



**THE INSTITUTE OF CHARTERED
ACCOUNTANTS OF NIGERIA**

INSIGHT

SEPTEMBER 2025 ATSWA EXAMINATION

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
SEPTEMBER 2025 EXAMINATIONS (PART III)**

PRINCIPLES OF AUDITING & ASSURANCE

PLEASE READ THESE INSTRUCTIONS BEFORE COMMENCEMENT OF THE PAPER

EXAMINATION INSTRUCTIONS

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

TUESDAY, SEPTEMBER 23, 2025

DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO

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

PRINCIPLES OF AUDITING & ASSURANCE

Time Allowed: 3 hours

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

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

1. The statement issued when the auditor concludes that they have not been able to obtain sufficient evidence to support the reliability of the financial statement of a company and accordingly were unable to form an opinion on the truth and fairness of account is
- A. adverse opinion
- B. audit opinion
- C. except for opinion
- D. subject to opinion
- E. disclaimer of opinion
2. The sales invoices of Alma Plc are matched to dispatch notes with any mismatched items investigated before they are recorded in the sales daybook. Which of the following control objectives does this help to achieve?
- A. It ensures sales and receivables are valid and accurate.
- B. It ensures that all goods dispatched are recognised as sales and receivables.
- C. It ensures that all goods ordered by customers are dispatched.
- D. It ensures that customers do not exceed their credit limits.
- E. It enhances effectiveness of checks and balances in the administration of sales activities.
3. The sampling technique where each sampling unit has equal chance of being selected is
- A. random sampling method
- B. stratified sampling method
- C. systematic sampling method
- D. hierarchical sampling method
- E. haphazard sampling method

4. Where a client intends to change the auditor, the successor auditor should obtain information or be familiarised with the following, **EXCEPT**
- A. Engagement letter
 - B. understand the client and its industry
 - C. preside over director's meetings
 - D. review procedures
 - E. review reports
5. A possible loss, stemming from past events that will be resolved as to existence and amounts, is
- A. analytical process
 - B. loss contingency
 - C. probable loss
 - D. unasserted claim
 - E. outstanding liabilities
6. Which of the following procedures is most likely to be included towards the end of an audit exercise?
- A. Obtaining an understanding of internal control
 - B. Confirmation of receivables
 - C. Observation of inventory
 - D. Performing analytical procedures
 - E. Assessment of employees' payroll
7. Which of the following is **NOT** a feature of Internal Control?
- A. Custody and control assets
 - B. Authorisation and approval
 - C. Allocation of responsibilities
 - D. Documents of business incorporation
 - E. Segregation of duties
8. To determine the extent to which internal controls are to be applied within an entity, Management will consider the following, **EXCEPT**
- A. The academic and professional qualification of the members of the Board of Directors.
 - B. The nature, size and volume of transactions
 - C. The controls exercised personally by individual members of management.
 - D. The geographical distribution of the entity.
 - E. The cost of setting up controls and the benefits obtained thereby.
9. The tests which seek to provide audit evidence that internal control procedures are being applied as prescribed is
- A. investigation test
 - B. compliance test
 - C. internal control test
 - D. substantive test
 - E. procedural test

10. Which of the following is **NOT** a factor in setting up of Internal Controls?
- A. To carry on the business of the organisation in an orderly and efficiently manner
 - B. To ensure adherence to management policies
 - C. To ensure adherence to shareholders policies
 - D. To safeguard the asset of the organisation
 - E. To secure completeness and accuracy of the records
11. The Internal Audit will **NOT** carry out
- A. statutory Audit
 - B. interim Audit
 - C. operational Audit
 - D. private Audit
 - E. fraud Investigation Audit
12. The duties of an Internal Auditor exclude
- A. functional Audit
 - B. operating Audit
 - C. value for money Audit
 - D. management Audit
 - E. organisation Audit
13. While conducting Value for money audit, the auditor should **NOT** concern himself with
- A. whether alternative means of achieving objectives have been considered
 - B. the organisation's structure; the allocation of responsibilities; the delegation of authority and the system for making managers accountable.
 - C. the expectation gap and performance gap in existence.
 - D. the existence and soundness of managements and programmes of work.
 - E. whether management has defined the overall objectives adequately and its strategy for achieving those objectives.
14. Ethical conflicts faced by accountants in governance may arise from
- A. personal financial interests conflicting with organisational duties
 - B. calculating tax payable
 - C. filing tax returns on time
 - D. setting audit fees
 - E. delay in tax remittance
15. If an accountant suspects management is involved in NOCLAR but management refuses to act, the accountant should
- A. continue ignoring the issue
 - B. report to the next higher authority or regulatory body as per professional guidelines
 - C. resign without explanation
 - D. destroy evidence
 - E. appealing to management conscience

16. Which of the following is a key reason why ethical behaviour is critical for accountants?
- A. To increase audit fees
 - B. To maintain public trust and confidence in financial reporting
 - C. To reduce the workload of auditors
 - D. To avoid paying taxes
 - E. To receive public sympathy
17. When an accountant in a public entity discovers a significant violation of laws but is pressured by management to remain silent, the accountant's ethical duty is to
- A. follow management's instructions
 - B. keep the information confidential regardless
 - C. consider whistleblowing according to professional guidelines
 - D. ignore the issue as it's not their responsibility
 - E. remind management of their responsibility
18. An auditor evaluating an ERP system would focus primarily on
- A. user interface design.
 - B. system performance metrics only.
 - C. end-user satisfaction surveys.
 - D. internal controls embedded in the system.
 - E. system performance metrics and matrix only.
19. A major risk in IT audits is
- A. too many employees involved
 - B. lack of computer skills by the auditor
 - C. over-reliance on manual records
 - D. audit experience
 - E. very few employees are involved
20. Which of the following tools is commonly used in IT audits?
- A. Excel Macros
 - B. IDEA
 - C. Notepad
 - D. PowerPoint
 - E. Metrics
21. What is the main objective of using data analytics in auditing?
- A. To promise delivery within deadline.
 - B. To consolidate internal controls.
 - C. To gain insights and detect anomalies or fraud.
 - D. To reduce the scope of audit.
 - E. To enhance the scope of audit.

22. Before accepting an audit engagement, a successor auditor should make specific inquiries of the predecessor auditor regarding the predecessor's
- A. awareness of the consistency in the application of generally accepted accounting principles between periods
 - B. evaluation of all matters of continuing accounting significance
 - C. opinion of any subsequent events occurring since the predecessor's audit report was issued
 - D. understanding as to the reasons for the change of auditors
 - E. on the level of substantive test conducted
23. A written understanding between the auditor and the entity concerning the auditor's responsibility for fraud is usually set forth in a(n)
- A. internal Control Letter
 - B. letter of audit inquiry
 - C. management letter
 - D. engagement letter
 - E. auditor's Report
24. As generally conceived, the audit committee of a publicly held company should include
- A. representatives of the major equity interests (preferred stock, common stock).
 - B. the audit partner, the chief financial officer, the legal counsel, and at least one outsider.
 - C. representatives from the entity's management, investors, suppliers, and customers.
 - D. members of the board of directors who are not officers or employees.
 - E. representatives from the entity's management, investors, suppliers, customer, the legal counsel and major equity holders.
25. An insurance company is requested to submit the following to National Insurance Commission, **EXCEPT**
- A. a statement of investment representing insurance funds.
 - B. a statement of Financial Position as at the end of the last financial year.
 - C. a statement of profit or loss and other comprehensive income for last financial year.
 - D. a statement of profit showing the schedule of non-current assets.
 - E. a revenue account applicable to each class of insurance business for which the insurance company is registered.
26. Which of the following determines the scope of audit and responsibilities of auditor of public limited company?
- A. Agreement between the management and the auditor
 - B. Board of Directors and shareholders
 - C. Auditing Guidelines
 - D. International Auditing Standards
 - E. The Companies Act

27. The auditor should obtain the knowledge of the business activities of the client to
 - A. know the shares structure of owners
 - B. reviewing the levels of operation within the management
 - C. evaluate interest of the directors in the organisation
 - D. assessing risks and identifying problems
 - E. enquires of payables of the client
28. Which of the following is a routine audit procedure?
 - A. Vouching of transactions
 - B. Analytical procedures
 - C. Risk assessment procedures
 - D. Verification of assets and liabilities
 - E. Risk analysis
29. Which of these is deemed necessary to achieve the objective of the audit?
 - A. Limitation of audit
 - B. Advantage of audit
 - C. Scope of audit
 - D. Objective of audit
 - E. Legal framework
30. The going concern of a business may **NOT** be impaired by which of the factors below?
 - A. Management incompetence
 - B. Fraudulent practices of management
 - C. Political unrest
 - D. Ability to meet creditors bill as at when due
 - E. Failure of proper control mechanism and insider abuse

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 review of the internal control systems through which the transactions are processed during an audit assignment is
2. The qualified person appointed to audit the financial statements is
3. Life and general business of insurance company is referred to as

4. A code of conduct which requires the professional accountant to act in accordance with specified general moralities of behaviour iscode of ethics.
5. In internal control, a procedure where no single person should be responsible for the recording and processing of a complete transaction is
6. A procedure of internal control whereby persons performing sensitive activities should acknowledge their activities by means of signatures, initials, rubber stamps, etc is
7. An internal control procedure whereby management assesses the quality of control performance on a timely basis and taking necessary corrective actions is
8. A pre-listed schedule of work to be carried out by the Auditor which guides him in the audit exercise is.....
9. The letter written by the client's auditor on weaknesses observed during the audit is
10. Controls which relate to the environment within which computer-based accounting systems are developed, maintained and operated, and which are therefore applicable to all the applications are.....
11. All the information from whatever source used by an auditor to arrive at the conclusions on which the audit opinion is based is.....
12. The term NOCLAR relates to violations of laws and regulations that may affect the statements.
13. Accountants charged with governance must avoidof interest and misuse of their position.
14. The risk that the auditor may expresses an inappropriate audit opinion when the financial statements are materially misstated is
15. The phase of the audit where auditors gather evidence is called the phase.
16. A letter that conveys management oral defence to an auditor in writing during the conduct of the audit is.....
17. Professional services that are meant to improve the quality of information or its context to enhance the degree of confidence of intended users is
18. The process of ensuring compliance with laws, rules and regulation governing public fund is
19. Independence, according to the code of ethics issued by IFAC, requires independence of and independence of
20. There is when transactions could be followed stage-by-stage through a system to ensure that they had been properly processed.

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

- a. Any instituted internal control system provides management with only reasonable, but not absolute assurance, that their objectives are accomplished because of the inherent limitations.

Required:

State **FIVE** limitations of internal control systems. (5 Marks)

- b. As the external auditor of a client which just engaged your services, state and explain **FIVE** methods you will employ to ascertain the effectiveness of the client's internal control system. (7½ Marks)

(Total 12½ Marks)**QUESTION 2**

- a. What is the role of IT audit in ensuring data integrity? (1½ Marks)
b. Explain IT based audit assurance. (2 Marks)
c. State **THREE** challenges of implementing IT based audit assurance. (3 Marks)
d. Mention **THREE** IT system risks on businesses. (3 Marks)
e. State **THREE** types of Machine Learnings (MLs). (3 Marks)

(Total 12½ Marks)**QUESTION 3**

Auditing standards require the application of analytical procedures to provide evidence as to the reasonableness of the specific account balances in the financial statements to reduce audit risk.

Required:

- a. Enumerate **FOUR** significant analytical procedures in audit engagement. (6 Marks)
b. Explain **FOUR** methods of conducting analytical procedures. (4 Marks)
c. Define the term "due diligence". (2½ Marks)

(Total 12½ Marks)**QUESTION 4**

- a. Professional codes of ethics are essential for maintaining trust, integrity and accountability in accounting profession. Explain **SIX** importance of professional codes of ethics. (6 Marks)
b. What do you understand by the term "safeguards". (½ Marks)
c. State **SIX** safeguards that can be put in place in the work environment. (6 Marks)

(Total 12½ Marks)

QUESTION 5

John, the sole owner of a small hardware business has been told that the business financial statements should be reported on by an Independent Auditor.

Having some bookkeeping experience, John has personally prepared the business financial statements and does not understand why it should be audited by an Independent Auditor.

John discussed the matter with Peter, a Chartered Accountant and asked Peter to explain why an audit is considered important.

Required:

- a. State **FIVE** objectives of financial statement audit. (2 ½ Marks)
- b. Explain **FIVE** ways in which a financial statement audit may be beneficial to John. (5 Marks)
- c. What are the differences and similarities between the roles of accountant and auditor? (5 Marks)

(Total 12½ Marks)

QUESTION 6

- a. List the **FIVE** factors that affect the form and content of Audit working paper. (5 Marks)
- b. List **FOUR** fundamentals of working papers. (2 Marks)
- c.
 - i. List the **THREE** components of Total Audit Risk. (1½ Marks)
 - ii. Explain **TWO** of the components listed above. (4 Marks)

(Total 12½ Marks)

SECTION A: PART I

MULTIPLE CHOICE SOLUTIONS

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

Examiner's comment

This section covers the whole syllabus. Candidates performed very well. The section is a booster to the candidates to reach the passing mark of 50%.

The highest score is 26 while the lowest score is 3.

SECTION A: PART II

SHORT ANSWER SOLUTIONS

1. Observation
2. Approved auditor
3. Composite business
4. ICAN
5. Segregation of duties
6. Acknowledgement of performance
7. Monitoring
8. Audit programme
9. Management letter/internal control letter
10. General controls
11. Audit evidence
12. Financial
13. Conflict
14. Audit risk
15. Fieldwork
16. Letter of representation
17. Assurance services
18. Regulatory Compliance
19. Mind and Appearance
20. Audit trail

Examiner's comment

20 short answer questions were available. The performance is quite good as more than 60% of the candidates scored 8 marks and above.

The questions cover the whole syllabus.

SECTION B

SOLUTION 1

a. Inherent limitations of an internal control system include:

- i. The requirement that the cost of an internal control does not outweigh the benefit.
- ii. Most systematic internal controls tend to be directed at routine transactions rather than non-routine transactions.
- iii. The potential for human error in the operations of internal controls due to carelessness, distraction, mistakes of judgement and the understanding of instructions.
- iv. The possibility that a person responsible for exercising an internal control could abuse that responsibility by overriding an internal control.
- v. The possibility of controls being by-passed because two or more people colluded. Collusion may be between people inside the organization, but may involve outsiders as well.
- vi. The possibility that procedures may become inadequate due to changes in conditions or that compliance with procedures may deteriorate over time. This may particularly apply if business is expanding.

b. Methods to ascertain the Internal control system are stated and explained as follows:

- 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 client's documents and records.
- vi. Observation of procedures.

i. Examining previous audit 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.

ii. Examining client's documentation of the system

Some entities have manuals of procedures. These must provide source of information to the existing control system. It is important to check

whether the system as described in the manual is what is actually practiced.

iii. **Interviews with the client's staff**

During previous 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 potential problems.

iv. **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 risks.

v. **Reviewing client's documents and 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 meeting may reveal control issues that require further investigations.

Implementation or steering group meetings should be held for significant system changes and documentations of these will be useful sources of information.

vi. **Observation 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 practiced control procedures.

Examiner's comment

Candidates' performance was good as most of them could easily identify limitations of internal control systems.

a) Good attempt by the candidates.

About 70% candidates attempted the question. Generally, the performance in both a) and b) was encouraging.

