



**THE INSTITUTE OF CHARTERED
ACCOUNTANTS OF NIGERIA**

INSIGHT

**MARCH 2023 ATSWA EXAMINATIONS
PART I**

Question Papers

Suggested Solutions

and

Examiners' Comments

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THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA



**ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
MARCH 2023 EXAMINATIONS (PART 1)**

BASIC ACCOUNTING

PLEASE READ THESE INSTRUCTIONS BEFORE COMMENCEMENT OF THE PAPER

EXAMINATION INSTRUCTIONS

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

TUESDAY, 28 MARCH, 2023

DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
PART I EXAMINATIONS – MARCH 2023**

BASIC ACCOUNTING

Time Allowed: 3 hours

SECTION A: PART I MULTIPLE-CHOICE QUESTIONS (30 Marks)

ATTEMPT ALL QUESTIONS IN THIS SECTION

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

1. Which of the following is **NOT** a necessary standard and regulation to be followed in the preparation of Financial Statements?
 - A. International Financial Reporting Standards
 - B. Companies Act
 - C. Security, Stock and Exchange Act
 - D. Banks and other Financial Matters Act
 - E. Financial Reporting Council regulations
2. The steps and procedure followed in the process of bookkeeping are all these, **EXCEPT**
 - A. Preparation and presentation of Financial Statements
 - B. Classifications of business transactions using source documents
 - C. Recording of transactions in books of original entries
 - D. Postings of entries into the appropriate ledgers
 - E. Extraction of Trial Balance
3. Which of the following is **NOT** a specialised purpose of Accounting?
 - A. Cost accounting
 - B. Performance Management
 - C. Auditing
 - D. Inventory Accounting
 - E. Taxation
4. A rebate given to a customer for prompt payment for goods purchased is, discount
 - A. Quantity
 - B. Trade
 - C. Cash
 - D. Debit
 - E. Credit

5. Additional charges incurred on the delivery of goods purchased is referred to as
- A. Carriage outwards
 - B. Wages incurred
 - C. Charges incurred
 - D. Purchase cost
 - E. Carriage inwards
6. The following are enhancing qualitative characteristics of useful financial information that is relevant and faithfully presented, **EXCEPT**
- A. Comparability
 - B. Verifiability
 - C. Completeness
 - D. Timeliness
 - E. Understandability
7. What is the cost of goods sold at ₦152,000, if the selling price is made up of cost price plus 25%.
- A. ₦190,000
 - B. ₦121,600
 - C. ₦114,000
 - D. ₦38,000
 - E. ₦30,400
8. International Federation of Accountants (IFAC)'s code of ethics includes all of the following, **EXCEPT**
- A. Integrity
 - B. Objectivity
 - C. Professional Competence
 - D. Relevance
 - E. Confidentiality
9. ABC Ventures has paid for rent of ₦240,000. The payment has been debited into bank as ₦240,000 and credited in the rent account as ₦240,000. Which type of error is this?
- A. Complete reversal
 - B. Compensating
 - C. Commission
 - D. Principle
 - E. Original entry

10. A list of the assets and liabilities of a business entity prepared at a particular date is referred to as
- A. Trial Balance
 - B. Statement of Assets and Liabilities
 - C. Statement of Property, plant and equipment
 - D. Statement of financial position
 - E. Statement of business entity
11. A trader bought 50 pairs of shoes for ₦50,000 and sold 35 pairs for ₦70,000 at the end of a period. The cost of goods sold would be measured on the 35 pairs sold.
- That is $35/50 \times ₦50,000 = ₦35,000$. The ₦15,000 balance would be deferred to the next period. Which concept is applied in this scenario?
- A. Going Concern
 - B. Objectivity/Fairness
 - C. Prudence/Conservatism
 - D. Accrual/matching
 - E. Entity
12. Which of the following is **NOT** a characteristic of a business?
- A. It exists to make profits
 - B. Risk is the reward for making profits
 - C. It supplies goods and services to make profits
 - D. Goods supplies are either make or buy from other parties
 - E. The profits earned belongs to its owner

Use the accounting equations to answer questions 13, 14 and 15.

