are the characteristics of variable costs:
    - Total Variable Costs vary in direct proportion to the volume of production.
    - Variable Cost per unit (Average Variable Cost) remains constant.
  - iii. Semi-Variable cost/Mixed costs  
This cost is also known as Semi Fixed Cost. It combines the characteristics of both Fixed and Variable elements of which one part is fixed within a given range (level of activity) and the other part varies with change in the volume of production, but not in the same proportion.
    - It's one part remains fixed up to a given range and the other part varies with changes with the volume of production.
    - Mixed Cost must be segregated into fixed and variable costs. its variable part is added to other variable cost and its fixed part is added to other fixed costs.
  - iv. Step cost  
These costs normally exist when the relevant range has been exceeded. These are costs that are fixed to certain level and after such level of activity the amount increases by a lump sum and remains fixed to another level where it will increase again by a lump sum.

c. **SAMUEL LIMITED**

**COST SEPARATION USING HIGH AND LOW METHOD**

	Activity Levels	Workings	Cost (₦)
High	22,000	170,000-5,000	165,000
Low	(17,000)		<u>(140,000)</u>
Difference	<u>5,000</u>		<u>25,000</u>

$$\begin{aligned} \text{Variable cost per unit (b)} &= \text{Difference in Cost/Difference in Activity Level} \\ &= \text{₦}25,000/5,000 \text{ units} \\ &= \text{₦}5 \text{ per unit} \end{aligned}$$

Value for Total fixed "a" at Highest Level of activity using  $Y = a + bx$ :

$$165,000 = a + 5 (22,000)$$

$$165,000 = a + 110,000$$

$$a = \text{₦}55,000$$

OR

Value for Total fixed "a" at lowest level of activity using  $Y = a + bx$ :

$$140,000 = a + 5 (17,000)$$

$$140,000 = a + 85,000$$

$$a = \text{₦}55,000$$

**Therefore, total cost for 17,500 units and 21,000 units:**

Activity Levels	17,500 units		21,000 units
	₦		₦
Variable cost (#5x17,500)	87,500	(#5 x 21,000)	105,000
Fixed cost	55,000		55,000
Step up cost	-		<u>5,000</u>
Total cost	<u>142,500</u>		<u>165,000</u>

**Examiner's comment**

This question tests candidates' understanding of cost behaviour patterns. It was attempted by about 50% of candidates and performance was below average as less than 50% of them scored 50% and above of the marks allocated.

A lot of candidates missed the part where step costs was introduced to the question.

Candidates should in future realise that questions may not be straightforward, and therefore a measure of versatility may be required.

## SOLUTION 5

### a. Me and You Limited

#### Direct Materials Purchased in the month of June, July & August

	June	July	August
	₦	₦	₦
Closing Inventory	35,000	60,000	40,000
Usage	<u>80,000</u>	<u>90,000</u>	<u>100,000</u>
	115,000	150,000	140,000
Less: Opening Inventory	<u>(50,000)</u>	<u>(35,000)</u>	<u>(60,000)</u>
Direct Materials Purchased	<u>65,000</u>	<u>115,000</u>	<u>80,000</u>

### b. Me and You Limited

#### Cash Budget for the Month of June, July & August

Inflows/Receipts	June	July	August
	₦	₦	₦
Sales	407,500	462,500	525,000
Dividend Received	<u>205,000</u>	-	-
Total inflows (A)	<u>612,500</u>	<u>462,500</u>	<u>525,000</u>
Outflows/Expenditure	₦	₦	₦
Wages	120,000	130,000	145,000
Direct Materials	65,000	115,000	80,000
Overheads	50,000	70,000	80,000
Solar Battery	-	-	100,000
Tax	-	<u>250,000</u>	
Total Outflows (B)	<u>235,000</u>	565,000	405,000
Balance	₦	₦	₦
Bal <sup>b/d</sup>	117,500	495,000	392,500
Net cashflows (A-B)	<u>377,500</u>	<u>(102,500)</u>	<u>120,000</u>
Bal <sup>c/d</sup>	<u>495,000</u>	<u>392,500</u>	<u>512,500</u>

## Workings

### 1. Analysis of Sales

	June	July	August	September
	₦	₦	₦	₦
Sales	<u>450,000</u>	<u>500,000</u>	<u>600,000</u>	-
25% - Cash	112,500	125,000	150,000	-
75% - Receivables	-	337,500	375,000	450,000
May - Sales	<u>295,000</u>	-	-	-
	<u>407,500</u>	<u>462,500</u>	<u>525,000</u>	<u>450,000</u>

## 2. Analysis of Overheads

	May	June	July	August
	₦	₦	₦	₦
Overheads	65,000	85,000	95,000	90,000
Less: Depreciation	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>
	<u>50,000</u>	<u>70,000</u>	<u>80,000</u>	<u>75,000</u>
Payment		<u>#50,000</u>	<u>#70,000</u>	<u>#80,000</u>

### Examiner's comment

This question tests candidates' understanding of budgeting and budgetary control. It has two parts, dealing with purchases and cash, using the same set of information.

It was attempted by about 85% of candidates and performance was good as more than 75% of them scored 50% and above of the marks allocated.

Some candidates were unable to properly understand simple English grammar and therefore gave wrong interpretations to otherwise simple instructions.

Candidates are advised that understanding of basic instructions could spell the difference between success and failure in examinations.

### SOLUTION 6

#### (a) Qualities of a good cost information

- i. Brevity: A good cost accounting information must not be too lengthy. It must be precise and brief.
- ii. Timeliness: An ideal cost accounting report should be presented to the decision maker prior to the decision and not after the decision must have been taken. A good cost accounting information must be provided timely.
- iii. Factual: Cost accounting report must represent a state of fact supported by adequate and reliable statistical data
- iv. Relevance: only relevant information useful to decisions to be made are supplied at any point in time. Information overload may not be appropriate for a busy manager.
- v. Cost and Benefit Analysis: The cost to be incurred in the process of generating a cost accounting information must not exceed the benefits to be derived. A good cost information must be cost effective.
- vi. Clarity: Cost accounting report should be devoid of ambiguity.
- vii. Degree of details: A good cost accounting report must be conclusive in nature. It must provide adequate information that will facilitate an objective decision.

**(bi) The main objectives of cost accounting are:**

- i. Planning: cost data is a vital instrument for planning, budgeting and forecasting of future operations.
- ii. Controlling: the budgets/estimates prepared based on cost are closely monitored to ensure that they are adhered to as much as possible. Deviation from plan is quickly checked and brought back on course.
- iii. Decision making: Cost data are analysed periodically to decide on alternative courses of action at each of the decision stages.