SOLUTION 2

- a. IT audit ensures data integrity through controls over data entry, processing, storage, and reporting.
- b. IT-based audit assurance refers to the use of technology to provide assurance on the effectiveness of IT controls and processes.
- c. The challenges in IT based audit assurance are:
 - i. The Auditor's skills and required competency
 - ii. The complex regulatory environment
 - iii. Data Management and Availability
 - iv. Constant change in the IT world makes some IT tools used in audit often obsolete too soon.
- d. IT System risks on business:
 - i. Cybersecurity risks
 - ii. Hardware and Software failures risk
 - iii. Human error risk
 - iv. Third party failures
 - v. Infrastructure failures
- e. Types of Machine Learning are:
 - i. Supervised learning
 - ii. Unsupervised learning
 - iii. Reinforcement learning
 - iv. Deep learning
 - v. Deep reinforcement learning

Examiner's comment

- a) Candidates' performance was good in stating the role of IT audit in ensuring data integrity.
- b) Understanding IT based audit assurance.
- c) Challenges of implementing IT based audit assurance. Candidates understand the challenges that may come with IT based audit assurance.
- d) Many candidates were able to mention risks involved in IT based audit assurance.
- e) Types of Machine Learnings (MLs). Good performance in the topic.

Generally, those candidates who attempted this question performed well. About 10% of the candidates attempted this question.

SOLUTION 3

Analytical procedures

Analytical procedures involve evaluations of financial statement information by a study of relationships among financial and nonfinancial data. The auditors can use these relationships to obtain evidence about the reasonableness of amount included in the financial statement.

- a. Four significant analytical procedures in an audit engagement are:
 - i. Comparison with prior periods:
Comparing the current data to the same period in previous years to identify significant fluctuations.
 - ii. Comparison with budgets or forecasts:
Comparing actual results to the company's own budget or forecast to see if there are any unexpected variances.
 - iii. Ratio analysis:
Analysing relationships between financial statement accounts, such as gross margin, current ratio or inventory turnover, to check for reasonableness.
 - iv. Comparison with non-financial data:
Comparing financial information to relevant non-financial information such as comparing revenue figures to the number of units sold, or comparing payroll expenses to the number of employees.
- b. **Methods of conducting analytical procedures**
 - i. Ratio analysis involving comparisons of information between two or more financial statement accounts, or comparison of account balances to nonfinancial data in current year transactions and prior periods.
 - ii. Multiple regression model to estimate economic and industry data.
 - iii. Computations of percentage relationships of various items in the financial statements.
 - iv. Data analytics techniques which assist in the examination of large data sets to uncover hidden patterns, unknown correlations, market trends, customer preferences, and other useful business insights.
 - v. Trend Analysis: Examining changes in financial data over several periods to identify patterns and fluctuations.
 - vi. Reasonableness Testing: Evaluating whether the reported amounts are reasonable given other financial and non-financial information.

- vii. **Industry Comparison:** Benchmarking financial data against industry averages or competitor performance.
- viii. **Variance Analysis:** Comparing current period financial information to prior periods or budgeted amounts.
- c. **Due diligence:** This refers to the situation where a public accounting firm contends that its audit work was adequate to support its opinion on financial statements included in a registration statement filed with the Security and Exchange commission.

Examiner's comment

- a) The performance was very poor as many candidates did not understand that analytical procedures were required instead of benefits of analytical procedures in audit engagement.
- b) Many candidates performed very well in mentioning and explaining methods of conducting analytical procedures.
- c) Candidates understand the term "due diligence" as good marks were scored by many of them.

About 10% of candidates attempted that question.

SOLUTION 4

- a. **Benefits of professional codes of ethics.**
 - i. **Builds Trust and Credibility:** Ethical conduct establishes trust and credibility with clients, colleagues, and the public, fostering confidence and positive relationships.
 - ii. **Protects the Public Interest:** For professions that directly impact public safety and well-being (like medicine or engineering), ethical standards are crucial to safeguarding public interests.
 - iii. **Promotes a Positive Work Environment:** Professional ethics contribute to a positive work culture, improving relationships between colleagues and increasing team motivation and collaboration.
 - iv. **Enhances Decision-Making:** Ethical guidelines provide a framework for making sound and responsible decisions, ensuring that actions are guided by honesty, fairness, and integrity.
 - v. **Fosters Personal and Professional Growth:** Ethical standards help professionals develop personally and professionally by shaping behaviour and fostering a strong sense of integrity and accountability.

- vi. **Ensures Legal and Regulatory Compliance:** Upholding ethical standards helps ensure that professionals and their organizations adhere to laws and regulations governing their fields.
 - vii. **Supports Organizational Success:** By establishing a strong ethical foundation, organizations can enhance their reputation, attract and retain talent, and achieve long-term sustainability and success.
- b. Safeguards are the policies put in place to ensure that ethical threats are reduced to acceptable low level.
- c. The safeguards to be put in the work environment are that there should be:
- i. employer's own systems of monitoring, ethics and conduct internal training programmes for its employees;
 - ii. recruitment procedures which ensure that only high-caliber and competent staff are recruited;
 - iii. leadership that stresses the importance of ethical behavior and establish appropriate disciplinary processes;
 - iv. policies and procedures to implement and monitor the quality of employees' performance;
 - v. allocation of different partners and engagement teams for the provision of non - assurance services to assurance clients;
 - vi. policies and procedures to stop individuals who are not members of an engagement team from inappropriately influencing the outcome of the engagement;
 - vii. policies and procedures to give employees the power to report ethical issues to senior staff at the employing firm, without fear of retribution from those about whom they are making the report; and
 - viii. disclosing to the client the nature of the services provided and the fees charged.

Examiner's comment

- a) Candidates understand what professional codes of ethics entail. The relevance of code of ethics to professional accountants were itemised by the candidates.
- b) Candidates understand what "safeguards" mean.
- c) Safeguards that can be put in place in the work environment. Candidates performed well in stating and explaining these safeguards.

About 60% attempt the question.

SOLUTION 5

a. Objectives of financial statement audit:

- i. Obtain reasonable assurance: The auditor seeks a high level of assurance, but not an absolute guarantee that the financial statements are free from material misstatement.
- ii. Express an opinion: The ultimate goal is to provide an independent and objective opinion on whether the financial statements are presented fairly, in all material respects according to the applicable financial reporting framework, such as International Financial Reporting Standards (IFRS).
- iii. Enhance reliability: By providing an independent opinion, the audit increases the credibility of the financial statements for users who rely on them make economic decisions such as investing or lending.
- iv. Detect material misstatements: Auditors aim to detect misstatements that could reasonably be expected to influence the decisions of the users. These misstatements can stem from fraud or error.
- v. Provide assurance to Stakeholders: The audit provides assurance to a wide range of Stakeholders, including regulators, investors, directors and managers that the financial information is accurate and complete.

b. Ways in which a financial statement audit may be beneficial to John

- i. It serves as a deterrent to fraudulent staff within the firm.
- ii. It serves as basis for determining the net worth of a company in case merger or acquisition.
- iii. It can be used as basis for negotiating loans.
- iv. It helps in gaining the confidence of the tax authorities.
- v. Income Tax Assessment: Audited Financial Statements by qualified accountants are accepted by the relevant tax authorities for tax purposes.
- vi. It serves as basis for measuring performance by the would-be investors.
- vii. It can be used in presenting a company for listing in the stock exchange.
- viii. Credibility of the Accounts: A certified set of financial statements by an auditor gives credibility to those statements and will be readily acceptable to its users. The reason for this is that the auditor did not take part in the preparation of the accounts on which he expressed his opinion as an independent person.
- ix. Insurance Claims from Insurance Companies: In making claims from insurance companies as a result of claim from loss of profits under an

insurance policy. e.g., fire, burglary, etc, the availability of audited Financial Statements would make it more easily processed. In case the accounting records of an enterprise are destroyed by fire, copies of certified financial statements can always be obtained from the external auditor.

- x. **Early Detection of Errors and Frauds:** A properly applied auditing technique should always detect fraud or errors committed by the staff of the client. The fact that an audit would be undertaken would be a guide against perpetration of future frauds while inefficiency and weakness of the staff could be revealed during the audit exercise.
- xi. **Facilities from the Banks:** Bankers and other financial Institutions would always demand for audited financial statements as one of the conditions to be met before granting of loans or overdraft facility to any business enterprise.
- xii. **Prospective Investors:** Any prospective investor would always need audited financial statements to be able to make a decision as to whether to invest in an organization or not.
- xiii. **Professional Advice:** An auditor at the end of every audit exercise would give professional advice to the client organization on the weaknesses and other irregularities discovered during the audit and proffer solutions to guard against future occurrences.

c. The differences and similarities between the roles of accountants and auditors.

S/N	AREAS OF DIFFERENCES	AUDITOR	ACCOUNTANT
1.	Worked Performed	Auditor examines the financial statements prepared by the accountant.	Accountant prepares the financial statements to be examined by the auditor.
2.	Objective to be achieved	To express opinion on the financial statement.	To prepare the financial statement on appropriate basis
3.	Professional Standard	To carry out audit work in accordance with ISA .	To prepare financial statement in accordance with IFRS
4.	Reporting	The auditor report to the shareholder of the entity.	The accountant reports to the management of the entity.

5.	Independence	Auditors are expected to be independent working for external firm to provide an objective opinion.	Accountants typically work as employees of the company they serve.
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cii. Similarities between the role of Auditor and Accountant:

Use of Standard: Both the accountant and auditor make use of their respective standards.

Application of Accounting and internal control systems: The two professionals have the interest in ensuring that companies apply sound and internal control systems.

Continuity: Both Professional aims at ensuring the progress and continuity of an organisation.

Examiner's comment

- a) Many candidates mixed objectives and benefits of financial statement audit together. Their performance was good.
- b) Benefits of financial statement audit. The benefits were stated clearly without mixing them with the objectives of audit.
- c) Differences and similarities between the roles of accountant and auditor.

Candidates understand the question. The performance was good.

About 70% candidates attempted the question. The highest mark is 11.

SOLUTION 6

a. The following factors affect the form and content of Audit working paper:

- i. The nature of the auditors' report.
- ii. The form of the auditors' report.
- iii. The nature and complexity of the entity's business.
- iv. The nature and condition of other entity's accounting and internal control systems.
- v. The need in the particular circumstances from direction, supervision and review of the work of assistants and;
- vi. The specific methodology and technology the auditors use.

b. The following are fundamentals of audit working papers:

- i. Documentation of all audit evidence, procedures, and conclusions to support the auditor's opinion.
- ii. Ensure compliance with standards.

- iii. Provide a basis for review and future reference.
- iv. To keep the working papers in line with the requirements of relevant standards.

c.i. The components of Total Audit Risk are as follows:

- a. Inherent Risk
- b. Control Risk
- c. Detection Risk

c.ii. Explanation of the above components

Inherent risks are those that material misstatements will occur in the financial statements assuming that there is no internal control. They are those risk that are peculiar to a particular company because of its type, size and nature.

Control risks are those risks that the company's internal controls will fail to prevent or detect material misstatement in the financial statement.

Detection risks are those risks that the auditor's substantive procedures will fail to detect material misstatement in financial statements. This type of risk may occur as a result of sampling risk.

Examiner's comment

- a) Factors that affect the form and content of Audit working paper. Candidates understand the question and the performance was good.
- b) Fundamentals of working paper. Good attempt by the candidates.
- c) Total Audit risk: Many candidates who attempted this question were able to mention the three components of total audit risk.

Good attempt.

About 70% of candidates attempted the question. The highest mark is 11½.

General: The performance is good.

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

PLEASE READ THESE INSTRUCTIONS BEFORE COMMENCEMENT OF THE PAPER

EXAMINATION INSTRUCTIONS

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

WEDNESDAY, SEPTEMBER 24, 2025

DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO

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

COST ACCOUNTING

Time Allowed: 3 hours

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

ATTEMPT ALL QUESTIONS

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

1. Which of the following roles is critical for an accounting technician to ensure the accuracy and reliability of cost data in decision-making?
 - A. Preparing the organisation's annual tax filings
 - B. Approving all significant capital expenditure decisions
 - C. Conducting reasonableness checks on figures entered into the system
 - D. Reconciling trade receivable and payable balances
 - E. Designing long-term strategic policies for cost reduction
2. Which of the following statements best describes the relationship between cost data and cost information in a cost accounting system?
 - A. Cost data is derived from cost information after decision-making analysis
 - B. Cost information is the refined output obtained by processing cost data
 - C. Cost data and cost information are identical and used interchangeably
 - D. Cost data includes managerial commentary, while cost information excludes it
 - E. Cost information is based only on future estimates, while cost data is always historical
3. Which of the following is the most appropriate reason why cost accounting is valuable for organisational production control?
 - A. It generates reports for shareholder meetings
 - B. It helps maintain material, labour, and expense costs within desired limits
 - C. It estimates tax liabilities on manufacturing profits
 - D. It provides legal compliance for statutory reporting
 - E. It reconciles financial and management accounts quarterly
4. What characteristics must a well-designed cost coding system possess?
 - A. Subjective, random, brief
 - B. Complex, fixed, outdated
 - C. Simple, concise, consistent length
 - D. Long, rigid, numerical only
 - E. Informal, flexible, obscure

5. Which statement best describes indirect costs?
 - A. Costs directly traced to a product
 - B. Costs apportioned to cost centres before absorption
 - C. Costs are physically identified with a product
 - D. Costs exclusively consisting of direct labour
 - E. Costs are always fixed in nature

6. Which of the following is an example of a direct labour cost?
 - A. Wages of sales assistants in supermarkets
 - B. Salaries of factory supervisors
 - C. Wages of store department employees
 - D. Wages of cleaners
 - E. Salaries of administrative staff

7. Which of the following is an example of a service cost centre?
 - A. Assembly department
 - B. Sales department
 - C. Factory maintenance unit
 - D. Production line
 - E. Packaging section

8. A company receives the following material deliveries during the month:
 - i. 500 units @ NLe10 on the 5th
 - ii. 700 units @ NLe12 on the 11th
 - iii. 800 units @ NLe11 on the 16th

If the company issues 1,200 units on the 19th, using the FIFO method, what is the value of the issued stock?

 - A. NLe13,000
 - B. NLe13,200
 - C. NLe13,400
 - D. NLe13,600
 - E. NLe13,800

9. A company uses 18,000 units of material Zoh annually. Ordering cost is ₦1,500 per order, and the holding cost is ₦3 per unit/year. Maximum usage and maximum lead time is 50 units and 6 days respectively. What is the re-order level?
 - A. 200
 - B. 300
 - C. 400
 - D. 500
 - E. 600

10. Zeek Ltd uses the weighted average method. Here is the purchase history of material Yumie in June:

- i. June 1: Opening inventory – 1,000 units @ ₦5
- ii. June 8: Purchased 2,000 units @ ₦6
- iii. June 12: Issued 1,500 units
- iv. June 20: Purchased 1,500 units @ ₦7
- v. June 25: Issued 1,000 units

Calculate the weighted average price after the purchase made on June 8.

