

EXAMINERS GENERAL COMMENTS

BREACH OF EXAMINATION INSTRUCTIONS

IN SPITE OF THE EXAMINERS' GENERAL COMMENTS IN PREVIOUS EDITIONS OF THE "INSIGHT", IT WAS OBSERVED THAT A NUMBER OF CANDIDATES HAVE CONTINUED TO BREACH EXAMINATION INSTRUCTIONS AS STATED BELOW:

- A) BY ATTEMPTING MORE QUESTIONS THAN ALLOWED IN EACH PAPER; AND

- B) BY ATTEMPTING MORE QUESTIONS THAN ALLOWED IN EACH SECTION.

INADEQUATE COVERAGE OF THE SYLLABUS

IT HAS BECOME OBVIOUS THAT MANY CANDIDATES DO NOT COVER THE SYLLABUS IN DEPTH BEFORE PRESENTING THEMSELVES FOR THE EXAMINATION. CANDIDATES ARE THEREFORE ADVISED TO BE ADEQUATELY CONVERSANT WITH ALL ASPECTS OF THE SYLLABUS.

INSIGHT

FOREWORD

This **INSIGHT** is published principally, in response to a growing demand, as an aid to:

- (i) Candidates preparing to write future examinations of the Institute of Chartered Accountants of Nigeria (ICAN) at an equivalent level;
- (ii) Unsuccessful candidates in the identification of those areas in which they lost marks with a view to improving their knowledge and presentation in subsequent examinations;
- (iii) Lecturers and students interested in acquisition of knowledge in the relevant subject contained therein; and
- (iv) The profession in a bid to improving pre-examination and screening processes.

The answers provided in this book do not exhaust all possible alternative approaches to solving the questions. Efforts have been made to use methods, which will save much of the scarce examination time.

It is hoped that the suggested answers will prove to be of tremendous assistance to students and those who assist them in their preparations for the Institute's Examinations.

NOTE

Although these suggested solutions have been published under the Institute's name, they do not represent the views of the Council of the Institute. They are entirely the responsibility of their authors and the Institute will not enter into any correspondence about them.

ATSWA PART III MARCH 2019 DIET

INSIGHT

CONTENTS	PAGE
PRINCIPLES OF AUDITING	4 - 26
COST ACCOUNTING	27 - 54
PREPARING TAX COMPUTATIONS AND RETURNS	55 - 81
MANAGEMENT	82 - 102

INSIGHT

AT/191/PIII.9

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
PART III EXAMINATIONS – MARCH 2019**

PRINCIPLES OF AUDITING

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 professional services is **NOT** expected to be offered by a firm of Chartered Accountants in addition to its services as auditor of a client?
 - A. Keeping clients accounting records
 - B. Attending to tax queries
 - C. Participating in annual stock taking
 - D. Recommending remedial actions to audit committee
 - E. Acting as a reporting accountant in an initial public offer

2. Which of the following precautions **CANNOT** be taken by the auditor to prevent him from being liable in the course of his audit assignment?
 - A. Minimising reliance on clients' representation or even third party confirmation
 - B. Maintaining quality control, using written audit programme and keeping proper working papers
 - C. Agreeing the auditors duties and responsibilities precisely in a letter of engagement
 - D. Taking professional indemnity insurance cover
 - E. Ignoring expectation gap

3. Which of the following circumstances **CANNOT** be regarded as compromising the independence of the auditor?
 - A. Holding shares in clients' companies in a personal capacity
 - B. Having personal or blood/marriage relationship with the Finance Director

ATSWA PART III MARCH 2019 DIET

INSIGHT

- C. Receiving unduly large proportion of his total audit fees from the client
 - D. Being auditors for two companies in the same group
 - E. Collecting loans or extending advances to clients or receiving loans from the principal officers of the client
4. Sanctions which are commonly imposed by the Professional Accountancy Bodies on their members for misconduct, **EXCLUDE**
- A. Withdrawal of practising license
 - B. Reprimand
 - C. Fine
 - D. Suspension from membership permanently
 - E. Payment of cash
5. What should a member of a Professional Accountancy Body do if he discovers information which adversely affects the accounts or financial statements that he is currently preparing or auditing?
- A. Report to the police
 - B. Report to the Securities and Exchange Commission
 - C. Resign his appointment as auditor and refund fees already received for the exercise
 - D. Stop work on it immediately
 - E. Report to employees of the Company
6. The external auditor of a public company can only be removed by
- A. Audit committee
 - B. Directors
 - C. Shareholders
 - D. Creditors
 - E. Corporate Affairs Commission
7. Which of the following assurance procedures is **NOT** relevant for the verification of the existence of legal claims?
- A. Reviewing the client's system of recording claims and procedure for bringing these to the attention of management
 - B. Examining the minutes of the board of directors or other relevant committee
 - C. Obtaining written assurance from the appropriate director or official that he is not aware of any other referrals to solicitor other than those disclosed

INSIGHT

- D. Examining the documentary evidence in support of the bills rendered by the managing director
 - E. Seeking legal counsel on the audit assignment
8. Which of the following is **NOT** required to be considered by an auditor in designing substantive analytical procedures?
- A. The reliability of the data from which the expectation of recorded amounts or ratio is developed
 - B. Suitability of using substantive analytical procedure given assertions
 - C. Whether the expectation is sufficiently precise to identify a material mis-statement at the desired level of assurance
 - D. The amount of any difference recorded from expected values that is acceptable
 - E. The nature of any difference recorded from expected values that is acceptable
9. Which of the following sampling techniques involves the use of auditor's intuition to select, test and evaluate the audit samples?
- A. Monetary sampling technique
 - B. Statistical sampling technique
 - C. Judgemental sampling technique
 - D. Variable sampling technique
 - E. Random sampling technique
10. Which of the following is **NOT** an objective of stock taking exercise?
- A. To verify the condition of stocks
 - B. To verify the existence of stocks
 - C. To establish the title of stocks
 - D. To establish the cost of stocks
 - E. To ascertain the effectiveness of internal control systems over stock
11. Which of the following is the auditor **NOT** required to document in the Audit Planning Memorandum?
- A. The timing of the audit work
 - B. The assessment of the internal control of the client
 - C. Income budget of the company
 - D. The briefing instruction of the audit team

INSIGHT

- E. The control, supervision and review of the audit work
12. “An Auditor should plan the audit work so as to perform the assurance assignment in an effective manner”
- A. The statement is true
 - B. The statement is not true
 - C. The statement is not always true
 - D. Auditor’s prior knowledge will suffice
 - E. Auditor does not always need to plan
13. Which of the following is **NOT** an inherent limitation of internal control system?
- A. Collusion of employees
 - B. Human error
 - C. Pressure
 - D. Overridden by management
 - E. Regular reconciliation
14. Which of the following is **NOT** a method of ascertaining the internal control system of an entity?
- A. Examining previous audit work
 - B. Tracing transactions
 - C. Use of management position to override control
 - D. Observation of procedures
 - E. Client’s system documentation
15. Which of the following is contained in the current audit file?
- A. Statutory and other legal documents governing the entity
 - B. An audit programme detailing the audit steps to be taken
 - C. Certificate of incorporation
 - D. Engagement letter
 - E. Organogram of the company
16. Which of the following is **NOT** contained in a management letter?
- A. Terms and scope of engagement
 - B. Weakness in the accounting and internal control systems
 - C. Deficiencies in the operation of the entity
 - D. Unsuitable accounting policies and practices
 - E. Non compliance with accounting standards and legislation

INSIGHT

17. The test that examines and reviews an entity's internal control procedures and records underlying final accounts with a view to determining the reliability as a basis for the preparation of the financial statements is called
- A. Compliance test
 - B. Substantive test
 - C. Directional test
 - D. Rotational test
 - E. Procedural test
18. Which of the following is **NOT** a component of the internal control system?
- A. Risk assessment
 - B. Control environment
 - C. Observation
 - D. Monitoring
 - E. Control procedures
19. The power vested in the Legislature to direct investigation to be conducted into the affairs of any Ministry can be found in the provisions of which of the following?
- A. The official gazette
 - B. The constitution
 - C. The legislative journal
 - D. The annual budget
 - E. The laws of the Country
20. Which of the following is **NOT** the responsibility of the Public Accounts Committee (PAC)
- A. Issuance of financial regulations
 - B. Examine the audited accounts of the Federation /Nation
 - C. Examine the reports of ministries and departments
 - D. Examine any books and records as deemed necessary
 - E. Examine causes which led to excess over approved appropriations

INSIGHT

21. Which of the following would an auditor communicate to the audit committee?
- A. Difficulties encountered in performing the audit
 - B. Turnover in the staff assigned to the audit
 - C. Matters included within an attorney's letter
 - D. The contents of the management representation letter
 - E. Making inquiries of a client's legal counsel
22. A computer can be used by auditors in the following ways, **EXCEPT** in
- A. Duplication of audit work
 - B. Evaluation of audit risk
 - C. Analytical procedures
 - D. Flow charting of client's system
 - E. Preparation of the audit programme
23. Which of the following best describes the Bureau of Public Procurement?
- A. A Government agency
 - B. A body corporate
 - C. A public parastatal
 - D. A Non-Governmental Organisation
 - E. An institute
24. The auditor will record details of the evidence which he has gathered in the
- A. Correspondence file
 - B. Negotiation file
 - C. Audit working papers file
 - D. System control file
 - E. Technical file

INSIGHT

Use the information below to answer questions 25 and 26

The following events occurred in Mende Company Limited after the reporting year ended 31 March, 2018.

- i. Changes in foreign exchange rates
 - ii. Property valuation which provides evidence of permanent diminution in value
 - ii. Losses of fixed assets and investment
 - iv. Issues of shares and debentures
 - v. Insolvency of a debtor or renegotiation of amount owed
25. The events that need to be adjusted for in the financial statements are
- A. II
 - B. II and V
 - C. I and III
 - D. I and IV
 - E. I, III and IV
26. The events that do **NOT** need adjustment but require disclosure are
- A. II
 - B. II and V
 - C. I and II
 - D. II, III and V
 - E. I, III and IV
27. The accounting term used to describe the intentional misrepresentation affecting financial statements by one or more individuals is known as
- A. Fraud
 - B. Error
 - C. Misappropriation
 - D. Theft
 - E. Misplacement

INSIGHT

28. Due diligence carried out by the auditor entails all, **EXCEPT** one of the following
- A. Review the client's financial statement
 - B. Review management projections and expectations
 - C. Prepare the management account of client
 - D. Prepare and compare client's ratio with industry
 - E. Make adjustments to financial statements
29. Which of the following best describes the process of assurance and presenting reports in a manner that is admissible for evidence in the court of law?
- A. Statutory audit
 - B. Internal audit
 - C. External audit
 - D. Forensic audit
 - E. Compliance audit
30. The end product of an assurance engagement is
- A. Statement of financial position
 - B. Statement of cash flows
 - C. Domestic report
 - D. Management account
 - E. Audit report

INSIGHT

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 term "Audit" is derived from the Latin word "audire" which literally means
2. After the first appointment of the auditor, subsequent appointments would be made at
3. The name given to an act of omission which occurs because a person (e.g auditor) failed to exercise that degree of reasonable skill and care which is reasonably expected of him is
4. The auditor has responsibility to shareholders andwho may place reliance on the financial statements audited by him
5. An overall materiality level in assurance procedures is set based on the evaluation of
6. The **TWO** factors that influence the reliability of audit evidence are and
7. The events that happened after the statement of financial position date but have bearing on the results and financial position reported in the annual accounts is called
8. The type of risk faced by the Auditor when material misstatement occurred in account balances or class of transactions either individually or when aggregated could not be prevented or detected by the accounting and internal control systems is
9. Documents of continuous importance and relevance to the Auditor in relation to an audit engagement should be kept in a separate file called
10. The type of control that should be considered as a regular and essential control over bank balances is
11. The diagrammatic representation of internal control system is called

INSIGHT

12. Management letter is addressed to
13. Due process in the public sector ensures transparency and openness in the process that guides the award of contract or supplies. True or False?
14. The Chairman of the Council on Public Procurement in your country is
15. The duration of the Auditor-General of the country in an acting capacity is
16. The type of software that performs checks on data that auditors might have otherwise performed manually is called
17. The ratio below is useful for evaluation of a company.
$$\frac{\text{Profit after Tax}}{\text{Number of ordinary share}}$$
The ratio is used in measuring
18. The skills needed by a professional accountant to present evidence in the court of law in the course of his assurance engagement is
19. Observations to which an assurance giver seeks explanation are referred to as
20. The **TWO** circumstances that should be addressed in the “True and Fair View” concept in assurance reporting are and

SECTION B: ATTEMPT ANY FOUR QUESTIONS (50 Marks)

QUESTION 1

- a. What are the specific responsibilities of Auditors and Clients' management on the financial statements being audited? (2 Marks)
- b. List and discuss **THREE** major actors in companies' audit.
(3Marks)
- c. What are the matters to be considered when determining the scope of an assurance engagement?
(7½ Marks)

(Total 12½ Marks)

ATSWA PART III MARCH 2019 DIET

INSIGHT

QUESTION 2

- a. Discuss briefly what is meant by third party confirmation in assurance engagements. (1½Mark)
 - b. What are the factors an auditor needs to consider in deciding whether or not to use third party confirmation? (2 Marks)
 - c. Itemise **FIVE** situations where external confirmation may be used and state their corresponding confirming institutions. (5 Marks)
 - d. Discuss briefly
 - i. Positive confirmation
 - ii. Negative confirmation (4 Marks)
- (Total 12½ Marks)**

QUESTION 3

- a. Define the term “Internal control” (2½ Marks)
 - b. State **FOUR** inherent limitations of internal control (4 Marks)
 - c. State and explain the objectives of internal control systems (6 Marks)
- (Total 12½ Marks)**

QUESTION 4

The role of the Audit Committee originates from the performance of oversight responsibilities by making recommendations to the Board. Due to the failures of Corporate Governance all over the world, the role of the Audit committee has developed.