**(bii) The purpose of cost accounting includes but is not limited to the following:**

- i. To help in the determination of costs and profits during a given accounting period
- ii. To assist in setting standards of performance and provide feedback information for control purposes
- iii. It helps to identify areas of wastages and enables the management to avoid it
- iv. It helps to establish method of controlling cost
- v. To assist the managers through the provisions of relevant information when faced with the problem of what to do in a situation that involves alternative courses of action.
- vi. To help in the determination of cost of stock of material carried in the financial statements
- vii. It helps in the monitoring of variances
- viii. It helps in budget preparation.

**(c) Differences between Cost Reduction and Cost Controls**

S/N	Cost Reduction	Cost Control
1.	Emphasis is partly on the present costs and largely on future costs.	Emphasis is on the present and past cost behaviour of costs
2.	Product quality, utility and characteristics are retained.	Quality maintenance is not guaranteed.
3.	It finds out the substitute by finding new ways or methods.	It undertakes the competitive analysis of actual results with established norms.
4.	It is a <u>corrective</u> measure.	It is a <u>preventive</u> measure.
5.	Realistic savings in cost.	There could be temporary savings in cost.

**Examiner's comment**

This question tests candidates' knowledge of cost information, which forms the introductory part of the subject. It was attempted by about 60% of candidates and performance was average as about 50% of them scored 50% and above of the marks allocated.

The major pitfall here was the obvious neglect of the basic introduction to cost accounting, which is actually the foundation upon which the subject is based.

Candidates are enjoined to study all sections of the syllabus when preparing for future examinations.

**THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA****ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
MARCH 2026 EXAMINATIONS (PART III)****TAXATION**

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

**EXAMINATION INSTRUCTIONS**

1. All solutions should be in **blue** or **black** 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 or around 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 25, 2026**

**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 2026**

**TAXATION**

**Time Allowed: 3 hours**

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

**ATTEMPT ALL QUESTIONS IN THIS SECTION**

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

1. The principle of a good tax system that can adjust to changing circumstances is called.....
  - A. Equity
  - B. Convenience
  - C. Flexibility
  - D. Efficiency
  - E. Neutrality
  
2. Which of the following is **NOT** a source of tax laws in Nigeria?
  - A. Customary laws
  - B. Constitution
  - C. Circular issued and practices of the Revenue Service
  - D. Opinion of scholars
  - E. Court judgements until overruled
  
3. The effect of a tax on the production or consumption of the product being taxed is called.....
  - A. Tax effect
  - B. Tax impact
  - C. Tax incidence
  - D. Tax burden
  - E. Tax liability
  
4. Which of the following is **NOT** a possible solution to multiplicity of taxes in Nigeria?
  - A. Reviewing and harmonizing all the existing taxes in Nigeria
  - B. Reviewing the Constitution to address overlaps
  - C. Limiting the number of revenue agencies
  - D. Outsourcing revenue collection to professionals
  - E. Implementing technology for tax collection

5. Which of the following is **NOT** an objective of the National Tax Policy?
- A. Guide the operation and review of the tax system
  - B. Provide the basis for future tax legislation
  - C. Provide guidelines for self-assessment
  - D. Provide clarity on the roles and responsibilities of stakeholders in the tax system
  - E. Provide a benchmark on which stakeholders shall be held accountable
6. The primary criterion for the Chairman of the Local Government Revenue Committee is .....
- A. The Chairman of the local government
  - B. The Chairman of the local council of Obas
  - C. A person experienced in tax laws and administration
  - D. The Supervisor for Finance
  - E. As elected by the committee
7. The due date for filing of tax returns in the case of an existing company is .....
- A. Six months after the end of the company's accounting year
  - B. Three months after December 31
  - C. Upon service of the notice to pay
  - D. Within eighteen months from the date of incorporation
  - E. As decided by the relevant tax authority
8. The Federal Inland Revenue Service will resort to assessment on turnover where .....
- A. turnover will result into higher tax revenue for the government
  - B. the true amount of the assessable profit cannot be ascertained
  - C. liquidation of the company is imminent
  - D. the taxpayer wants to escape to another country
  - E. the assessable profit is small
9. Small and medium-sized companies engaged in primary agricultural production shall be granted pioneer status for a maximum of ..... years.
- A. four
  - B. six
  - C. five
  - D. two
  - E. three

10. According to the Finance Act 2023, compensation for loss of office up to ..... is exempted from capital gains tax.
- ₹10,000,000 only
  - ₹70,000,000 only
  - ₹90,000,000 only
  - ₹100,000,000 only
  - ₹200,000,000 only
11. Any defaulting taxpayer who fails to take advantage of the voluntary offshore assets regularisation scheme (VOARS), will be liable to the following, **EXCEPT**
- The tax due
  - Maximum of three years jail term
  - The interest
  - Investigation charges
  - Enforcement procedures in respect of offshore assets
12. Which of the following services rendered by financial institutions is **NOT** liable to value added tax?
- Commissions charged on forex trading or remittance
  - Debt conversion fees
  - Interest on loans and advances
  - Fees chargeable on stock- brokerage and trust services
  - Commission on asset trading
13. According to Section 2(A) of VAT Act, 2004 (as amended), in the case of supply of goods which are to be removed, where the supplier and recipient are connected persons and invoices are not raised, a taxable supply shall be deemed to take place.....
- at the time of removal of goods
  - at the time of delivery of goods
  - upon notice of sale thereon
  - as decided by the tax authority
  - at the supplier's discretion
14. Which of the following is **NOT** exempted from value added tax?
- Baby products
  - Training and education organised by private educational institutions
  - Tuition relating to nursery, primary, secondary and tertiary education
  - Commercial and residential rent
  - Vegetable oil