13. Inventory bought for Le25,000; is sold for Le40,000.
What is the figure of profit for the business?
- A. Le28,000
 - B. Le19,000
 - C. Le18,000
 - D. Le15,000
 - E. Le12,000
14. Inventory bought for Le15,000; Loss on sale Le3,000
What is the revenue of the business?
- A. Le28,000
 - B. Le19,000
 - C. Le18,000
 - D. Le15,000
 - E. Le12,000

15. Goods sold for Le23,500 and profit on sale is Le4,500
What is the expense of the business?
- A. Le28,000
 - B. Le19,000
 - C. Le18,000
 - D. Le15,000
 - E. Le12,000
16. All of the following are usefulness of a trial balance, **EXCEPT**
- A. Check arithmetic of postings into the ledgers
 - B. Detect all errors of postings in the books of accounts
 - C. Facilitate preparation of final accounts
 - D. Indicate balances in various ledgers and general ledger accounts
 - E. Used by auditors to trace items with significant balances to schedule and source documents

Use the information below to answer questions 17 and 18

GEBU (Ghana) Ltd orders a machine from a Nigerian tools manufacturer at an invoice price of GH¢100,000,000. Payment will be made in 48 monthly instalments of GH¢2,500,000 (including GH¢20,000,000) interest charges. Other relevant costs include:

| | GH¢ |
|------------------------------------|------------|
| Value added tax | 12,500,000 |
| Freight charges | 10,250,000 |
| Installation/ other start-up costs | 4,000,000 |
| Trade discount given | 1,000,000 |

17. How much is the total cost of the machine?
- A. GH¢126,750,000
 - B. GH¢125,750,000
 - C. GH¢114,250,000
 - D. GH¢113,250,000
 - E. GH¢110,250,000
18. What is the accounting treatment of the interest charges?
- A. Recognise as interest and added to the total cost of purchase
 - B. Recognise as interest and reduced from the total cost of purchase
 - C. Recognise as interest expense and written off in the statement of profit or loss
 - D. Recognise as deferred interest in the statement of financial position
 - E. Recognise as deferred interest in the statement of profit or loss
19. Which of the following is **NOT** an example of revenue expenditure
- A. Cost incurred to acquire trading inventories for sale
 - B. Legal fees of acquiring land or building
 - C. Cost of repairing any non- current assets
 - D. Staff salaries and emoluments
 - E. Discount allowed on credit sales

Use the information below to answer Questions 20 and 21

A machine was purchased by a business on July 1, 2020 for L\$10, 000,000 and sold on June 30, 2022 for L\$8, 200,000. The firm's accounting year ends on December 31, each year. Machines are depreciated at 10% per annum on cost. Full year depreciation is charged in the year of purchase but none in the year of sale. The asset is not expected to have any residual value on the date of sale.

20. What is the profit or loss on disposal of the machine?
- A. L\$100,000 (loss)
 - B. L\$200,000 (loss)
 - C. L\$200,000 (profit)
 - D. L\$1,200,000 (loss)
 - E. L\$1,200,000 (profit)
21. What is the accumulated depreciation on the machine as at June 30, 2021?
- A. L\$500,000
 - B. L\$1,000,000
 - C. L\$1,500,000
 - D. L\$2,000,000
 - E. L\$3,000,000

Use the information below to answer questions 22 and 23.

Oshey Ventures extracted the following Trial Balance as at June 30, 2022.

| | Dr GMD'000 | Cr GMD'000 |
|--|---------------|---------------|
| Trade receivables | 500 | - |
| Allowances for doubtful debts for the year | - | 50 |
| Trade payables | - | 100 |
| Gross profit | - | 150 |
| Capital | 200 | - |

22. If the rate of allowances for discount allowed is 5% of trade receivables, what is the amount of trade receivables to be shown in the statement of financial position?
- A. GMD477,500
 - B. GMD450,000
 - C. GMD427,500
 - D. GMD425,000
 - E. GMD422,500