- a. State the composition of the Audit Committee as required by the Companies Law of your Country (1½ Marks)
 - b. Who among the Audit Committee members qualifies to be the Chairman? (1 Mark)
 - c. Identify and discuss **FIVE** functions of the Audit Committee. (10 Marks)
- (Total 12½ Marks)**

INSIGHT

QUESTION 5

- a. Briefly define “Due Diligence”. (2½ Marks)
 - b. State **FOUR** objectives of “Due Diligence”. (4 Marks)
 - c. State **SIX** ways of carrying out “Due Diligence”. (6 Marks)
- (Total 12½ Marks)**

QUESTION 6

The Public Procurement Act was enacted to provide legal and institutional framework and professional capacity for public procurement in your country. To achieve this objective, the members of the National Council on Public Procurement have been selected to represent various stakeholders across the nation.

- a. List **FOUR** of the members of the Council on Public Procurement. (8 Marks)
 - b. State **THREE** objectives of the Bureau of Public Procurement. (4½ Marks)
- (Total 12½ Marks)**

INSIGHT

SECTION A

PART 1 MULTIPLE-CHOICE QUESTIONS

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

INSIGHT

- 22. A
- 23. A
- 24. C
- 25. B
- 26. E
- 27. A
- 28. C
- 29. D
- 30. E

EXAMINER'S COMMENTS

Questions were drawn up from nearly every aspect covered in the syllabus. All candidates attempted all questions and more than 50% scored above 15 marks.

PART II SHORT-ANSWER QUESTIONS

- 1. To hear
- 2. Annual General Meeting
- 3. Negligence
- 4. Third parties
- 5. Client's risk
- 6. Nature and source
- 7. Adjusting events
- 8. Control risk
- 9. Permanent Audit file
- 10. Bank Reconciliation

ATSWA PART III MARCH 2019 DIET

INSIGHT

11. Flow chart
12. Highest level of Management/MD/CEO
13. True
14. Minister of Finance
15. Six (6) Months
16. Audit Interrogation Software
17. Earning per share
18. Forensic auditing
19. Audit queries
20. (i) Disagreement
(ii) Uncertainty

EXAMINER'S COMMENTS

The questions which are twenty in number are all compulsory for the candidates. The performance was encouraging as more than 50% of the candidates scored more than 8 marks.

SECTION B

SOLUTION 1

- a. The specific responsibilities of the auditors on the financial statements are to examine the financial statements and express professional opinion on whether it shows a true and fair view.

The specific responsibility of the management on the financial statements is to prepare the financial statements in accordance with relevant accounting standards and regulations.

- b. The three major actors in company's audit are:
- (i) Shareholders,
 - (ii) Directors, and
 - (iii) Auditors

INSIGHT

Shareholders: They are the owners of the business. They employ directors to run the operation of the business and they also employ the auditors to examine the financial statements and report on its true and fair view.

Directors: They are employed by the shareholders to run the business operations of the company. They are also responsible for the preparation of financial statements.

Auditors: They are professionals in charge of the audit of the financial statements. They are employed by the shareholders to examine the financial statements and express opinion on whether the financial statements presented show a true and fair view.

- c. Matters to be considered when determining the scope of an assurance engagement are:
- The nature of the business
 - The nature of the audit
 - The use of the audit report
 - The legal factors guiding the conduct of the audit
 - Circumstances giving rise to the engagement
 - Reliability of the accounting and internal control system
 - Reliability of management and staff of the company
 - The client's recording system i.e manual or computer base

EXAMINER'S COMMENTS

This question is on the respective responsibilities of both the auditors and the directors on financial statements being audited. These are the fundamental responsibilities of directors and auditors which the candidates should be familiar with. The major actors in respect of audit assignment of the clients' organisation is also required to be known coupled with matters to be considered when determining the scope of an audit engagement.

As all matters required in these questions are supposed to be mastered by would-be accountants in respect of auditing, many candidates did not attempt this question. Those who attempted it had poor marks on it.

INSIGHT

SOLUTION 2

- a. Third party confirmation: There are written evidences obtained from external parties about some aspects of the financial statements.
- b. Factors an auditor needs to consider in deciding whether or not to use third party confirmation are:
- Persuasiveness of the audit evidence available
 - Assessment of the risk of material misstatement at assertion level
 - Materiality of the item to the financial statements
 - Whether any other relevant evidence is available

c.

	Situations where external confirmation may be used	Confirming Institutions
(i)	Bank balance	Company's banker (s)
(ii)	Value of inventory loss claim	Insurance company
(iii)	Debtors' and creditors' balances	Individual debtors and creditors
(iv)	Assets held abroad	Overseas agent (s)
(v)	Goods sent to agents on consignment	Associated firm/agents
(vi)	Goods sent out on sale or return	Consignee(s)
(vii)	Information pertaining to investment in subsidiary companies	Auditor(s) of subsidiary companies
(viii)	Goods held in bonded warehouse	Harbour board, warehouse company
(ix)	Leased premises	Landlord of leased premises
(x)	Pending litigations	Solicitors

- d(i) **Positive Confirmation:** This is a form of third party confirmation used by the auditor of a company to confirm receivable balances in which the company's debtors will be asked to reply whether they agree or disagree with the written balance in the confirmation letter. This method is used where fraud is suspected or where the receivable balances are material.

INSIGHT

- (ii) **Negative Confirmation:** This is a form of third party confirmation used by the auditor of a company in which the debtors will be required to reply only if they disagree with the amount stated in the confirmation letter. The method is mostly used where the clients' accounting and internal control system are in good order.

EXAMINER'S COMMENTS

Third party confirmations are evidences to corroborate balances shown in the financial statements. Many candidates failed to show the major difference between positive and negative confirmation.

Institutions that give confirmation in respect of balances in the financial statements were not adequately stated by the candidates. This question was poorly attempted.

SOLUTION 3

- a. **Internal Control:** This can be defined as the whole system of controls, financial and otherwise established by the management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records.
- b. **The following are the inherent limitations of Internal Control**
- i. The possibility that a person responsible for exercising an internal control could abuse that responsibility by overriding the internal control system put in place.
 - ii. The possibility of controls being by-passed because two or more people colluded. Collusion may be between people inside the organisation, but may involve outsiders as well.
 - iii. The requirement that the cost of an internal control does not outweigh the potential loss which may result from its absence.
 - iv. Most systematic internal controls tend to be directed at routine transactions rather than non-routine transactions.
 - v. The potentials for human errors in the operation of the internal controls due to carelessness, distraction, mistakes of judgements and the understanding of instructions.
 - vi. The possibility that procedures may become inadequate due to changes in conditions or that compliance may deteriorate overtime.
- c. The objectives of internal control systems are:

INSIGHT

- i. Carrying on the business of the enterprise in an orderly and efficient manner
- ii. Compliance with management policies
- iii. Safeguarding the assets of the organisation
- iv. Completeness, accuracy and reliability of records

Explanations

- i. **Carrying on the business of the enterprise in an orderly and efficient manner:** The presence of internal controls within an entity helps to ensure that the business activities of that entity are being carried out in an orderly and efficient manner.
- ii. **Compliance with Management Policies:** The establishment of a sound internal control system within an entity helps to ensure adherence to management policies, which helps the whole organisation to achieve its stated objectives.
- iii. **Safeguarding the assets:** The physical controls which are part of the control activities put in place by the management help to prevent unauthorised access to or use of the company's assets which help to safeguard the assets of the organisation.
- iv. **Completeness, accuracy and validity of records:** Control activities such as supervision, authorisation, approval, arithmetical and accounting controls help to ensure the completeness, accuracy and validity of entity's accounting records.

EXAMINER'S COMMENTS

Internal control requires some salient and key words like carrying on the business of the enterprise in an orderly and efficient manner, ensuring adherence to management policies and safeguarding the assets of the organisation in its definition. Many candidates did not specifically mention these attributes.

Inherent limitations of internal control were partially mentioned by majority of the candidates. Objectives of internal control were also not mentioned according to the definition of the concept.

Candidates are advised to know the meaning and understand the key elements in the definition of internal control system.

INSIGHT

SOLUTION 4

a. According to Section 359 of Companies and Allied Matters Act 2014 as amended to date, every public company is required to establish an Audit Committee. An Audit Committee shall consist of an equal number of directors and representatives of the shareholders of the company (subject to a maximum of six members)

b. **Chairman of the Audit Committee**

One of the non-executive directors of the company in the Audit Committee is qualified to be the Chairman of the Committee.

c. **Functions of the Audit Committee are as follows:**

- i. Ascertain whether the accounting and reporting policies of the company are in accordance with legal requirements and agreed ethical practices;
- ii. Review the scope and planning of audit requirements;
- iii. Review the findings on management letters in conjunction with the external auditors and departmental responses thereon;
- iv. Review the effectiveness of the company's system of accounting and internal control;
- v. Make recommendations to the Board of Directors with regard to the appointment, removal and remuneration of the external auditors of the company; and
- vi. Authorise the internal auditor to carry out investigation into any activities of the company which may be of interest or concern to the committee.

EXAMINER'S COMMENTS

The composition and the chairmanship of the audit committee were well attended by the candidates. More than 70% of them attempted this question and good marks were got by the candidates.

The functions of the audit committee should be mastered by the candidates in future examinations.

INSIGHT

SOLUTION 5

- a. **Due Diligence** is a review engagement where an adviser (often an audit firm) is engaged by one company planning to take over another to perform an assessment of the material risk associated with the transaction (including validating the assumptions underlying the purchase) to ensure that the acquirer has all necessary facts. This is important when determining the purchase price. Similarly, due diligence can also be requested by sellers.
- b. **Objectives of Due Diligence**
- i. To identify and value assets and liabilities of the target company.
 - ii. To decide whether a takeover or merger of/with the target company is desirable.
 - iii. To decide whether proposed cost of acquisition of the target company is desirable.
 - iv. To identify operational issues with the target company.
- c. **Ways of carrying out Due Diligence:**
- i. Obtain necessary information about the target company. The information will include:
 - When the target company was established;
 - Legal factors affecting the company;
 - Economic factors affecting the company.
 - ii. Obtain and review the target company's historical financial information using; analytical review such as ratio analyses.
 - iii. Look for any operational issues in the target company that may raise issues about its value. For example, checking if there is high rate of labour turnover.
 - iv. Obtain information about the quality of assets of the target company.
 - v. Review the current financial information about the company.
 - vi. Identify future benefits and expenses that may likely result from the takeover or merger of the target company.
 - vii. Advise on the viability of the investment.

EXAMINER'S COMMENTS

This question was poorly attempted. Less than 30% of the candidates attempted it. 'Due Diligence' is one of the services rendered by the

INSIGHT

accountants in assurance engagement, but the objectives and ways of carrying out 'Due Diligence' are poorly attempted by the candidates.

The requirements demanded in this question may be better stated by the professional level candidates.

SOLUTION 6

a. **Membership of the Council on Public Procurement are as follows:**

- i. The Minister of Finance as Chairman.
- ii. The Attorney-General and Minister of Justice of the Federation.
- iii. The Secretary to the Government of the Federation.
- iv. The Head of Service of the Federation.
- v. Economic Adviser to the President.
- vi. Six part-time members to represent:
 - Nigerian Institute of Purchasing and Supply Management.
 - Nigerian Bar Association.
 - Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture.
 - Nigerian Society of Engineers.
 - Civil Society.
 - The Media.

vii. The Director-General of the Bureau who shall be the secretary of the Council

The Council may co-opt any person to attend its meeting. Such person shall not have a casting vote nor be counted towards quorum.

b. **Objectives of the Bureau of Public Procurement**

- i. The harmonization of existing Government policies and practices on public procurement and ensuring probity, accountability and transparency in the procurement process.
- ii. The establishment of pricing standards and benchmarks.
- iii. Ensuring the application of fair, competitive, transparent, value-for-money standard and practices for the procurement and disposal of public assets and services.
- iv. The attainment of transparency, competitiveness and professionalism in the public sector procurement system.

INSIGHT

EXAMINER'S COMMENTS

The question is on Public Sector Assurance. Membership and objectives of Bureau of Public Procurement are required. Many candidates did not attempt this question. Attempt rate is less than 30%.