15. Which of the following is **NOT** a correct statement under the Value Added Tax Act of 1993 in Nigeria?
- A. Services mean anything, other than goods and services provided under a contract of employment
  - B. A service will be regarded as exported service when the service is provided by a Nigerian resident to a non-resident
  - C. Goods mean all forms of tangible properties, movable or immovable, including land and building, money and securities
  - D. Value added tax shall be administered by the Federal Inland Revenue Service Board
  - E. A non-resident person that makes a taxable supply to Nigeria may appoint a representative for the purpose of compliance with tax obligations
16. Which of the following is **NOT** true with respect to the Stamp Duties Act Cap S8, LFN amended?
- A. Both the Federal Inland Revenue Service (FIRS) and the relevant tax authority in a State administer stamp duties
  - B. POS and ATM receipts are liable to stamp duties
  - C. Transactions relating to savings account holders, salary accounts or students savings accounts are exempted from stamp duties
  - D. Agreements between the Federal government and foreign governments are exempted from stamp duties
  - E. Instruments of apprenticeship are exempted from stamp duties
17. Which of the following is **NOT** a merit of withholding tax scheme?
- A. It is a source of revenue to the government
  - B. It helps in widening the tax net
  - C. It helps in determining a person's turnover and thus ascertaining the correct income for tax purposes
  - D. It is fixed in nature
  - E. It reduces the incidence of tax evasion
18. Under the now-repealed Nigeria tax legislation prior to the 2025 tax reforms, what was the applicable Withholding Tax (WHT) rate on rents?
- A. 5% or 10%
  - B. 10%
  - C. 2.5% or 5%
  - D. 5%
  - E. As determined by the relevant tax authority

19. The Nigerian Customs Service Board comprises the following, **EXCEPT**
- A. The Minister of Finance who shall be the Chairman
  - B. The Governor of Central Bank of Nigeria or his representative
  - C. All the Deputy Comptrollers-General
  - D. One person to be appointed from the Federal Ministry of Transport
  - E. The Chairman of the Federal Inland Revenue Service
20. New Age Nigeria Limited was incorporated in December 2018 and commenced business on October 1, 2020. The first set of financial statements prepared by the company covered a period of 3 months, that is, October 1, 2020 to December 31, 2020. Its first year of assessment is.....
- A. 2022
  - B. 2021
  - C. 2019
  - D. 2018
  - E. 2020
21. Which of the following is **NOT** an unearned income?
- A. Rental income
  - B. Interest
  - C. Royalties
  - D. Gratuity
  - E. Dividend
22. In the absence of a partnership agreement or deed, interest or loan advanced by the partner to the firm is allowed at the rate of.....
- A. 2%
  - B. 5%
  - C. 7%
  - D. 6%
  - E. 10%
23. An employer shall record, either on the tax deduction card or in such other form as may be authorised by the relevant tax authority, the following particulars regarding emoluments of his employees, **EXCEPT** .....
- A. The month of payment
  - B. The cumulative contribution by the employee to National Housing Fund
  - C. The cumulative net emoluments in relation to the said date
  - D. The corresponding cumulative tax
  - E. The amount of emoluments

24. Which of the following is **NOT** tax-exempt deductions for individuals .....
- A. Contributions to National Health Insurance Scheme
  - B. Life Assurance Premium paid
  - C. Fire Insurance Premium paid
  - D. Contribution of National Pension Scheme
  - E. Gratuities received
25. Which of the following is **NOT** an allowable rental expense?
- A. Tenement rates
  - B. Land use charge
  - C. Bad debt incurred
  - D. Cost of advertising for tenants
  - E. Depreciation of the building
26. Franked investment income means an income that has suffered .....
- A. Value added tax
  - B. Stamp duties
  - C. Withholding tax
  - D. Excise duty
  - E. Import duty
27. Income taxable in the hands of a partner does **NOT** include .....
- A. Cost of passage to and from Nigeria during leave or vacation
  - B. Partner's salary
  - C. Interest received on loan
  - D. Partner's share of profit
  - E. Gratuity paid to partners
28. The relevant tax authority in relation to a partnership for a year of assessment is the .....
- A. Tax authority of the place of residence of the partners as at the first date of that year
  - B. Federal Inland Revenue Service
  - C. State Internal Revenue Service
  - D. Tax authority as decided by the Joint Tax Board on the first date of that year
  - E. Tax authority of the territory in which the principal office of the partnership in Nigeria is situated on the first date of that year

29. Which of the following is **NOT** a basis for computing companies' income tax payable?
- Minimum tax basis
  - Turnover basis
  - Total profit basis
  - Dividend basis
  - Preceding year basis
30. Which of the following statement is **NOT** correct?
- Small companies do not pay education tax
  - Where franked investment income did not form part of the gross turnover, it should be deducted from same in computing minimum tax liability
  - A company with a gross turnover of less than twenty-five million Naira cannot enjoy capital allowances
  - The interest on foreign domiciliary account in Nigeria accruing on or after January 1, 1990, is exempted from tax
  - The profits of a company established within an export processing zone and free trade zone is exempted from tax

**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.**

- A document issued by the Federal Inland Revenue Service stating that the company's tax affairs are in order is called .....
- An assessment raised on a company where the amount of total profit has been determined on appeal is said to be .....
- For notice of objection to be valid, it must be raised within..... of the date of service of the notice of assessment.
- Section 46 of the Value Added Tax Act (as amended) prior to the 2025 Tax reforms states that "any transaction for sale of goods or the performance of a service for a consideration in money or money's worth" is regarded as .....
- Section 16 of VAT Act (as amended) prior to the 2025 Tax reforms in Nigeria provides that a taxable person shall render to the Federal Inland Revenue Service on or before ..... day of the month following that in which the purchase or supply was made, a return of all taxable goods and services purchased or supplied by him during the preceding month.

6. The primary objective of a modern tax system is .....
7. Stamp duties that vary with the amount of consideration are classified as .....
8. Interest on bank overdraft for tax purposes is treated as.....
9. When payment is made to a bank or the Revenue in respect of withholding tax deducted at source, the Federal Inland Revenue Service will issue ..... in favour of the taxpayer.
10. A period when a company is exempted from the payment of tax is referred to as .....
11. A corporate employer who fails to file the required return with the relevant tax authority of all emoluments paid to employees in its employment in the preceding year will be liable to a fine of.....
12. An expenditure incurred on patent and license is called qualifying ..... expenditure.
13. In Nigeria, a partner is assessed to tax on .....
14. A person who receives real property under a Will is called .....
15. The difference between the total income and allowable expenses of a settlement, trust or estate is called .....
16. The key characteristic of a progressive tax system is that .....
17. An appeal from the Value Added Tax Tribunal shall be made to the .....
18. The basic tax point for VAT is .....
19. The Output VAT on taxable supplies of ₦13,800,000 (inclusive of VAT) is .....
20. Stamp duties are either ..... or ....., depending on the nature of the instrument.

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

Tax classification can be on different perspectives such as subject, base, or burden distribution. These classifications help policymakers tailor taxes to economic goals.

**Required:**

- a) Differentiate between direct and indirect taxes, providing two examples of each from Nigeria's tax system. (4 Marks)
- b) Compare progressive, proportional, and regressive tax systems, illustrating each with a Nigerian tax example. (6 Marks)
- c) Explain one merit and one demerit of indirect taxes. (2½ Marks)

**(Total 12½ Marks)****QUESTION 2**

In Nigeria, tax administration involves the three tiers of government. The Nigeria tax policy document outlines specific guidelines on important tax administration matters that tax authorities at all levels must oversee.