- A. ₦1.67
 - B. ₦3.67
 - C. ₦5.67
 - D. ₦7.67
 - E. ₦9.67
11. The ratio of direct to indirect wages is 11:2. If indirect wages are ₦180,000, what is the total wages incurred?
- A. ₦1,070,000
 - B. ₦1,170,000
 - C. ₦1,270,000
 - D. ₦1,370,000
 - E. ₦1,470,000
12. How will reconciliation be effected if the interest received is shown in financial accounts as ₦750 but was ignored in cost accounts? (Note: start from cost accounts profit).
- A. Deduct ₦750 from the cost profit
 - B. Add ₦750 to the cost profit
 - C. No adjustment required
 - D. Deduct ₦750 from financial profit
 - E. Add ₦750 from financial profit
13. Opening Work-in-Progress inventory is ₦7,000 in financial accounts and ₦8,000 in cost accounts. Closing Work-in-Progress is ₦5,000 (financial) and ₦7,000 (cost). What is the net inventory adjustment for WIP?
- A. ₦3,000 increase to the costing profit
 - B. ₦1,000 decrease in costing profit
 - C. ₦1,000 increase to the costing profit
 - D. ₦2,000 decrease in costing profit
 - E. ₦2,000 increase in the costing profit
14. Work-in-progress (WIP) consists of 400 units that are 50% complete with respect to labour and overhead. What are the equivalent production units if 1,200 units were completed and transferred out during the period?
- A. 1,400
 - B. 1,600
 - C. 1,200
 - D. 1,800
 - E. 1,500

15. The following information relate to a batch costing:

- i. Setup cost: ₦600
- ii. Materials: ₦40 per 1,000 units
- iii. Labour: ₦35 per 1,000 units
- iv. Variable overhead: 12% of labour
- v. Fixed overhead: ₦250

Calculate the **total cost** for a batch of 15,000 units.

- A. ₦5,038
- B. ₦4,038
- C. ₦3,038
- D. ₦2,038
- E. ₦1,038

16. A job incurred the following:

- i. Direct materials: ₦6,000
- ii. Direct wages: ₦10,000
- iii. Direct expenses: ₦2,000

What is the production cost if production overhead is absorbed at 25% of direct wages?

- A. ₦16,500
- B. ₦18,500
- C. ₦20,500
- D. ₦22,500
- E. ₦24,500

17. A contract is at an advanced stage with the following details:

- i. Contract sum: ₦3,000,000
- ii. Value of work certified: ₦2,000,000
- iii. Cost to date: ₦1,550,000
- iv. Cash received: ₦950,000

What is the notional profit?

- A. ₦400,000
- B. ₦450,000
- C. ₦1,050,000
- D. ₦1,450,000
- E. ₦2,500,000

18. The total cost of a batch of 20,000 items is ₦300,000. What is the selling price per unit if a 10% profit on cost is desired?

- A. ₦10.5
- B. ₦12.5
- C. ₦14.5
- D. ₦16.5
- E. ₦18.5

19. A company's sales budget estimates sales of 80,000 units at ₦15 per unit. The company expects sales volume to grow by 8% but plans a 3% decrease in price next year. What is the projected sales revenue for the next year?
- A. ₦1,217,120
 - B. ₦1,227,120
 - C. ₦1,237,120
 - D. ₦1,247,120
 - E. ₦1,257,120
20. A production budget requires 3.5 kg of material per unit. Budgeted production is 15,000 units. The opening inventory of raw materials is 4,000 kg, and the desired closing inventory is 10% of next month's production requirements. If next month's production is 18,000 units, what is the month's raw material purchases budget in kg?
- A. 54,700 kg
 - B. 54,800 kg
 - C. 55,700 kg
 - D. 55,800 kg
 - E. 56,700 kg
21. The budgeted labour cost is ₦120,000 for producing 8,000 units of product Quine. Due to efficiency improvements, labour cost is expected to reduce by 12%, but production is expected to increase by 15%. What is the new budgeted labour cost?
- A. ₦121,440
 - B. ₦132,540
 - C. ₦143,640
 - D. ₦154,740
 - E. ₦165,840
22. A company's budget shows beginning cash of GH¢18,000, cash receipts of GH¢42,000, and cash payments of GH¢56,000. The minimum cash balance required is GH¢10,000. How much money must be borrowed or repaid if borrowing is only done in GH¢5,000 increments?
- A. GH¢5,000
 - B. GH¢10,000
 - C. GH¢15,000
 - D. GH¢20,000
 - E. GH¢25,000
23. The master budget projects sales revenue of ₦600,000, cost of goods sold of ₦420,000, and operating expenses of ₦135,000. What is the budgeted net profit margin?
- A. 7.5%
 - B. 8.3%
 - C. 9.2%
 - D. 10.0%
 - E. 12.5%

24. A company established a standard cost of ₦5 per unit for direct materials. It purchased 10,000 units at a total cost of ₦52,000. What is the direct materials price variance?
- ₦1,500 unfavourable
 - ₦1,500 favourable
 - ₦2,000 unfavourable
 - ₦2,500 favourable
 - ₦3,000 unfavourable
25. A company has a standard labour rate of ₦15 per hour and a standard time of 2 hours per unit. During the period, it produced 1,000 units using 2,100 hours at a total cost of ₦31,500. What is the direct labour efficiency variance?
- ₦1,000 favourable
 - ₦1,000 unfavourable
 - ₦1,500 favourable
 - ₦1,500 unfavourable
 - ₦2,000 favourable
26. An organisation absorbs overheads using the machine hour rate. If,
 Overheads: GH¢3,000,000
 Machine hours: 15,000
 What is the machine hour rate?
- GH¢100
 - GH¢150
 - GH¢200
 - GH¢250
 - GH¢300
27. An organisation uses machine hours to absorb overheads. Given that: budgeted overhead is ₦400,000 and estimated machine hours is 25,000. Calculate the overhead charged to a job that uses 180 machine hours.
- ₦2,080
 - ₦2,280
 - ₦2,480
 - ₦2,680
 - ₦2,880
28. Which of the following statements best distinguishes product costs from period costs?
- Product costs are incurred only when sales are made, while period costs are incurred during production.
 - Product costs are included in inventory valuation, while period costs are charged directly to the income statement.
 - Product costs include selling and distribution overheads, while period costs include direct materials and labour.

- D. Product costs are indirect only, while period costs are continuously variable.
- E. Product costs are based on budgeted amounts, while period costs are based on actuals only.
29. Which is the most appropriate example of a cost unit?
- A. Maintenance department
- B. ₦20,000 spent on advertising
- C. Number of kilowatt hours consumed
- D. Salaries paid to production supervisors
- E. Canteen cost for factory worker
30. Use the information provided below to compute the cost of goods manufactured for Dattee Nig. Ltd.
- | | | |
|------|-------------------------------|-----------------------------------|
| i. | Direct materials: | NLe56,000 (from 70% of NLe80,000) |
| ii. | Direct wages: | NLe66,000 |
| iii. | Absorbed production overhead: | NLe99,000 |
| iv. | Opening WIP: | NLe15,000 |
| v. | Closing WIP: | NLe25,000 |
- A. NLe206,000
- B. NLe196,000
- C. NLe190,000
- D. NLe211,000
- E. NLe200,000

ATTEMPT ALL QUESTIONS

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

1. Cost associated with policy formulation and operational management that are not directly linked to production is.....
2. Cost that has already been incurred and cannot be altered by future decisions is.....
3. A company has the following inventory transactions for product SUSSY during March:

Date	Units purchased	Unit Price (₵)
March 1	5,000	200
March 10	3,000	220
March 20	4,000	230

If the company issues 9,000 units during March, the value of materials issued using the **FIFO** method is

4. Given that the reorder level of a product is 50,000 units, EOQ is 18,974 units, minimum usage is 11,500 units per day, and minimum lead time is 2 days, the maximum inventory level is
5. The production department of an organisation has budgeted overheads of GH¢120,000. The budgeted machine hours are 6,000 hours. The Overhead Absorption Rate (OAR) per machine hour is

Use the following information provided below to answer Questions 6 & 7

Young Star Shoemakers have the following costs for a job:

- i. Direct wages: GH¢10,000
- ii. Direct materials: GH¢6,000
- iii. Direct expenses: GH¢2,000
- iv. Production overhead: GH¢4,000

If the administrative expenses are 15% of production cost and selling expenses are 10% of production cost, then

6. The production cost is
7. The total cost is

8. Using the high-low method, calculate the variable cost per unit for direct material cost given the following data:

Activity Level (kg)	Direct Material Cost
90 (High)	GH¢22,860
70 (Low)	GH¢17,780

9. A company applying zero-based budgeting identifies the following cost categories for an activity:

i. Fixed costs:	GH¢40,000
ii. Variable costs per unit:	GH¢10
iii. Expected output:	5,000 units

The new budget, if the expected output increases by 20% is

10. A company has the following data extracted from its flexible budget:

Activity level (standard labour hours)	Overhead cost (GH¢000)
90,000	7,000
100,000	7,500

The increase in overhead between these two levels is entirely due to variable costs. The actual results for the period are:

i. Output (Standard Hours):	80,000
ii. Actual Clock Hours Worked:	90,000

The Efficiency Ratio for the period is

11. M & K Ltd. sells 30,000 units at ₦10/unit and earns a profit of ₦50,000. Variable cost: ₦6/unit, Fixed costs: ₦70,000. If price is reduced by 10%, the number of units to be sold to maintain the same profit is

12. A company budgeted fixed overhead costs of ₦120,000 for 60,000 machine hours. During the period, it produced 55,000 units, each requiring 1.2 machine hours. The fixed overhead volume variance is

13. The cost accounting profit from the following information is

Profit as per financial accounts:	₦17,500
Debenture interest:	₦5,000
Discount allowed:	₦2,000
Discount received:	₦1,000
Raw material closing inventory increase:	₦1,500

14. The net adjustment required for WIP in the reconciliation is, given that the inventory valuations for Work-in-Progress are as stated below: Financial accounts opening and closing are ₦7,000 and ₦5,000 respectively. Cost accounts opening and closing are ₦8,000 and ₦7,000 respectively.

15. Where the actual overhead for a period exceeds the predetermined overheads, we have a case of

16. Overhead expenses are apportioned based on wages. If the wages paid during Process V and Y are ₦25,000 and ₦35,000 respectively, the overhead allocated to Process V, assuming the total overhead is ₦30,000 would be
17. Three joint products, Gyn, Hyn, and Iny, have sales values at the split-off point of ₦800,000, ₦1,200,000, and ₦400,000, respectively. The joint cost incurred is ₦1,500,000. Using the sales value method, the cost allocated to product Hyn is
18. A by-product, Miyn, is produced with two main products, Noh and Yeh. The joint cost is ₦2,500,000. The by-product Miyn has 1,500 units, each selling for ₦40, with negligible further processing cost. The joint cost is shared equally between Noh and Yeh after deducting the NRV of Miyn. The cost allocated to product Yeh is
19. The type of cost that varies directly with the level of activity is
20. The cost that cannot be influenced by a specific manager's decisions is

SECTION B:

ATTEMPT ANY FOUR QUESTIONS (50 MARKS)

QUESTION 1

An operator machining specific components earns a basic daily wage of ₦160 for an 8-hour working day. The standard output rate has been set at 80 pieces per hour (this standard time is also used to calculate any applicable bonus). On a particular working day, the operator produced 800 components.

Required:

- a. What is the labour cost per 100 pieces? (1½ Marks)
- b. Calculate the total wages earned by the operator under each of the following four systems:
 - i. If a bonus of ₦25 is paid for every 100 units produced above the standard output. (2 Marks)
 - ii. If the worker is paid on a straight piecework basis, using the standard hourly rate. (1 Mark)
 - iii. If the Rowan Premium Bonus Plan is used. (4 Marks)
 - iv. If the Halsey Premium Bonus System is applied (assuming a 50% sharing rate). (2 Marks)
- c. State **FOUR** types of information exclusively generated from a cost accounting system. (2 Marks)

(Total 12½ Marks)

QUESTION 2

You have recently taken up the role of Cost Accountant at a manufacturing firm. One of your initial responsibilities is to evaluate and improve the current system for classifying and coding materials used in production.

Required:

To successfully carry out this assignment, you are expected to:

- a) In a tabular format, differentiate between "coding" and "classification" in the context of cost accounting, stating the definition, one purpose and one application in each case. (6 Marks)
- b) Identify and explain **THREE** key principles that should guide the design of a material classification and coding system. (3 Marks)
- c) Outline **THREE** benefits of implementing coding systems within cost accounting practices. (1½ Marks)
- d) Describe **FOUR** essential features of an effective and reliable coding system that can be applied to manage cost-related data. (2 Marks)

(Total 12 ½ Marks)

QUESTION 3

You have recently been appointed as the cost accountant at a manufacturing firm that operates a process costing system. The company is engaged in the mass production of a single product, which moves through various stages of production.

Each stage is tracked in a process account for accurate costing and reporting.

In March, you will review the cost flow and performance for Process 1. Your task is to prepare cost accounting statements based on the data provided below.

Production Details for March:

There was no work-in-progress (WIP) as of March 1.

During the month, 2,000 units of raw materials were introduced into Process 1.

The cost of materials issued amounted to ₦18,000.

Labour costs incurred for the period were ₦9,000, and factory overheads amounted to ₦6,600.

Production Output Status as of March 31:

1,500 units were fully completed and transferred to the next process.

500 units remained in production and were partially completed. The degree of completion for these units were estimated as follows:

- i. Materials: 100% complete
- ii. Labour: 60% complete
- iii. Overheads: 30% complete

Required:

As the cost accountant, analyse this information and prepare the following:

- a) Statement of Equivalent Production Units. (5 Marks)
- b) Statement of Cost per Equivalent Unit. (4 Marks)
- c) Statement of Cost Evaluation. (2 Marks)
- d) Process Account. (1½ Marks)

(Total 12 ½ Marks)

QUESTION 4

As a newly appointed management accountant at Footsteps Ltd, a manufacturing firm producing a single product line, you have been asked to evaluate the company's profitability and cost performance for the financial year ending March 31, 2025.

The company has provided you with the following financial and operational data for the year:

- i. Normal capacity: 2,000 units
- ii. Actual production and sales: 2,000 units
- iii. Selling price per unit: ₦10

The cost structure of the company is as stated below:

Cost Element	Amount	Notes
Direct Material	₦2,000	
Direct Wages	₦2,000	
Direct Expenses	₦1,600	
Factory Overheads	₦4,000	15% variable, 85% fixed
Office & Admin Expenses	₦4,000	80% fixed, 20% variable
Selling & Distribution Expenses	₦4,000	75% fixed, 25% variable

Required:

- (a) Prepare an Income Statement using the Marginal Costing approach. (5 Marks)
- (b) Using marginal costing principles, compute the following key financial metrics:
 - i. Profit/Volume (P/V) Ratio (1½ Marks)
 - ii. Break-Even Point (in Units) (1 Mark)
 - iii. Break-Even Sales (in Naira) (1 Mark)
 - iv. Break-Even Sales as a Percentage of Actual Sales (1 Mark)
 - v. Margin of Safety (in Units) (1 Mark)
 - vi. Margin of Safety (in Naira) (1 Mark)
 - vii. Margin of Safety (as a Percentage) (1 Mark)

(Total 12½ Marks)

QUESTION 5

Nimbs Ltd is a well-established automobile parts manufacturer that supplies components to major automotive companies. One of the key components in its production line is manufactured in-house at 100,000 units per year. Management is evaluating whether it would be more cost-effective to continue manufacturing the component internally or to outsource it to an external supplier.

The following annual costs are currently incurred for manufacturing the component in-house:

- i. Direct material cost: ₦500,000
- ii. Direct labour cost: ₦800,000
- iii. Variable factory overhead: ₦500,000
- iv. Fixed factory overhead: ₦600,000

An external supplier has offered to supply the same component for ₦22 per unit. If Nimbs Ltd decides to outsource the production, most of the fixed factory overhead will still be incurred; however, due to reduced operational activity, the company is expected to save ₦200,000 in fixed overhead costs.

