

ICAN STUDENTS' JOURNAL

JOURNAL FOR STUDENTS OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA



Professional Examination To Hold Three Times Annually

● 49th Annual Conference:
ICAN Awards Scholarships To Three University Students

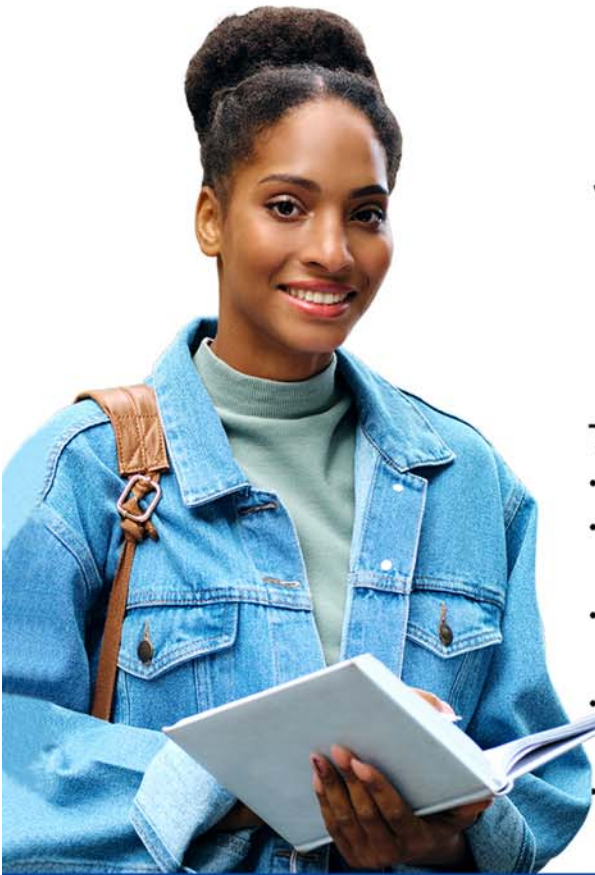


ISSN: 1119-9636



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

(Established by Act of Parliament No. 15 of 1965)



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(ISSN: 1119-9636) is published quarterly by the Institute of Chartered Accountants of Nigeria. Plot 16, Professional Centre Layout, Idowu Taylor Street, Victoria Island, P.O. Box 1580, Lagos. Tel: 09053847510, 09053847511, E-mail: info.ican@ican.org.ng corporateaffairs@ican.org.ng; ICAN Website: www.icanig.org

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Correspondence should be addressed to:
The Corporate Communication Directorate, ICAN
P.O. Box 1580, Lagos.

Editor's Note

Due to the outcome of the technological reforms introduced into the Institute's examination processes, its professional examinations will now be conducted three times annually, starting from year 2020.

The motive behind the introduction of the extra diet was to give candidates more opportunities to participate in the Institute's examination especially those who need to resit any paper in any of the professional examinations.

The new examination diets will be held in March, July and November yearly instead of the usual May and November and it will be for all levels: Foundation, Skills and the Professional. Details of the new reform are served you in this edition.

During the 49th Annual Accountants' Conference in Abuja, three University students were awarded scholarships after they emerged the best three at the National Essay competition for undergraduates of tertiary institutions in the country. You will read about the details of the annual accountants' conference and identity of the students in this edition.

In response to technological disruptions, the Institute is working on reviewing its examination syllabus to include disruptive technologies to ensure that prospective Chartered Accountants are future ready.

The details about this as well as those of the five tertiary institutions that joined ICAN Mutual Cooperation Agreement with Tertiary Institutions (MCATI) are also included in this edition.

As usual, we publish some past questions and solutions to guide our students on how to tackle examination questions in future. The detailed reports of all these and other regular columns are contained in this edition.

Your comments and contributions are welcome. Please contact the Editor via:
corporateaffairs@ican.org.ng,
editor@ican.org.ng or
aoolabi@ican.org.ng

Okwuadigbo Advocates Universities' Labour Collaboration To Tackle Economic Challenges

ICAN President, Mazi Nnamdi Okwuadigbo has advocated for a seamless integration of the functions of universities with the needs of the labour market to address the social and economic challenges facing the country.

Okwuadigbo who was speaking when he paid a courtesy call on the Vice Chancellor, University of Nigeria, Nsukka (UNN), Professor Charles Arizechukwu Igwe recently said "the need to translate innovative research findings from the nation's various

universities to tools for economic growth and development makes collaboration between tertiary institutions and business entities a necessity".

He paid a glowing tribute to UNN, describing it as "a crucible where many talents are refined and their future remodeled".

"The quality of education we received and the discipline, with which they were delivered, no doubt, formed the foundation on which we built our lives", he said, adding that the University inculcated a positive spirit in him and his course mates.

"I am proud to be an alumnus of the University of Nigeria", the ICAN President declared.

He recalled the mutually beneficial relationship between ICAN and the university's Accountancy Department over the years pointing out that academic and non-academic staff of the University have constantly contributed to the growth of ICAN and the accounting profession in general.

He explained that one of ICAN's objectives is "to ensure that accounting students, and prospective ones, are well-prepared and counseled on the need to balance good academic performance, professional qualifications, technological competence and excellent managerial skills".

In his remarks, the VC Prof Charles Igwe said he was glad that an alumnus of the university had reached the pinnacle of accounting practice in Nigeria.

He promised to strengthen the collaboration between ICAN and UNN to ensure that the objective of producing well-rounded accountancy professionals is met.



ICAN President Mazi Nnamdi Okwuadigbo with Prof Charles Igwe, VC UNN recently

Professional Examination To Hold Three Times Annually

The Institute will from the year 2020 conduct its professional examinations three times in a year. This is the outcome of the technological reforms introduced into the Institute's examination processes.

The new examination diet will hold in MARCH, JULY and NOVEMBER yearly

instead of the usual May and November for the Foundation, Skills and Professional levels.

A huge investment in technology by the Institute paved the way for the additional diet and gave rise to a drastic reduction in examination processing time. The introduction of an extra diet will give candidates more opportunities to participate in the Institute's

examination especially those who need to resit any paper in the Foundation, Skills and Professional levels.