**Required:**

Describe their roles in relation to the following:

- (a) Registration of individuals (5½ Marks)
- (b) Technology and tax intelligence (4½ Marks)
- (c) Dispute resolution. (2½ Marks)

**(Total 12½ Marks)****QUESTION 3**

On July 1, 2023, Mr. Adeolu, a retired civil servant, transferred ownership of a commercial property located in Ikeja, Lagos to his daughter, *Ms. Bola*, for ₦15,000,000. At the time of transfer, the open market value of the property was ₦25,000,000.

Mr. Adeolu had originally acquired the property in March 2020 for ₦10,000,000 and incurred ₦500,000 in legal and agency fees at the time of acquisition. There were no major improvements made to the property before the transfer. The transfer was not part of an inheritance or testamentary gift. The property was used solely for rental income, and Mr. Adeolu did not reinvest the proceeds in any qualifying asset thereafter.

Mr. Adeolu did not remit capital gains tax at the time of the transaction, and no election was made for any roll-over relief. The FIRS later queried the transaction based on his annual return.

**Required:**

- (a) Compute the chargeable capital gains arising from the transaction, clearly stating the basis of valuation to be used. (4½ Marks)
- (b) Calculate the capital gains tax (CGT) payable by Mr. Adeolu. (4 Marks)
- (c) If Ms. Bola were to resell the property for ₦30,000,000 in January 2025, explain how her acquisition cost would be determined for CGT purposes. (4 Marks)
- (Total 12½ Marks)**

**QUESTION 4**

Benson Limited is engaged in general merchandising. The following details were extracted from the tax returns submitted to the Federal Inland Revenue Service for assessment year 2022.

	<b>₦'000</b>
Revenue	<u>100,000</u>
Assessable profit	5,850
Balancing charge	<u>500</u>
	6,350
Less: Unrelieved loss brought forward	<u>1,200</u>
	5,150
Capital allowance	<u>(2,500)</u>
Total profit	<u>2,650</u>
Companies income tax payable ₦2,650,000 at 30%	<u><u>₦795,000</u></u>

A desk examination by the Inland Revenue officials revealed the following:

- (a) Revenue was understated by ~~₦~~5million
- (b) Expenses were overstated by ~~₦~~1.5 million.

The tax official observed that the accounts submitted by the company were not reliable and that based on industry average, the gross profit percentage of about 10% revealed by the company's accounts was not reasonable. Accordingly, the Revenue decided to revise the companies' income tax computation by applying a fair and reasonable percentage of 25% on the revenue.

**Required:**

Re-compute the companies' income tax liability for the 2022 assessment year.

**(Total 12½ Marks)**

## QUESTION 5

Eniola & Co is a firm of Chartered Accountants based in Ilorin. The firm commenced business in 2015 and currently has 3 partners - Ibukun, Uzoma and Oluwakemi. The income statement for the year ended 2023 is as follows:

	₦	₦
Audit fees		50,000,000
Other professional fees		<u>20,000,000</u>
Income from professional services		70,000,000
<u>Other income</u>		
Income on rent	7,000,000	
Investment income	10,500,000	
Claims from insurance	2,000,000	<u>19,500,000</u>
Gross income		89,500,000
Deduct:		
Finance cost	4,500,000	
Administrative expenses	9,000,000	
National housing fund contribution	4,000,000	
Depreciation	3,500,000	
Salaries	24,000,000	
Penalties	200,000	(45,200,000)
Interest on capital accounts		
Ibukun	5,500,000	
Uzoma	2,000,000	
Oluwakemi	<u>1,500,000</u>	<u>(9,000,000)</u>
Net profit for the year		<u>35,300,000</u>

### Additional information

- (i) Finance cost includes L\$450,000 on Uzoma's private loan.
- (ii) 75% of the National Housing Fund contribution was remitted on behalf of the partners and allocated based on the existing sharing formula.
- (iii) Salaries include L\$5million to each of the partners.
- (iv) Capital allowance agreed with the Revenue is L\$7,000,000.
- (v) Partner's profit-sharing ratio is 3:3:2 among Ibukun, Uzoma and Oluwakemi, respectively.

### Required:

Compute the assessable income, chargeable income and tax liabilities of the partners for the relevant tax year.

**(Total 12½ Marks)**

## QUESTION 6

Stamp duty is managed by the Commissioners of Stamp Duties. An instrument must be sent to the Commissioner of Stamp Duties for adjudication. An appeal lies from the decision of the Commissioner of Stamp Duties to the High Court, with right of appeals as for ordinary tax cases.

- (a) Explain briefly the term 'Adjudication' as stipulated in the Stamp Duties Act (as amended). (2½ Marks)
  - (b) Explain **FOUR** benefits of adjudication. (6 Marks)
  - (c) Explain **TWO** limitations of the adjudication process. (4 Marks)
- (Total 12½ Marks)**

## **NIGERIAN TAX RATES**

### **1. CAPITAL ALLOWANCES**

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

### **2. INVESTMENT ALLOWANCE**

10%

### **3. RATES OF PERSONAL INCOME TAX**

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

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

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

### **4. COMPANIES INCOME TAX RATE**

30%

### **5. TERTIARY EDUCATION TAX**

(3% of Assessable Profit)

### **6. CAPITAL GAINS TAX**

10%

### **7. VALUE ADDED TAX**

7.5%

## **SECTION A: PART I**

### **MULTIPLE CHOICE SOLUTIONS**

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

### **Examiner's comment**

These multiple-choice questions covered virtually the entire aspects of the syllabus. All the candidates attempted the questions. The general performance was above average. Students can do better in these questions by paying attention to details.

## **SECTION A: PART II**

### **SHORT ANSWER SOLUTIONS**

1. Tax clearance certificate
2. Final and conclusive
3. Thirty days
4. Taxable supplies
5. 21st
6. Revenue generation
7. Ad valorem
8. An allowable expenditure
9. Credit note
10. Tax holiday
11. ₦500,000
12. Research and development
13. Preceding year basis (PYB)
14. Devisee
15. Computed income
16. The tax rate increases as income increases.
17. The Federal High Court
18. The time of supply of goods or services; consumption
19. ₦962,791 ( $7.5/107.5 \times 13,800,000$ )
20. Fixed; ad valorem

### **Examiner's comment**

These are standard and simple questions that covered the greater part of the syllabus. All the candidates attempted the questions. The general performance was above average. The candidates need to be more conversant with Taxation terminologies. This can easily be achieved with wide coverage of the study pack and other relevant materials.