If the production facility is no longer used to make the component, it will remain idle and have no alternate use. However, there is also a possibility of renting out the facility to another company for ₦150,000 per year, if a buy decision is made.

Required:

- a) Should Nimbs Ltd make or buy the component, assuming the facility will remain idle if the component is outsourced? (5½ Marks)
- b) What would be the decision if the released facility can be rented out for ₦150,000 annually? (4½ Marks)
- c) Marginal and absorption costing are two widely used techniques for determining the cost of production and preparing income statements. Explain how the two techniques treat fixed costs. (2½ Marks)

(Total 12½ Marks)

QUESTION 6

Chucks Ltd is a growing manufacturer of chocolate products, supplying its goods primarily through a network of wholesalers across the region. As the company continues to expand its market share, effective financial planning has become essential to maintaining healthy cash flow. To support this, management focuses on cash budgeting to ensure it can meet its operating needs over the coming months.

The budgeted sales figures for the ten months ending July 31, 2026, are as follows:

Month	Sales ₦
October 2025	1,200,000
November 2025	1,400,000
December 2025	600,000
January 2026	800,000
February 2026	900,000
March 2026	1,600,000
April 2026	2,000,000
May 2026	1,800,000
June 2026	1,500,000
July 2026	1,000,000

Based on past trends and company policy, the following additional information applies:

1. Sales Receipts:
 - i. 10% of sales are made in cash.
 - ii. 60% of credit sales are typically collected within 30 days.
 - iii. Another 25% are collected within 60 days.
 - iv. An average of 5% of sales is expected to become bad debts.
2. Purchases:
 - i. Raw materials are purchased at 65% of the final sales value.
 - ii. Purchases are made two months before the related sales occur.
 - iii. Payments for purchases are made one month after delivery.
3. Other operating expenses are expected to be ₦200,000 per month, payable as incurred.
4. The cash balance at the start of December 2025 projected to be ₦100,000.

Required:

Use the information provided to prepare a monthly cash budget for Chucks Ltd. for the six months from December 2025 to May 2026.

(Total 12½ Marks)

SECTION A: PART I

MULTIPLE CHOICE SOLUTIONS

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

Workings:

Q 8

500 units @ ₦10 = ₦5,000

700 units @ ₦12 = ₦8,400

Total = ₦13,400

Q 9

Re-order level = Daily usage × Lead time = $50 \times 6 = 300$ units

Q10

Total = $1,000 \times ₦5 + 2,000 \times ₦6 = ₦5,000 + ₦12,000 = ₦17,000$

Units = 3,000

Average = $₦17,000 / 3,000 = ₦5.67$

Q11

$$180,000 \times 13/2 = 1,170,000$$

Q13

Opening difference = N8,000 - N7,000 = N1,000 (Add to costing profit)

Closing difference = N7,000 - N5,000 = N2,000 (Deduct from costing profit)

Net = N1,000 - N2,000 = N1,000 decrease in costing profit

Q14

Completed units = 1,200

Labour (50% x400) = 200

Overhead (50% x400) = 200

Equivalent Units = **1,600**

Q 15

Material = 40 × 15 = N600

Labour = 35 × 15 = N525

Var OH = 12% of 525 = N63

Total = N600 (material) + N525 (labour) + N63 + N600 (setup) + N250 = N2,038

Q16

Overhead = 25% of N10,000 = N2,500

Prime Cost = N6,000 + N10,000 + N2,000 = N18,000

Production Cost = N18,000 + N2,500 = N20,500

Q17

Notional Profit = Value of Work Certified – Cost to Date

Notional Profit = N2,000,000 – N1,550,000 = N450,000

Q18

Cost per unit = 300,000 / 20,000 = N15

10% profit = 0.15 × 10% = N1.5

Selling Price per unit = 15 + 1.5 = N16.5

Q19

Next year's volume = 80,000 × 1.08 = 86,400 units

Next year's price = N15 × (1 - 0.03) = N14.55

Projected sales revenue = 86,400 × 14.55 = N1,257,120

Q20

Material needed for production = 15,000 × 3.5 = 52,500 kg

Closing inventory = 10% × (18,000 × 3.5) = 10% × 63,000 = 6,300 kg

Opening inventory = 4,000 kg

Purchases = (Material needed + Closing inventory) - Opening inventory
= (52,500 + 6,300) - 4,000 = 54,800 kg

Q21

Current labour cost per unit = $\text{₦}120,000 / 8,000 = \text{₦}15/\text{unit}$

Production next year = $8,000 \times 1.15 = 9,200$ units

Labour cost per unit reduces by 12%

New labour cost/unit = $\text{₦}15 \times (1 - 0.12) = \text{₦}13.20$

New budgeted labour cost = $9,200 \times 13.20 = \text{₦}121,440$

Q 22

Ending cash before borrowing = $18,000 + 42,000 - 56,000 = \text{₦}4,000$

Minimum required = $\text{₦}10,000$

Shortfall = $10,000 - 4,000 = \text{₦}6,000$

The borrowing must cover the shortfall of $\text{₦}6,000$

$\text{₦}10,000$

Q 23

Net profit = Sales - COGS - Operating expenses = $600,000 - 420,000 - 135,000 = \text{₦}45,000$

Net profit margin = Net profit / Sales = $45,000 / 600,000 = 7.5\%$

Q 24

The standard cost for 10,000 units is $10,000 \times \text{₦}5 = \text{₦}50,000$. The actual cost is $\text{₦}52,000$. The price variance is calculated as:

(Actual Cost - Standard Cost) = $\text{₦}52,000 - \text{₦}50,000 = \text{₦}2,000$ unfavourable

Q 25

The standard hours for 1,000 units is $1,000 \times 2 = 2,000$ hours.

The actual hours used are 2,100. The efficiency variance is calculated as:

(Standard Hours - Actual Hours) $\times$ Standard Rate = $(2,000 - 2,100) \times \text{₦}15$
 $= -100 \times \text{₦}15 = \text{₦}1,500$ unfavourable

Q 26

$3,000,000 / 15,000 = \text{₦}200/\text{hour}$

Q27

Machine hour rate = $400,000 / 25,000 = \text{₦}16$

Overhead for job = $180 \times 16 = \text{₦}2,880$

Q 30

Total factory cost = $56,000 + 66,000 + 99,000 = \text{₦}221,000$

COGM = $221,000 + 15,000 - 25,000 = \text{₦}211,000$

Examiner's comment

This part consists of 30 multiple-choice questions covering a very substantial portion of the entire syllabus. It was attempted by all candidates and performance was good as more than 65% of them scored 50% and above of the marks allocated.

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

SECTION A: PART II

SHORT ANSWER SOLUTIONS

1. Administrative Overheads
2. Sunk Costs
3. ₦1,890,000
4. 45,974 units
5. ₦20 per machine hour
6. ₦22,000
7. ₦27,500
8. ₦254
9. ₦100,000
10. 88.89%
11. 40,000 units
12. ₦12,000 Unfavourable/Adverse
13. ₦22,000 or ₦25,000
14. ₦1,000 decrease in costing profit
15. Under Absorbed Overhead
16. ₦17,500
17. ₦750,000
18. ₦1,220,000
19. Variable cost
20. Uncontrollable costs

Workings:

Question 3

First issue 5,000 units from May 1 batch: $5,000 \times 200 = \text{₦}1,000,000$

Next issue 3,000 units from May 10 batch: $3,000 \times 220 = \text{₦}660,000$

Remaining units to issue = $9,000 - 8,000$

= 1,000 units from May 20 batch: $1,000 \times 230 = \text{₦}230,000$

Total value of issues = $100,000 + 66,000 + 23,000 = \text{₦}1,890,000$

Question 4

Max inventory level = Re-order Level + EOQ – (Minimum usage × Minimum lead time)

Max level = $50,000 + 18,974 - (11,500 \times 2)$

= $50,000 + 18,974 - 23,000$

= $68,974 - 23,000$

= 45,974 units

Question 5

OAR = Budgeted Overheads / Budgeted Machine Hours

= $120,000 / 6,000$

= ₦20 per machine hour

Question 6

Prime cost = Direct wages + Direct materials + Direct expenses
 $= 10,000 + 6,000 + 2,000 = \text{N}18,000$
 Production cost = Prime cost + Production overhead
 $= 18,000 + 4,000 = \text{N}22,000$

Question 7

Production cost = N22,000
 Administrative expenses = 15% of production cost
 $= 0.15 \times 22,000 = \text{N}3,300$
 Selling expenses = 10% of production cost
 $= 0.10 \times 22,000 = \text{N}2,200$
 Total cost = Production cost + Admin expenses + Selling expenses
 $= 22,000 + 3,300 + 2,200 = \text{N}27,500$

Question 8

Change in Cost = ₦22,860 – ₦17,780 = ₦5,080
 Change in Activity = 90% – 70% = 20%
 Variable cost per 1% activity level = Cost / Activity
 $= \text{₦}5,080 / 20 = \text{₦}254 \text{ per } 1\% \text{ activity}$

Question 9

Total Cost at 5,000 units = Fixed cost + (Variable cost per unit × Units)
 $= 40,000 + (10 \times 5,000)$
 $= 40,000 + 50,000 = 90,000\text{¢}$
 New output after 20% increase = 5,000 × 1.20
 $= 6,000 \text{ units}$
 New total cost = 40,000 + (10 × 6,000)
 $= 40,000 + 60,000 = \text{₦}100,000$

Question 10

Efficiency Ratio = Standard Hours Allowed / Actual Hours Worked × 100
 $= 80,000 / 90,000 \times 100 = 88.89\%$

Question 11

New Selling Price = ₦10 – 10% = ₦9.00
 Variable Cost = ₦6
 New Contribution/unit = ₦9 – ₦6 = ₦3
 Required Contribution = Fixed Costs + Target Profit
 $= \text{₦}70,000 + \text{₦}50,000 = \text{₦}120,000$
 Required Units = ₦120,000 / ₦3 = 40,000 units

Question 12

The budgeted machine hours are 60,000.
 The machine hours used are 55,000 units × 1.2 hours/unit = 66,000 hours.
 The volume variance is calculated as:
 (Actual Hours - Budgeted Hours) × Fixed Overhead Rate
 $= (66,000 - 60,000) \times (\text{₦}120,000 / 60,000)$
 $= 6,000 \times \text{₦}2 = \text{₦}12,000 \text{ unfavourable}$

Question 13

Costing profit = $17,500 + 5,000 + 2,000 - 1,000 - 1,500 = \text{N}22,000$

OR

Costing profit = $17,500 + 5,000 + 2,000 - 1,000 + 1,500 = \text{N}25,000$

Question 16

Total wages = $25,000 + 35,000 = 60,000$

Total overhead = 30,000

Overhead Process B = $(35,000 \div 60,000) \times 30,000 = 0.5833 \times 30,000$
= N17,500

Question 17

Total sales value = $800,000 + 1,200,000 + 400,000 = 2,400,000$

Product H share = $1,200,000 \div 2,400,000 = 50\%$

Cost allocated = $50\% \times 1,500,000 = \text{N}750,000$

Question 18

NRV of by-product M = $1,500 \times 40 = \text{N}60,000$

Net joint cost = $2,500,000 - 60,000 = 2,440,000$

Cost allocated to O = $2,440,000 \div 2 = \text{N}1,220,000$

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 40% 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 is involved.

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

SECTION B**SOLUTION 1****a) Calculation of Labour Cost per 100 Pieces**

Standard output = 80 pieces per hour
= 640 pieces per day of 8 hours
Day rate = ₦160 for 8 hours

b) (i) Calculation of Total Wages Earned by the Operator When a Bonus of ₦25 is Paid for per 100 Pieces Produced Above Standard Output

Time rate for 640 pieces	₦160
Bonus for 160 pieces @ ₦25 per 100	
₦25 x 160 pieces / 100 units	₦40
Total wages	₦200
Labour cost per 100 pieces (₦200 / 8 Hours)	₦25

(ii) Calculation of Total Wages Earned by the Operator When the Worker is Paid on Straight Piecework Basis using the Standard Hourly Rate

At the rate of 160 for 640 pieces, the wages for 800 pieces
= $160 \times 800 / 640$ ₦200
Labour cost per 100 pieces ₦25

(iii) Calculation of Total Wages Earned by the Operator When Rowan Premium Bonus Plan is Used

If for 640 pieces, the time allowed is 8 hours.
For 800 pieces, it should be 10 hours.
Standard time for 800 10 hours
Time taken 8 hours
Time saved 2 hours
If for 8 hours, the wages are ₦160, for 2 hours, it should be ₦40
Wages for the time taken ₦160
Bonus = $8 \text{ hours} / 10 \text{ hours} \times 2 \text{ hours} \times ₦20$ ₦32
Earnings $₦160 + ₦32$ ₦192
Labour cost per 100 pieces $₦192 / 8$ ₦24

(iv) Calculation of Total Wages Earned by the Operator when Halsey Premium Bonus Plan is Applied

Wages for 8 hours ₦160
Bonus = 50% of time saved @ ₦20 per hour ₦20
Total Earnings ₦180
Labour cost per 100 pieces ₦22.50

c) Types of Information Exclusively Generated from a Cost Accounting System

- i. Statements of Material, Direct Labour, and Machine Utilisation
- ii. Product and Service Cost Reports
- iii. Cost Control Statements (Budget vs. Actual) and variance analysis
- iv. Periodic Inventory Valuation Reports
- v. Scrap and Rectification Cost Reports
- vi. Cost of goods manufactured
- vii. Budgeting and forecasting reports
- viii. Cost behaviour analysis
- ix. Cost allocation, apportionment and absorption analysis
- x. Performance measurement
- xi. Pricing decision
- xii. Short-term and one-off decision making

Examiner's comment

This question is in three parts. Parts (a) and (b) tests candidates' understanding of labour costing while (c) tests the basic principles of cost information. It was attempted by only about 45% of the candidates and performance was fair as about 40% of them scored 50% and above of the marks allocated.

Many candidates failed to understand the meaning of “information”; they therefore went off mark.

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

SOLUTION 2

a) Differentiate between "Coding" and "Classification" in the Context of Cost Accounting

	Coding	Classification
Definition	Coding refers to assigning unique alphanumeric or numeric codes to items or elements for easy identification, tracking, and referencing.	Classification systematically categorises costs or materials based on shared characteristics or functions.
Purpose	Facilitates quick identification, recording and retrieval of cost data.	Helps in analysing, summarising, and reporting costs under logical groupings.
Application	Codes are used for materials, labour, overhead, and ledger accounts.	Classification applies to direct/indirect costs, fixed/variable costs, etc.

b) Key Principles That Should Guide the Design of a Material Classification and Coding System

1. **Simplicity and Clarity:** The system should be easy to understand and use, minimising user complexity.
2. **Consistency:** Codes and classifications should follow a consistent pattern across departments and periods.
3. **Uniqueness:** Each code must uniquely identify one item only to prevent duplication and confusion.
4. **Scalability:** The system should accommodate future expansion, such as adding new materials or categories.
5. **Standardisation:** Follow industry or company-wide standards to ensure uniformity and comparability across systems or branches.
6. **Relevance to Operations:** Codes should reflect the company's structure, production processes, and reporting needs.
7. **Automation Compatibility:** The system should be compatible with accounting software and ERP systems for efficient data handling.
8. **Clear Objectives:** This is to identify the purpose of the material classification and coding system.
9. **Hierarchical Structure:** a well-organized classifications and coding in hierarchical structure.
10. **Data Integrity:** This is to ensure that the system maintains integrity of data.

c) Benefits of Implementing Coding Systems Within Cost Accounting Practices

1. Efficient Data Retrieval

Coding enables quick identification and retrieval of cost and inventory data.