23. What is the amount that will be shown as net profit in the statement of profit or loss?
- A. GMD150,000
 - B. GMD77,500
 - C. GMD72,500
 - D. GMD50,000
 - E. GMD22,500
24. What is the correct accounting entry when previous provision for doubtful receivables in the trial balance is no longer required?
- A. Debit trade receivables account: Credit statement of profit or loss
 - B. Debit statement of profit or loss account: Credit trade receivables account
 - C. Debit provision for doubtful receivables account: Credit statement Profit or Loss account
 - D. Debit statement of Profit or Loss account: Credit provision for doubtful receivables account
 - E. Debit bad debts account: Credit statement of Profit or Loss account

Use the following information to answer questions 25 and 26.

Electricity paid for January 2021 to October 2021 amounted to ₦600,000.

Electricity accrued evenly throughout year 2021

The accounting year is from January to December every year.

25. How much is the electricity amount to be taken to the statement of profit or loss for the year ended December 31, 2021?
- A. ₦60,000
 - B. ₦120,000
 - C. ₦180,000
 - D. ₦600,000
 - E. ₦720,000
26. The amount of electricity owed to be taken to the statement of financial position as at December 31, 2021 is
- A. ₦60,000
 - B. ₦120,000
 - C. ₦180,000
 - D. ₦600,000
 - E. ₦720,000
27. In banking transactions another name for current account, because of its nature of withdrawals is known as
- A. Demand deposits
 - B. Fixed deposit
 - C. Cheque deposit
 - D. Money deposit
 - E. Service deposit

28. In bank reconciliation statement, which of the following reconciliation items will affect the cash book balance?

- I. Bank error overstating the bank balance
- II. Cash book error, overstating the bank balance
- III. Income received through the bank
- IV. Imprest cheques

- A. I and II
- B. I and III
- C. I and IV
- D. II and III
- E. III and IV

Use the following information to answer questions 29 and 30.

Benson Ventures manufactures plastic products. The Ventures operates Hasley bonus scheme system in the computation of the amount paid to workers. In a particular month, the following information is made available.

Standard time (or Allowed time) = 2500 hours.

Wages rate per hour = GMD150

Actual time taken = 2200 hours

29. What is the amount of bonus due?

- A. GMD87,500
- B. GMD65,000
- C. GMD45,000
- D. GMD22,500
- E. GMD22,000

30. What is the amount of total earnings due?

- A. GMD500,000
- B. GMD440,000
- C. GMD375,000
- D. GMD352,500
- E. GMD330,000

SECTION A: PART II SHORT-ANSWER QUESTIONS

(20 Marks)

ATTEMPT ALL QUESTIONS

- 1. The accounting concept that gives rise to Accounting Equation is referred to as.....
- 2. A book of account which records day to day transactions and activities using the concept of double entry is known as

3. The type of impersonal ledger account used to record transactions relating to tangible properties or possession of individuals, firms or companies is called.....
4. Not-for-profit entities can be subdivided into entities andentities
5. The concept that requires the preparer of the books of account not to anticipate profit but recognise all known losses is referred to as
6. In accounting refers to accounting entries necessary to reduce or negate the balance of another account that it is paired with.
7. The Accounting Standard that specifies the accounting treatment of items of Property, Plant and Equipments is.....
8. Adjusted trial balance after all identified errors have been located, corrected and updated in a newly prepared trial balance is known as
9. Calculate the company's non-current liability from the following data:

| | GH¢ |
|------------------------|------------|
| Carrying amount of PPE | 1,000,000 |
| Current assets | 520,000 |
| Current liabilities | 320,000 |
| Total equity | 800,000 |
10. The two principles relied upon by an accountant at the year end in adjusting for expenses and income is
11. A memorandum total account used to record the various balances on ledgers and provides cross check on them is referred to as
12. The two main type of payroll systems in use are and

Use the information below to answer questions 13 and 14.

A manufacturing entity had the following at June 30, 2022.

| | L\$ |
|--------------------------|------------|
| Prime cost | 900,000 |
| Factory overhead | 360,000 |
| Opening Work in Progress | 50,000 |
| Closing work in progress | 80,000 |

13. What was the prime cost for the financial year?
14. What was the production cost for the period?
15. The documents that regulate the internal workings of a limited liability company is referred to as

16. A cash book that has columns for discounts, Cash and Bank is known as Cash book.
17. A business made a profit of Le93,500 but its returns inward has been overstated by Le7,500. How much is the correct profit?