## **SECTION B**

### **SOLUTION 1**

- (a) **Difference between direct and indirect taxes.**

**Direct Taxes:** Levied directly on individuals or organisations based on income or wealth. The tax burden cannot be shifted to another person. Personal Income Tax (under the PAYE system); Company Income Tax

**Indirect Taxes:** Levied on goods and services rather than income or profits. The tax burden can be shifted to another party, typically the consumer. Value Added Tax (VAT); Excise Duties

(b) Comparing progressive, proportional, and regressive tax systems

Tax System	Description	Example in Nigeria
<b>Progressive Tax</b>	Tax rate increases with income; higher earners pay a higher percentage. Promotes vertical equity.	<b>Personal Income Tax</b> under PAYE: higher-income earners pay more tax than low-income earners.
<b>Proportional Tax</b>	Tax is levied at a constant rate regardless of income level. All taxpayers pay the same percentage.	<b>Companies Income Tax:</b> charged at a fixed rate of 30% on company profits.
<b>Regressive Tax</b>	Tax takes a larger percentage of income from low-income earners than from high-income earners.	<b>Value Added Tax (VAT):</b> 7.5% on goods/services—same for all, but heavier on the poor in relative terms.

(c) Merits and Demerits of Indirect Tax

**Merits of Indirect Taxes:**

- i. **Convenience in Collection:** Indirect taxes (like VAT, sales tax, and excise duty) are collected at the point of sale, making it easier for the government to administer. Consumers pay them unknowingly while buying goods and services.
- ii. **Wider Coverage:** They are imposed on a large number of goods and services, ensuring a broader tax base. This helps the government generate substantial revenue from a large population, including those who may not pay direct taxes.
- iii. **Control of Harmful Goods:** Indirect taxes can be used to discourage the consumption of harmful or luxury goods (e.g., tobacco, alcohol) through higher tax rates, thus promoting public health and responsible consumption.

**Demerits of Indirect Taxes:**

- i. **Regressive Nature:** Indirect taxes take a larger percentage of income from the poor than from the rich, making them regressive. Low-income earners end up paying a higher proportion of their income on taxed goods.
- ii. **Inflationary Effect:** Since they increase the price of goods and services, indirect taxes can lead to inflation, reducing consumers' purchasing power.

- iii. **No Incentive to Save or Invest:** As these taxes are paid on consumption, they do not encourage saving or investment. Instead, they may discourage spending on taxed goods, especially if the tax rate is high.

### **Examiner's comment**

This is a theory question on classification of taxes. All the candidates attempted the question. The general performance was good.

### **SOLUTION 2**

#### **(a) Roles of tax authorities in registration of taxable persons**

- i. Issue Tax Identification Number (TIN)
- ii. Leverage and maintain Taxpayer databases such as Central Bank of Nigeria (CBN) on Bank Verification Number (BVN), National Identification Management Commission (NIMC), Nigeria Communications Commission (NCC), Corporate Affairs Commission (CAC), Federal Road Safety Commission (FRSC), Nigeria Immigration Service (NIS) and other relevant sources.
- iii. Ensure compliance and proper tracking of taxpayers records.

#### **(b) Technology and tax Intelligence**

- i. Use of digital tax systems (e-filing, e-payment).
- ii. Integrity and regular update of the database.
- iii. Workable and secure structure for Intelligence and Information gathering.
- iv. Data analytics for tax compliance.
- v. Detection of tax evasion.

#### **(c) Dispute Resolution**

- i. Administrative review of tax dispute
- ii. Tax Appeal Tribunal (TAT)
- iii. Alternative dispute resolution mechanisms

### **Examiner's comment**

This is a standard question on tax administration in Nigeria. About 60 percent of the candidates attempted the question. The general performance was below average. The major pitfall was the inability of the candidates to understand the roles of government in relation to registration of individual taxpayers.

### SOLUTION 3

(a) **Compute the chargeable capital gain arising from the transaction**

Under the Capital Gains Tax Act (CGTA) in Nigeria, the chargeable gain is calculated as the disposal value minus the allowable costs (acquisition cost incidental expenses).

Disposal Value (Consideration): Since the property was transferred to a Connected person (daughter), the open market value (₦25,000,000) is used instead of the actual transfer price (₦15,000,000).

Disposal Value		₦25,000,000
Allowable Costs		
Acquisition Cost (March 2020)	₦10,000,000	
Incidental Costs (Legal & Agency Fees)	₦500,000	
Total Allowable Cost		₦10,500,000
<b>Chargeable Gain: (₦25,000,000 – ₦10,500,000)</b>		<b><u>₦14,500,000</u></b>

(b) **Calculate the Capital Gains Tax (CGT) payable by Mr. Adeolu**

Chargeable (Taxable) Gain	₦14,500,000
CGT Rate in Nigeria	10%
<b>CGT Payable = (10% × ₦14,500,000)</b>	<b><u>₦1,450,000</u></b>

(c) **Determination of Ms. Bola's Acquisition Cost if She Resells the Property in January 2025**

**Chargeable gain would be:**

If Ms. Bola sells the property for ₦30,000,000 in January 2025, her acquisition cost for CGT purposes will be:

**If using 15,000,000:**

₦30,000,000 – ₦15,000,000 = ₦15,000,000 (CGT = 10% × ₦15,000,000 = ₦1,500,000)

Likely Acquisition Cost = ₦15,000,000 (actual consideration paid)

**OR**

**If FIRS uses ₦25,000,000:**

₦30,000,000 – ₦25,000,000 = ₦5,000,000 (CGT = 10% × ₦5,000,000 = ₦500,000)

But FIRS may argue for ₦25,000,000 (open market value) if they deem the transfer non-commercial.

**Note:** The amount paid by Mr. Adeolu (original cost) ₦10,500,000 (₦10,000,000 + ₦500,000)

But since the transfer was at undervalue, the acquisition cost for Ms. Bola will be the actual price she paid (₦15,000,000).

### **Examiner's comment**

This is a standard question testing candidates' knowledge of chargeable capital gains. About 66 percent of the candidates attempted the question, and the general performance was satisfactory.