2. Improved Accuracy

Reduces the risk of manual errors and misidentification in record-keeping and reporting.

3. Enhanced Reporting and Analysis

Facilitates detailed cost control, budgeting, and variance analysis by segment.

4. Streamlined Inventory Management

Assists in efficiently monitoring usage, reorder levels, and stock movement.

5. Supports Automation and System Integration

Enables seamless integration with accounting and inventory software for real-time data processing and reporting.

d) Essential Features of an Effective and Reliable Coding System

1. Uniqueness

Each code must be distinct and traceable to only one specific item or category.

2. Structured Format

Codes should follow a logical structure (e.g., hierarchical or sequential) that reflects item attributes such as type, usage, or department.

3. Flexibility and Expandability

The system must be adaptable to accommodate new items or changes in the organisational structure.

4. Compatibility with Software Systems

Should align with the company's ERP or accounting software for automation and data consistency.

5. User-Friendly and Intuitive

It must be easy for employees to learn, apply, and interpret without confusion.

6. Cross-Referencing Capability

Should allow linkage between related items or categories (e.g., raw material and its processed product).

7. Security and Control

There should be mechanisms for code approval, modification restrictions, and audit trails to maintain data integrity.

Examiner's comment

This question tests candidates' understanding of cost classification and codification. It was attempted by about 30% of the candidates and performance was average as about 40% of them scored 50% and above of the allocated marks.

This topic is obviously one of the least regarded in the syllabus. This accounted for the average performance in this very simple area.

Candidates should understand that the institute is at liberty to examine any part of the approved syllabus, whether popular or not.

SOLUTION 3

a) Statement of equivalent production

Input Units	Output Items	Equivalent units						
		Material			Labour		Overhead	
		Units	Quantity	%	Quantity	%	Quantity	%
2000	Finished output	1500	1500	100	1500	100	1500	100
	Work-in -progress	500	500	100	300	60	150	50
2000	Total	2000	2000	-	1800	-	1650	-

b) Statement of Cost

Element of cost	Cost ₦	Equivalent units (B)	Cost per unit ₦ (A/B)
Material	18,000	2000	9
Labour	9,000	1800	5
Overhead	6,600	1650	<u>4</u>
		TOTAL	<u>18</u>

c) Statement of evaluation

	₦	₦
Finished goods	1,500 x ₦18	27,000
Value of work in progress		
Materials	500 units @ ₦9 per unit	4,500
Labour	300 units @ ₦5 per unit	1,500
Overhead	150 units @ ₦4 per unit	<u>600</u>
		<u>6,600</u>

d) Process 1 Account

Particulars	Units	₦	Particulars	Units	₦
Materials	2,000	18,000	Process 2 A/c	1,500	27,000
Labour		9,000	Work in progress	500	6,600
Overhead	<u>2,000</u>	<u>6,600</u>		<u>2,000</u>	<u>6,600</u>
		<u>33,600</u>			<u>33,600</u>

Examiner's comment

This question tests candidates' understanding of process costing, with emphasis on equivalent production units. It was attempted by about 50% of candidates and performance was poor as about 35% of them scored 50% and above of the marks allocated.

The major pitfall was that candidates expected questions on straight process accounts, not equivalent units. Their preparation concentrated on the basic process accounts.

Candidates are enjoined to get a thorough understanding of every section of process costing in their future preparations.

SOLUTION 4

a) Income statement under marginal costing for the period ending on 31st March, 2027

Normal capacity	2,000 units	
Number (units)	2,000 units	
A. Number of units sold	2,000	
B. Selling price per unit	₦10	
C. Total sales (AXB)	₦20,000	
D. Less: variable cost of sales:		
(a) Cost of goods sold:		
Direct Material	₦2,000	
Direct Wages	₦2,000	
Direct expenses	₦1,600	
Variable factory overheads	<u>₦600</u>	
	₦6,200	
(b) Variable office and administration expenses	₦800	
(c) Variable selling and distribution expenses	<u>₦1,000</u>	<u>₦8,000</u>
	<u>₦1,800</u>	
E. Contribution (C – D)		₦12,000
F. Fixed Costs:		
Factory Expenses	₦3,400	
Office and administration expenses	₦3,200	
Selling and distribution expenses	<u>₦3,000</u>	<u>₦9,600</u>
Profit (E- F)		<u>₦2,400</u>

b) Computation of Key Financial Metrics Using Marginal Costing Principles

- i. $P/V \text{ ratio} = \text{contribution/ sales} \times 100$
 $= \text{₦12000/₦ 20000} \times 100$
 $= 60\%$
 - ii. $BEP \text{ (units)} = \text{Fixed cost/ contribution per unit}$
 $= \text{₦9600/ ₦6}$
 $= 1,600 \text{ units}$
 - iii. $BEP \text{ (₦)} = \text{fixed cost/P/V ratio}$
 $= \text{₦9,600/60\%}$
 $= \text{₦16,000}$
- OR**
- $BEP \text{ (₦)} = BEP \text{ (in units)} \times \text{sale price per unit}$
 $= 1600 \times \text{₦10}$
 $= \text{₦16,000}$

$$\begin{aligned}
 \text{iv. } \text{BEP (Sales)} &= \text{BEP (units)} / \text{actual sales (units)} \times 100 \\
 &= 1,600 / 2,000 \times 100 \\
 &= 80\%
 \end{aligned}$$

OR

$$\begin{aligned}
 \text{BEP (Sales)} &= \text{BEP (₦)} / \text{Actual sales (value)} \times 100 \\
 &= 16,000 / 20,000 \times 100 \\
 &= 80\%
 \end{aligned}$$

OR

$$\begin{aligned}
 \text{BEP (Sales)} &= \text{fixed cost} / \text{total contribution} \times 100 \\
 &= \text{₦}9,600 / \text{₦}12,000 \times 100 \\
 &= 80\%
 \end{aligned}$$

$$\begin{aligned}
 \text{v. } \text{Margin of Safety (units)} &= \text{actual sales (units)} - \text{BEP (units)} \\
 &= 2,000 \text{ units} - 1600 \text{ units} \\
 &= 400 \text{ units}
 \end{aligned}$$

$$\begin{aligned}
 \text{vi. } \text{Margin of Safety (₦)} &= \text{Sales (value)} - \text{BEP (value)} \\
 &= \text{₦}20,000 - \text{₦}16,000 \\
 &= \text{₦}4,000
 \end{aligned}$$

OR

$$\begin{aligned}
 \text{Margin of Safety (₦)} &= \text{Margin of Safety(₦)} - \text{Margin of Safety(units)} \times \text{SP per unit} \\
 &= 400 \times \text{₦}10 \\
 &= \text{₦}4,000
 \end{aligned}$$

$$\begin{aligned}
 \text{vii. } \text{Margin of Safety (sales)} &= \text{actual sales (units)} - \text{BEP (units)} / \text{actual sales (units)} \times 100 \\
 &= 2000 - 1600 / 2000 \times 100 \\
 &= 20\%
 \end{aligned}$$

OR

$$\begin{aligned}
 \text{Margin of Safety (sales)} &= \text{actual sales(value)} - \text{BEP (value)} / \text{actual sales (value)} \times 100 \\
 &= 20,000 - 16,000 / 20,000 \times 100 \\
 &= 20\%
 \end{aligned}$$

Examiner's comment

This question is in two parts. Part A tests candidates' understanding of marginal costing approach to the preparation of income statements, while Part B examined the topic of cost-volume-profit analysis. It was attempted by about 80% of candidates and performance was equally good as more than 60% of them scored 50% and above of the marks allocated.

A few candidates missed the fixed and variable components of overhead expenses. A few others brought in the principles of absorption costing which was not required.

Candidates should in future pay attention to detailed instructions.

SOLUTION 5

a) Computation of Relevant Cost of Make/Buy Assuming the Facility will Remain Idle if the Component is Outsourced

	N	N
Direct Material	500,000	
Direct Labour	800,000	
Variable Overhead	<u>500,000</u>	
Relevant cost-to-make	<u>1,800,000</u>	
Purchase price of the component at N22 x 100,000 Units		2,200,000
Reduction in fixed cost		<u>200,000</u>
Relevant cost to buy		<u>2,000,000</u>
Gain from Internal Production (2,000,000 – 1,800,000)	<u>200,000</u>	

The cost of manufacturing the component in-house is lower than purchasing it from an external supplier, making it more economical to produce the component internally.

OR

Nimbs Limited should continue to produce the component internally, this is because gain to N200,000 will be generated annually.

b) Computation of Relevant Cost of Make/Buy When the Facility will be Rented Out for N150,000 Annually

In such a situation, the cost to make will remain at N1,900,000. However, the rent income will further reduce the cost of buying. This cost will be:

	N	N
Purchase price		2,200,000
Less: savings in fixed cost	200,000	
Rental income	<u>150,000</u>	<u>350,000</u>
		<u>1,850,000</u>
Relevant cost-to-make		<u>1,800,000</u>
Gain from Internal Production (1,850,000 – 1,800,000)	<u>50,000</u>	

Nimbs Limited should continue to produce the component internally, this is because gain of N50,000 will be generated annually.

c) How Marginal Costing and Absorption Costing Techniques Treats Fixed Costs

Marginal costing considers fixed costs as **period costs**, meaning they are not included in the price of individual units produced. Instead, they are charged directly to the income statement in the period they are incurred. This is because marginal costing focuses on **variable costs** only, under the assumption that fixed costs will be incurred regardless of production volume.

On the other hand, absorption costing includes fixed production overheads in the cost of each unit produced. These costs are allocated across units and are only expensed when the units are sold. This approach ensures that **all manufacturing costs** (fixed and variable) are "absorbed" into the cost of production.

Examiner's comment

This question tests candidates' understanding of making decisions regarding whether to produce components in-house or to outsource them. It was attempted by about 75% of candidates and performance was good as more than 65% of them scored 50% and above of the marks allocated.

Some candidates were unable to determine the costs relevant to making the necessary decision. A few others missed the right treatment of fixed costs in decision making.

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

SOLUTION 6

Chucks Limited

Cash budget of Chucks Ltd for December 2025 to May, 2026

	December ₦	January ₦	February ₦	March ₦	April ₦	May ₦
Receipts:						
Cash Sales	60,000	80,000	90,000	160,000	200,000	180,000
Collections from trade receivables	<u>1,026,000</u>	<u>747,000</u>	<u>660,000</u>	<u>720,000</u>	<u>1,138,500</u>	<u>1,521,000</u>
TOTAL RECEIPTS (A)	<u>1,086,000</u>	<u>827,000</u>	<u>750,000</u>	<u>880,000</u>	<u>1,338,000</u>	<u>1,701,000</u>
Payments:						
Payment to trade payables	520,000	585,000	1,040,000	1,300,000	1,170,000	975,000
Operating expenses	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
TOTAL PAYMENTS (B)	<u>720,000</u>	<u>785,000</u>	<u>1,240,000</u>	<u>1,500,000</u>	<u>1,370,000</u>	<u>1,175,000</u>
BALANCE c/d (C = A – B)	<u>366,000</u>	<u>42,000</u>	<u>(490,000)</u>	<u>(620,000)</u>	<u>(31,500)</u>	<u>526,000</u>
BALANCE b/d (D)	100,000	466,000	508,000	18,000	(602,000)	(633,500)
BALANCE b/f (E = C + D)	<u>466,000</u>	<u>508,000</u>	<u>18,000</u>	<u>(602,000)</u>	<u>(633,500)</u>	<u>(107,500)</u>

Workings:

1. COLLECTION FROM TRADE RECEIVABLES

Months	Oct ₦'000	Nov ₦'000	Dec ₦'000	Jan ₦'000	Feb ₦'000	Mar ₦'000	April ₦'000	May ₦'000	June ₦'000	July ₦'000
Sales	<u>1,200</u>	<u>1,400</u>	<u>600</u>	<u>800</u>	<u>900</u>	<u>1,600</u>	<u>2,000</u>	<u>1,800</u>	<u>1,500</u>	<u>1,000</u>
Cash Sales (10%)	<u>120</u>	<u>140</u>	<u>60</u>	<u>80</u>	<u>90</u>	<u>160</u>	<u>200</u>	<u>180</u>	<u>150</u>	<u>100</u>
Credit Sales (90%)	<u>1,080</u>	<u>1,260</u>	<u>540</u>	<u>720</u>	<u>810</u>	<u>1,440</u>	<u>1,800</u>	<u>1,620</u>	<u>1,350</u>	<u>900</u>
Collections on Sales:										
30 Days 60%		648	756	324	432	486	864.0	1,080		
60 Days 25%			270	315	135	180	202.5	360		
90 Days 10%				<u>108</u>	<u>126</u>	<u>54</u>	<u>72.0</u>	<u>81</u>		
Collections			<u>1,026</u>	<u>747</u>	<u>660</u>	<u>720</u>	<u>1,138.5</u>	<u>1,521</u>		

2. PAYMENTS TO TRADE PAYABLES

Months	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	July
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Sales	<u>1,200</u>	<u>1,400</u>	<u>600</u>	<u>800</u>	<u>900</u>	<u>1,600</u>	<u>2,000</u>	<u>1,800</u>	<u>1,500</u>	<u>1,000</u>
Purchases	<u>780</u>	<u>910</u>	<u>390</u>	<u>520</u>	<u>585</u>	<u>1,040</u>	<u>1,300</u>	<u>1,170</u>	<u>975</u>	<u>650</u>
(65%)										
2 months in advance	<u>390</u>	<u>520</u>	<u>585</u>	<u>1,040</u>	<u>1,300</u>	<u>1,170</u>	<u>975</u>	<u>650</u>		
Payments			<u>520</u>	<u>585</u>	<u>1,040</u>	<u>1,300</u>	<u>1,170</u>	<u>975</u>		

Examiner's comments

This question tests candidates' knowledge of cash budgeting. It was attempted by about 80% of candidates and performance was good as more than 70% of them scored 50% and above of the marks allocated.