Marks allocated to listing membership of the Council on Public Procurement is on the higher side (Mentioning 4 members for 8 marks).

INSIGHT

AT/191/PIII.10

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
PART III EXAMINATIONS – MARCH 2019**

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. The expenditure incurred on a particular set of activity or project over a specified period of time is called
 - A. Cost Accounting
 - B. Costing
 - C. Cost
 - D. Cost Accountancy
 - E. Cost Venture

2. The process which is concerned with the ascertainment and control of costs is known as
 - A. Cost Ascertainment
 - B. Cost Accounting
 - C. Cost Control
 - D. Financial Accounting
 - E. Management Accounting

3. A cost containing both fixed and variable elements, which is partly affected by fluctuations in the volume of output is called
 - A. Step cost
 - B. Variable cost
 - C. Period cost
 - D. Mixed cost
 - E. Fixed cost

4. Which of the following is **NOT** a feature of a good coding system?
 - A. Brevity
 - B. Distinctiveness
 - C. Uniformity

ATSWA PART III MARCH 2019 DIET

INSIGHT

- D. Indexing
 - E. Uniqueness
5. The process of grouping costs according to their common characteristics is called, cost
- A. Allocation
 - B. Division
 - C. Apportionment
 - D. Classification
 - E. Accumulation
6. Which of the following is **NOT** part of the purpose of cost accounting?
- A. To assist in providing relevant information on materials, labour and overheads
 - B. To assist in setting standard performance
 - C. To facilitate the preparation of feasibility studies of new projects
 - D. To help in determining costs and profits during a given accounting period
 - E. To engage in the hire of personnel
7. The control of materials kept in the store for future usage is otherwise known as
- A. Inventory Control
 - B. Inventory Arrangement
 - C. Material Pricing
 - D. Management Control
 - E. Inventory Adjustment
8. The level below which inventory should not normally be allowed to fall in order to prevent running out of stocks is known as
- A. Economic Order Quantity
 - B. Maximum Stock Level
 - C. Minimum Stock Level
 - D. Re-order Level
 - E. Buffer stock Level

INSIGHT

Use the information below to answer question 9 and 10

Burukutu is a manufacturing company which requires 50,000 tons of raw materials in a year. If cost per ton is ₦1,000 and ₦20 is required to place an order with average storage cost of ₦2 per ton annually.

9. What is the economic order quantity?
 - A. 10,000 units
 - B. 4,000 units
 - C. 1,500 units
 - D. 1,200 units
 - E. 1,000 units

10. The number of times the order will be placed in a year is
 - A. 500
 - B. 400
 - C. 200
 - D. 150
 - E. 50

11. The wages paid to those workers who are not directly engaged in converting raw materials into finished product is called
 - A. Prime Cost
 - B. Total Direct Labour Cost
 - C. Direct Wages Cost
 - D. Indirect Labour Cost
 - E. Conversion Cost

12. The systematic method of appraising the worth of each job relative to other jobs is known as
 - A. Work measurement
 - B. Method study
 - C. Job appraisal
 - D. Job evaluation
 - E. Merit rating

13. The process by which all cost items are charged to a cost unit is referred to as
 - A. Overhead absorption
 - B. Overhead apportionment
 - C. Over absorption

INSIGHT

- D. Overhead allocation
- E. Overhead division

14. A company manufactures two products A & B using the same equipment and similar processes.

Extract from the production of these products is shown below:

	A	B
Quantity produced in units	5,000	7,000
Direct Labour hours per unit	1	2
Total overhead cost for the period is	N285,000	

What is overhead absorption rate using Direct labour hours

- A. N45
 - B. N30
 - C. N20
 - D. N15
 - E. N10
15. The principal ledger of the cost department which controls all other ledgers is called
- A. Job ledger
 - B. Store ledger
 - C. Finished good ledger
 - D. Cost ledger
 - E. Work-in-progress ledger
16. A comprehensive accounting system which consists of both cost and financial accounts is known as
- A. Interlocking Accounting System
 - B. Non-integrated Accounting System
 - C. Integrated Accounting System
 - D. Independent Accounting System
 - E. Reconciliation Accounting System
17. Which of the following is **NOT** part of the activity cost pool?
- A. Order executed
 - B. Inspection
 - C. Dispatch

INSIGHT

- D. Store receiving
 - E. Machine-set-up
18. Products will be mainly classified as joint products, if
- A. Management so decided
 - B. There is a different market for the product
 - C. Processing costs can be easily apportioned
 - D. Revenue from both are significant
 - E. Both requires further processing
19. The procedure for costing a job in a factory is to
- A. Prepare cash book for all transactions
 - B. Open journal entries
 - C. Prepare cost book for the job
 - D. Open a job card for the job and job code number
 - E. Open statement of profit or loss for the job
20. Batch costing is very similar to job costing and is applied where jobs are
- A. In process schedule for supply
 - B. Production strictly on customer order
 - C. Built to a similar design
 - D. Production of continuous process
 - E. A batch of identical units are manufactured
21. The calculation of equivalent units of production is associated with which of the following methods of costing?
- A. Marginal costing
 - B. Job costing
 - C. Batch costing
 - D. Process costing
 - E. Uniform costing
22. The detailed quantitative plan of actions prepared for the co-ordination of the various activities of an organisation is referred to as
- A. Budget manual
 - B. Goal
 - C. Strategy
 - D. Budget

INSIGHT

- E. Mission
23. During a production period for AB Limited, actual materials purchased were 8,000 units at a cost of ₦20 per unit. The material price variance is ₦32,000 adverse. What is the standard price of material per unit?
- A. ₦24
 - B. ₦20
 - C. ₦18
 - D. ₦16
 - E. ₦12
24. The ratio for the comparison of actual time worked to complete a given task and the standard time allowed for completing the budgeted task is known as
- A. Activity Ratio
 - B. Capacity Ratio
 - C. Current Ratio
 - D. Profitability Ratio
 - E. Efficiency Ratio
25. Which of the following is **NOT** an example of decisions where marginal costing can be applied?
- A. Acceptance of special order
 - B. Make or buy
 - C. Dropping of a product line
 - D. One-time-only special order
 - E. Choice of product involving limiting factor
26. The term used to describe the difference between the break-even point and anticipated level of activity above that point is called
- A. Breakeven analysis
 - B. Angle of safety
 - C. Margin of safety
 - D. Cost -profit volume
 - E. Angle of incidence

INSIGHT

27. The method of charging overheads to cost units on the basis of activities which drive the cost is known as
- A. Management by Objectives
 - B. Just-in-Time Purchasing
 - C. Activity Based Costing
 - D. Management by Exception
 - E. Total Quality Management
28. Life cycle costing tracks and accumulates the actual costs from the beginning to the end of a
- A. Company
 - B. Contract
 - C. Process
 - D. Product
 - E. Service
29. Setting of spending limits by level of management is known as
- A. Work Measurement
 - B. Cost Reduction
 - C. Cost Reposition
 - D. Cost Control
 - E. Cost Analysis
30. In backflush costing
- A. Every accounting entry is eliminated out of the system
 - B. There is a separate account for work in progress
 - C. There is no need for detailed tracking of material movement through stores and production
 - D. Financial records are not necessary
 - E. Accounting details are required

INSIGHT

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. Costs which have already been incurred and are irrelevant to a decision are known as
2. The purpose of cost accounting is to provide detailed information for control, planning and
3. A cost which does not involve actual cash outlay is termed as
4. The document used to authorise the release from stores of the correct quantities of raw materials, parts or components required for a production process is known as
5. The variable missing from the Economic order quantity formulae below is

$$EOQ = \sqrt{\frac{2 \times \text{ordering cost}}{\text{Carrying cost per unit}}}$$

6. The costing method where jobs are undertaken according to customers' specification is known as

Use the information below to answer questions 7 and 8

Economic quantity	Order	240 units
Lead time	20 - 28	working days
Average usage	1200	units per day
Maximum/minimum	1600/800	unit per day

7. The re-order level is.....
8. Maximum stock level is.....

INSIGHT

Use the information below to answer questions 9 and 10

Yaya Limited had the following labour turnover record during the year ended 30th June 2018.

	Dept X	Dept Y	Dept Z
Employed 01 July 2017	144	68	212
Addition during the year	<u>28</u>	18	46
	172	<u>86</u>	<u>258</u>
Left during the year	<u>22</u>	<u>14</u>	<u>36</u>
Employed 30 th June 2018	150	72	222

- The rate of labour turnover in Dept X is.....
- The rate of labour turnover for the company is.....
- The difference between sales and marginal cost of sales is called.....
- In process costing, substance having no value may be described as

Use the information below to answer questions 13 and 14

100,000 units of product JIG were produced and sold in a given period: cost and revenue were:

	GH¢
Sales	500,000
Production costs: Variable	175,000
Fixed	75,000
Administrative & selling overheads:	
Fixed	125,000

- The contribution per unit of product JIG is
- The Net Profit is.....
- A cash budget involves detailed estimates of anticipated and
- A factor which restricts the level of activity of a business is called
- A technique used in the preparation of ad-hoc information in which only cost and income differences between alternative courses of actions are taken into cognisance is known as
- The ratio of average annual profits after depreciation to the capital invested is called

INSIGHT

19. A product cost estimate derived by subtracting a desired profit margin from a competitive market price is known as
20. The purchase of goods, materials or components such that delivery is made just before use or demand is called

INSIGHT

SECTION B: ATTEMPT ANY FOUR QUESTIONS

(50 Marks)

QUESTION 1

SABE Limited commenced the production of an energy drink called KUNUN. The standard cost data of the product is given below:

	N	
Direct Material	12	
Direct Labour	8	
Variable Production Overhead	3	
Fixed Production Overhead	8	
Standard Production Cost	<u>31</u>	
Standard Margin	<u>14</u>	
Selling Price	<u>45</u>	

Production and sales quantities for the month of July are as follows:

	July
Production	30,000
Sales	28,000

Fixed production overhead has been computed on the basis of the budgeted normal level output of 381,000 units of the product per annum. Fixed overheads are incurred evenly throughout the year.

The selling, distribution and administration expenses per annum are given as follows:

Variable	10% of sales value
Fixed	N1,800,000

You are required to prepare profit statement for the month of July using:

- a. Absorption costing (6½ Marks)
 - b. Marginal Costing (6 Marks)
- (Total 12½ Marks)**

INSIGHT

QUESTION 2

TANKO Chemical Plc has established the following standards for producing one bottle of a machine lubricant. The following standards have been set

	GH per bottle
Direct Material 2 bottles at GH 6 per bottle	12
Direct Labour 1 hour at GH 7 per bottle	7
Fixed Overheads	9
Total Production Cost	28

The fixed overhead standard cost per bottle is based upon a budgeted monthly production of 4,000 bottles

Actual results for the month of June, 2018 were:

Production	4,300 bottles
Direct material	Cost GH 58,500 for 9,000 bottles
Direct labour	Cost GH 34,500 for 4,600 hours paid Only 4,000 hours worked
Fixed overheads	GH 35,000

Required:

Calculate the following variances:

- | | |
|-------------------------------|------------|
| a. Direct material price | (2 Marks) |
| b. Direct material usage | (2 Marks) |
| c. Direct labour rate | (2 Marks) |
| d. Direct labour efficiency | (2 Marks) |
| e. Fixed overhead expenditure | (2 Marks) |
| f. Fixed overhead volume | (1½ Marks) |
| g. Labour Idle time | (1 Mark) |

(Total 12½ Marks)

QUESTION 3

Write short notes on the following:

- | | |
|-------------------------|-----------|
| a. Value Analysis | (2 Marks) |
| b. Work Study | (2 Marks) |
| c. Differential Costing | (1 Mark) |
| d. Uniform Costing | (1 Mark) |
| e. Life Cycle Costs | (2 Marks) |

ATSWA PART III MARCH 2019 DIET

INSIGHT

- f. Cost Reduction (2 Marks)
g. Computer-Assisted Manufacturing Technology (2¹/₂ Marks)
(Total 12¹/₂ Marks)

QUESTION 4

- a. State **FIVE** purposes of Cost Accounting. (5 Marks)
b. Cost can be classified in a number of ways depending on the purpose for which the classification is intended to serve.
What do you understand by cost classification? (1 Mark)
c. GLORY VENTURE is trying to obtain a cost estimate for the cost of repairs. The following monthly repair costs have been recorded for the past six months:

Month	Number of Machine Repair	Cost of Repairs Le
1	380	310,000
2	410	327,000
3	250	265,000
4	210	236,000
5	360	299,000
6	320	289,000

Required:

- i. Use high/low analyses to estimate the fixed costs of repairs and the variable cost per machine repaired.
ii. Estimate the expected costs of repair in a month when 300 machines are repaired. (6¹/₂ Marks)

(Total 12¹/₂ Marks)

INSIGHT

QUESTION 5

- a. AJILOSUN WAKABA Plc started business on January 1, 2018 and received the following into stock:

DATE	UNITS	COST/UNIT (Le)
January 6	20,000	10.00
January 16	15,000	12.50
January 26	30,000	15.00

The following issues were also made from stock to the production floors as follows:

January 8	8,000	units
January 18	10,000	units
January 24	6,000	units
January 29	20,000	units

You are required to prepare the stores account for the month of January 2018 using FIFO method. (9½ Marks)

- b. AKURA Limited, uses 50,000 rolls of new point semi-annually, which it obtains from a factory in Samgisa town at Le100 a roll. The ordering and handling cost amount to Le200 per order while the carrying costs is 10% of purchase price.