### **SOLUTION 4**

#### **BENSON LIMITED**

<b>Re-compute companies income tax liability for 2022 year</b>	<b>₦'000</b>
Assessable profit	2,650
Add:	
Revenue understated	5,000
Expenses overstated	<u>1,500</u>
Revised Assessable Profit	9,150
Balancing charge	<u>500</u>
	9,650
Less: Unrelieved Loss	<u>(1,200)</u>
	8,450
Capital Allowance	2,500
<b>Total profit</b>	<b><u>5,950</u></b>
<b>Companies income tax @ 30% of Total profit</b>	<b>1,785</b>
Tertiary Education Tax @2.5% of the Revised Assessable profit	229

### **Examiner's comment**

This is a simple question. The question tests candidates' understanding of the computation of companies' income tax liability. About 70 percent of the candidates attempted the question, but the general performance was below average. The major pitfall was in the determination of revised assessable profit. The candidates are advised to study more in this aspect of the syllabus.

## SOLUTION 5

### ENIOLA & CO. Computation of assessable income, chargeable income and tax liabilities of partners for 2023 year of assessment

Net profit		35,300,000
<b>Add: Disallowable expenses</b>		
Depreciation	3,500,000	
Finance cost - Interest	450,000	
National housing fund	4,000,000	
Partners salary (5,000,000*3)	15,000,000	
Penalties	200,000	
Interest on capital	<u>9,000,000</u>	<u>32,150,000</u>
Assessable Income		<u>67,450,000</u>
<b>Deduct:</b>		
<b>Partners Salary:</b>		
Ibukun	5,000,000	
Uzoma	5,000,000	
Oluwakemi	5,000,000	(15,000,000)
<b>Interest on capital:</b>		
Ibukun	5,500,000	
Uzoma	2,000,000	
Oluwakemi	1,500,000	(9,000,000)
<b>Divisible Income</b>		<u>43,450,000</u>
<b>Share of profit</b>		
Ibukun	3/8 * 43,450,000	16,293,750
Uzoma	3/8 * 43,450,000	16,293,750
Oluwakemi	2/8 * 43,450,000	10,862,500
		<u>43,450,000</u>

### Computation of chargeable income and tax liabilities

	Ibukun	Uzoma	Oluwakemi
Share of profit	16,293,750	16,293,750	10,862,500
Interest on capital	5,500,000	2,000,000	1,500,000
Salary	5,000,000	5,000,000	5,000,000
Capital Allowance	(2,625,000)	(2,625,000)	(1,750,000)
Chargeable income	24,168,750	20,668,750	15,612,500
<b>Tax Liabilities</b>	<b>5,592,500</b>	<b>4,752,500</b>	<b>3,539,000</b>

	Tax Table		
First 300,000 @ 7%	21,000	21,000	21,000
Next 300,000 @ 11%	33,000	33,000	33,000
Next 500,000 @ 15%	75,000	75,000	75,000
Next 500,000 @ 19%	95,000	95,000	95,000
Next 1,600,000 @ 21%	336,000	336,000	336,000
Above 3,200,000 @ 24%	5,032,500	4,192,500	2,979,000
	<b>5,592,500</b>	<b>4,752,500</b>	<b>3,539,000</b>

### **Examiner's comment**

This is a good question on partnership taxation. About 30 percent of the candidates attempted the question. The general performance was average. Candidates should learn more on the procedure of calculating assessable and chargeable income as well as tax liabilities of partners in a business.

### **SOLUTION 6**

(a) **Adjudication**

This is the process of determining the correct amount of duty by the Commissioner of Stamp Duties. A document will be duly stamped and adjudicated only when the applicable duty has been paid.

(b) **The benefits include:**

- i. It is the first step in disputing the views of stamp duties office on the correct amount of duty;
- ii. It shows the document is genuine;
- iii. It satisfies the statutory requirement; and
- iv. It makes an instrument once adjudicated, admissible for all purposes notwithstanding any objection as to the duty to be paid.

(c) **The following are the limitations of the adjudication process:**

- i. Where a court has ruled that an instrument has not been duly stamped, subsequent adjudication cannot retrospectively make it duly stamped; and
- ii. The process cannot prejudice rights that have been asserted before adjudication.

### **Examiner's comment**

This is a simple question on stamp duty. About 50 percent of the candidates attempted this question. The general performance was below average. The major pitfall was lack of proper understanding of the concept of adjudication as it relates to tax duties.

**THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA****ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
MARCH 2026 EXAMINATIONS (PART III)****MANAGEMENT****PLEASE READ THESE INSTRUCTIONS BEFORE COMMENCEMENT OF THE PAPER****EXAMINATION INSTRUCTIONS**

1. All solutions should be in **blue** or **black** 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 or around 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 24, 2026****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 2026**

**MANAGEMENT**

**Time Allowed: 3 hours**

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

**ATTEMPT ALL QUESTIONS IN THIS SECTION**

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

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

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

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

14. Which of the following is **NOT** an advantage of internal recruitment?
- A. It creates promotion opportunities for employees
  - B. It reduces the cost of recruitment
  - C. It enhances workplace diversity
  - D. The organisation benefits from the investment it made in training of employees
  - E. Increased employees commitment
15. Which of the following is **NOT** a method of on-the-job recruitment?
- A. Demonstration
  - B. Job Rotation
  - C. Understudy
  - D. Short-term courses
  - E. Committee Assignments
16. If all the processing equipment and machines are arranged according to the sequence of operations of the product, the layout is called
- A. Fixed Position Layout
  - B. Product layout
  - C. Process Layout
  - D. Functional Layout
  - E. Combination type of Layout
17. In the extended 7Ps model of marketing, ..... refers to the makeup of target market and those that are directly related to the business.
- A. physical evidence
  - B. pioneers
  - C. people
  - D. process
  - E. population
18. Which of the following is **NOT** a money market instrument?
- A. Commercial bill
  - B. Certificate of deposit
  - C. Treasury certificates
  - D. Corporate shares
  - E. Treasury bills

19. Which of the following is **NOT** a content theory of motivation?
- A. Stacy Adam's Equity theory
  - B. Maslow Hierarchy of Needs Theory
  - C. Aldelfer's ERG Theory
  - D. McGregor's Theory X and Y
  - E. Herzberg's two factor theory
20. The attitude or behaviour which a leader exhibits or demonstrates during supervision of subordinates is called
- A. Leadership continuum
  - B. Autocratic style
  - C. Leadership style
  - D. Management exemplar
  - E. Democratic style
21. Which of the following is **NOT** an Organisational Conflict?
- A. Structural conflict
  - B. Horizontal Conflict
  - C. Vertical hierarchical Conflict
  - D. Line and staff Conflict
  - E. Inter-organisational conflict
22. The emotional attachment people have toward the organisation they work for is called
- A. organisational commitment
  - B. job satisfaction
  - C. group dynamics
  - D. employee engagement
  - E. work-related attitude
23. Employees traditionally resist change because of the following reasons, **EXCEPT**
- A. fear of the unknown
  - B. lack of information
  - C. lack of participation in change
  - D. lack of recognition
  - E. threat to expertise