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

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

THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA**ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
SEPTEMBER 2025 EXAMINATIONS (PART III)****TAXATION****PLEASE READ THESE INSTRUCTIONS BEFORE COMMENCEMENT OF THE PAPER****EXAMINATION INSTRUCTIONS**

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

WEDNESDAY, SEPTEMBER 24, 2025**DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO**

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

TAXATION

Time Allowed: 3 hours

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

ATTEMPT ALL QUESTIONS

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

1. Which of the following is **NOT** a benefit of a good tax system?
 - A. Directs and stimulates economic activities
 - B. Contributes to body of knowledge
 - C. Redistributes financial resources
 - D. Finances social welfare
 - E. Creates wealth and employment

2. A change in taxation that eliminates or reduces one or several taxes and establishes or increases others while keeping the overall revenue the same is
 - A. tax effect
 - B. tax cut
 - C. tax incidence
 - D. tax swap
 - E. tax burden

3. Which ethical principle is predominantly concerned with non-disclosure of information acquired because of professional relationships?
 - A. Confidentiality
 - B. Integrity
 - C. Objectivity
 - D. Professional behaviour
 - E. Due care

4. A newly incorporated company is required to register with the FIRS through a written application within Months of incorporation.
 - A. six
 - B. nine
 - C. eighteen
 - D. three
 - E. twelve

5. The principle of **Objectivity** requires accountants to
- A. avoid any association with misleading information
 - B. maintain professional knowledge
 - C. maintain confidentiality of information
 - D. continue professional development activities
 - E. avoid bias, conflict of interest, or undue influence
6. Which of the following is **NOT** a type of tax assessment?
- A. Front duties
 - B. Back duty
 - C. Self
 - D. Compulsory
 - E. Administrative
7. A notice of objection under CITA is valid, when raised within from the date of service of the notice of assessment.
- A. 60 days
 - B. 20 days
 - C. 30 days
 - D. 90 days
 - E. 10 days
8. Which of the following legislations primarily governs the administration of tertiary education tax in Nigeria?
- A. Tertiary Education Trust Fund Act 2009
 - B. Tertiary Education Trust Fund Act, 2011
 - C. Petroleum Industry Act, 2021
 - D. Tertiary Education Tax 2009
 - E. Tertiary Education Tax Act 2011
9. Which of the following best describes the tax treatment of international shipping companies operating in Nigeria under the Companies Income Tax Act (CITA)?
- A. They are exempt from tax regardless of income source
 - B. They are taxed only on profits derived from cargo and passenger traffic originating from Nigeria
 - C. They are subject to a flat tax rate on gross receipts
 - D. They are taxed on their worldwide income
 - E. They are only charged for passengers going outside and coming into Nigeria

10. Which tax authority is responsible for administering companies' income tax for shipping businesses in Nigeria?
- A. State Internal Revenue Service
 - B. Joint Tax Board
 - C. Federal Capital Territory – Inland Revenue Service
 - D. Federal Inland Revenue Service
 - E. Technical committee
11. Which of the following taxes are not applicable to Insurance companies in Nigeria?
- A. Companies' income tax
 - B. Value added tax on premium income
 - C. Tertiary education tax
 - D. Withholding tax on certain payments
 - E. PAYE on staff salary
12. Which of the following is required for proper documentation and claim of input VAT?
- A. Delivery note issued by the supplier
 - B. Proforma invoice
 - C. Valid VAT invoice from the supplier
 - D. Bank statement
 - E. Daily invoice
13. VAT returns must be filed by VAT-registered businesses on or before the day of the following month.
- A. 14th
 - B. 21st
 - C. 30th
 - D. 1st
 - E. 15th
14. Which of the following is a VAT offence?
- A. Keeping VAT records
 - B. Registering within 6 months
 - C. Issuing VAT-inclusive invoices
 - D. Failure to remit VAT collected
 - E. Prompt remittance
15. The responsibility for collecting stamp duties on transactions involving individuals lies on.....
- A. Corporate Affairs Commission
 - B. Federal Inland Revenue Service
 - C. State Internal Revenue Service
 - D. Central Bank of Nigeria
 - E. Stamp duty office

16. Which of the following best describes the role of a Commissioner for Stamp Duties?
- A. Adjudicate tax disputes
 - B. Administer and oversee proper stamping of instruments
 - C. Grant tax incentives
 - D. Review taxpayer audit reports
 - E. To keep stamped document in his custody
17. The primary objective of stamp duties under the Stamp Duties Act is to
- A. regulate trade practices
 - B. generate revenue through the authentication of legal documents
 - C. protect consumer rights
 - D. facilitate corporate financing
 - E. serves as collateral
18. Which of the following transactions is typically exempted from WHT?
- A. Professional services
 - B. Interest payments
 - C. Salaries and wages
 - D. Rents
 - E. Contracts
19. What document is issued to a taxpayer after withholding tax (WHT) has been deducted and remitted?
- A. Withholding tax credit note
 - B. Tax clearance certificate
 - C. Proforma invoice
 - D. VAT invoice
 - E. Debit note
20. Failure to deduct or remit withholding tax on payments due to individuals attracts fine upon conviction, in addition to the tax deductible or deducted, but not remitted, plus interest at the prevailing commercial rate.
- A. ₦2,500
 - B. ₦5,000
 - C. ₦10,000
 - D. ₦15,000
 - E. ₦25,000
21. According to Section 40 of the FIRS Act, failure to deduct or remit tax may result in imprisonment for a term not exceeding
- A. 5 years
 - B. 2 years
 - C. 3 years
 - D. 10 years
 - E. 1 year

22. Which of the following best describes the badges of trade?
- A. Legal markers of professional misconduct
 - B. Indicators used to determine whether an activity qualifies as a trade
 - C. Tools for business valuation
 - D. Requirements for business registration
 - E. Chambers of commerce
23. The basis period for the second year of assessment for a newly commenced business is usually
- A. First 15 months of trading
 - B. The accounting year end
 - C. First 12 months of trading
 - D. A backdated fiscal year
 - E. The calendar year
24. An example of a non-taxable income in Nigeria is
- A. Rental income
 - B. Dividends from approved unit trusts
 - C. Business profits
 - D. Consultancy fees
 - E. Gross emoluments
25. Which of the following qualifies as an allowable business expense for tax purposes?
- A. Personal home mortgage interest
 - B. Club subscription fees
 - C. Salaries paid to employees
 - D. Capital repayment on loans
 - E. Furniture and fittings
26. The cost of acquiring fixed assets is usually
- A. allowable for tax purposes
 - B. treated as qualifying capital expenditure
 - C. deducted from gross income directly
 - D. considered minimum tax
 - E. allowable as accrual
27. What is the tax treatment of losses in Nigerian company income tax?
- A. Carried forward indefinitely
 - B. Ignored in tax computation
 - C. Offset against other company income
 - D. Carried back to previous years
 - E. Carried forward for one year

28. A change of accounting date must be approved by the
- Company's Board of Directors
 - Federal Inland Revenue Service
 - Corporate Affairs Commission
 - Nigerian Stock Exchange
 - Technical Committee
29. Which of the following is a tax-exempt deduction under Nigerian tax laws?
- Fines and penalties
 - Capital expenditure
 - National housing fund (NHF) contribution
 - Donations to unapproved bodies
 - Dividend
30. Which of the following taxes is relevant when considering the computation of minimum tax?
- VAT
 - PAYE
 - Education tax
 - Capital gains tax
 - Company income 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.

- The power to impose taxes and levies in Nigeria is within the authorities of the three tiers of government.
- The principle of taxation that enables a taxpayer to know the tax amount payable and the basis of taxation is
- The Chairman of Nigeria Joint Tax Board (JTB) is appointed by
- The quorum at a meeting of the Tax Appeal Tribunal is
- Included in the composition of the Federal Inland Revenue Service Board (FIRS) is the Chief Executive Officer of the National Population Commission or his representative not below the rank of a Director. (TRUE/FALSE)
- The principle of ethics that requires an accountant to be straightforward and honest in all professional and business relationships is

7. Under Section 55 of CITA, medium sized companies enjoy percent bonus where they pay their taxes 90 days before the due date of the payment.
8. According to Finance Act, 2019, only taxable persons with taxable supplies worth..... and above are required to charge, collect, remit VAT and file monthly returns to the Federal Inland Revenue Service.
9. The agency responsible for the disbursement and management of tertiary education tax in Nigeria is
10. The tax authority responsible for administering companies' income tax for shipping businesses in Nigeria is
11. The primary Nigerian legal framework governing the taxation of international air transport companies is
12. Under the VAT Act, exported goods are rated.
13. The type of stamp duty that applies to bank transfers above ₦10,000 under the Finance Act 2020 is
14. The relevant tax authority responsible for collecting withholding taxes from residents of Federal Capital Territory, Abuja is
15. The number of days an application must take before the FIRS refund excess payment on withholding tax, if duly filed with the option to set-off against future taxes is
16. The type of importation that is duty-free for registered Nigerian airlines is...
17. The maximum term for private sector representatives on the Nigeria Custom Service Board is
18. is the income tax system that uses progressive tax rates.
19. An employee working in multiple states within Nigeria is known as
20. is the minimum tax rate applicable for an individual when no taxable income exists.

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

Taxation in some countries is considered progressive and in others regressive. Understanding taxation and its objective is essential in harnessing its benefits.

Required:

- a. Describe the term "tax". (4 Marks)
- b. Explain **THREE** primary objectives of taxation, providing practical examples for each. (6 Marks)
- c. Explain why taxation is considered a compulsory levy rather than a voluntary contribution. (2½ Marks)

(Total 12½ Marks)**QUESTION 2**

The Tax Appeal Tribunal was established in order to provide a structured avenue with a view to resolving tax disputes and also ensuring tax compliance.

Required:

- a. Explain the following:
 - i. Appointment of a Tax Appeal Commissioner. (3 Marks)
 - ii. Removal of a Tax Appeal Commissioner. (3 Marks)
- b. Enumerate the legal powers conferred upon the Tax Appeal Tribunal (TAT) as established under the FIRS (Establishment) Act, 2007 (as amended). (6½ Marks)

(Total 12½ Marks)**QUESTION 3**

Jetobe Limited which decided to wind up its business in 2022 tax year has the following data:

YOA	TAXABLE PROFIT N'000	TAX PAYABLE N'000
2016	10,000	3,000
2017	50,000	15,000
2018	20,000	6,000
2019	15,000	4,500
2020	30,000	9,000
2021	5,000	1,500
2022	-	-

The Terminal Capital Allowance (TCA) of ₦80,000,000 and tax rate used is 30% for all the years.

Required:

Compute the tax refundable by FIRS and the net tax effect to or from tax payer.

(Total 12½ Marks)

QUESTION 4

Emerging technologies are transforming the landscape of tax practice and administration. These have enhanced tax efficiency and minimised tax evasion.

Required:

- a. Define the following contemporary technologies of taxation
 - i. Cloud computing (1 Marks)
 - ii. Artificial intelligence and robotic process automation (1½ Marks)
 - iii. Block chain (1 Marks)
- b. State **FOUR** advantages of each of the three technologies defined above. (6 Marks)
- c. Provide relevant examples to support your answer in b above. (3 Marks)

(Total 12½ Marks)

QUESTION 5

Stamp duties are duties basically on instruments (defined) to include errors written document. Stamp duties are governed by Stamp Duties Act Cap S8, LFN 2004 (as amended), which provides for the levying of stamp duties on certain matters specified in the Act.

Required:

- a. State the instruments that are exempted from the payment of Stamp Duties in Nigeria. (7½ Marks)
- b. Discuss the functions of the Commissioners of Stamp Duties. (5 Marks)

(Total 12½ Marks)

QUESTION 6

Frank and Adaora have been in partnership as architects for eight years. The statement of profit or loss for the year ended 2023 is as follows:

	N	N	N
Gross profit			65,000,000
Less:			
Travelling expenses		2,000,000	
Legal fees		5,000,000	
Administrative expenses		4,000,000	
Expenses incurred by the partners for their domestic staff		1,000,000	
Depreciation		1,500,000	
Salaries		35,000,000	
Overheads		2,500,000	
Fines		300,000	
Interest on partners' loans to the firm:			
Frank	480,000		
Adaora	<u>400,000</u>	880,000	
Interest on capital accounts:			
Frank	3,000,000		
Adaora	<u>2,500,000</u>	<u>5,500,000</u>	<u>(57,680,000)</u>
Net profit for the year			<u><u>7,320,000</u></u>

Additional information:

- Salaries include a guaranteed ~~N~~25million salary for Frank and ~~N~~5million for Adaora.
- Administrative expenses include a sum of ~~N~~2,000,000 that is recoverable under an insurance indemnity.
- Capital allowance agreed with the Revenue is ~~N~~5,000,000.
- Partner's profit sharing ratio is 3:2 between Frank and Adaora, respectively.

You are required to compute:

- The adjusted income of the partnership for tax purposes. (3½ Marks)
 - The chargeable income for each of the partners. (9 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. B
2. D
3. A
4. C
5. E
6. D
7. C
8. B
9. B
10. D
11. B
12. C
13. B
14. D
15. C
16. B
17. B
18. C
19. A
20. B
21. B
22. B
23. C
24. B
25. C
26. B
27. A
28. B
29. C
30. E

Examiner's comment

The Multiple Choice Questions are standard questions and they were compulsory; they are virtually covered all the aspects of the syllabus. All the candidates attempted the questions and the general performance was above average.

SECTION A: PART II

SHORT ANSWER SOLUTIONS

1. Tax
2. Certainty
3. Mr. President
4. 3 members
5. False
6. Integrity
7. 2
8. ~~N~~25 million
9. TETFund
10. FIRS
11. CITA
12. Zero
13. Electronic Money Transfer Levy
14. FCT- IRS
15. 90 days
16. Aircraft and Spare parts
17. 8 years
18. Personal Income Tax
19. Itinerant worker
20. 1% of gross income

Examiner's comment

The short answer questions are good questions and all are compulsory. All the candidates attempted the questions and the general performance was below average.

SECTION B

SOLUTION 1

- a) Tax can be described as a compulsory levy on individuals or business entities by government for the purpose of raising revenue and controlling the economy.

This description emphasises the compulsory nature of tax, its imposition by a sovereign government, and its purpose in funding public services and governance.

- b) **Three primary objectives of taxation, providing practical examples for each.**

1. **Revenue Generation:** Taxation is the main source of income for governments to fund infrastructure, defence, education, and healthcare. The Nigerian government uses Value Added Tax (VAT) to finance national development programs.

2. **Economic Regulation and Development:** Taxes serve as fiscal tools to stimulate or regulate the economy. Reduced corporate tax rates can incentivise investments in specific sectors like agriculture or manufacturing. Increase savings rate to stimulate savings attitude and thereafter mop excess funds in the economy.
3. **Redistribution of Wealth:** Progressive taxes (e.g., personal income tax) ensure the rich pay more, thereby reducing inequality. Higher-income earners in Nigeria pay a greater percentage of their earnings in tax compared to lower-income individuals with the taxes being collected are used to pay for social services for the less fortunate.
4. **Harmonisation of economic objectives:**
Harmonization of diverse trade or economic objectives of different countries can be achieved through a good tax system for example, tax system can be employed by member states of Economic Committee of West Africa States (ECOWAS) so as to achieve the philosophy of the single market (free movement of people and goods) within the region.
5. **Improve Gross National Income:** Taxation is a device to improve gross national income, undue economic development and influence favorable balance of payments with other countries.

c) Why is taxation considered a compulsory levy rather than a voluntary contribution

Taxation is compulsory because it is imposed by law and enforced by the state. Citizens and businesses are legally obligated to pay taxes regardless of personal consent, and failure to do so attracts penalties, interest, or prosecution.

Unlike voluntary contributions (e.g., donations), taxes do not require the taxpayer's agreement and are not directly tied to any specific benefit received. As stated in the document, tax is: "A compulsory levy... for public purposes... not a voluntary payment but a compulsory pecuniary burden... for the good of society."

Examiner's comment

This is a standard theory question on the meaning and objectives of taxation, About 90% of the Candidates attempted the question. The general performance was impressive.

SOLUTION 2

- a) To be appointed as a Tax Appeal Commissioner, an individual must possess the following qualifications:
 - Must be a legal practitioner, chartered accountant, or tax expert with at least 15 years post-qualification experience.

- Should have relevant expertise in taxation, law, accountancy, or business administration.
 - Must be of proven integrity, sound judgment, and capable of adjudicating fairly in tax disputes.
 - Appointment is made by the Minister of Finance based on the recommendation of the Federal Inland Revenue Service (FIRS).
- b) Removal: A Commissioner may be removed from office by the Minister of Finance if:
- Found guilty of misconduct or incompetence.
 - Becomes bankrupt, mentally or physically unfit to discharge duties.
 - Is convicted of a criminal offence involving dishonesty or fraud.
- c) Engages in acts that are incompatible with the dignity or independence of the Tribunal.