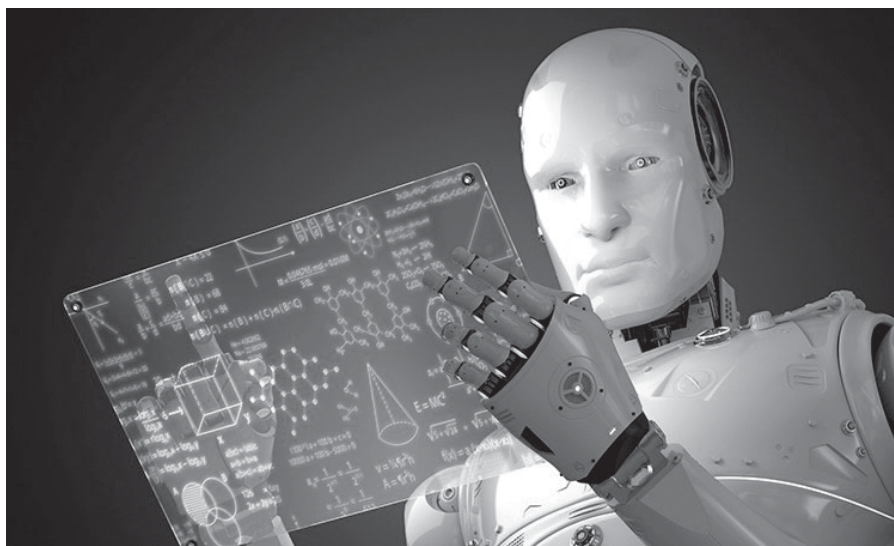
The Institute is poised to continue to provide the nation with the needed manpower especially finance professionals to move the economy to laudable heights.

ICAN To Review Syllabus In Response To Technological Disruptions

The Institute is working on reviewing its examination syllabus to include disruptive technologies to ensure that Chartered Accountants and prospective members are future ready.

Some of the technologies that are changing the face of accounting and finance according to ICAN President Mazi Nnamdi Okwuadigbo, FCA, include Blockchain, Artificial Intelligence, Robotics and Internet-of-Things which are redefining formerly entrenched business models.

Speaking through ICAN Vice President Dame Onome Joy Adewuyi, when a delegation of the Institute paid a courtesy visit to the Lagos State Government at Alausa recently, Mazi Okwuadigbo said ICAN, as a pro-active organization, had resolved to provide its graduates with the necessary skills required in the new



business models.

The institute also called on the Lagos State Government to throw its weight behind every effort in the country to guard against quackery

across all professions.

“We humbly request our amiable Governor to join us in the crusade against charlatans across all professions”, he said.

He also asked for the cooperation and support of Lagos State Ministries, Departments and Agencies in supplying the Institute’s assessors and coordinators the required information for the second report of the ICAN Accountability Index (ICAN-AI).

Responding on behalf of the State Government, the Deputy Governor Dr. Obafemi Hamzat pledged to provide support to the Institute.

He said the State was willing to collaborate with ICAN to bring more organizations and individuals into the tax net to enhance its revenue profile further.



Five Tertiary Institutions Join ICAN MCATI Programme

The Institute has signed the Mutual Cooperation Agreement with Tertiary Institutions (MCATI) with five tertiary institutions to deepen the standards of learning and dissemination of knowledge of Accounting in Nigeria.

The institutions are Benson Idahosa University, Benin; Igbinedion University, Okada, near Benin; Bowen University, Iwo, Osun State, Al-Hikmah University, Ilorin and Federal Polytechnic, Ilaro, Ogun State thus bringing the number of institutions under the scheme to 21.

Signing on behalf of the Institute in Lagos, ICAN President Mazi Nnamdi Okwuadigbo explained that under the arrangement, accounting programmes of the partnering institutions from entry level to graduation will be moderated by ICAN

to ensure they maintain the right professional standard in terms of course content, teaching and examination.

He said the agreement meant that accounting students in the five institutions would study using the integrated accounting curriculum of ICAN, National Universities Commission (NUC) and National Board for Technical Education (NBTE) as applicable.

"Accounting graduates from the institutions would be granted 10 subject exemptions as against seven (7) subjects

exemption under the normal ICAN accreditation scheme," he explained.

He commended the tertiary institutions for maintaining the high standards of tuition and learning at their various Departments of Accounting, while imploring them to continue to maintain such standards.

"Undoubtedly, today's event is an endorsement of the quality of your institutions' accounting education", he said.

The President noted that MCATI was one of the Institute's "proactive measures to ensure

that individuals seeking to become chartered accountants acquire the knowledge, professional skills and competence required to protect the public interest in a rapidly changing business environment."

Speaking on behalf of the institutions, the Vice chancellor of Bowen University, Iwo Professor Joshua Olalekan Ogunwole, thanked ICAN for the prestige the MCATI confers and pledged that the institutions would maintain the high standards that attracted ICAN's endorsement.

Membership Hits 50,244 As ICAN Inducts 1,747 New Associates

The Institute has inducted 1,747 newly qualified members into its Associate cadre, thus bringing the membership of ICAN to 50,244.

At the 64th Induction ceremony for new members held in Lagos last week, ICAN President, Mazi Nnamdi Okwuadigbo FCA, advised the new inductees to unveil their proficiency through invaluable contributions to their various organizations or private businesses, and their unquestionable compliance to high ethical conduct.

"You must be above board as professionals. The Code of Ethics of the profession must be your guiding principles if you would stand out as accountants," Mazi emphasized to the inductees.

He implored them to remain focused, and continue to apply the same dedication that enabled them to scale through the

high standards of the ICAN examinations in order to find relevance in the profession, pointing out that they would be appraised by their ability to bring to the fore the technical skills acquired in the process of writing their professional examinations.

"You should therefore enhance your capacity to translate these skills to measurable deliverables; we expect you to imbibe the culture of Accuracy and Integrity. This would distinguish you as professionals, in addition to your practical proficiency", the president said.

Okwuadigbo also enjoined the new chartered accountants to embrace the concept of entrepreneurship either by owning businesses of their own or by maintaining an entrepreneurial mindset even in paid employment.

He implored them to take advantage of ICAN's Mandatory Continuing Professional Education (MCPE) to update their skills regularly and also take steps to specialize by joining at least one of the institute's seven faculties in order to continue to deliver more

value to clients. "The only limit would be the one you allow or impose on yourself", he stressed.

In his own message as the Special Guest of Honour, a past President of the Institute, Dr. Richard Uche, described accounting profession as poverty alleviator. He urged inductees to allow integrity to be their watchword.



Miss. Basirat Oluwadamilola Adeoye, best-qualifying female candidate



Mr. Obadina Israel Ifeoluwa, best qualifying male candidate

49th Annual Conference: ICAN Awards Scholarships To Three University Students

At the 49th Annual Accountants' Conference of the Institute, three students were awarded scholarships after they emerged the best three at the National Essay Competition for undergraduates of tertiary institutions in the country.

The three winners are: Evansibe Savictor Sobechi, University of Nigeria Nsukka (1st); Godwin Divine Chinecherem, University of Nigeria Nsukka (2nd); Olapeju Alice Ajala, Obafemi Awolowo University, Ile-Ife (3rd).

The Conference was held between the 9th and 13th of September 2019 at the International Conference Centre, Abuja and Sheraton Abuja Hotel had ***"Building Nigeria for Sustainable Growth and Development"*** as its theme.

Declaring the Conference open, the Special Guest of Honour, His Excellency, President Muhammadu Buhari, who was represented by the Secretary to the Government of the Federation, Mr. Boss Mustapha, lauded ICAN's Accountability Index and the Institute's contributions to the socio-economic growth of the nation.