Required:

Calculate the most economical order size to the company. (3 Marks)
(Total 12½ Marks)

QUESTION 6

SANGO Construction Limited is engaged in the construction of a new project called Emirate DB20. The following information is in respect of the project which commenced on 1st April, 2018. The books are to be closed on 30th September, 2018.

	L\$
Material issued to site	678,400
Wages to site workers	614,200
Plant installed	120,000
Direct Purchases Plant	27,256
Overhead Expenses	33,008

ATSWA PART III MARCH 2019 DIET

INSIGHT

Material in stock at site 30/09/2018	15,064
Value of plant at 30/09/2018	88,000
Value of work certified by Architect	1,560,000
Cost of work not yet certified	36,000
The contract price	2,000,000
Cash received from client	1,444,000

You are required to prepare:

- a. Contract Cost Account as at 30th September, 2018.
(Show all workings).

- b. Contractee's Account (Show all workings). **(Total 12½ Marks)**

INSIGHT

SECTION A

PART I MULTIPLE-CHOICE QUESTIONS

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

INSIGHT

- 24. E
- 25. D
- 26. C
- 27. C
- 28. D
- 29. D
- 30. C

Workings:

9. Economic order quantity

$$= \sqrt{\frac{2Dco}{cc}}$$

Where D = 50,000, co = ~~₹~~20 cc ~~₹~~2

$$= \sqrt{\frac{2 \times 50,000 \times 20}{2}} = 1000 \text{ units}$$

10. No. Of times of placing an order = $\frac{\text{Annual DD}}{\text{EOQ}}$
 $= \frac{50,000}{1,000} = 50 \text{ times}$

14. Overhead Absorption rate

Total overhead cost

Total Direct Labour hours

$$= 5000 \times 1 + 7000 \times 2 = 19,000 \text{ hours}$$

$$\text{OAR} = \frac{255,000}{19,000} = \text{₹}15 \text{ per hours}$$

23. Standard price of material price per unit

(CP - AR) AQ = MPU

(CP - ~~₹~~20) 800 = 32,000 Adverse

Shosp - ~~₹~~160,000 = 32,000 A

$$\text{SP} = \frac{128,000}{8000} = \text{₹}16$$

INSIGHT

EXAMINERS' COMMENT

The questions are spread all over the whole syllabus and were attempted by all candidates. Performance was very good.

PART II SHORT-ANSWER QUESTIONS

1. Sunk Costs
2. Decision Making
3. Notional or Imputed cost or Implicit cost
4. Material Requisition Note
5. Annual Demand
6. Job Costing or specific order costing
7. 44,800 units
8. 29,040 units
9. 14.96%
10. 16.58%
11. Contribution
12. Waste
13. GH¢ 3.25
14. GH¢ 125,000
15. Expenditure and Revenue/Receipts and payments/inflow and outflow
16. Principal budget factor/Limiting factor/constraint/key factor
17. Differential costing
18. Accounting Rate of Return (ARR)

ATSWA PART III MARCH 2019 DIET

INSIGHT

19. Target Costing
20. Just-In-Time

Workings

8. Re-order level = maximum usage x maximum Lead Time
= 1.600 x 28 days = 44,800
Maximum stock level: Re-order level + EOQ - (Minimum usage in
minimum Lead time
= 44,800 + 240 (800 x 20)
45,040 - 16,000
29040units

9. Labour turnover rate in Dept x

$$\frac{\text{No of employees leaving during period X}}{\text{Average no of employees}} \times 100$$
$$= \frac{22}{(144+150) \div 2} \times \frac{100}{1}$$
$$= \frac{22 \times 100}{147} = 14.96\%$$

10. Labour turnover rate = No. of employees
leaving during the period x 100
Average no. of employees

$$= \frac{22 + 14 + 36}{(144 + 68 + 212 + 150 + 72 + 222) \div 2}$$
$$= \frac{72 \times 100}{434}$$
$$= 16.58\%$$

13. Contribution per unit = 325,000 = GH¢ 3.25

INSIGHT

14.

	GH¢
Sales	500,000
Less variable cost	<u>175,000</u>
	325,000
Less fixed costs: Production	75,000
Palm & selling	<u>125,000</u>
200,000	
Net profit	<u>125,000</u>

EXAMINER'S COMMENT

The questions covered a large part of the syllabus and performance was above average as about 60% of the candidates scored above 50% of the allotted marks.

SECTION B SOLUTION 1

- a. SABE LIMITED
PROFIT STATEMENT USING ABSORPTION COSTING FOR THE
MONTH OF JULY

	N	N
Sales (N 45 x 28,000)		1,260,000
Less cost of production		
Direct material (N 12 x 30,000)	360,000	
Direct labour (N 8 x 30,000)	240,000	
Variable overhead (N 3 x 30,000)	90,000	
Fixed production (8x30,000)	<u>240,000</u>	
	930,000	
Less closing stock (2,000 x N 31)	<u>(62,000)</u>	
	868,000	
Adjust for under absorption (N 8 x 1750)	<u>14,000</u>	<u>882,000</u>
Gross profit		378,000
Less variable selling (10% of sales)	126,000	
Fixed selling, Distr & Adm	<u>150,000</u>	<u>(276,000)</u>
Net profit		<u>102,000</u>

INSIGHT

b. PROFIT STATEMENT USING MARGINAL COSTING FOR THE MONTH OF JULY

	N	N
Sales (N 45 x 28,000)		1,260,000
Less cost of production:		
Direct material (N 2x30,000)	360,000	
Direct Labour (N 8 x 30,000)	240,000	
Variable overhead (N 3x30,000)	<u>90,000</u>	
	690,000	
Less closing stock (2000 x N 23)	<u>46,000</u>	
	644,000	
Variable selling expenses (10% of sales)	<u>126,000</u>	<u>770,000</u>
		490,000
Contribution		
Less fixed cost: Production (8 X 31750)	254,000	
Selling & Adm.(WI)	<u>150,000</u>	<u>(404,000)</u>
Net profit		<u>86,000</u>

EXAMINER'S COMMENT

The question was on computation of profit statements using absorption and marginal costing. It was attempted by about 65% of the candidates' and about 60% of them scored 50% and above of the allocated marks.

A few of the candidates could not ascertain the closing stock figure

SOLUTION 2

a. TANKO CHEMICALS PLC

COMPUTATION OF VARIANCES

Direct material price = (SP - AP) AQ

= (~~N~~6 - ~~N~~6.5) 9000 litres

= ~~N~~4,500 Adverse

b. Direct material usage = (SQ - AQ) SP

= (8600 - 9000) 6

= ~~N~~2,400 Adverse

c. Direct labour rate = (SR - AR) Actual hours

= (~~N~~7 - ~~N~~7.5) 4600

= ~~N~~2300 Adverse

INSIGHT

- d. Direct labour efficiency = (SH -AH) SR
= (4,300 - 4000) 7
= ~~₦~~ 2,100 favourable
- e. Fixed overhead expenditure variance =
Fixed overhead expenditure - Actual Fixed Over head Expenditure
Budgeted fixed overhead - Actual fixed overhead
(~~₦~~36,000 - ~~₦~~35,000) = ~~₦~~1000 Favourable
- f. Fixed overhead volume
(Budgeted production volume - Actual production volume)
= (4,000 - 4300) ~~₦~~9
= 2,700 favourable.
- g. Labour idle time
SR (Actual hours paid - Actual hour worked)
~~₦~~7 (4600 - 4000) = ~~₦~~4,200 Adverse

EXAMINER'S COMMENT

The question on variance analysis was attempted by about 60% of the candidates and performance was above average. About 60% of those who attempted the question scored above 50% of the marks allotted.

SOLUTION 3

- a. Value Analysis is a systematic inter-disciplinary examination of factors affecting the cost of a product or service in order to devise means of achieving the specified purpose was economically at the required standard of quality and reliability.

The aim of value exercise is to eliminate unnecessary costs without reducing the use value, or the exchange value of the item under consideration. It seeks to find improvements to the components by either reducing their cost or increasing the value of the functions.

- b. Work study: This is a scientific technique of determining the most important methods of using labour. It is a means of raising the production efficiency of an operating unit by re-organisation of work. The two main parts to work study in achieving its aim are method study and work measurement. Method study is carried out to ensure that the task is done in the most effective way, while

INSIGHT

work measurement is used to determine the amount of work involved in a job.

- c. Differential costing: A technique used in the preparation of adhoc information in which only cost and income difference between alternatives courses of action are taken into considerations.
- d. Uniform costing: The use by several undertakings of the same costing system i.e the same basic costing methods and super-imposed principles and techniques.
- e. Life cycle costs: These are the costs incurred on products or services from their design stage, through development to market launch, production and sales and their eventual withdrawal from the market.

A product life cycle costs might therefore be classified as follows:
Acquisition costs, product distribution costs, maintenance costs, operation costs, training costs, inventory costs and retirement and disposal cost at the end of the product life.

- f. Cost reduction is a planned and positive approach to reducing the unit cost of goods/services below current budgeted or standard levels without impairing the suitability for the use intended for the goods produce/service provided by the organisation. Cost reduction programme is directed towards reducing expected cost levels below standard level.
- g. Computer-Assisted Manufacturing Technology
This is the automation of some processes and functions which were being performed manually.

This reduction in human involvement in production process translates to proportionate reduction in human errors and cost of same. This is in addition to other benefits like speed and precision. Computer-Assisted manufacturing Technology is part of the constant drive for improvement and move towards zero defects, thereby eliminating waste and inefficiency. Ultimately cost is reduced by such efforts.

INSIGHT

EXAMINER'S COMMENT

This question tested candidates' knowledge of costing principles. About 75% of the candidates attempted it but those who scored more than 50% of the allocated marks were about 45%.

The major problem was lack of understanding of basis terms.

SOLUTION 4

Purposes of Cost Accounting are listed below:

- i. To assist the manager in providing relevant information on materials, labour and overhead
 - ii. To help in determining costs incurred, revenue and profit earned during a given accounting period
 - iii. To assist in setting standards of performances and to provide feedback information for controlling purposes.
 - iv. To help in the determination of cost of inventory carried in financial Statement
 - v. To help in taking appropriate corrective action whenever there is deviation from set target or goals
 - vi. To facilitate the preparation of feasibility studies of new projects by bringing out the elements of cost that goes into different budgets and projections.
 - vii. To help in controlling costs
 - viii. Cost accounting serves as a guide in setting selling prices
- b. Cost classification can be defined as the arrangement of items of cost in logical groups having regard to their nature (subjective classification) or purpose (Objective classification). It can also be classified according to elements of cost (i.e material, Labour, Expenses) or classified as direct or indirect costs.

INSIGHT

ci. COMPUTATION OF FIXED AND VARIABLE COST ELEMENTS OF REPAIRS

Month	Number of Machine Repair	Cost of Repairs LϘ
Month 2	410	327,000
Month 4	<u>210</u>	<u>236,000</u>
	<u>200</u>	<u>91,000</u>

Therefore charges in variable cost

$$\frac{91,000}{200} = \text{L}\rho 455$$

$$\text{Variable cost/repair} = \text{L}\rho 455$$

Computation of fixed cost from either month LϘ'000

Month 2 Total cost	327,000
Less Total variable cost (L\$455 x 410)	<u>186,550</u>
Fixed cost	<u>140,450</u>
	LϘ'000
Month 4 Total cost	236,000
Less Total variable cost (LϘ 455 x 210)	<u>95,550</u>
Fixed cost	<u>140,450</u>

ii. The expected cost of repairs when 300 machines are repaired (LϘ'000)

$$\text{Total cost} = a f b x$$

$$= 140,450 + (300 \times 455)$$

$$\text{Total cost} = 140,450 + 136,500 = \underline{\text{L}\rho 276,950}$$

EXAMINER'S COMMENT

The question tested candidates' understanding of cost estimation and classification.

It was attempted by about 95% of the candidates and performance was very good as not less than 80% of them scored above 50% of the marks allotted.

INSIGHT

SOLUTION 5

STORES ACCOUNT FOR THE MONTH OF JANUARY, 2014 USING FIFO METHOD

RECEIPTS				ISSUES			BALANCE	
DATE	QTY	UNIT	VALUE	QTY	PRICE	VALUE	QTY	VALUE
Jan 6	20,000	10	200,000				20,000	200,000
Jan 8				8,000	10	80,000	12,000	120,000
Jan 16	15,000	12.5	187,500				27,000	307,500
Jan 18				10,000	10	100,000	17,000	207,500
Jan 24				2,000	10	20,000		
				<u>4,000</u>	12.5	<u>50,000</u>		
				6,000		70,000	11,000	137,500
Jan 26	30,000	15	450,000				41,000	587,500
Jan 29				11,000	12.5	137,500		
				<u>9,000</u>	15	<u>135,000</u>		
				20,000		272,500	21,000	<u>315,000</u>

$$EOQ = \sqrt{\frac{2DCU}{CC}}$$

Where D = Annual demand

CO = ordering cost

Cc = carrying cost

$$= \sqrt{\frac{2 \times 100,000 \times N200}{100 \times 10\%}} = \sqrt{\frac{40,000,000}{10}}$$

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

EXAMINER'S COMMENT

The question on store accounting was attempted by almost 95% of the candidates.