Power conferred on Tax Appeal Tribunal

1. Summon and enforce the attendance of any person and examine him on oath
2. Require the discovery and production of documents
3. Receive evidence on affidavits
4. Call for the examination of witnesses or documents
5. Review its decisions
6. Dismiss an application for default or deciding matters ex parte
7. Set aside any order or dismissal of any application for default or any order passed by it ex parte.
8. Do anything which in the opinion of the tribunal is incidental or ancillary to its functions under this Schedule.

Examiner's comment

This is a good question testing candidates' knowledge of the Tax Appeal Tribunal. About 85% of the candidates attempted the question. The general performance was slightly above average.

SOLUTION 3

JETOBE LIMITED OF CAPITAL ALLOWANCE RELIEVABLE COMPUTATION FOR 2017-2021. YEARS OF ASSESSMENT

YEARS	Total profit	Capital Allowance B/bwd	RFT	B/cwd
2021	5000	80,000	(5,000)	75,000
2020	30,000	75,000	(30,000)	45,000
2019	15,000	45,000	(15,000)	30,000
2018	20,000	30,000	(20,000)	10,000
2017	50,000	10,000	(10,000)	

COMPUTATION OF TAX REFUNDED BY FIRS

Years	Capital Allowance recouped	Tax Refundable @ 30%
2021	5000	1,500
2020	30,000	9,000
2019	15,000	4,500
2018	20,000	3,000
2017	10,000	<u>3,000</u>
		<u>24,000</u>

COMPUTATION OF TAX PAYABLE

Tax Payable	Total Profit	Tax payable @ 30%
2016	10,000	3,000
2017	40,000	<u>12,000</u>
		<u>15,000</u>

COMPUTATION OF NET EFFECT

Tax Payable	15,000
Tax Refundable	<u>(24,000)</u>
Tax Refundable	(9,000)

Examiner's comment

This is a good question on cessation of business. About 50 % of the candidates attempted the question. Most candidates could not compute the correct capital allowances for the appropriate years. The general performance was below average.

Candidates are advised to always use the study text more extensively to improve their examinations.

SOLUTION 4

i. Cloud Computing

Cloud computing enables tax practitioners to access, manage, and store data on remote servers through the internet rather than relying on local servers or physical infrastructure. It supports real-time collaboration and allows remote access to client data, increasing operational efficiency.

Assessment:

- **Flexibility & Remote Access:** Tax professionals can work from any location and access client records on-demand. This is especially useful in a post-pandemic, hybrid-work era.
- **Cost-Efficiency:** Eliminates the need for costly infrastructure and reduces IT maintenance costs.
- **Scalability:** Firms can scale up or down based on client volume without major infrastructure adjustments.
- **Security Concerns:** While cloud services offer encryption and multi-layer security, they are still susceptible to cyber threats if not properly managed.

Example:

A mid-sized tax firm using QuickBooks Online or Xero can manage VAT returns, income tax calculations, and payroll tax deductions on the cloud, enabling both the client and tax advisor to view real-time updates.

ii. Artificial Intelligence (AI) and Robotic Process Automation (RPA)

AI enables machines to mimic human decision-making and learning processes. Robotic Process Automation (RPA) is used to automate repetitive tasks such as data entry, reconciliation, and document processing, thereby freeing up time for higher-level analysis.

Assessment:

- **Improved Accuracy:** Reduces human error in tax computation and return preparation.
- **Time-Saving:** Speeds up processes such as invoice reading using Optical Character Recognition (OCR), tax classification, and audit trail verification.
- **Client Insights:** AI can analyse historical data and provide predictive insights for tax planning.
- **Dependency on Algorithms:** Overreliance may limit professional judgment if not properly supervised

Example:

AI-powered chatbots used by large tax firms like PwC and Deloitte answer routine tax queries from clients, while RPA tools automate the preparation of VAT and CIT schedules.

iii. Blockchain Technology

Blockchain provides a decentralised, transparent, and immutable ledger of transactions. It helps ensure that all tax-relevant transactions are recorded accurately, which improves audit trails and reduces the risk of fraud.

Assessment:

- Transparency: Every transaction is verifiable and cannot be altered, reducing tax evasion.
- Automation via Smart Contracts: Automatically triggers tax events based on pre-set rules (e.g., VAT deduction at point of sale).
- Limited Adoption: Widespread use is still emerging and depends on broader acceptance and regulatory frameworks.

Example:

Some countries are piloting blockchain-based VAT systems, where tax authorities are instantly notified of transactions. A tax practitioner connected to such a system could access real-time transaction logs for audit and advisory purposes.

Examiner's comment

This is a standard question testing candidates' knowledge of technologies of taxation. About 90% of the candidates attempted the question. The general performance was satisfactory.

SOLUTION 5

a. Instruments that are specifically exempted are as follows:

- (i) those relating to agreements between the Federal Government and other foreign governments;
- (ii) instruments relating to reconstruction and amalgamation; subject to specified condition under section 104(1) of the Act;
- (iii) transactions and sale of properties of a company under liquidation arising from a compulsory winding up by a Court or creditors' voluntary winding up; based on Central Bank circular number CBN/GEN/DMB/02/006 dated January 15, 2016, titled *"Currency and Remittance of Statutory Charges or Receipts to Nigerian Postal Service under the Stamp Duties Act"*, the following transactions are exempted from stamp duties:
 - a) transactions relating to savings accounts holders, salary accounts or students savings accounts;
 - b) payments and deposits for self to self-transactions whether inter or intra-bank; and
 - c) payments for goods supplied or services rendered, if the amount is under ₦1,000, payment of salaries or wages, pensions, gratuities, etc;

section 56 of the Finance Act, 2019, exempts the following “exempt receipts” and “general exemptions” from stamp duties;

(i) Exempt receipts

Receipts given by any person in a regulated securities lending transaction carried out under regulation issued by the Securities and Exchange Commission

(ii) General exemptions which include the following:

- shares, stocks or securities transferred by a lender to its approved agent or a borrower in furtherance of a regulated securities lending transaction;
- shares, stocks or securities returned to a lender or its approved agent by a borrower in pursuant to a regulated securities lending transaction; and
- all documents relating to a regulated securities lending transaction carried out under regulations issued by the Securities and Exchange Commission; and
- share transfer based on FIRS information circular on “clarifications on the provisions of the Stamp Duties Act” No: 2020/05 dated April 29, 2020.

b. Functions of the Commissioners of Stamp Duties

1. He is the administrative head;
2. Assessments: He has the duties of assessing documents on appropriate duties and imposing penalties where applicable;
3. Stamping or Embossments: This can be by way of embossment with dies, affixing adhesive stamps, affixing postage stamps in lieu of adhesive stamps and printing on the instrument;
4. the custody of dies and stamps: These are security materials being kept by the Commissioner to avoid misuse or loss; and
5. Adjudication: A commissioner may be required to express opinion on the amount of duty to be paid on any executed instrument.

Examiner’s comment

This is a two-part question testing knowledge of the candidates on stamp duties. Part ‘a’ is on instruments that are exempted from payment of stamp duties; ; and Part ‘b’ is on functions of the Commissioner of stamp duties.

About 80% of the candidates attempted the question. The general performance was above average.

SOLUTION 6

Frank and Adaora

Computation of adjusted income for 2023 year of assessment

	₦	₦
Net profit for the year		7,320,000
Add disallowable expenses		
Recoverable insurance indemnity	2,000,000	
Expenses incurred by the partners for their domestic staff	1,000,000	
Depreciation	1,500,000	
Fines	300,000	4,800,000
Assessable income		12,120,000
Capital allowance		(5,000,000)
Adjusted income		7,120,000

ii. Computation of Partner's chargeable income

	Frank ₦	Adaora ₦
Earned income		
Salary	25,000,000	5,000,000
Interest on capital	3,000,000	2,500,000
Share of profit (3:2)	4,272,000	2,848,000
	32,272,000	10,348,000
Unearned income		
Interest on loan	480,000	400,000
TOTAL/GROSS INCOME	32,752,000	10,748,000
Deduct: Reliefs		
Consolidated relief allowance	6,877,920	2,349,600
Chargeable income	25,874,080	8,398,400

Workings:

Consolidated relief Allowance is N200,000.00 or 1% of the Consolidated Salary/Gross emolument whichever is higher plus 20% of the consolidated salary.

Frank: $(1\% \times 32,752,000) + (20\% \text{ of } \text{N}32,752,000) = \text{N}6,877,920$

Adaora: $200,000 + (20\% \times 10,748,000) = \text{N}2,349,600$

Examiner's comment

This is a computation question testing candidates' knowledge of adjusted income of the partners. About 70% of the candidates attempted the question. The general performance was satisfactory.

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

PLEASE READ THESE INSTRUCTIONS BEFORE COMMENCEMENT OF THE PAPER

EXAMINATION INSTRUCTIONS

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

TUESDAY, SEPTEMBER 23, 2025

DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO

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

MANAGEMENT

Time Allowed: 3 hours

SECTION A: PART I MULTIPLECHOICE 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 one of the key indicators of the size of a business enterprise?
 - A. Market power
 - B. Avoid takeover
 - C. Number of employees
 - D. Firms expand into new locations
 - E. Additional staff is employed thus increasing the wage bill
2. Which one of the following advantages is **NOT** associated with sole proprietorship?
 - A. Ease of formation
 - B. Inexpensive management
 - C. Benefit of small scale
 - D. Limitation of management skills
 - E. Better control
3. Which of the following does **NOT** constitute internal stakeholders in the business enterprise?
 - A. Shareholders
 - B. Company auditor
 - C. Director and top management
 - D. Senior management staff
 - E. Other managers and staff
4. Which of the following is **NOT** an element of the direct-action (task) external environment of business?
 - A. Distributors
 - B. Government agencies
 - C. Competitors
 - D. Legal/public policy environment
 - E. The immediate community

5. Under managerial ethics, the aspect that relates to how an organisation treats its employees includes the following, **EXCEPT**
- A. Working conditions
 - B. Recruitment and separation
 - C. Conflict of interest
 - D. Wages and incentives
 - E. Individual respect as a human being
6. The concept of “Corporate Governance” is required for the purposes of ensuring the following, **EXCEPT**
- A. Taking business decisions
 - B. Fairness
 - C. Openness/transparency
 - D. Independence
 - E. Honesty and integrity (probity)
7. Which of the following is **NOT** among the factors influencing globalisation?
- A. The phenomenal growth in communication, arising from fast-paced development in communication technology
 - B. Global political environment
 - C. Improved transportation
 - D. Mass migration and movement of people
 - E. International agreements that reduce the cost of doing business in foreign countries
8. The area of social responsibility that a manager should pay particular attention to in relation to the minorities and backward communities includes the following, **EXCEPT**
- A. Training of the unemployed
 - B. Improved occupational health and safety
 - C. Equal employment opportunity
 - D. Locating plants and offices in minority areas
 - E. Purchasing from backward communities
9. Which of the following is **NOT** a management process?
- A. Planning
 - B. Communicating
 - C. Organising
 - D. Leading
 - E. Controlling

10. The ability to see the “big picture”, to recognise significant elements in a situation and to understand the relationship among them is called
- A. technical skills
 - B. diagnostic and analytical skill
 - C. human skill or interpersonal skill
 - D. negotiating skill
 - E. conceptual skill
11. The experiment showed that when special attention is given to workers by management, productivity is likely to increase regardless of actual changes in working conditions. This phenomenon is the
- A. Hawthorne experiments
 - B. Mayo group
 - C. Elton Mayo great discovery
 - D. Hawthorne effect
 - E. Hawthorne studies
12. A system wherein positions and tasks were clearly defined, division of labour was precise and clear, objectives were explicit, and a clear chain of command was maintained is called
- A. human relations theory
 - B. contingency theory
 - C. theory of Bureaucracy
 - D. system theory
 - E. scientific management theory
13. When the decision maker has absolutely no knowledge of probabilities of the outcomes of each alternative, the risks associated with each, or the consequences each alternative is likely to have, the decision is said to be under
- A. proactiveness
 - B. certainty
 - C. non-programming
 - D. uncertainty
 - E. reactivation
14. Which of the following is **NOT** part of pre-determined decision rule for a programmed decision?
- A. Based on habit
 - B. Proactive
 - C. Computational techniques
 - D. Established policies
 - E. Established procedures

15. Which of the following is **NOT** an advantage of individual decision-making?
- A. The decision maker can only rely on a limited amount of information to make the decision
 - B. Decision is fast
 - C. Implementation of the decision will be fast
 - D. Job satisfaction of the manager will be high
 - E. The manager's experience is brought to bear on the decision
16. A decision-making technique that can be used to evaluate alternatives by comparing the additional revenues and additional costs as output increases is
- A. Cost benefit analysis
 - B. Cost effectiveness analysis
 - C. Delphi technique
 - D. Ratio analysis
 - E. Marginal analysis
17. Which of the following types of strategy is determined by the general managers of an organisation?
- A. Functional strategy
 - B. Corporate strategy
 - C. Business strategy
 - D. Operating strategy
 - E. Marketing strategy
18. Which of the following is **NOT** a limitation of planning?
- A. Planning is dependent on correctness of information
 - B. Uncertainty
 - C. May create rigidity
 - D. Helps to visualise the firm in its entity
 - E. Planning consumes a lot of resources in terms of time and money
19. A plan that flows from, and must be consistent with the strategic plan of the organisation is
- A. strategy planning
 - B. operational planning
 - C. tactical planning
 - D. resources planning
 - E. corporate planning

20. An organisation that is characterised by clearly defined roles, jobs, hierarchical structure, rules, procedures and pattern of relationships is
- A. line organisation structure
 - B. matrix structure
 - C. line and staff structure
 - D. staff structure
 - E. formal organisation structure
21. Which of the following is **NOT** an advantage of delegation?
- A. Effective delegation speeds up decision making
 - B. Helps train the subordinates for higher responsibilities and increased their morale
 - C. Fear of loss of power
 - D. Motivates subordinates to contribute constructively towards achievement of organisational goals
 - E. It helps to create sense of belonging in the enterprise
22. Which of the following is **NOT** a recruitment and selection activity?
- A. Short-listing of applicants
 - B. Forecasting future human resources needs
 - C. Identifying developing and administering selection methods
 - D. Identifying sources of recruitment
 - E. Determining the position that suits the individual's strengths and weakness
23. Which of the following is **NOT** an aspect of job analysis?
- A. Outcome of a job interview
 - B. Activity/duties/responsibilities
 - C. Relative importance of the job
 - D. Knowledge, skills, and attitudes required to perform the job
 - E. Condition under which the job is carried out
24. Which of the following is **NOT** an objective of induction?
- A. To facilitate the integration of the new employees into the system at preliminary stages when everything is likely to be strange and unfamiliar.
 - B. To identify those that are likely to be star performers among the new employees.
 - C. To cultivate favourable attitude to the company in the minds of new employees, so that they are more likely to stay.
 - D. To optimise productivity of newcomers at the shortest possible time.
 - E. To reduce the likelihood of employees leaving the organisation.