He advised that governments at all levels should place high premium on accountability by fully embracing the ICAN

Accountability Index (ICAN-AI) programme. "As watchdogs in organizations, accountants should continue to enable practices that ensure the judicious use of resources and demonstrate honesty in the discharge of their professional duties," he stated.

In his lead paper at the conference entitled ***"Strengthening Institutional Framework to Support Anti-corruption Drive"*** the Kenya anti-corruption czar, Professor Patrick Lumumba declared that reforms enhancing transparency and accountability in state and economic institutions are indispensable parts of anti-corruption strategy.

According to him, anti-corruption policies should cut across different sectors of the country's governance system and should not only strengthen the legal basis of the Institutions to prevent corruption, but also improve or broaden their criminal codes to be able to prosecute different types of corrupt practices.

He charged Accountants to be up and doing in supporting government in tackling corruption by being honest to expose all financial crimes they come across in the course of their duties as financial experts. He recommended that education should be given a pride of place as it creates awareness that enables citizens to



Cross section of participants at the conference

easily identify where corruption exists. He also appealed to government to always ensure appropriate and prompt payments of remunerations so as to prevent corrupt tendencies.

Other papers delivered at the conference include: *Path to Overcoming Security and Infrastructural Challenges in Nigeria*; *Disruptive Innovations: Challenges and Opportunities in the Accounting Profession*; *The FIRS Power of Substitution: Critical Review and Matters Arising*; *Public Accountability: A Driver of Transparent Leadership and governance*; *Integrity and Meritocracy: The Imperative for Political Leadership*; *Sustainability: Global Developments and Opportunities for Nigeria and Chartered Accountants*.

Apart from paper presentations, workshops and plenary sessions, there was a gala nite on Thursday during which a two musicians, Mr. Femi Solar entertained the participants. There was also an open raffle draw where a member of the Institute, Mrs. Nnochiri Okwuchi (MB No: 27862) won a brand new car. Other prizes like LCD television, gas cookers, laptops, fridges, phones were also won during the Gala.

There were also sporting activities, excursions and exhibitions. Other programmes of the conference include District Societies competition where various District Societies won trophies for their performances.

Declaring the conference close, the wife of President Muhammadu Buhari, Aisha, represented by the wife of Nassarawa State Governor, Hajia Mero Al-Makura expressed appreciation to those who took time out to attend the conference. She commended the Institute for choosing a theme that was highly instructive on the



One of the resource persons delivering a talk at the conference



Award recipients at the conference

various challenges facing the country. She advised the Institute to forward the conference communiqué to the appropriate government quarters.

The conference was attended by a total of 5,653 delegates including resource persons and invited guests, compared to last year's figure of 4,225. Participants from various countries were represented at the conference including Benin Republic, Cameroon, Canada, Gambia, Ghana, Niger Republic, Kenya, Togo, United Kingdom, United States of America, Malaysia and Nigeria, the host country.



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

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47, Ikotun/Egan Road, Market B/stop, Igando, Lagos. | 15 Excellent Associates Tutors
African Church Model College, College Road, Ifako-Ijaiye, Ogba Lagos. |
| 2 Accountancy Tutors Nigeria Limited
1-9, Ilorin/Katsina Road, By Independence Way, Marafa Estate, Kaduna State. | 16 Excellent Tutors, Abakaliki
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| 3 Accountancy Training Centre , Makurdi
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Junior Secondary School, Apo Legislative/National Assembly Quarters, Zone B,Apo, Abuja. |
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9, kashim Ibrahim Road, Makurdi, Benue State. | 21 Integrity Professional Academy, Warri
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80, Murtal Mohammed Way, Ebute-Metta. |
| 11 Deo-Gratia Professional Tutors, Oshogbo
25, Oyedokun Street, Ago-Wande, Oke -Onitea Road, Oshogbo, Osun State. | 25 Jodoc Accountancy Tutors
St John Catholic Church Primary School, Rumuokwurushi, Portharcourt, Rivers State. |
| 12 Edge Educational Services & Logistics
47, Athur Eze Avenue (Emmaus House), Awka, Anambra State. | 26 Maximum Professional Associate
27, Duduyemi Street(Salvation House) off Olugbede Market, Egbeda. |
| 13 Edo Wyse School of Professional
75/98, Arthur Eze Avenue, by Unizik Temp-Site Junction, Awka, Anambra state. | 27 Legacy Associate Limited
Olatunji HSE/Legacy HSE, 299/295, Ikorodu Rd, Idiroko B/ stop, Maryland, Lagos. |
| 14 Excel Professional Centre
11, Queen Elizabeth Road, Mokola, Ibadan, Oyo State. | |

- 28 **MIKON Professional Tutor**
34A, Boundary Road, G.R.A. Benin City, Edo State.
- 29 **MSL, School of Accountancy & Mgt. Studies**
L8, Ahmadu Bello Way, Katsina Round-about, same building with Studio 24, Kaduna, Kaduna State
- 30 **Networth Professional Tutors, V/I**
1 Bishop Aboyade Cole Street, Opposite ExxonMobil House, Off Ozumba Mbadiwe, V/I
- 31 **Onitsha Business School, Onitsha**
19A Lady Regina Nwankwu Avenue, GRA, Onitsha, Anambra State
- 32 **Pass Associates Limited**
9 - 11, Ogunyade Street, Gbagada, Lagos
- 33 **Password Professional Tutors, Akoka**
Oluwole Pry School Complex, Beside Unilag Main gate, Akoka
- 34 **PLUM Academy Limited**
336, Lagos Abeokuta Expressway, Super B/stop, Abule-Egba, Lagos
- 35 **Portharcourt School of MGT & Economics**
6B, Abeokuta Street, D/Line Port Harcourt, Rivers State
- 36 **POSSE Associates Tutors, Enugu**
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- 40 **Protrac Associates Limited**
1, Lagos Road, Ikorodu, Lagos
- 41 **Real Professional Tutors**
Wuse Zone 6, School Compound, behinde Oando filling Station, Abuja
- 42 **Risk Free Standards Associates Limited**
5, Olusoji Idowu Street, Off Association Avenue, Ilupeju, Obanikoro B/Stop, Lagos
- 43 **Safe Associate Limited**
31, Ore-Ofe Street, Gbaja, Off Barracks B/Stop, Onitolo, Opposite Laspotech Surulere Campus, Lago
- 44 **Salvage Professional School, Ibadan**
9, Kabiawu Street, Opp. Veterinary, Mokola Ibadan
- 45 **Sapati International School**
Off Ajase-Ipo Road, Sapati-Ile Road, Ilorin, Kwara State
- 46 **Sky Associates Nigeria Limited**
LEA Primary School, Wuse Zone 3, Abuja
- 47 **Soteria Business School**
Beside DB Petrol Station, Bola Ige B/Stop, Liberty Road, Oke-Ado, Ibadan, Oyo State
- 48 **Starry gold Academy**
Suit D2 Alhaja Humani Shopping Mall, 82 Kudirat Abiola Way, Oregun , Lagos
- 49 **Students SWOT Associate, Enugu**
3, Independent Layout, PRODA office, Opposite Hotel Presidential, Enugu
- 50 **Students PYE Nigeria Limited**
14, Oweh Street, Jibowu Lagos
- 51 **Superiorpoints Associates Limited**
148 Olojo Drive, FCMB Building, Opposite Ojo Local Govt Secretariat, Ojo
- 52 **Sure Success Better Consult, Lokoja**
Ule Close, GRA, Lokoja, Kogi State
- 53 **SQUAD Associates**
Ojodu Junior Grammar School, Grammar School B/S Berger
- 54 **Synergy Professionals**
2, Afric Road, Off Funsho Williams Avenue, Iponri, Surulere, Lagos State
- 55 **Taraba Business School, Jalingo**
Opposite Civil Service Commission, 183 Hammaruwa Way, Jalingo