Performance in part (a) was very good but part (b) was poor due to the application of wrong formula.

INSIGHT

SOLUTION 6

SANUGO CONSTRUCTION COMPANY CONTRACT COST ACCOUNT-EMIRATE DB 20

	Lϕ		Lϕ
Material to site	678,400	Material at site	15,064
Wages to workers	614,200	Plant carried down	88,000
Plant installed	120,000	Cost of uncertified work	36,000
Direct plant purchased	27,256	Cost of work certified	<u>1,333,800</u>
Overhead Expenses	<u>33,008</u>		<hr/>
	<u>1,472,864</u>		<u>1,472,864</u>
Cost of work cash flow	1,333,800	Value of work certified	1,560,000
Profit taken	139,587		
Profit not taken	<u>86,613</u>		
	<u>1,560,000</u>		<u>1,560,000</u>

CONTRACTEE ACCOUNT

Value of work certified	<u>1,560,000</u>	Progress payment made	1,444,000
	<hr/>	Balance c/d	<u>116,000</u>
	<u>1,560,000</u>		<u>1,560,000</u>

Working:

Computation of Notimal profit

	Lϕ
Value of work certified	1,560,000
Add cost of work not certified	<u>36,000</u>
	1,596,000
Less cost to date	<u>1,369,800</u>
Notimal profit	<u>226,200</u>

Profit to be taken/recognised

$$\frac{2}{3} \times 226,200 \times \frac{\text{cash received}}{\text{Value of work certified}}$$

ATSWA PART III MARCH 2019 DIET

INSIGHT

$$= \frac{2}{3} \times 226,200 \times \frac{1,444,000}{1,560,000} = 139,587$$

EXAMINER'S COMMENT

This question tested candidates' understanding of the principles of contract costing.

About 75% of the candidates attempted it, and performance was very good as about 80% of them scored more than 50% of the allotted marks.

INSIGHT

AT/191/PIII.11

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
PART III EXAMINATIONS – MARCH 2019
PREPARING TAX COMPUTATIONS AND RETURNS**

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 does **NOT** constitute a way of evading tax?
 - A. Refusing to register with the relevant tax authority
 - B. Failure to furnish returns
 - C. Incorporating taxpayer's sole proprietorship into a limited liability company
 - D. Entering into artificial transactions
 - E. Overstating expenses so as to reduce taxable profit

2. The quorum for a meeting of the State Board of Internal Revenue is made up of the Chairman and (or)
 - A. Three other members
 - B. A director and two other members
 - C. A director and four other members
 - D. Seven other members
 - E. A director and five other members

3. Which of the following best describes a tax system?
 - A. Tax law and tax policy
 - B. Tax law and tax administration
 - C. Tax policy and tax administration
 - D. Tax administration of Local, State and Federal government
 - E. Tax law, tax policy and tax administration

ATSWA PART III MARCH 2019 DIET

INSIGHT

4. Which of the following investment allowances is **NOT** currently available?
- A. 10% investment allowance on production machinery in use by manufacturing concern
 - B. 10% investment allowance on plant and machinery of businesses in the agricultural sector
 - C. 15% investment on plant and machinery acquired in replacement for obsolete ones
 - D. 25% investment tax credit on the assets of companies engaged in the local fabrication of small tools and machine
 - E. 75% investment allowance available to companies involved in lottery
5. Which of the following is **NOT** an objective of taxation?
- A. To provide fiscal tool for stimulating economic growth and development
 - B. To promote healthy competition among different tiers of government
 - C. For revenue generation to meet the needs of the government
 - D. To redistribute income wealth in order to reduce inequality
 - E. To provide income for government as part of social responsibility
6. Which of the following is outside the duties of the Joint Tax Board in Nigeria?
- A. To enlighten members of the public generally on Federal and State governments revenue matters
 - B. To settle disputes between the States as regards tax matters
 - C. To promote uniformity both in the application and incidence of the provision of tax laws on individuals throughout the country
 - D. To advise the government on request in respect of double taxation arrangements, rates of capital allowances and other tax matters
 - E. To impose its decision on States on matters of procedure
7. Which of the following is **NOT** a type of capital allowance?
- A. Initial Allowance
 - B. Annual Allowance
 - C. Balancing Allowance

INSIGHT

- D. Personal Allowance
 - E. Investment Allowance
8. Revenue's option to revise an assessment to actual basis on cessation of business is for
- A. Pre-penultimate year
 - B. Penultimate year
 - C. Pre-penultimate and penultimate year
 - D. Ultimate year
 - E. Ultimate and penultimate year
9. Taxpayer's right of election on commencement of business is for
- A. Only the 2nd year of assessment
 - B. Only the 3rd year of assessment
 - C. The first three years of assessment
 - D. Both the 2nd and 3rd years of assessment
 - E. First year of assessment
10. Unearned income means, income
- A. Received by way of gift
 - B. From trade, business, profession and employment of a person
 - C. From business only
 - D. From other sources (apart from trade, business, vocation or employment)
 - E. From employment and vocation only
11. A means by which enjoyment of Estate, or part of it is transferred to another person, either through disposition, trust, or covenant, agreement, arrangement or transition of assets by reference to a trust for the benefit of persons specified is called
- A. Trust
 - B. Estate
 - C. Settlement
 - D. Annuity
 - E. Investment

INSIGHT

12. Which of the following is **NOT** a feature of Carry Forward Loss Relief System?
- A. It applies to both individuals and companies
 - B. Aggregate deduction from Assessable profit in respect of any loss cannot exceed the amount of such loss
 - C. Loss relief is automatically granted
 - D. The relief is useful where profits are increasing
 - E. When the taxpayer ceases to carry on trade, any unused losses can be made use of by the new purchaser of the trade
13. Current Year Loss Relief has the following features, **EXCEPT**
- A. It must be claimed within a period of 36 months after the end of the year of assessment
 - B. It is applicable to only individuals
 - C. The relief can be set against all sources of income for that year including investment income
 - D. Loss relief is available only in the first year when the loss is incurred, any unrelieved balance can only be set off against profit from the same source
 - E. Total relief cannot exceed the actual loss incurred.
14. The Withholding Tax for companies on all aspects of construction contracts is
- A. 2½%
 - B. 5%
 - C. 10%
 - D. 20%
 - E. 30%
15. Which of the following is **NOT** a benefit of Withholding Tax System?
- A. It helps to broaden the tax base
 - B. It makes tax payment less cumbersome
 - C. It reduces the incidence of tax evasion
 - D. It provides opportunity for a taxpayer to make more money
 - E. It helps to bring obscure transactions to the notice of the tax authorities

INSIGHT

16. Which of the following is **NOT** a Vatable person?
- A. A limited liability company
 - B. A firm
 - C. A sole trader
 - D. An individual
 - E. A school
17. Which of the following is **NOT** captured in a Tax Invoice?
- A. Taxpayer's identification number
 - B. Customer's name and address
 - C. Type of goods
 - D. Rate of VAT
 - E. Bio data of taxpayer
18. A change in partnership structure for tax purposes is said to occur when the following takes place, **EXCEPT**
- A. Admission of a new partner
 - B. Amalgamation of two or more partnership outfits
 - C. Retirement of an old partner
 - D. Relocation of a partner to another town
 - E. Death of an old partner
19. Which of the following is **NOT** correct as regards the conversion of a partnership into a limited liability company?
- A. A new business is deemed to have come into existence, in which case commencement rule applies
 - B. The old partnership ceases to operate; hence cessation rule applies
 - C. All qualifying capital expenditure transferred are deemed to have been transferred at agreed values, hence, balancing adjustment can be computed in the hands of the old partnership
 - D. Capital allowance computation shall be based on the unexpired tax life of the asset
 - E. Capital allowance computation shall be based on the total cost of the asset

INSIGHT

20. Capital Gains Tax on individuals is payable to
- A. State Board of Internal Revenue
 - B. Federal Inland Revenue Service
 - C. Joint Tax Board
 - D. Body of Appeal Commissioners
 - E. Committee of Ministers
21. Which of the following expense is **NOT** admissible under the Capital Gains Tax Act 2004 (as amended)?
- A. Any selling expenses such as advertisement cost
 - B. The cost of acquiring the asset disposed
 - C. Any cost of refurbishing the chargeable asset prior to disposal
 - D. Any professional cost such as solicitors' fees
 - E. Any donation to political party
22. Which of the following is **NOT** an example of instruments of Ad-valorem assessment?
- A. Bill of Exchange
 - B. Cheque leaves
 - C. Share capital of company
 - D. Promissory notes
 - E. Policy of life insurance
23. Which of the following is **NOT** a function of the Commissioner of Stamp Duties?
- A. Assessing the instrument and impose penalties
 - B. Stamping or embossing the instrument
 - C. Keeping custody of the stamping instruments
 - D. Arresting a tax offender
 - E. Responsible for adjudication
24. Which of the following dividend is **NOT** exempted from taxation?
- A. Dividend received from a pioneer company
 - B. Dividend received by way of a bonus issue of share
 - C. Dividend from ordinary course of business
 - D. Dividend from a Trust Scheme
 - E. Dividend received by a company from another company

INSIGHT

25. Which of the following conditions is **NOT** required for a donation to be allowed under Companies Income Tax Act, 2004 (as amended)?
- A. It must have been made out of profit
 - B. It must not exceed 10% of the company's total profit before any deduction for donation
 - C. It must not be capital in nature
 - D. It must have been made to one of the approved bodies
 - E. It must be made out of earnings retained
26. Tertiary Education Tax is charged on
- A. Chargeable Profit
 - B. Assessable Profit
 - C. Total Profit
 - D. Earned Income
 - E. Unearned Income
27. In which of the following ratios is Tertiary Education Tax shared among the Universities, Polytechnics and Colleges of Education, respectively?
- A. 2 : 2 : 1
 - B. 2 : 1 : 1
 - C. 3 : 2 : 1
 - D. 3 : 2 : 2
 - E. 2 : 2 : 2
28. Which of the following is **NOT** an example of indirect tax?
- A. Import Duties
 - B. Value Added Tax
 - C. Excise Duties
 - D. Withholding Tax
 - E. Export Duties
29. The composition of the Technical Committee of the State Board of Internal Revenue consists of the following, **EXCEPT**
- A. Chairman of the State Board of Internal Revenue as chairman
 - B. The Directors within the State Service
 - C. The Legal Adviser to the State Service
 - D. The Secretary of the State Service
 - E. The Auditor-General for the State

INSIGHT

30. Which of the following capital gain is **NOT** exempted from tax?
- A. Gain arising from the disposal of any government security
 - B. Gain arising from the disposal of shares and securities
 - C. Gain from the disposal of a medal won for honour
 - D. Gain disposal of motor vehicle for commercial use
 - E. Gain on a chattel disposal of not more than ₦1,000 on any year of assessment

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 principle of an ideal tax system that states that the structure and rates of tax should be capable of being altered without much difficulty is known as
2. In the case of a second-hand building, allowance cannot be claimed.
3. Capital gains for individuals is administered by.....
4. Where a partner retires, rule applies to the retiring partner.
5. For individuals, the time limit for remittance of Withholding Tax to the Relevant Tax Authority is days.
6. The rate of Withholding Tax on a dividend paid to a resident person in Nigeria is.....
7. According to the Tertiary Education Tax Act, 2011 (as amended), the total number of members of the Board of Trustees is persons.
8. The type of Stamp Duty which varies with the amount involved in the transaction is called.....
9. The formula for the determination of Adjusted Profit Ratio for air and sea transport companies is.....
10. For an objection to an assessment to be valid, Notice of Objection must be filed within after the date of service of Notice of Assessment.
11. A term that best describes when the tax authority refuses to accept a taxpayer's return but imposes its own assessment is known as

INSIGHT

12. Failure to register for VAT attracts.....for the first month and for the subsequent months in which the failure continues
13. The technical name given to a tax, borne by a person other than the taxpayer is called.....
14. Allowable donation must be made out of.....
15. Contribution to a Pension Fund must be approved by..... before it can be allowed as an expense for tax purposes.
16. A new company that fails to commence business at least 6 months after the date of incorporation, will pay a pre-operation levy of ~~N~~.....for the first year when it applies for Tax Clearance Certificate.
17. The taxpayer's right of election on commencement of business covers
18. In addition to filing of financial statements, banks are expected to submit a return within.....days after the end of each month specifying the names and addresses of new customers of the bank in respect of the preceding month.
19. On the determination of an objection or appeal (if applicable), the tax shall be payable within.....of service of the notice on the taxable person.
20. Current Year Loss Relief is applicable to a loss incurred only in the.....