25. On-the-job training method where the trainer shows in a systematic manner the method of carrying out a specific job and allows the trainee to do it himself is
- A. understanding
 - B. demonstration
 - C. job rotation/planned experience
 - D. project or committee assignments
 - E. temporary promotions
26. Which of the following is **NOT** one of the main factors influencing the location of an organisation's facilities?
- A. Availability of raw materials
 - B. Mass production
 - C. Proximity to the market
 - D. Commercial and social infrastructure
 - E. Characteristics of the site
27. A marketing philosophy with the mind-set that the company is to make a high quality and high-performance products is
- A. production concept
 - B. selling concept
 - C. marketing concept
 - D. product concept
 - E. social marketing concept
28. Which of the following is **NOT** one of the hygiene factors identified in Fredrick Hertzberg's Two-Factor Theory of Motivation?
- A. Supervision
 - B. Responsibility
 - C. Company policy
 - D. Working conditions
 - E. Interpersonal relations
29. Which of the following is **NOT** a disadvantage of the closed office layout?
- A. It is not economical
 - B. There is privacy for confidential discussions
 - C. Separate facilities
 - D. It may be difficult to supervise staff because they are in different offices
 - E. It may slow down the flow of some activities which require constant interaction among employees

30. Which of the following is **NOT** a common source of danger to health and safety at the workplace?
- A. Open cabinets
 - B. Slippery floor
 - C. Use of warning system
 - D. Poor ventilation
 - E. Poorly lit stairways or offices

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 proprietor who is responsible for the losses and liabilities of the business, is said to have..... liability.
2. The analysis that involves two processes: environmental scanning, and various efforts to understand the trends and implication of changes in the environment for the organisation is
3. The setting of organisational goals and deciding on the course of action for achieving them is
4. The concern with improving productivity by improving performance standards of individual workers, and where the standards are established through systematic observation, experiment or reasoning is
5. The leader of the movement that conducted the famous studies of human behaviour in work situations at the Hawthorne plant of Western Electric from 1927-1932 is.....
6. When decision maker knows the probabilities of the outcome of each alternative and what conditions are associated with each alternative, the decision making is said to be under.....
7. The type of control carried out by most managers at the middle, first-line and even at the level of operators is
8. The construction of a chart, a graphical system for tracking activities and events that must take place to accomplish a task, is
9. The analysis of the organisation's external and internal environment is

QUESTION 2

- (a) Explain the purpose of Management. (2½ Marks)
 - (b) List and explain the **FIVE** functions involved in the management process. (10 Marks)
- (Total 12½ Marks)**

QUESTION 3

- (a) Highlight the differences between formal and informal Communication. (2½ Marks)
 - (b) Identify and explain **FIVE** barriers to effective communication in an organisation. (10 Marks)
- (Total 12½ Marks)**

QUESTION 4

- (a) Define the concept of Leadership? (2½ Marks)
 - (b) Identify and explain **FIVE** leadership styles from the managerial Grid developed by Blake and Morton. (10 Marks)
- (Total 12½ Marks)**

QUESTION 5

- (a) Define Filing. (2½ Marks)
 - (b) List and explain **FIVE** filing systems that are at the disposal of an organisation. (10 Marks)
- (Total 12½ Marks)**

QUESTION 6

- (a) Define an office. (2½ Marks)
 - (b) Highlight **FIVE** functions of an office. (5 Marks)
 - (c) Explain **FIVE** factors that need to be taken into consideration when planning an office layout. (5 Marks)
- (Total 12½ Marks)**

SECTION A: PART I

MULTIPLE CHOICE SOLUTIONS

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

Examiner's comment

The questions covered all the areas of the syllabus. All the candidates attempted the questions and the performance was averagely good. About 60% of the candidates that attempted the questions scored above average. The major pitfalls of the candidates were poor preparation and inadequate usage of the study pack.

SECTION A: PART II

SHORT ANSWER SOLUTIONS

1. Unlimited Liability
2. Environmental Analysis
3. Planning
4. Scientific Management
5. Elton Mayo
6. Decision-making under risk
7. Tactical
8. Gantt Chart
9. Swot Analysis
10. Strategic Plan
11. Management By Objective
12. Centralization
13. Delegation
14. Performance Appraisal
15. Job Production/Unique Production
16. Product or Line Layout
17. Esteem Needs
18. Traditional View
19. Lack of Participation
20. Office

Examiner's comment

These questions covered all parts of the syllabus. All the candidates attempted these questions and the performance was above average. About 52% of the candidates scored above average. The candidates are advised to make adequate use of the study pack for improved performance in future examinations.

SECTION B

SOLUTION 1

- a) Business can be defined as a social and lawful human activity, the primary aim of which is to make profit. We can rightfully say that a business is the organized effort, or activities of persons utilizing resources within an organisational context to produce and distribute goods and services for the purpose of profit making.
- b)
 - i. Productivity
 - ii. Innovation
 - iii. Growth Objective

- iv. Shareholder Satisfaction
 - v. Employee Satisfaction
 - vi. Positive Public Image
-
- i. Productivity - This shows the extent to which a business concern is able to utilize a given set of resources to attain the highest or a pre-determined value of output.
 - ii. Innovation - This is a strategic business consideration employed by a business entity to satisfy the needs of consumers better than its competitors by involving itself in the introduction of new products, new methods of production and distribution.
 - iii. Growth Objective - One of the objectives of business is expansion of its operations. This may take the form of increase in capital employed; increase in market share, increase in the number of people employed, etc. The purpose of the growth objective is to achieve economies of scale, enhanced competitiveness, increase the market share and overall profitability.
 - iv. Shareholder Satisfaction - This occurs when the business seeks ways to improve on return on investment as well as reduce their risks.
 - v. Employee Satisfaction - Forward-looking business concerns are always looking for ways to enhance the satisfaction of employees, which in turn, enhances their contribution to the growth and competitiveness of the organisation.
 - vi. Positive Public Image - This enables the organisation to obtain resources on favourable terms, improves its image as a good corporate citizen that produces and distributes high quality products as well as striving to project itself as an organisation that cares about its employees, the community and other social responsibility considerations.

Examiner's comment

The question was structured to test the candidates' understanding of the concept of business and its objectives. About 95% of the candidates attempted the question and about 70% scored above average. Candidates are advised to make adequate use of the study pack for improved performance in subsequent examinations.

SOLUTION 2

- a) The purpose of management is to plan, direct, organise and ensure the success of a business at various levels through a number of methods including customers satisfaction and employee training. Management, normally made of a manager and their assistants, is keys to running an organisation on what could be considered microscopic levels.

- b)
- i Planning is setting organisational goals and deciding on the course of action for achieving them. It is futuristic in nature in the sense that the company has to identify the opportunities and threats that lie in future and to decide on a course of actions presently to exploit the opportunities and prepare to face the threats. Planning as a management process is the preparation of a set of decisions for future actions directed at goals by optimal means; hence, planning is the main function of management.
 - ii Organising: this can be defined as the management function of grouping tasks and assigning resources required to carry out a specific job. It is a part of management process that involved establishing an internal structure of role for people who can do them best; it involves the grouping of required activities into manageable departments or work units, establishing authority and reporting relationships with the established hierarchy. This process is called organisational design and structure.
 - iii Staffing: this process involves filling, and keeping filled, the positions in the organisation structure. It can be viewed as consisting of a series of steps that managers perform to provide the organisation with the right people in the right positions. It is a continuous function of management that is done by identifying work force requirement; inventorying the people available; recruiting, selecting, placing, promoting, appraising, planning the careers of, compensating, and training or developing both candidates and currents jobholders to accomplish their tasks effectively and efficiently.
 - iv Controlling: this is the process of monitoring of organisation progress towards goals. It is the measuring and correcting of activities of subordinates to ensure events conform to plan. Controlling has four key elements are establishing standards performance, measuring current performance, comparing performance with the standards initially set, and making corrections where there are deviations.
 - v Coordination: this is the management process that assists in achieving harmony among individual efforts toward the accomplishment of group goals. It is the central task of management process that reconciles differences in approaches, timing, or interest, and to harmonize individual goal to contribute to organisational goal.
 - vi Leading: this is the most challenging of all the managerial functions. It is defined as a set of process used to ge people to work together to meet the set goals. It is the function of influencing, motivating, leading, communicating and directing human resources towards achieving organisational goals.

Examiner's comment

The question was structured to test candidates' understanding of the purpose of management and the functions involved in the management process. About 85% of the candidates attempted the question and about 72% scored above average. Adequate usage of the study pack is recommended for improved performance in subsequent examinations.

SOLUTION 3

- a) Generally communication is the transference and the understanding of meaning among individual; it is a transmission of information from one person or group of persons from one point to another through a specific channel. Formal communication has to do with the transmission of meaning and understanding through channels endorsed by management of the organisation. Informal communication has to do with the transmission of meaning through channels set up by employees themselves. Informal communication helps because of the social interaction among employee. Formal communication is slow in transmission while informal communication is quicker in transmission.
- b) The barriers to effective communication are as follows:
- i. Semantics: this is the use of technical jargons, unfamiliar words, high sounding words, poor sentence structure communication. it is a problem because people attached different meaning to words which may lead to misinterpretation or misunderstanding of a message.
 - ii. Poor listening skills: some people may not be able to communicate effectively with others because they do not listen when others are talking
 - iii. Differences in background: difference In age, social status of people communicating with each other could impede communication between them.
 - iv. Conflicts: conflicts between individuals or work groups in an organisation could impede communication flow in the organisation.
 - v. Emotional problems such as frustration, poor perceptions, hostility, age, fear, and mistrust might make difficult for some people to communicate with others.
 - vi. Communication overload: communication may be impeded if managers are "buried" with too much information from several sources and find it difficult to process them.
 - vii. Poor organisation structure: communication in an organisation may be impeded by long chain of command, highly centralized authority structure an unsuitable span of control.

- viii. Physical layout of the organisation; where employees are physically isolated from each other because of the layout of the office, communication might become ineffective.
- ix. Inappropriate channels of communication: communication in an organisation may be impeded by the use of inappropriate media or the absence of the right media in the organisation.
- x. Lack of planning: Communication in an organisation may be ineffective where managers fail to plan.

Examiner's comment

The question was structured to test the candidates' understanding of the difference between formal and informal communication as well as barriers to effective communication. About 92% of the candidates attempted the question and about 60% scored above average.

SOLUTION 4

- a) The concept of leadership: Kootnz and Weihrich [1990] defined leadership as the art or process of influencing people so that they will strive willingly and enthusiastically towards the achievement of group goals. Leadership is a dynamic process at work in a group whereby one individual, over a particular period of time, and in a particular organisational context, influences the other group members to commit themselves freely to the achievement of group tasks or goals. Leadership in an organisation is the ability of management to induce subordinates to work towards group goals with confidence and enthusiasm in a given situation. This means that leadership is a function of the characteristics of the leader, the followers and the situation.
- b) Under the Blake and Morton approach on leadership styles, there are two basic elements:
 - i. The concern for task or production: the leader prioritizes objectives, results and productivity when determining how a task should be performed, not minding how the individual feelings about the task.
 - ii. The concern for people: this indicates that the leader prioritizes the needs and interest of people, when determining how a task should be performed. He values relationships than productivity.

The five leadership styles as developed by Blake and Morton based on the above elements are as follows:

- i **Impoverished style:** this leader gives little efforts to getting work done and has a lazy approach. He is the worse type of leader. On the grid it is labelled [1,1].

- ii **Authoritarian style:** this leader concentrates on efficiency and getting the work done with little concern for people. He seeks to remove people from work, if it is all possible Relationship with people is poor. On the grid it is labelled [9,1].
- iii **Country club style:** this leader has low concern for getting task done but high concern for people and maintains good relationship. It is labelled [1,9] on the grid.
- iv **Middle of the road style or organisation man:** this leader gets the task done but he is not pushy to exceed target if it is possible; he also has appreciable concern for people. It is labelled [5, 5] on the grid.
- v **Team management style:** this leader has large concern for the job and high concern for the people. This is the most effective type of leadership. It is labelled 9,9 on the grid.

Examiner's comment

The question was structured to test the candidates' understanding of the concept of leadership and leadership styles. About 45% of the candidates attempted the question and about 30% scored above average. Candidates are advised to use the study pack adequately for improved performance in subsequent examinations.

SOLUTION5

- a) Filing refers to the systematic storage of documents so that they may be retrieved later for reference. Organisations receive incoming mails and documents and send out outgoing mails and documents. A filing system refers to any set of procedures or methods used to store these documents.
- b)
 - i. The alphabetical filing system
 - ii. The numerical filing system
 - iii. The alpha-numerical filing system
 - iv. The subject filing system
 - v. The geographical filing system
 - i. The Alphabetical Filing System: In this system letters and other documents are filed in alphabetical order.
 - ii. Numerical Filing Systems: Here, the documents/files are allocated numbers and filed in cabinets corresponding to the numbers. This system often requires the use of a reference index.
 - iii. Alpha-numerical Filing System: This combines the alphabetical and numerical systems.
 - iv. Subject Filing System: Under this system, documents are filed according to the subject or topic. For example, the human resources department could file

its documents under: Recruitment, Appointment letters, Performance appraisal reports and the like.

- v. Geographical Filing System: Here documents are filed according to the geographical area where it originated or geographical destination.

Examiner's comment

The question was structured to test candidates' understanding of the filing systems. About 40% of the candidates attempted the question and about 72% scored above average.

SOLUTION 6

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

- b) Functions of an office

An Office:

- i. Provides a convenient place where managers carry out their functions.
- ii. Collects information from within the organisation. Examples of such information are letters, memoranda, documents generated from other departments.
- iii. Collects information from outside the organisation. The office receives incoming mails from outside, e.g., letters, parcels, documents, invoices, telephone calls etc.
- iv. Records information. The office classifies and records information received from other departments and outsiders in files, computers and other media.
- v. Provides information for others. Office staff provides information to staff and outsiders who require specific information on the activities of the organisation, such as customers, government, and the general public.
- vi. Stores information. The recorded information accumulated in the office needs to be preserved and maintained for future reference. The basic objective of preserving information is to make them available as and when needed by management without delay.
- vii. Helps in organising information. The information received in the office needs to be organized, processed and presented in useful forms that can be needed for good decision making.
- viii. Affords a place for receiving visitors. The office provides a place where official visitors are received and meetings are arranged. Such visitors include bank officials, government officials, contractors and other business associates, etc.
- ix. Arranges logistics. The office is a place where logistics such as transport, distribution, storage, warehousing, and transactions are managed to facilitate business activities.

- c) The following factors are taken into consideration in planning the layout of an office:
- i. Churn Rate: For many organisations, office layouts are subject to frequent changes. The process of change in office layout is known as churn rate, which is expressed as the percentage of staff moved during the year.
 - ii. Statutory Requirement: Legal requirements as contained in relevant legislation also affect the planning of office layout. The Factories Act of Nigeria and the Factories, Offices and Shops Act of Ghana explicitly specify fire prevention arrangements, lighting levels, ventilation, temperature control, etc.
 - iii. Business needs: Office layout should provide an environment suitable for the business of the organisation. For example, the layout of a bank will be different from that of an accounting firm.
 - iv. Accommodation Standards: Organisations often have a policy on the minimum standard of accommodation for each staff grade. Administrative staff may work in open plan offices whereas managers may have individual offices sized on seniority basis.
 - v. Space Availability: Planning an office layout will also depend on the quality and the types of office space available for use.

Examiner's comment

The question was structured to test the candidates' understanding of the concept of an office, its functions and factors that need to be taken into consideration when planning an office layout. About 95% of the candidates attempted the question and about 65% scored above average. This performance can be improved upon in subsequent examinations by making adequate use of the study pack.