Our goal is to ensure success in ICAN exams. We have, therefore, provided solutions to some past questions to guide candidates in future exams. Although these suggested solutions have been published under the Institute's name, they do not represent the views of the Council of the Institute. ICAN will, therefore, not enter into any correspondence about them.

Economics (ATSWA PART 1 - MARCH, 2019 DIET)

SECTION A: PART I

MULTIPLE-CHOICE QUESTIONS (30 Marks)

ATTEMPT ALL QUESTIONS IN THIS SECTION.

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

1. The fundamental economic problem of how to produce is concerned with
 - A. Profit maximisation
 - B. Cost-effective technology
 - C. Welfare maximisation
 - D. Sustainable economic growth
 - E. Effective distribution of goods and services
2. Which of the following is NOT a determinant of the type of economic system under which a country operates?
 - A. The nature of the relationship between the individual and the society
 - B. The economic agent dictating the direction of economic activity
 - C. The extent of intervention of foreign government in the economy
 - D. The role of government in the allocation of resources
 - E. The mechanism by which resources are allocated
3. The functional relationship between quantities of inputs and outputs is expressed by a
 - A. Demand function
 - B. Production function
 - C. Supply function
 - D. Consumption function
 - E. Total cost function
4. Which of the following do **NOT** justify government participation in business activities?
 - A. To promote efficient allocation of resources
 - B. To provide large capital required
 - C. To promote national security
 - D. To provide social services
 - E. To reduce exploitation by private business
5. If the average cost (AC) of producing commodity X is N20 and the total cost is N100, the quantity of X is
 - A. 120
 - B. 80
 - C. 50
 - D. 10
 - E. 5
6. If a production process is represented by $Q = f(L, K)$, where Q = output, L and K are labour and capital inputs respectively, the marginal rate of technical substitution ($MRTSL_K$) between L and K is
 - A. $MRTSL_K = MPL/MPK$
 - B. $MRTSL_K = MPL/APK$
 - C. $MRTSL_K = MPL/MPL$
 - D. $MRTSL_K = APL/MPL$
 - E. $MRTSL_K = APL/MPL$
7. Which economic concept explains why a large drug chain can produce at a lower average cost than single-scale individually owned drug store?
 - A. Diseconomies of scale
 - B. Constant returns to scale
 - C. Diminishing marginal returns
 - D. Economies of scale
 - E. Scale of preference
8. A supply curve that is a vertical straight line has a price elasticity that is
 - A. Zero
 - B. More than zero but less than one
 - C. One
 - D. Greater than one
 - E. Negative
9. A price set above the equilibrium price will lead to
 - A. Excess demand
 - B. Excess supply
 - C. Market shortage
 - D. Market equilibrium
 - E. Shortage supply
10. Which of the following illustrates consumer's constraint?
 - A. Total utility curve
 - B. Demand curve
 - C. Budget line

- D. Indifference curve
E. Indifference map
11. The functional relationship between demand and all factors affecting it is expressed by a
A. Supply function
B. Consumption function
C. Demand function
D. Revenue function
E. Production function
12. The demand curve facing the monopolist will be downward sloping implying that
A. More can be sold at a lower price
B. Less will be sold at a lower price
C. A change in price has no effect on sales
D. More or less can be sold at a higher price
E. More or less can be sold at a lower price
13. The market structure characterised by a large number of firms producing homogenous products is called
A. Perfect competition
B. Monopolistic competition
C. Oligopoly
D. Monopoly
E. Duopoly
14. A discriminating monopolist charges a higher price in the market where
A. Demand elasticity exceeds unity
B. Supply elasticity exceeds unity
C. Agents have perfect information
D. Marginal revenue is low
E. Demand elasticity is fairly inelastic
15. Which of the following countries is **NOT** a member of the Organisation of Petroleum Exporting Countries (OPEC)?
A. Venezuela
B. Gabon
C. Ghana
D. Algeria
E. Nigeria
16. Which of the following is **NOT** an example of indirect taxes?
A. Export duty
B. Import duty
C. Value Added Tax
D. Excise duty
E. Personal Income Tax
17. A tax that takes higher percentage of income as income falls is a/an
A. Lump sum tax
B. Progressive tax
C. Regressive tax
D. Proportional tax
E. Indirect tax
18. Which of the under-listed will be appropriate for curbing inflation?
A. Deficit budget
B. Balance budget
C. Surplus budget
D. Supplementary budget
E. Zero-based budget
19. Which of the following serves as a lender of last resort?
A. Commercial banks
B. Central bank
C. Development banks
D. Security and Exchange Commission
E. Stock Exchange
20. Fiduciary issue means money
A. Not backed by diamonds
B. Backed by silver
C. Not backed by gold
D. Backed by diamonds
E. Backed by gold
21. The total stock of money available for use in an economy is
A. A function of money
B. A characteristic of money
C. The demand for money
D. The supply of money
E. Distinction of money
22. When a country's net factor income from abroad is added to the Gross Domestic Product (GDP), the value obtained is
A. Gross National Product (GNP)
B. Net National Product (NNP)
C. Net Domestic Product (NDP)
D. Personal Disposal Income (PDI)
E. Per Capita-income (PCI)
- Use the following information to answer Questions 23 and 24**
- | Items | N
billion |
|-------|--------------|
| | |

Income of Nigerians living in Nigeria	250
Income of foreigners in Nigeria	400
Income of Nigerians abroad	350

23. The value of the Net Factor Income from abroad is
 A. - N150 billion
 B. - N100 billion
 C. - N50 billion
 D. N50 billion
 E. N150 billion
24. The value of the Gross National Product is
 A. N700 billion
 B. N650 billion
 C. N600 billion
 D. N550 billion
 E. N500 billion
25. The level of economic development is low in West African countries because
 A. Planning has no practical relevance
 B. Pattern of consumer spending is low
 C. The countries have large population size
 D. Implementation of plan is ineffective
 E. There is a unique planning model
26. Which of the following is **NOT** a measure of economic development?
 A. Per capita-income
 B. Life expectancy
 C. Literacy rate
 D. Infant mortality
 E. Corruption Index
27. A fall in the prices of exports while the prices of imports remain constant will
 A. Worsen the balance of payments position
 B. Reduce the gross national product
 C. Improve the terms of trade
 D. Improve capital account balance
 E. Reduce net exports value
28. Ghana's currency (Cedis) is obtainable in Nigeria from which of the following market?
 A. Money market
 B. Commodity market
 C. Bond market
 D. Foreign exchange market
 E. Fiduciary market