INSIGHT

SECTION B: ATTEMPT ANY FOUR QUESTIONS (50 Marks)

QUESTION 1

- a. Explain the following terms:
- | | |
|--------------------|------------|
| i. Tax Yield | (1½ Marks) |
| ii. Tax Rate | (1½ Marks) |
| iii. Tax Incidence | (1½ Marks) |
| iv. Tax Impact | (1½ Marks) |
| v. Tax Shift | (1½ Marks) |
- b. i. Distinguish between Tax Avoidance and Tax Evasion. (3 Marks)
- ii. State **TWO** ways in which a taxpayer can be guilty of tax evasion (2 Marks)
- (Total 12½ Marks)**

QUESTION 2

Mr. Wisdom Ekene acquired an industrial building in Ota, Ogun State, Nigeria for ₦150,000,000 in June 2015. He carried out improvement works on the building which cost him ₦70,000,000. He sold the building in September 2018 through an estate agent for ₦500,000,000. The agent is entitled to a commission of 10% on the sales value.

In December 2018, he purchased another industrial building for the same line of business at Agbara, Lagos, using ₦350,000,000 out of the proceeds from the sale of the former building. He paid a Lawyer's commission of ₦35,000,000 for the acquisition of the new building.

Required:

- a. Calculate the Capital Gains Tax payable by Mr. Wisdom Ekene for the relevant year of assessment. (7½ Marks)
- b. Explain the concept of Artificial and Fictitious Transaction as it relates to Capital Gains Tax. (2 Marks)
- c. Under the obligation of secrecy, tax information and documents of a taxpayer are expected to be treated with utmost confidentiality and secrecy.

When can this rule of secrecy be set aside or violated? (3 Marks)

(Total 12½ Marks)

ATSWA PART III MARCH 2019 DIET

INSIGHT

QUESTION 3

- a. Briefly explain **THREE** methods of stamping of duties. (3 Marks)
- b. i. What is Adjudication? (1½ Marks)
ii. State **THREE** of its benefits. (3 Marks)
- c. With respect to Value Added Tax (VAT), state the penalties for the following offences:
- i. Failure to register for the scheme within the stipulated time (1 Mark)
- ii. Rendering false returns (1 Mark)
- iii. Failure to issue tax invoice (1 Mark)
- iv. Failure to keep proper records (1 Mark)
- v. Aiding and abetting (1 Mark)
- (Total 12½ Marks)**

QUESTION 4

- a. State **TWO** reasons why a taxpayer may decide to change his/her accounting date. (2 Marks)
- b. IBK Mensah Traders deals in assorted goods. Mrs. Ibukun Mensah who is the proprietress of IBK Mensah Traders had previously made up her accounts to 31 March but decided to change it to 30 June in 2015.

The Adjusted Profits of IBK Mensah Traders are as follows:

	₦
Year ended 31 March 2015	2,063,250
Period ended 30 June 2015	602,600
Year ended 30 June 2016	2,410,400
Year ended 30 June 2017	3,750,000
Year ended 30 June 2018	4,200,000

Required:

Compute the Assessable Profits for the relevant years of assessment
(10½ Marks)
(Total 12½ Marks)

INSIGHT

QUESTION 5

- a. Federal Inland Revenue Service Board is one of the Revenue agencies in Nigeria.

Required:

- i. State the composition of the Board. (4½ Marks)
- ii. State **FOUR** duties of the Board. (2 Marks)
- b. A corporate taxpayer carrying on an existing business is required by Companies Income Tax Act, 2004 (as amended) to file its self-assessed income tax returns and pay, in one lump sum, on the due date of filing the return.

You are required to:

Explain briefly **THREE** steps/measures the relevant tax authority is allowed by law to adopt in recovering any unpaid tax.

(6 Marks)

(Total 12½ Marks)

QUESTION 6

Capital Nigeria Limited, an exporter and importer of general merchandise, was incorporated on November 10, 2014. It commenced business on April 1, 2015

You are given the following Adjusted Profits for the relevant accounting period/years:

	₦
Nine months ended December 31, 2015	1,250,000
Year ended December 31, 2016	1,421,000
Year ended December 31, 2017	2,790,000
Year ended December 31, 2018	3,260,000

You are required to:

Compute the Assessable Profits for the relevant years of assessments. Consider the option available to the taxpayer.

(Total 12½ Marks)

INSIGHT

NIGERIAN TAX RATES

1. CAPITAL ALLOWANCES

	Initial %	Annual %
Office Equipment	50	25
Motor Vehicles	50	25
Office Buildings	15	10
Furniture and Fittings	25	20
Industrial Buildings	15	10
Non-Industrial Buildings	15	10
Plant and Machinery		
- Agricultural Production	95	Nil
- Others	50	25

2. INVESTMENT ALLOWANCE 10%

3. RATES OF PERSONAL INCOME TAX

Graduates 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 | (2% of Assessable Profit) |
| 6. CAPITAL GAINS TAX | 10% |
| 7. VALUE ADDED TAX | 5% |

INSIGHT

SECTION A

PART I MULTIPLE- CHOICE QUESTIONS

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

INSIGHT

- 27. B
- 28. D
- 29. E
- 30. D

EXAMINER'S COMMENT

The multiple choice questions covered the entire syllabus. All the candidates attempted the questions. The general performance was good.

PART II SHORT- ANSWER QUESTIONS

- 1. Flexibility
- 2. Initial
- 3. State Board of Internal Revenue
- 4. Cessation
- 5. 30 days
- 6. 10%
- 7. Thirteen persons
- 8. Ad-valorem Duty
- 9. $\frac{\text{Adjusted Profit}}{\text{Worldwide Income}} \times 100\%$
- 10. 30days
- 11. Best of Judgement
- 12. ₦10,000 and ₦5,000
- 13. Indirect tax
- 14. Profit
- 15. Joint Tax Board
- 16. ₦20,000
- 17. 2nd and 3rd years of Assessment
- 18. Seven
- 19. One month
- 20. First Year

EXAMINER'S COMMENT

ATSWA PART III MARCH 2019 DIET

INSIGHT

The short answer questions covered all important aspects of the syllabus. All the candidates also attempted the questions. The general performance was above average.

SOLUTION 1

(a) i. **Tax Yield**

Tax yield is the expected returns in revenue from a tax after, the cost of collection of the tax is deducted.

ii. **Tax Rate**

This describes the proportion of the tax base (usually expressed as a percentage), that is paid as tax in a tax system. E.g. the tax rate for Value Added Tax in Nigeria is 5%.

iii. **Tax Incidence**

Tax incidence is the analysis of the effect of a particular tax between economic agents (buyers and sellers). Tax incidence reveals the economic agents who ultimately pay the tax, that is those that bear the ultimate burdens of a tax.

iv. **Tax Impact**

This is the effect of a tax on the production or consumption of the product being taxed. For example, the tax impact of raising the levy on tobacco might be a reduction in tobacco sales.

v. **Tax Shift**

Tax shift (also known as tax swap) is a change in taxation that eliminates or reduces one or several taxes and establishes or increases other, while keeping the overall revenue the same.

(b) i. **DISTINCTION BETWEEN TAX AVOIDANCE AND TAX EVASION**

- Tax avoidance describes the use of loopholes in the tax laws to reduce tax liabilities.
- Tax evasion is the deliberate refusal to pay the correct amount of tax liability.
- Tax evasion is a criminal offence, while tax avoidance is not.
- Tax evasion is litigable, while tax avoidance is not.

ii. **WAYS IN WHICH A TAX PAYER CAN BE GUILTY OF TAX EVASION**

ATSWA PART III MARCH 2019 DIET

INSIGHT

- a. Refusing to register with the relevant tax authority.
- b. Failure to furnish a return, statement, and information or keep records required.
- c. Making an incorrect return by omitting or understating any income liable to tax or refusing or neglecting to pay tax.
- d. Overstating of expenses so as to reduce taxable profit or income, which will also lead to payment of less tax than otherwise have been paid.
- e. Hiding away totally without making any tax returns at all.
- f. Entering into artificial transaction.

EXAMINER'S COMMENT

This is a two-part standard question. Part 'a' tested candidates' knowledge on some terms in taxation. Part 'b' is on tax avoidance and tax evasion. About 85% of the candidates attempted the question. The general performance was below average. Candidates did not have good knowledge of the terms.

INSIGHT

SOLUTION 2

(a)

MR. WISDOM EKENE
COMPUTATION OF CAPITAL GAINS TAX FOR 2018
ASSESSMENT YEAR

		N	N
	Sales proceeds		500,000,000
	Agency fee		<u>50,000,000</u>
	Net sales proceeds		450,000,000
	Deduct:		
	Cost of acquisition	150,000,000	
	Cost of improvement works	<u>70,000,000</u>	<u>(220,000,000)</u>
	Capital Gains		<u>230,000,000</u>
	Capital gains (as above)		230,000,000
	Less: Lower of		
(c)	Net sales proceeds	<u>450,000,000</u>	
	OR		
(b)	New building		
	Cost	350,000,000	
	Lawyer's commission	<u>35,000,000</u>	
		385,000,000	
	Less:		
	Cost of construction - old building		
	- Cost of acquisition	<u>(150,000,000)</u>	
	- Cost of improvement works	<u>(70,000,000)</u>	
	Roll-over relief		<u>165,000,000</u>
	Net Capital Gains		<u>65,000,000</u>
	Capital Gains at 10%		<u>6,500,000</u>

Note: If a partial roll-over relief is claimed, N6,500,000 will be due for payment.

INSIGHT

(b) **Concept of Artificial and Fictitious Transactions in Capital Gains Tax**

There is Artificial or Fictitious Transaction in Capital Gains Tax whenever there is disposal of chargeable asset to a connected person.

For example, the following persons are connected persons and disposal of chargeable asset within them constitutes an Artificial Transaction:

- a. An individual's wife or husband, relatives or spouse of a relative.
- b. A trustee of a settlement. Trust of a settlement is connected with the settler and vice versa.
- c. Partners in a partnership business. Partners are connected with each other as well as each other spouse, relatives and their spouses.
- d. A company is connected with another company if:
 - i. Both companies are controlled by one person or one person controls one of the companies, while the other is controlled by another person who is connected with the one controlling the former either alone or jointly, or
 - ii. Both companies are controlled by a group of two or more persons or by persons connected with them.

In case of Artificial or Fictitious Transaction in Capital Gains Tax, the sales proceed shall be the higher of actual consideration paid and the market value.

c. **The rule of secrecy of information of taxpayer may be set aside in any of the following conditions:**

- i. If information is required by government for purpose of double taxation relief; and
- ii. If information is required by the Auditor-General of the Federation or any other officer authorized by him for the performance of his official duties.

INSIGHT

EXAMINER'S COMMENT

This is a very good question on Capital Gains Tax. The other part of the question tested candidates' knowledge on obligation of secrecy.

About 60% of the candidates attempted the question. The general pitfall was lack of adequate knowledge of Roll-over relief in Capital Gains Tax Computation.

The Candidates should study extensively the Principles of Capital Gains Tax.

SOLUTION 3

(a) **Methods of stamping of duties:**

- (i) Affixing adhesive stamp
- (ii) Affixing postage stamp in lieu of adhesive stamp
- (i) Embossing with dies

- (ii) Printing on the instruments

(b) (i) Adjudication is the process of determining the correct amount of duty on any executed document by the commissioner of stamp duties.

(ii) **Benefits of Adjudication include:**

- It shows the genuineness of a document;
- It is the important step in disputing the stamp duties offices' views of the correct amount of duty;
- It satisfies the statutory requirements; and
- It makes instruments once adjudicated, admissible for all purposes notwithstanding any objection as to the duty to be paid.

INSIGHT

(c)

	Offences Under VAT	Penalties
(i)	Failure to register for the scheme within the stipulated time.	₦10,000 for the first month in which the failure occurs and ₦5,000 for each subsequent month.
(ii)	Rendering false returns.	Conviction or a fine twice the amount under-declared.
(iii)	Failure to issue tax invoice.	Fine of 50% of the cost of the goods and services for which the account invoice was not issued.
(iv)	Failure to keep proper records.	Penalty of ₦2,000 for every month in which the failure continues.
(v)	Aiding and abetting.	Fine of ₦50,000 or imprisonment for a term of 5 years.

EXAMINERS' COMMENT

This is a standard question on Value Added Tax (VAT) and Stamp Duties. About 40% of the candidates attempted the question.

The general performance was below average. The major pitfall was lack of adequate knowledge of offences and penalties with respect to VAT. Candidates are advised to always study all aspects of the syllabus thoroughly.

SOLUTION 4

(a) **Reasons for change in accounting dates may include:**

- (i) A subsidiary company may change its accounting date to align with that of its parent or holding company.
- (ii) A business may change its accounting date to be in line with government either voluntarily or mandated.
- (iii) Businesses in the event of merger or acquisition may change its date to that of the acquiring or succeeding company.