24. Which of the following is **NOT** a factor that influences the need for adoption of Business Process Re-engineering (BPR)?
- A. To secure better management
  - B. To improve efficiency
  - C. To improve performance of the old process
  - D. To reduce cost
  - E. To reduce waste
25. Stages in the implementation of business process re-engineering include the following, **EXCEPT**
- A. Envision stage
  - B. Diagnosis Stage
  - C. Redesign stage
  - D. Evaluation stage
  - E. Completion stage
26. The approach that assesses effectiveness by observing the beginning of the process and evaluating whether the organisation effectively obtains resources necessary for high performance is called
- A. strategic constituencies
  - B. goal
  - C. internal process approach
  - D. system Resource Approach
  - E. competing value
27. Which of the following is **NOT** a soft factor in the 7S model of organisational effectiveness?
- A. Skills
  - B. System
  - C. Staff
  - D. Style
  - E. Shared values
28. Which of the following is **NOT** true of open office layout?
- A. There is reduction in noise
  - B. It is easy to supervise since everybody is in view
  - C. It economises space
  - D. Exchange of information among staff is easy and this facilitates the flow of work
  - E. Certain facilities may be easily shared e.g. printers

29. Which of the following is **NOT** an advantage of forms?
- A. Reduces the need for writing
  - B. Effective predation
  - C. Minimising errors
  - D. Uniformity
  - E. The information collected now can be analysed later
30. Which of the following is **NOT** a source of safety hazard at the workplace?
- A. Slippery floors
  - B. Open cabinets
  - C. Safety boots
  - D. Plant fumes
  - E. Poor ventilation

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

**ATTEMPT ALL QUESTIONS**

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

1. The simplest, most common and the oldest form of business ownership is called .....
2. .... constitute the specific segment of the external environment with which an organisation interfaces while conducting its business.
3. .... is concerned with what is right and what is wrong in human behaviour based on standard behaviour or conduct acceptable by the society.
4. The main objective of management is the efficient ..... of human, material and financial resources.
5. The managerial skill that has to do with knowledge of and proficiency in activities involving methods, processes, and procedures is known as .....
6. The management school/approach that brings together the knowledge of various disciplines like Operation Research and Management Science for effective solution of management problems; as well as the applications of statistics, optimisation models, information models, and computer simulations is known as .....
7. ....is the main and primary function of management.

8. The process of grouping activities and resources among people and systematically integrating the groups into a unified system is known as .....
9. The managerial role that involves activities by which an executive develops and maintains contact with people and groups outside the organisation for the purpose of coordinating efforts to achieve a common goal is known as .....
10. The type of control that takes place while the operation is in progress is called .....
11. A ..... is something potential such as an event or condition which, should it happen, will harm the activity and reduce the chance of success.
12. .... is a collection of practices and procedures used for planning and distributing company-wide compensation programmes for employees.
13. Production is defined as the step-by-step ..... of one form of material into another form through chemical or mechanical process to create or enhance the utility of the product to the user.
14. A ..... is a product which is innovative, unique, a replacement, which is significantly different from existing ones in terms of physical appearance, packaging, style and quality.
15. The group phase that is characterized by conflict as members seek to free themselves from the dependence on the leader is known as .....
16. Any factor in the environment which interferes with the transmission of the message is called .....
17. The overall objective of business process re-engineering involving the radical redesign of core business processes in the area of cost, quality, service and speed is to deliver more value to the .....
18. The 7-S-Model of organisational effectiveness divided organisation factors into ..... and ..... factors.
19. The first step towards prevention of injury or death at the workplace is to put in place a .....
20. A ..... is a document with spaces (fields) in which to write or select for a series of documents with similar contents.



### **QUESTION 6**

- (a) Define organisational effectiveness (1 Mark)
  - (b) List **FOUR** measurement criteria. (4 Marks)
  - (c) Explain briefly the 7-S model of organisational effectiveness. (7½ Marks)
- (Total 12½ Marks)**

## **SECTION A: PART I**

### **MULTIPLE CHOICE SOLUTIONS**

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

### **Examiner's comment**

The questions covered all areas of the syllabus. All the candidates attempted the questions, and the performance was good. About 65% of the candidates that attempted the questions scored above average. The major pitfalls of the candidates that performed poorly was their inability to acquaint themselves with the Study Pack.

## **SECTION A: PART II**

### **SHORT ANSWER SOLUTIONS**

1. Sole proprietorship
2. Task environment
3. Ethics
4. Utilisation
5. Technical skills
6. Quantitative Management school
7. planning
8. Organising
9. Liaison
10. Concurrent control
11. Threat
12. Wage and salary administration
13. Conversion
14. New product
15. Storming phase
16. Noise
17. Customer
18. Hard and soft
19. Safety policy
20. Form

### **Examiner's comment**

These questions were well-carved out and covered the syllabus in all parts. All the candidates attempted the questions, and the performance was above average. About 55% of the candidates scored above average. The candidates are advised to pay more attention to their study pack for improved performance in future examination.

## **SECTION B**

### **SOLUTION 1**

- (a) The general partnership has unlimited liability for all actions of the business. He referred to as an active partner. He takes active part in the management of the business. He may act as the managing partner or executive director, or manager of the firm.
- (b) **Advantages of a Corporation**
- i Limited Liability
  - ii Capital Formation
  - iii Perpetual Life
  - iv Ease of Expansion
  - v Transferability of Ownership
  - vi Competent Management Team

### **Disadvantages of a Corporation**

- i Government Regulations
- ii Large Initial Capital
- iii Lack of Secrecy
- iv Goal Incongruence
- v Divergence of Owners/Management Interests
- vi Organisational Expenses

### **(c) Disadvantages of sole proprietorship**

- i Lack of continuity
- ii Limitation of size
- iii Low technological process
- iv Limited ability to attract and retain capable employees
- v Limited access to sources of capital
- vi Limitation of management skills
- vii Unlimited liabilities

### **Examiner's comment**

The question was structured to test the candidates' understanding of Management Theory forms of Business ownership. About 98% of the candidates attempted the question and about 82% scored above average. Candidates are advised to make adequate use of the study pack for improved performance in subsequent examinations.