29. To eliminate balance of payments deficit, the exchange control measure is meant to
 A. Reduce external debt
 B. Reduce import value
 C. Reduce foreign reserves
 D. Reduce export volume
 E. Promote currency appreciation
30. Which of the following can be adopted to solve the problem of unemployment?
 A. Upward review of reserve requirement
 B. Lowering credit earnings
 C. Reduction in the bank lending rate
 D. Purchase of government securities
 E. Call for special deposit

SECTION A: PART II

SHORT-ANSWER QUESTIONS (20 Marks)

ATTEMPT ALL QUESTIONS IN THIS SECTION.

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

- The sacrifice of alternative uses of scarce resources when a choice is made is referred to as.....
- The difference between total revenue and explicit cost of production is called.....
- The ratio of total variable cost to the quantity of output produced gives the
- Cost of production which varies directly with level of output is called.....
- The different combinations of two goods that can be bought with a given income and the prices of two goods is illustrated with.....
- The supply of palm oil and palm kernel is known as.....
- If demand for a product is perfectly price inelastic, the burden of tax on such a product will be borne by the
- The most important factor determining the levels of savings and consumption is.....
- In National Income equilibrium determination, the components of aggregate demand that increase planned expenditure such as Investment (I), Government expenditure (G) and Export (X), is called.....

10. Economic growth accompanied by significant improvements in the living conditions of the people is called.....
11. Open market operations is one of the instruments of....policy?
12. The deliberate manipulation of taxes and spending by the government to influence aggregate demand is known as.....
13. A market structure that is characterised by a single buyer is known as
14. Demand for money against unpredictable or an emergency occurrence is called.....
15. The market structure in which the firm is also the industry is known as.....
16. The international financial institution established with objectives that include promotion of exchange rate stability and assisting member countries with balance of payments problem is.....
17. A group of firms that enter into agreement to regulate output and prices so as to make profit is called
18. The ratio of the price index of a country's exports to price index of imports is called.....
19. Inflation resulting from increase in the prices of production inputs is classified as.....
20. Unemployment associated with fluctuations in economic activities is called.....

SECTION B:

MICRO / MACRO ECONOMICS

Question 1

- a. Explain briefly the difference between
 - i. Microeconomics and Macroeconomics
 - ii. Positive economics and Normative economics (8 Marks)
- b. Explain with illustrative examples what economists meant by
 - i. Ceteris paribus
 - ii. Direct Relationship
 - iii. Inverse Relationship (4½ Marks)
 (Total 12½ Marks)

Question 2

- a. Explain the following concepts of price elasticity:
 - i. Perfectly inelastic demand
 - ii. Unitary elastic demand (5½ Marks)
- b. Explain with the aid of appropriate diagrams the incidence of tax imposed on a commodity for which demand is
 - i. Perfectly price inelastic
 - ii. Unit price elastic (7 Marks)
 (Total 12½ Marks)

Question 3

- a. Distinguish clearly between private limited liability company and public limited liability company. (5 Marks)
- b. Write short notes on each of the following concepts:
 - i. Privatisation
 - ii. Commercialisation
 - iii. Nationalisation (7½ Marks)
 (Total 12½ Marks)

Question 4

- a. i. What is Inflation?
ii. Differentiate between creeping inflation and hyper-inflation. (Total 4½ Marks)
- b. Explain briefly the specific effects of inflation on
 - i. Fixed income earners
 - ii. Business profits
 - iii. Lenders and borrowers
 - iv. Foreign trade (8 Marks)
 (Total 12½ Marks)

Question 5

- a. Explain briefly the use of government expenditure and taxation as instruments of fiscal policy. (4½ Marks)
- b. State **FOUR** reasons why government expenditure has been on the increase in West Africa over the years. (8 Marks)
(Total 12½ Marks)

Question 6

- a. State **FIVE** objectives of Organisation of Petroleum Exporting Countries (OPEC). (5 Marks)
- b. Explain briefly **THREE** problems militating against OPEC from achieving its objectives. (7½ Marks)
(Total 12½ Marks)

Basic Accounting Processes & Systems

(ATSWA PART 1 - SEPTEMBER, 2019 DIET)

SECTION C: PART I

SHORT-ANSWER QUESTIONS (20 Marks)

ATTEMPT ALL QUESTIONS

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

1. Accounting has been described as the language of
2. The Generally Accepted Accounting Principles are also codified into what is known as
3. Partners are and liable for any losses of the business.
4. Two forms of keeping the capital accounts of partners in the partnership books are and
5. The accounting concept that is observed when the amount of goods taken from inventory by the proprietor of a business is treated as drawings is
6. A document usually sent ahead of shipment or delivery of goods is
7. The fact that goods have been returned to a supplier by a customer is evidenced by which source documents?
8. Regular payments made by the bank on the instruction of the customer is called.....
9. Halsey premium plan was introduced in year
10. The asset most susceptible to loss through theft is
11. Companies derive their existence under the provisions of the
12. A crossed cheque cannot be over the counter.
13. The accounting concept that requires the same treatment of items in the financial statements from one period to another is known as
14. The principle of holds that financial statements should disclose items which are significant enough to affect decisions.
15. A type of account that is used to record physical non-current asset is called
16. The cost that is incurred in order to bring the goods into the company in a condition that is necessary for its sale is called
17. Current liabilities represent amounts payable by the entity within months.
18. TWO types of data held by the master file in respect of an employee are and
19. The receipts and payments of a club is prepared under the basis whereas income and expenditure account is prepared under basis
20. Transactions between two people, any one of whom does not have influence on or control over the other is known as

SECTION C: PART II

Question 7

- a. Briefly trace the historical development of accounting as a subject of general application to business. (5 Marks)
 - b. What do you understand by the term business? (1½ Mark)
 - c. List **FOUR** general characteristics of a business. (4 Marks)
 - d. List **TWO** disadvantages of a sole-proprietorship form of business. (2 Marks)
- (Total 12½ Marks)**

Question 8

- a. Clearly distinguish between the following terms
 - i. Payslip and payroll (2 Marks)
 - ii, Gross pay and Net pay (2½ Marks)
- b. Identify **THREE** objectives of payroll accounting (3 Marks)
- c. Many companies are designing computer application packages for routine usage.

You are required to:

List **FIVE** of such packages (5 Marks)

(Total 12½ Marks)

Economics

(ATSWA PART 1 - MARCH, 2019 DIET)

Suggested Solutions

SECTION A: PART I

MULTIPLE-CHOICE QUESTIONS

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

Examiners' Report

The questions in this part were drawn from virtually all the topics of the syllabus. In compliance with the given instructions, all the candidates attempted these questions while about 62% scored not less than 50% of the total marks for this part.