INSIGHT

(b)

IKB Mensah Traders

Computation of Assessable Profits for the Relevant Years of Assessment

Year of Assessment	Basis Period	WORKING S	Assessable Profit (R)
2016	01/07/2014 - 30/06/2015	(Wk 2)	2,150,037.50
2017	01/07/2015 - 30/06/2016	(Wk 2)	2,410,400
2018	01/07/2016 - 30/06/2017	(Wk 2)	3,750,000

WORKINGS

(Wk 1) Assessable profits for 2016, 2017 and 2018 Tax Years (Using Old Date)

Tax Year	Basis Period	WORKINGS	R	Assessable Profit (R)
2016	01/04/2014 - 31/03/2015	Given		2,063,250
2017	01/04/2015 - 31/03/2016			
	01/04/2015 - 30/06/2015	Given	602,600	
	01/07/2015 - 31/03/2016	$(\frac{9}{12} \times \text{R}2,410,400)$	<u>1,807,800</u>	2,410,400
			0	
2018	01/04/2016 - 31/03/2017			
	01/04/2016 - 30/06/2016	$(\frac{3}{12} \times \text{R}2,410,400)$	602,600	
	01/07/2016 - 31/03/2017	$(\frac{9}{12} \times \text{R}3,750,000)$	<u>2,812,500</u>	3,415,100
			0	
Total Assessable Profits				<u><u>7,888,750</u></u>

INSIGHT

(Wk 2) Assessable profits for 2016, 2017 and 2018 Tax Years (Using New Date)

Tax Year	Basis Period	WORKINGS	₦	Assessable Profit (₦)
2016	01/07/2014 - 30/06/2015			
	01/07/2014 - 31/03/2015	$(\frac{9}{12} \times \text{₦}2,063,250)$	1,547,438	
	01/04/2015 - 30/06/2016	Given	<u>602,600</u>	2,150,038
2017	01/07/2015 - 30/06/2016	Given		2,410,400
2018	01/07/2016 - 30/06/2017	Given		<u>3,750,000</u>
Total Assessable Profits				<u>8,310,438</u>

Decision: The Tax Authority will assess 2016, 2017 and 2018 Tax Years on Preceding Year Basis (PYB) using New dates (30th June each Year) because it gives a higher Total Assessable Profits of ~~₦~~8,310,438.

EXAMINER'S COMMENT

This is a simple question on Change of Accounting date. About 90% of the candidates attempted the questions. The general performance was below average.

The major pitfall was lack of proper understanding of correct treatment of change of accounting date and the identification of appropriate Basis Period as well as year change..

Candidates are advised to make use of the Study Text and other relevant materials.

INSIGHT

SOLUTION 5

(a) **The Federal Inland Revenue Service Board (FIRSB) comprises:**

- ✓ An Executive Chairman who shall be a person within the Service experienced in taxation, to be appointed by the President;
- ✓ The Directors and Head of Departments of the Services;
- ✓ The Officer from time to time holding or acting in the post of Director with responsibility for planning, research and statistics matters in Federal Ministry of Finance;
- ✓ A member of the Board of the National Revenue Mobilisation, Allocation and Fiscal Commission;
- ✓ A member from the Nigeria National Petroleum Corporation, not lower in rank than an Executive Director;
- ✓ A Director from the National Planning Commission;
- ✓ A Director from the Department of Customs and Excise;
- ✓ The Registrar-General of the Corporate Affairs Commission (CAC); and
- ✓ The Legal Adviser who shall be an ex-officio member of the board

(ii) **The duties of the FIRSB are as follows:**

- Advising the Federal Government through the Minister of Finance on tax matters which include any amendment to the existing law;
- Assessment and collection of Companies Income Tax;
- Issuing instructions on the financial aspects of assessment including interpretation on income tax Acts;
- Reviewing and approving the strategic plans of the Service;

INSIGHT

- Employ and determine the terms and conditions of Service including disciplinary measures of the employees of the Service; and
 - Do such other things, which in its opinion are necessary to ensure the efficient performance of the functions of the Service under the Act.
- (b) If payment of any tax due is not made within the time limit as specified by the demand notice, the relevant tax authority may, for the purpose of enforcing payment of tax due,
- Raise final demand notice, this is, a notice from the relevant tax authority requesting the tax payer to pay the amount outstanding. Failure to pay the due tax may result in the tax authority taken further measures in recovering the due tax.
 - Issue second notice reminding the tax payer of the power to distrain.
 - Exercising power of distrain on the tax payer's properties.
 - Approach the court to enforce payment. If the sale of distrained properties is not enough to recover in full the liability of a tax payer, the relevant tax authority can further approach the court for enforcement of the outstanding balance.

EXAMINER'S COMMENT

This is a straight-forward question on tax administration and filing of returns. About 55% of the candidates attempted the question. The general performance was below average.

More than 80% of the candidates that attempted the question failed to give correct answer on the composition and duties of the Federal Inland Revenue Service Board (FIRSB). Many erroneously highlighted duties of Joint Tax Board instead of the duties of FIRSB.

INSIGHT

SOLUTION 6

Capital Nigeria Limited Computation of Assessable Profits for the Relevant Years of Assessment

Year of Assessment	Basis Period	WORKINGS	Assessable Profit (₦)
2015	01/04/2015 - 31/12/2015	Given	1,250,000
2016	01/04/2015 - 31/03/2016	(Wk 1)	1,605,250
2017	01/01/2016 - 31/12/2016	(Wk 1)	1,421,000
2018	01/01/2017 - 31/12/2017	Given	2,790,000
2019	01/01/2018 - 31/12/2018	Given	3,260,000

WORKINGS

**(Wk 1) Assessable profits for 2016 and 2017 Years of Assessment
(using Normal Commencement Rule)**

Tax Year	Basis Period	WORKINGS		Assessable Profit (₦)
2016	01/04/2015 - 31/03/2016			
	01/04/2015 - 31/12/2015	Given	1,250,000	
	01/01/2016 - 31/03/2016	$(\frac{3}{12} \times \text{₦}1,421,000)$	<u>355,250</u>	1,605,250
2017	01/01/2016 - 31/12/2016	Given		<u>1,421,000</u>
Total Assessable Profits				<u><u>3,026,250</u></u>

INSIGHT

(Wk 2) Assessable profits for 2016 and 2017 Years of Assessment (applying Right of Election)

Tax Year	Basis Period	WORKINGS	Assessable Profit (₦)
2016	01/01/2016 - 31/12/2016	Given	1,421,000
2017	01/01/2017 - 31/12/2017	Given	<u>2,790,000</u>
Total Assessable Profits			<u>4,211,000</u>

Decision: Capital Nigeria limited should not exercise its right of election because it results to a higher Total Assessable Profits of ₦4,211,000 for 2016 and 2017 Years of Assessment. Therefore, the Assessment Profits for 2016 and 2017 Years of Assessment should be computed using the Normal Commencement Rule as shown in working 1 above.

EXAMINER'S COMMENT

This is a standard question on the computation of Assessable Profit using the commencement rule and right of election rule. About 97% of the candidates attempted the question. The general performance was encouraging.

INSIGHT

AT/191/PIII.12

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
PART III EXAMINATIONS – MARCH 2019**

MANAGEMENT

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 the primary objective of a business?
 - A. Radical practice of communication
 - B. Capitalising on the principles of equity
 - C. Investing minimally in stocks and bonds
 - D. Profit maximisation
 - E. Identifying the needs of the board of directors

2. “Organic“ growth in business can be described as
 - A. Expanding by involving other businesses
 - B. Expanding through acquisition
 - C. Expanding by selling more of current products
 - D. Expanding through merger
 - E. Carrying out market segregation

3. Which of the following is **NOT** a feature of a sole proprietorship?
 - A. Enormous risk bearing
 - B. Management and control reside solely with the owner
 - C. Keeping all business secrets to oneself
 - D. Individual initiative dominates
 - E. Participants are entitled to a share of profit

4. The external environment of business consists of two broad groups of elements namely
 - A. Risk and general environment
 - B. Task and general environment
 - C. Risk and competitive environment

ATSWA PART III MARCH 2019 DIET

INSIGHT

- D. Game and competitive environment
 - E. Immediate and inner environment
5. Tools that can be used by Managers to reduce the level of unethical behaviour among employees include the following, **EXCEPT**
- A. Employee selection
 - B. Statement of code of ethics by the business enterprises
 - C. Leadership by senior managers
 - D. Rewards and punishment
 - E. Financial reporting
6. Office records can be classified into
- A. Vital, important, useful and not useful
 - B. Vital, genuine, fake and not useful
 - C. Important, genuine, fake and useful
 - D. Viral, forged, fake and not useful
 - E. Viral, not-useful, forged, fake and genuine
7. The systematic storage of documents so that they may be referred to in future is called
- A. Documentary
 - B. Filing
 - C. Cabinet system
 - D. Computer application
 - E. Paper shredding
8. Which of the following is **NOT** a major filing system?
- A. Alphabetical filing system
 - B. Numerical filing system
 - C. Subject filing system
 - D. Automatic filing system
 - E. Geographical filing system
9. A conscious choice among alternative courses of actions followed by activities to implement the choice is referred to as
- A. Decision making
 - B. Proactive decision making
 - C. Decision
 - D. System decision making
 - E. Intuitive decision making

INSIGHT

10. Which of the following is **NOT** a programmed decision?
- A. Registration by students for a new session
 - B. Reorder of an inexpensive material
 - C. Procedures for opening a bank account
 - D. Construction of new facilities
 - E. Admitting patients in hospital
11. Which of the following is an example of reactive decision?
- A. A decision made in anticipation of a change
 - B. When a manager undertakes preventive maintenance
 - C. When a manager initiates action to correct product defects
 - D. When a manager changes his way of life in anticipation of changes in the environment
 - E. When a manager is thinking ahead of an occurrence
12. Employee compensation in human resource management entails the following, **EXCEPT**
- A. Job evaluation
 - B. Implementing incentive schemes
 - C. Designing incentive schemes
 - D. Developing compensation policy
 - E. Collective Bargaining
13. Which of the following is **NOT** a step in the Human Resource Planning process?
- A. Identify organisation objectives
 - B. Analyse existing human resources
 - C. Calculate net human resources needs for the period
 - D. Choosing and hiring the most qualified applicants
 - E. Develop a plan
14. Which of the following is **NOT** a question to be asked under identification of organisational objectives in human resource planning process?
- A. Where is the organisation going?
 - B. What type of organisational structure is planned?
 - C. What sources do we have to use?
 - D. What degree of growth and expansion is expected?
 - E. What will be the future financial position of the organisation?

INSIGHT

15. Cognitive learning by consumer does **NOT** occur through
- A. Reading
 - B. Thinking
 - C. Branding
 - D. Problem solving
 - E. Discussion
16. Which of the following is **NOT** a technique used by producers to communicate favourable information about their products to potential customers?
- A. Advertising
 - B. Broadcasting
 - C. Direct sale
 - D. Public relations
 - E. Sales promotion
17. Which of the following is **NOT** a feature of the introductory stage in Product Life Cycle?
- A. Production costs are often high
 - B. Marketing costs are often high
 - C. Initial small volume of output
 - D. Initial small volume of sales
 - E. Sales and profits decline steeply
18. The commercial activity that facilitates the flow of goods from producers to customers is known as
- A. Trade
 - B. Production system
 - C. Channels of distribution
 - D. Business update
 - E. Promotional activities
19. Planning the location of an organisation's facilities is an activity in
- A. Production management
 - B. Production activity
 - C. Production technique
 - D. Production mechanism
 - E. Production system

INSIGHT

20. The arrangement of facilities for smooth production process is known as
- A. Plant facilities
 - B. Plant mechanism
 - C. Plant layout
 - D. Planning
 - E. Plant arrangement
21. A manager who makes the right decisions and implement them is referred to as an manager
- A. Efficient
 - B. Effective
 - C. Eloquent
 - D. Emotional
 - E. Official
22. The management function of grouping tasks and assigning resources required to carry out a specific job is known as
- A. Planning
 - B. Organising
 - C. Leading
 - D. Coordinating
 - E. Controlling
23. Plans are classified into the following, **EXCEPT**
- A. Scope of plan
 - B. Period covered
 - C. Level of detail
 - D. Levels of managers
 - E. Departmentalisation
24. The plan used to carry out courses of actions that probably will not be repeated in the same form in the future is called
- A. Single-use
 - B. Long-range
 - C. Short range
 - D. Strategic
 - E. Human relations

INSIGHT

25. The grouping of tasks on the basis of the responsibilities they perform is referred to as
- A. Departmentation by form
 - B. Departmentation by function
 - C. Departmentation by time
 - D. Departmentation by team
 - E. Matrix Departmentation
26. Which of the following is out of place in the chronological order of strategic functions of an Accountant?
- A. Observe events within organisation
 - B. Identification of event that have economic values
 - C. Measuring economic events in financial terms
 - D. Measurements summary
 - E. Measurements classifications
27. Which of the following is **NOT** a reason why organisations create teams?
- A. Teams allow the organisation to capitalise on workers' knowledge
 - B. Teams increase the total number of supervisors in the organisation
 - C. Teams allow the organisation to promote flexibility and responsiveness
 - D. Teams give workers more authority and decision-making freedom
 - E. Teams give more responsibility for task performance to those performing the tasks
28. The related aspects of self actualisation needs at work according to Maslow do **NOT** include which of the following?
- A. Creative task demands
 - B. Safe working conditions
 - C. Achievement in work
 - D. Challenging jobs
 - E. Advancement opportunities

INSIGHT

29. Efficiency can arise in any of the following, **EXCEPT**
- A. Achieving more results with same or current levels of inputs
 - B. Achieving the same level of result with less than current levels of inputs
 - C. Achieving an increase in results with less than a proportionate increase in inputs
 - D. Achieving less output or results with a more than proportionate decrease in inputs
 - E. Achieving more results with more than proportionate increase in inputs
30. The spread of rumour and gossip through an informal network is referred to as
- A. Semantic
 - B. Selective perception
 - C. Information under-load
 - D. Grapevine
 - E. Halo effect

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. Manufacturing industries are divided into four categories namely.....synthetic, process and assembly line industries
2. Provision of financial supports for charities by organisations as a form of social responsibility is known as
3. A business that operates as a good corporate citizen and obeys all laws and regulations of its environment of business operations can be said to be responsible.
4. The process of identifying hazards for the purpose of taking protective and preventive measure is called.....