Use the information below to answer questions 18 and 19.

| | 31/12/2020 | 31/12/2021 |
|-----------------------------|------------|------------|
| | ₦ | ₦ |
| Non- current assets (cost) | 320,000 | 286,000 |
| Current assets | 750,000 | 920,000 |
| Current liabilities | 150,000 | 130,000 |
| Provisions for depreciation | 70,000 | 74,000 |

18. What was the capital of the business as at December 31, 2020?
19. What was the value of the net profit or loss of the business for the year ended December 31, 2021?
20. The process of locating and eliminating errors from a computer program is known as

SECTION B: ATTEMPT ANY FOUR QUESTIONS IN THIS SECTION (50 Marks)

QUESTION 1

- a. Explain **THREE** characteristics of a business. (3 Marks)
 - b. Describe **TWO** key features each of Sole proprietorship, Partnership and Limited liability company. (6 Marks)
 - c. Enumerate **FOUR** advantages and **THREE** disadvantages of Limited liability Company. (3½ Marks)
- (Total 12½ Marks)**

QUESTION 2

- a Crown Enterprises started its business with ₦800,000 on 2/1/2022 and paid it into the bank on 4/1/2022. Its transactions for the rest of the month were as follows:

- Jan 5 Purchases by cheque ₦270,000
- Jan 6 Electricity paid by cheque ₦5,000, Rent by cheque ₦7,000
- Jan 7 Drew cash for office use ₦12,000
- Jan 7 Sales by cheque ₦425,200, cash ₦4,800
- Jan 8 Paid Lekan by cheque ₦151,000 and received discount of ₦3,200

- Jan 9 Cash sales ₦171,150, cash wages paid ₦5,000
- Jan 10 Paid into bank the sales made on 9/1/2022
- Jan 10 Bought stationeries by cash ₦5,000
- Jan 12 Received from Abaya ₦392,000 by cash and allowed discount of ₦8,000
- Jan 22 Paid Audu gross of ₦279,000 by cheque and received discount of 12%
- Jan 27 Paid salary ₦36,000 cash
- Jan 30 Drew cheque for personal use ₦50,000
- Jan 30 Received from a customer named Chukwu ₦784,000 cheque and allowed discount ₦16,000

You are required to:

- a. Prepare a **THREE** column cash book to post the above transactions (10½ Marks)
 - b. Enumerate **FOUR** characteristics of an imprest system (2 Mark)
- (Total 12½ Marks)**

QUESTION 3

- a. The trial balance of a firm showed a difference of GH¢124,400 and this has been carried to the credit side of a suspense account. On investigation, the following were discovered:
 - i. Purchase of an adding machine for GH¢190,000 was debited to the office expenses account.
 - ii. Discount allowed GH¢156,800, has not been posted from cash book to the ledger.
 - iii. Drawings in a form of goods costing GH¢160,000 has not been recorded anywhere in the books.
 - iv. Sales day book was over casted by GH¢200,000
 - v. An invoice for GH¢104,600 received from a supplier was entered correctly in the purchases Day book but was posted to the debit side of the supplier's personal account.
 - vi. A debtor who owed a sum of GH¢24,000 died without leaving anything behind. This amount was written off his account as a bad debt but no other entry was made in the books.

- vii. A credit note of GH¢124,000 issued to a debtor was entered in the return inwards Book as GH¢52,000 and was posted to the ledger accordingly.
- viii. A payment of GH¢26,000 for wages and salaries was entered correctly in the cash book but as GH¢62,000 in the wages and salaries accounts.
- ix. A motor vehicle was bought for GH¢260,000 and the payment was made by cheque, this transaction was only recorded in the motor vehicle account.