A good coverage of the entire syllabus is the only way to posting a good performance in this part.

SECTION A: PART II

SHORT-ANSWER SOLUTIONS

1. Opportunity cost/Real cost
2. Accounting profit
3. Average variable cost
4. Variable cost/Total variable cost
5. Budget line
6. Joint supply
7. Consumer alone
8. National income
9. Injections
10. Economic development
11. Monetary
12. Fiscal policy
13. Monopsony
14. Precautionary motive
15. Monopoly
16. International Monetary Fund (IMF)

17. Cartel
18. Terms of trade
19. Cost-push inflation
20. Cyclical unemployment

Examiners' Report

This part is also compulsory for the candidates and all of them attempted the questions. As expected, the questions were drawn from the two branches of economics; microeconomics and macroeconomics following the relative weighting of the topics as provided in the syllabus.

About 43% of the candidates scored pass marks. Similarly, to score well in this part requires that candidates have good knowledge of all the topics in the syllabus.

Suggested Solutions

SECTION B:

MICRO / MACROECONOMICS

SOLUTION 1

- a (i) The study of economics is generally separated into two major areas; Microeconomics and Macroeconomics. Microeconomics is concerned with the behaviour of individual consumers and firms and how individual markets and industries are organized. It studies economics in a smaller unit. Specifically, it examines how relative prices are determined and how resources are allocated to the production of goods and services, how prices are determined and how efficiently the resources are utilized.

Macroeconomics is the study of the economy as a whole. The emphasis is on aggregate economic variables such as the level of employment, total output and income, etc. Thus, macroeconomics explores the problems of inflation, external disequilibrium, growth and general poverty, among others, in the macro economy.

- (ii) Economic analysis can be divided into positive economics and normative economics.

Positive economics is concerned with describing and analysing the way things are or things will be if certain conditions exist.

It is a statement of facts. It is an objective science which provides explanation of the working of the economic system.

Normative economics is concerned with what ought to be or should be with respect to how economic problems should be solved. It is a value judgement, and subjective, thus, it deals with those areas of human economic behaviour in which personal value judgements are made. Example of normative statement can be like this; *money supply should be reduced to lower inflation in the economy.*

b (i) **Ceteris paribus** is a latin phrase meaning 'other things being equal'. Since human behaviour cannot be predicted, it is important to state the underlying assumptions clearly. Adding the phrase 'ceteris paribus' to the state of economic law is to indicate the law of valid to the extent that other influencing factors remain unchanged. Example is the *law of demand* ceteris paribus, the lower the price, the greater the quantity demanded.

(ii) **Direct relationship** exists between two variables if they move in the same direction. For example, price and the quantity supplied by the firm. In supply, other things being equal, the higher the price, the greater the quantity supplied.

(iii) **Inverse relationship** exists between two variables when they are moving in opposite direction. A good example is the *law of demand*. All things being equal, the higher the price, the lower the quantity demanded.

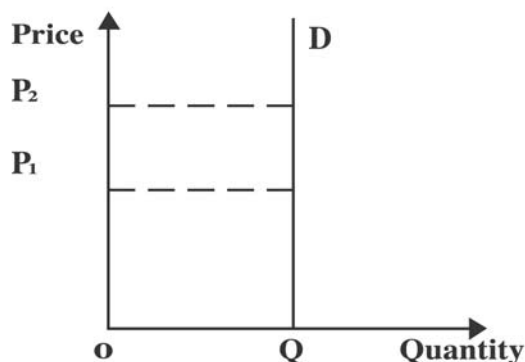
Examiners' Report

This question is on the nature and scope of economics and some of the terms that constitute the language of modern economics. About 77% of the candidates attempted the question recording a dismal performance of about 30% success rate.

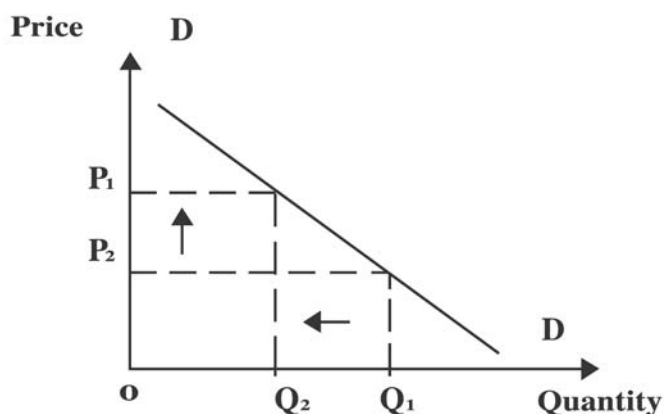
The funniest thing was that most of the candidates wrongly interpreted the popular Latin phrase 'ceteris paribus' as meaning 'all things being equal' as against the correct interpretation of 'all others things being equal'. It is very important that candidates are well grounded in the nature and scope of modern economics and the language of economics.

SOLUTION 2

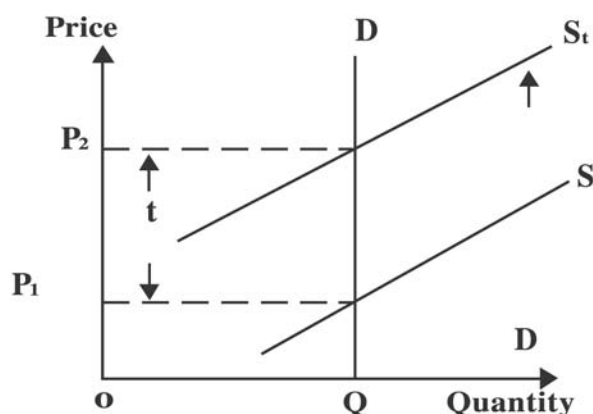
a.(i) **Perfectly Inelastic Demand:** This occurs when a change in the price of a commodity leaves the quantity demanded unchanged. This is the case for a good of necessity. The demand curve is vertical and the price elasticity of demand coefficient is zero. See the diagram below:



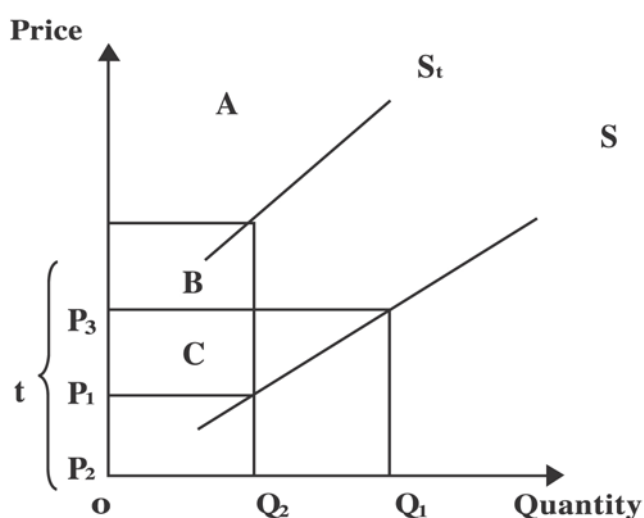
(ii) **Unitary elastic demand:** Demand for a commodity is unit price elastic if a given change in price leads to a proportionate change in quantity demanded. Price elasticity of demand coefficient is equal to 1 (unity). This is illustrated in the following diagram;



b (i) **Incidence of tax for Perfectly Price Inelastic Demand.** If demand for a good is perfectly price inelastic, there is no amount of tax or price increase that will affect quantity demanded. The good is a necessity; therefore, the consumer bears the entire burden of tax. As illustrated in the following diagram, the new price (P_2) = $P_1 + t$.