INSIGHT

5. The system where each department or section develops and maintains its own filing system is referred to as.....
6. The decision-making that is more democratic in nature is called
7. A process where a group of individuals generate ideas according to a set of rules designed to promote the generation of new ideas, while at the same time avoiding members' inhibitions that face -to-face groups usually cause is
8. The process of examining a job with a view to identifying its components and conditions under which it is performed is referred to as.....
9. The process by which individual consumers acquire the purchase and consumption knowledge and experience is called.....
10. The classes of consumer goods are convenience, shopping andproducts
11. An organisational philosophy which is geared towards continuous improvement in the analysis of product and service delivery is referred to as..... products
12. The main types of production system are, flow and batch
13. A graphical tool used to show expected activities and to track actual progress against the time targets is termed.....
14. The process of verifying whether everything occurs in conformity with plans adopted and policies established is called.....
15. For a formal organisation to function properly, and responsibility must be defined for all organisational members
16. The dividend in the form of additional shares is called.....

INSIGHT

17. A statement that indicates how an organisation obtains funds and how it spends them is known as.....
18. A group that is deliberately created by managers in order to perform specific tasks directly related to attainment of organisational goals is called.....group
19. The developmental stage or phase in group and team formation, where productivity and efficiency is at the highest level is called..... group.
20. The process of comparing or ranking jobs in order to determine the relative position or value is called.....

SECTION B: ATTEMPT ANY FOUR QUESTIONS (50 Marks)

QUESTION 1

- a. State **FIVE** important features of sole proprietorship. (2½ Marks)
 - b. List **FOUR** merits and **SIX** demerits of sole proprietorship as a form of business ownership. (10 Marks)
- (Total 12½ Marks)**

QUESTION 2

- a. Distinguish between efficiency and effectiveness. (5 Marks)
 - b. Classify the various levels of Management. (7½ Marks)
- (Total 12½ Marks)**

QUESTION 3

- a. List and explain **FIVE** importance of planning. (7½ Marks)
 - b. State **FIVE** limitations of planning. (5 Marks)
- (Total 12½ Marks)**

INSIGHT

QUESTION 4

- a. Identify **FIVE** factors influencing facilities location. (5 Marks)
- b. Outline and explain **FIVE** factors influencing the design and layout of an organisation. (7½ Marks)
- (Total 12½ Marks)**

QUESTION 5

State and explain **FIVE** common characteristics that demonstrate group effectiveness. **(Total 12½ Marks)**

QUESTION 6

- a. Enumerate **TEN** sources of danger to health and safety at the workplace. (5 Marks)
- b. Explain **FIVE** preventive and protective measures for safety. (7½ Marks)
- (Total 12½ Marks)**

INSIGHT

SECTION A

PART I MULTIPLE-CHOICE QUESTIONS

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

INSIGHT

- 21. B
- 22. B
- 23. E
- 24. A
- 25. B
- 26. D
- 27. B
- 28. B
- 29. E
- 30. D

EXAMINER'S COMMENT

The questions were well distributed across the subject syllabus. This section was attempted by all candidates being compulsory and about 92% of the candidates passed.

INSIGHT

PART II SHORT-ANSWER QUESTIONS

1. Analytical
2. Corporate Philanthropy
3. Legally
4. Risk Assessment
5. Decentralised Filing
6. Group decision making
7. Brainstorming
8. Job Analysis
9. Consumer cognitive Learning
10. Specialty/unsought product
11. Total Quality Management (TQM)
12. Job
13. Gantt Chart
14. Controlling
15. Authority
16. Stock dividend/Bonus share
17. Cash flow
18. Formal group
19. Performing
20. Job evaluation

EXAMINER'S COMMENT

All the questions in this section were within the scope of the syllabus. This section is compulsory and attempted by all candidates. The pass rate was about 30%. It will be helpful if candidates can make a better use of the study pack to sharpen their understanding of many of the basic concepts in their preparation for future examination.

INSIGHT

SECTION B

SOLUTION 1

a. The following are the important features of sole proprietorship business

- i. Individual initiative dominates: The owner of the business takes decision on his own based on experience and sense of judgement without any contributions from anybody.
- ii. Risk bearing: The risks of the business are borne by the proprietor alone. The beauty of this is that, he also takes all the profit.
- iii. Management and control:- The proprietor manages and controls the business. He has the option of engaging managers or not and where he does, they are usually assigned insignificant managerial power, while the control still resides with the business owner.
- iv. Unlimited liability: The proprietor is responsible for the losses and liabilities of the business. Where there is an insufficient capital to run the business, he may sell his personal assets.
- v. Secrecy: The proprietor keeps all the business secrets to himself alone.
- vi. Minimum government regulations: Government does not interfere with the operations of the business.

b. Merits of Sole proprietorship

- i. Easy formation
- ii. Benefits of small scale operations
- iii. Inexpensive management
- iv. Better control

Demerits of Sole proprietorship

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

ATSWA PART III MARCH 2019 DIET

INSIGHT

EXAMINER'S COMMENT

The question was direct and drawn from the study pack. About 99% of the candidates attempted the question and about 97% passed with considerably high grades.

SOLUTION 2

- a. Effectiveness is the ability to choose appropriate objectives or the appropriate means for achieving a given objective. An effective manager selects the right thing to do or the right method for getting a particular thing done.
Efficiency is the ability to get things done correctly and this is an input - output concept. An efficient manager is one who achieves outputs or results that measure up to the input used to achieve them.
Great efficiency can arise by
- i. Achieving more results with the same current levels of inputs.
 - ii. Achieving the same level of inputs of result with less than current levels of inputs
 - iii. Achieving less output or results with more than proportionate decrease in inputs
 - iv. Achieving an increase in results with less than a proportional increase in inputs.
- b. i. Top Managers: This category of managers makes up the relatively small group of business executives who are charged with the responsibility of managing the entire organization. They represent the organization officially to the external environment by meeting with government executives and those of the organization
- ii. Middle Managers: This group of managers represents the largest group of managers in most organizations. They are the plant managers, operation's managers and divisional head. They are solely responsible for implementing policies and plans already established by top managers and also coordinating the activities of the lower level managers.

INSIGHT

- iii. **First Time Managers/Lower-level Managers:** Their basic assignment is to supervise and coordinate the activities of operating employees. In most cases, the ranks of first line managers include coordinators, supervisors and office managers. These positions are the first titles held by employees who enter management positions from the ranks of operating personnel

EXAMINER 'S REPORT

The question was drawn from the study pack. About 96% of the candidates attempted the question and over 92% passed.

SOLUTION 3

The importance of planning

- i. **Minimizes Risk and uncertainty:** By providing a more rational fact based procedure for making decisions, planning allows managers and organization to minimize risk and uncertainty.
- ii. **Enables Managers to cope with increasing competition:** Business copes with competition not only in the domestic market but also in the international markets. To cope and manage fierce competition, proper planning in all functional areas is a must.
- iii. **Enables managers to keep face with complex technological changes**
- iv. **Leads to success:** Planning helps organizations to perform better and achieve success. Organisations that plan have a higher probability of success than those which do not plan.
- v. **Focuses on Goals**
- vi. **It facilitates control:-** In planning, the manager sets goals and devises action plans to achieve them. Thus, plans become the standards or bench thus, marks against which performance is compared and control is exercised in case of any differences between the planned and actual performance

INSIGHT

Limitation of Planning:

- i. Planning is dependent on quality of information. Any defects in the information used to generate the plan will make the plan worth less.
- ii. Uncertainty: Uncertainty always exist in a plan because forecast cannot be 100% accurate and reliable.
- iii. Planning may inhibit creativity and innovation which are sources of rapid growth of organizations
- iv. May create rigidity: here, goals and courses of action are taken as given and unchangeable even when the assumptions are not correct.
- v. Planning consumes a lot of resources and time.

EXAMINER'S COMMENT

About 72% of the candidates attempted this question which was drawn from the study pack. The pass rate was about 66%

SOLUTION 4

- a. Factors influencing facilities location
 - i. Availability of raw materials
 - ii. Proximity to market
 - iii. Commercial and social infrastructure
 - iv. Characteristics of site
 - Location of competitors
 - Cost of site-rent etc
 - Size possibility of expansion
 - Utility services – electricity, water etc
 - Convenience and accessibility
 - Disposal facilities for waste products
 - Traffic density and parking space.
 - v. Government Policy

INSIGHT

- b. Factors influencing the design and layout of an organization
- i. Headroom: That is the height between the factory floor and the ceiling. The height of the headroom depends on the type of material handling equipment used.
 - ii. Access: Ease of movement
 - iii. Service required: Services often required for the efficient operation of an organization includes electricity, telephone and water
 - iv. Disposal of waste: Most production processes generate some waste products. The design should incorporate efficient methods of disposing wastes without infringing local laws governing environmental pollution.
 - v. Ventilation: The design should allow adequate ventilation through the building.
 - vi. Government regulation

EXAMINER'S COMMENT

The question was attempted by about 55% of the candidates and over 50% of candidates who attempted the question passed. It will be helpful if candidates can make a better use of the study pack in their preparation for future examination.

SOLUTION 5

Common characteristics that demonstrate group effectiveness:

- i. Common understanding of group aims.
- ii. Members are committed: the members of the group are committed to the objectives and activities of the group
- iii. Each member understands his/her role in the group
- iv. Good leadership- The group should be led by leaders who are visionary, people centered, transparent and committed to the ideals of the group

INSIGHT

- v. Effective conflict – handling
- vi. Members obey group norms.
- vii. Loyalty:- Members of an effective term identify with the group and have strong loyalty to the group.
- viii. Group members are satisfied: An effective group is one in which members perceive their individual needs as satisfied.

EXAMINER'S COMMENT

The question was attempted by about 16% of the candidates and over 50% of the candidates who attempted the question passed. It will be helpful if candidates can make a better use of the study pack in their preparation for future examination.

SOLUTION 6

- a. Sources of danger to health and safety at the workplace are:
 - i. Slippery floors
 - ii. Open cabinets
 - iii. Frayed carpets
 - iv. Poorly lit stairways or offices
 - v. Unsafe work processes
 - vi. Poor ventilation
 - vii. Careless storage of hazardous items such as sharp objects, dangerous chemicals
 - viii. Dangerous fumes
 - ix. Wrong handling of equipment/machinery
 - x. Manufacturing equipment malfunctioning
 - xi. Poor factory layout
 - xii. Horseplay at the workplace

INSIGHT

- xiii. Congestion
 - xiv. Inadequate or absence of sewage facility
 - xv. Dirty environment
 - xvi. Inadequate safety equipment/gadgets
 - xvii. Failure to use safety equipment or refusal to adhere to safety/procedures during work.
- b. The preventive and protective measures for safety are:
- i. Safety policy – The first step towards prevention of injury or death at the workplace is to put in place a safety policy.
 - ii. Periodic risk assessment – This is the process of identifying hazards and the risks attached to them.
 - iii. Hazard Elimination – This may require use of alternatives, design improvement, change of process etc.
 - iv. Substitution – Replacement of hazardous equipment with a less dangerous one.
 - v. Use of Barriers:- Removal of dangerous equipment from workers or works from dangerous equipment.
 - vi. Use of procedure:- putting in place a step by step procedure to carrying out an operation.
 - vii. Use of warning system:- Such as instructions signs, labels etc.
 - viii. Use of preventive equipment
 - ix. Commitment of workers to adherence to safety procedures and use of safety equipment.
 - x. Hazards can be prevented by designing and installing safety equipment and protective devices.
 - xi. Periodic inspection and checks to eliminate risks.

INSIGHT

- xii. Investigating accidents as they occur and taking corrective actions
- xiii. Continuous program of education and training on safe work habits and methods of preventing accidents
- xiv. Designation of safety and Health officer. This officer shall be the health and safety champion in the organisation

EXAMINER'S COMMENT

The question was well attempted by the by over 95% of the candidates and about 92% of these candidates passed. The study pack addressed the area robustly and adequately. The candidates displayed good understanding of the concept tested.