### **SOLUTION 2**

- (a) Contingency Theory is the view that appropriate managerial action depends on the particular parameters of each situation.
- (b)i. Management is entirely situational
  - ii. Management action is contingent on certain action outside the system subsystem as the case may be.
  - iii. Management should, therefore, match or fit its approach to the requirements of the particular situation.
  - iv. Organisational action should be based on the behaviour of action outside the system so that the organisation should be integrated with the environment.
  - v. Management should understand that there is no one hard way to Manage.

(c) **State THREE contributions and THREE limitations of human relations theory**

**Contributions of Human Relations Theory**

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.

- i 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.
- ii 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.
- iii 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**

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.

- (a) The model may only be 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.
- (b) 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.
- (c) The assumption of the model that individual's needs should be identified and satisfied at work makes the organisation a substitute for the community. This view, apart from being a closed model, is unrealistic because the organisation cannot accommodate all the factors influencing the behaviour of workers.

**Examiner's comment**

The question was structured to test the candidates' understanding of Management Theory, particularly Contingency theory. About 35% of the candidates attempted the questions and about 45% scored above average. Adequate usage of the study pack is recommended for improved performance in subsequent examinations.

### **SOLUTION 3**

(a) **What is strategic management process**

Strategic management processes contain steps that organisations take in the course of strategy formulation and implementation.

(b) **List SIX importance of Strategic management**

- i Performance
- ii Managing change
- iii Effective coordination
- iv Focus
- v Monitoring
- vi Acceptable to organisational members
- vii Timeliness
- viii Continual review

(c) i. **Strength**

Strengths could include:

- Good leadership
- Dedicated and experienced employees
- Good communication skills
- Extensive product knowledge and expertise
- Long-time community presence
- Networking and relationships in community
- Knowledgeable of technology

ii. **Weakness**

Weaknesses could include:

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

iii. **Opportunity**

Opportunities could include:

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

iv. **Threat**

Threats could include:

- Increased local competition and expansion into market by national firms
- Margin erosion by low-cost competitors
- High unemployment rates on decline; pool of qualified potential new hires shrinking

**Examiner's comment**

The question was structured to test the candidates' understanding of the concept of Strategic Management. About 85% of the candidates attempted the question and about 72% scored above average. Candidates are advised to devote more time to getting familiar with the study pack to improve subsequent performance.

**SOLUTION 4**

(a) **Define plant layout and design**

**Plant layout and design**

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

(b) **State any FOUR factors influencing plant layout and design**

**Factors Influencing Plant Layout and Design**

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

(c) **Explain any THREE types of plant layout**

**Types of Plant Layout**

- i **Product or Line Layout:** If all the processing equipment and machines are arranged according to the sequence of operations of the product, the layout is called product type of layout. In this type of layout, only one product of one type of products is produced in an operating area.

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

### **Examiner's comment**

The question was structured to test the candidates' understanding of the concept of Plant Layout and design. About 96% of the candidates attempted the question and about 92% scored above average. Candidates are advised to use the Study Pack adequately for improved performance in subsequent examinations.

### **SOLUTION 5**

#### **(a) State FIVE factors affecting motivation**

- i Satisfaction through achievement
- ii Growth/advancement
- iii Job security
- iv Interpersonal relations
- v Company policies
- vi Working conditions
- vii Status
- viii Salary including other fringe benefits, etc

#### **(b) Explain any FIVE techniques that can be used to motivate employees in Africa today**

##### **Techniques used to motivate employees in practice**

- i **Financial rewards (money):** Money is one of the oldest methods of motivating employees. Financial rewards include wages, bonuses and profit sharing. Charles Handy (1985) argues that money is an important motivator of workers because it is often a reflection of other motivators

and helps in satisfying the individual's physiological, safety, social, esteem and even self-actualization needs. Money is also the basis for comparing one's status success and security, with others within the same organisation or industry. However, for money to be effective it must be related to the employee's performance and increments should be large enough, relative employee's income.

- ii **Employee Participation:** Employees may be motivated to work harder when they are allowed to take part in decisions which affect them. As a motivation technique, participation satisfies the growth, achievement and recognition needs of employees.
- iii **Favourable Conditions of Work:** Employees could be motivated by providing them with good conditions of work such as recreational facilities, accommodation, canteen services, free medical care, transport facilities and the like.
- iv **Enhanced Social relationship:** Employees could be motivated when the manager creates an environment that promotes good interpersonal relations.
- v **Personal Development:** Employees may be motivated to put in extra effort when they are given the chance to advance themselves through promotion, training and development.

(c) **What is intrinsic motivation?**

This is related to “psychological” rewards such as the opportunity to use one's ability, a sense of challenge and achievement, receiving appreciation, positive recognition, positive recognition and being treated in a caring and considerate manner.

**Examiner's comment**

The question was structured to test the candidates' understanding of the concept of Motivation. About 85% of the candidates attempted the question and about 80% scored above average. Better reading of the study pack would have recorded better performance.

**SOLUTION 6**

- (a) **Define organisational effectiveness and list any FOUR criteria for measuring organisational effectiveness**

**Organisational Effectiveness**

The term of organizational effectiveness describes the degree to which an organization realizes its goals. It can be noted that this goal can only be realized effectively by a) information sharing, b) quick and timely decision

making, and c) shared awareness of tasks and responsibilities within the organisation. Effectiveness is the ability of the organization to exploit the environment in the acquisition of critical resources.

### **Criteria for measuring organisational effectiveness**

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

### **(b) Discuss briefly the 7-S model of organisational effectiveness**

#### **7-S-Model**

The 7-S-Model of the former McKinsey management consultants Peters and Waterman Jr. (1982) divide organizations into “hard” and “soft” factors. The “hard” factors cover elements more concrete and can be exposed with policy papers, plans and documentations on the development of the organisation.

The three “hard” or “cold” factors of an organisation are:

- i Strategy
- ii structure, and
- iii systems.

The expression “soft” refers to substantially and only marginally concrete elements of an organization that can hardly be described. These elements develop permanently and can be planned or controlled only limitedly because they are highly dependent on the members of the organisation.

These “soft” or “warm” factors are namely:

4. skills
5. staff
6. style/culture, and
7. shared values / super ordinate goals.

While the hard factors are easier to test, the assessment of the soft factors is much more difficult - but they are at least as important for the organization. Effectively functioning organizations are characterized by a coordinated balance of these seven factors. In times of change and adjustment, it should be noted that the modification of one factor also impacts on the other factors. A well-functioning organization must aspire towards a right balance between the above introduced factors.

### **Examiner's comment**

The question was structured to test the Candidates understanding of the concept of organisational effectiveness. About 75% of the candidates attempted the question and about 72% scored above average. This performance can be improved upon on subsequent examinations by making adequate use of the study pack.