- (ii) **Incidence of tax:** Unit Price Elastic Demand. If demand for a good is unit price elastic, consumers respond proportionately to the increase in price resulting from tax imposed. Therefore, the burden of tax is shared equally between the seller (producer) and the buyer (the consumer).



Examiners' Report

This question explores the concept of price elasticity of demand and its specific application to government microeconomic tax policy of 'incidence of tax'. About 36% of the candidates attempted the question.

The inability of about 70% of the candidates to draw

the appropriate diagrams to support their discussions of incidence of tax resulted in the loss of vital marks. Thus, the success rate is about 28%.

This is illustrated in the following diagram. Tax (t) is shared equally between the buyers and the sellers.

SOLUTION 3

- a. There are two types of joint-stock companies: Private limited Liability Company and Public Limited Liability Company.

A **private limited liability company** is small in size with membership ranging between two (2) and fifty (50). The minimum number of shareholders a private limited liability company can have is two and a maximum number of fifty. It has smaller capital shareholders when compared with a public limited liability company. The company does not sell shares to the public to raise capital but members contribute their funds for the business shares.

On the other hand, a **public limited liability company** possesses a larger capital as compared to a private joint-stock company through the sale of shares to the general public. It has a membership of seven (7) and above. And shareholders can freely transfer or sell their shares.

- b.(i) **Privatisation:** This can be defined as the process of transferring ownership and control of publicly owned enterprises from government (public sector) to private individuals and companies (private sector).

Privatisation can take any of the following forms:

- **Share issue privatisation:** This involves selling shares of the enterprise to private individuals and businesses on the stock market.
- **Voucher privatisation:** This entails distributing shares of ownership of the enterprise to citizens usually for free or at any low price.
- **Asset sale privatisation:** This involves selling the entire enterprise or a substantial part of it to strategic investor, usually by auction. The choice of privatisation method is influenced by capital market, political and enterprise-specific factors.

- ii. **Commercialization:** This is the process of reorganizing a public

enterprise to make it self-sustaining and self-accounting instead of depending on the government subventions and subsidies for its survival and operation. Such reorganized enterprises are not subsidized by government and product pricing is achieved by market forces.

The primary goal of commercialization is to promote efficient use of public resources as well as improving quality of service delivery, especially in areas that are critical to the growth of the economy and poverty reduction.

- iii. **Nationalisation:** This refers to a process whereby the government assumes the exclusive ownership and control of a firm or an industry. In most developing countries, the term is used to refer to transfer of ownership and control of an industry from the private sector to the public sector. In the later case, nationalization is direct opposite of privatization. Nationalization enables the government to fast track national economic development.

Examiners' Report

This question tested the candidates' understanding of the forms of business organisation as well as some government policies affecting ownership, control and restructuring of businesses. The question was relatively popular among the candidates because it was attempted by about 88% of them.

However, only about 20% of the candidates scored up to half of the marks allocated to the question.

SOLUTION 4

- a (i) **Inflation** is defined as a persistent increase in the general price level of goods and services over a period of time. The inflation rate is measured as a percentage change in a price index, such as Consumer Price Index (CPI). During the period of inflation, there is a continuous fall in the purchasing power of money. That is, the higher the price level, the lower the value of money.
- ii. **Creeping inflation:** This is an inflationary situation, whereby the inflation rate is low, much less than 10 percent. The inflation rate increases gradually, but over time (over a period of time).

Hyper-inflation: This refers to inflation which has gone out of hand. That is a persistently high increase in the price level. In other word, hyper-inflation occurs when there is a significant increase in the money supply not supported by Gross Domestic Product (GDP) growth which results in an imbalance in the supply and demand for money. If left unchecked, it causes prices to increase as the currency loses its value.

b. Effects of Inflation

- i. **Fixed income earners:** Those on fixed incomes or assets lose during inflation. For instance, people living on pensions or social security tend to suffer during inflation as their real income shrinks (reduces).
- ii. **Business profits:** Profits increases when the inflation is of demand-pull type and decline when the inflation is cost-push type. During the period of demand pull inflation, the prices of final goods and services tend to be more flexible in an upward direction than many other prices.
- iii. **Lenders and Borrowers:** Inflation tends to encourage borrowing and discourage lending. For instance, what is borrowed today may not be equal in value when it is being paid back in the future. This is true only when nominal interest rate is fixed or rises at a lower pace than inflation.
- iv. **Foreign Trade:** Rising domestic prices can hurt exports. If domestic prices are rising faster than the rest of the world prices, exports will fall and imports will tend to increase and this will invariably affect our net exports and may have devastating balance of payments implications.

Examiners' Report

This is a straightforward question on the macroeconomic problem of inflation and some of its effects. About 86% of the candidates attempted this question while the success rate is about 12%.

This performance outcome was as a result of the fact that about 88% of the candidates had no knowledge of the effects of inflation which was tested in part (b) and which attracts about 68% of the entire marks allocated to the question.

SOLUTION 5

- a. **Government expenditure** refers to government spending in the performance of her responsibilities. **Government tax** is a compulsory levy payable by individuals and business organisations to the government without receiving any definite corresponding service or good directly in return from the government. These two fiscal instruments are used to address economic problems. For instance, government may address the problem of high inflation by reducing spending and increasing tax rate. Likewise, government spending will increase, while tax rate will be reduced when a country is facing the problem of unemployment.
- b. Government spending have been on the increase in West Africa because of the following reason:
 - i. **Increasing population:** As the population increases, there are many more people requiring government-supplied amenities such as schools, hospital, recreational facilities, and so on.
 - ii. **Inflation:** Government expenditure usually exhibits a rising trend because of rising price level overtime.
 - iii. **Public debt servicing:** The servicing of both domestic and external public debts requires large payments of interest and principal as they fall due.
 - iv. **Changing political and bureaucratic structure:** Political instability and bureaucracy in West Africa are the major factors for upsurge in public expenditure on administration and governance.

Examiners' Report

This is a public finance question on government expenditure, taxation and fiscal policy. About 75% of the candidates attempted the question, while the success rate was about 10%.

Since the question was not ambiguous, one could only conclude that the candidates did not prepare well for this paper.

SOLUTION 6

- a. The objectives of Organization of Petroleum Exporting

Countries (OPEC) are:

- i. To promote oil price stability in international market through periodic review of members oil-export volume.
- ii. To coordinate and unify the petroleum policies of member countries and determine the best means of safeguarding their interest individually and collectively.
- iii. To provide an efficient economic and regular supply of petroleum to consuming nations.
- iv. To guarantee a fair return on capital to those individuals and corporate bodies investing in the petroleum industry.
- v. To provide financial assistance to poor in non-oil producing countries so as to close the gap between the rich and the poor nations.
- b. The problem of OPEC includes:
 - i. Non-compliance of members to the export quota dictated by OPEC leading to over population and decline in prices and their revenues.
 - ii. The production and market strategies of independent non-OPEC oil exporting countries have always tended to undermine OPEC's resolutions.
 - iii. Economic diversity of member countries. The different characteristics of the member countries require the different development needs that might affect the resolutions of OPEC.
 - iv. Price instability results in oil revenue volatility which affects long term planning and budgeting challenges in member countries. It also complicates the efforts to deal with balance of payments problems.

Examiners' Report

This question on Organisation of Petroleum Exporting Countries (OPEC) was straightforward. About 34% of the candidates attempted the question and only about 8% of them scored pass marks.

Candidates are advised to attach importance to all the topics in the syllabus.

Basic Accounting Processes & Systems

(ATSWA PART 1 - SEPTEMBER, 2019 DIET)

Suggested Solutions

SECTION C: PART I

SHORT-ANSWER SOLUTIONS

1. Business
2. Accounting Standards
3. Jointly and Severally
4. Fixed Capital and Fluctuating/Flexible
5. Business Entity
6. Pro-forma Invoice
7. Credit Note
8. Standing order
9. 1891
10. Cash
11. Companies and Allied Matters Act 2004 (CAMA 2004)
12. Cashed/paid
13. Consistency
14. Materiality
15. Real account
16. Carriage Inwards
17. 12 (Twelve) months
18. Standing data File and Transaction data files
19. Cash basis and Accruals basis
20. Arm's Length Transactions

Examiners' Report

The questions cover all the aspect of the syllabus. All the candidates attempted the questions and their performance was above average.

SOLUTION 7

(a) The Historical Development of Accounting

i. Rudimentary form of accounting started with book-keeping by *Lucia Pacioli*, an Italian monk. In his book titled "*Summa de Arithmetical, Geometrica, proportioni et proportionalita*," published in 1494 on Arithmetic, Geometry and Proportion, he devoted a chapter to expound the principles of the double entry system. It became necessary for managers to report to the owners of businesses during the period under review.

ii. Such report would include mainly the following:

- How the financial resources of the business have been obtained and how they have been invested during the 'period'
- The profit earned or loss incurred during the 'period' and
- The assets, liabilities and the owners' equity at the end of the period under review.

iii. After this initial development, a lot of changes have been witnessed in accounting. These changes were informed by the sophistication and complexity of businesses, industrial and political environments which placed more responsibilities on management of business to disclose more information to owners and other interested parties.

iv. For instance, a lot of Generally Accepted Accounting Principles (GAAPs) have been developed to be followed in the preparation of financial statements. Also, accounts have to be "audited" and reported on as presenting a "true and fair" position. Accounting has also gone beyond mere reporting for managerial decisions, to include tax management, government accounting and social responsibility accounting.

The GAAPs are developed from time to time to keep pace with changes in the economic and political environments. The GAAPs are also codified into what is known as *Accounting Standards*. Therefore, accounting is not a fixed set of rules but a constantly evolving body of knowledge.

(b) Business

Business as defined in ICAN Financial Accounting Study text is used in different contexts. It is used to describe:

- An economic system where goods and services are exchanged for one another or for money.
- A commercial entity that aims to make a profit from its operations.
- An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return to investors or other owners.

(c) Characteristics of Business

The following are some of the characteristics of business:

- It exists to make profits
- It makes profit by supplying goods or services to others (customers)
- It supplies goods that it either makes or buys from other parties
- Its reward for accepting risk is profit
- The profit earned by it belongs to its owners (sole proprietor, partners or shareholders).

(d) **Disadvantages of a Sole-Proprietorship form of business**

- The finance available for expansion is limited to that which the sole trader can raise.
- The owner has unlimited liability because all his assets might be seized if the business goes bankrupt.
- It lacks continuity because the death of the owner automatically leads to the collapse of the business.

Examiners' Report

The question tests candidates' knowledge in the historical development of accounting, while the other parts of the question tests their knowledge in Business concept and its forms.

About 95% of the candidates' attempted the question and their performances were above average. Candidates' major pitfall was their poor preparation. They are advised to always prepare very well for future examination.

SOLUTION 8

(a) **Distinguish between:**

i. **Payslip and Payroll**

Pay Slip is a source document issued by employer to the employees showing details of his gross emoluments and payroll deductions. The payroll deductions consist of statutory deductions such as (personal Income Tax, employees' pension contributions, National Housing funds, National Health Insurance and non-statutory deductions such as contribution to cooperative societies, union dues, and association fees.

Payroll on the other hand may be defined as a record showing the names of employees, rates of pay, hours worked, bonuses, allowances, gross earning (salaries), statutory deductions and other deductions during a given pay period. In simple terms, payroll may be understood as a document showing for each worker his gross earning, any deductions (statutory and otherwise) made from his gross earnings and the net amount payable to him in a particular pay period.

ii. **Gross Pay and Net Pay**

Gross pay or earning is the total emolument or, pay/salary or total weekly wage that employees earn in a particular period before statutory and other deductions are made. In Nigeria, gross pay is the consolidated income of an individual earned

from employment. The consolidated salary of an employee may consist of the following components:

- Basic Salary
- Leave allowance
- Responsibility allowance
- Transport allowance
- Overtime allowance
- Risk allowance

Net Pay on the other hand, is the excess of the gross pay or salary over deductions. It is often called disposable income or "take home pay". It is the pay the worker actually takes home for a given period.

(b) **Objectives of Payroll Accounting**

Business organisations record information relating to employees' pay due to the following:

- Payroll usually constitutes the most significant or material obligation or expense in most business entities.
- Business entities are required by law to send returns on their payroll including the amount of income and tax deducted at source to the tax authorities.
- It is used for cost control purposes, usually in the form of variance analysis.
- It is also the basis upon which most tax clearance certificates are prepared.

(c) **Examples of Computer Application Packages**

- Microsoft Excel or Spread sheet
- Peachtree;
- Sage;
- Tally; and
- Oracle

Examiners' Report

The question tests candidates' knowledge on employees' payroll, its objective and meaning of some terms, part (b) tests their knowledge on computer packages for accounting operations usage.

About 50% of the candidates attempted the question and their performance was below average. Candidates' shortfall was their poor knowledge in the (b) part. Candidates are advised to prepare well for the future examination.

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