You are required to show:

- a. Journal entries necessary to correct the errors and suspense account, duly balanced. (9½ Marks)
 - b. Define Suspense Account and briefly explain its uses. (3 Marks)
- (Total 12½ Marks)**

QUESTION 4

A motor car was bought by Woodwork Limited on January 2018 at a cost of GMD1,600,000. The car was expected to have a useful life of 5 years. It is the company's policy to depreciate its motor car at 20% per annum on cost and was expected to have zero residual value.

During the year ended December 31, 2020 the car suffered a serious damage as a result of an accident it was involved in. The car was sold on January 1, 2022 for L GMD560,000 to facilitate the acquisition of another motor car.

- a. **You are required to:**

Prepare the following ledger accounts

- i. Motor car account
- ii. Provision for depreciation account
- iii. Asset disposal account
- iv. Statement of financial position extract as at December 31, 2021.

(11 Marks)

- b. List **THREE** methods of computing depreciation (1½ Marks)

(Total 12½ Marks)

QUESTION 5

The following balances were extracted from the books of Mesh Mensah Company as at December 31, 2021:

| | Le'000 |
|-------------------------------|------------------|
| Cash | 284,600 |
| Prepaid insurance | 16,000 |
| Inventory of spare parts | 108,000 |
| Heavy duty machine | 1,049,600 |
| Accumulated depreciation | 90,000 |
| Loan notes | 120,000 |
| Share capital | 750,000 |
| Retained earnings | 56,000 |
| Salaries and wages | 250,000 |
| Maintenance expenses | 84,000 |
| Fuel and lubrication expenses | 63,000 |
| Water, gas and electricity | 56,400 |
| Rental expenses | 24,000 |
| Sales income | 967,600 |
| Advertising expenses | <u>48,000</u> |
| | <u>3,967,200</u> |

Additional information:

- (i) On January 2, 2021, Mesh Mensah paid 4 years insurance premium to his insurance company amounting to Le16,000,000.
- (ii) The heavy duty machine was purchased in February 2021, at a cost of Le1,049,600,000. Estimated life is ten years, with an estimated residual value of Le49,600,000. Full depreciation is charged in the year of purchase.
- (iii) On March 1, 2021 the company borrowed Le120,000,000 from Paramount Bank Plc, on a 5-year 8% loan. Interest is payable annually.
- (iv) Mesh Mensah collected Le7,500,000 from a customer for a special sealing valve which was recorded as sales income.

January 1, 2021 The following balances were brought forward from the previous period:

| | L\$ |
|-------------------|--|
| Cash at bank | 210,000 |
| Inventory | 75,000 |
| Trade receivables | 65,000 |
| Capital | 350,000 |
| February 3, 2021 | Wazobia introduced an additional capital of L\$150,000 into the business and paid the money into the business account. |

- | | |
|--------------------|--|
| March 7, 2021 | The business purchased an item of furniture and fittings for L\$55,000 and paid by cheque. |
| April 8, 2021 | Purchased inventory for L\$45,000, paid L\$30,000 by cheque and the balance outstanding. |
| May 11, 2021 | Sold inventory for L\$95,000. Received L\$60,000 through cheque and the balance yet to be paid for. |
| June 14, 2021 | Wazobia drew L\$12,500 from the business bank account for his personal use. |
| July 15, 2021 | Purchased additional inventory for L\$150,000, L\$100,000 was paid through cheque and the balance is outstanding. |
| August 18, 2021 | Brought forward trade receivable were collected through the bank account. |
| September 21, 2021 | Sales were made for L\$120,000 and full payment received by cheque. |
| October 24, 2021 | Purchased printing and stationery amounting to L\$22,500 and paid by cheque. |
| November 27, 2021 | Ovia, a friend of Wazobia sold a motor vehicle worth L\$200,000 on credit to him for his business use. Payment to be made in 2 years time. |
| December 31, 2021 | Closing inventory is L\$125,000. |
- (v) Le24,000,000 rent was paid during the year, though Le4,000,000 is for January and February 2022 and the total amount was recorded as rental expenses in 2021.
- (vi) Inventory of maintenance parts was determined to be Le65,000,000 on December 31, 2021. All purchases are debited to inventory of spare parts.

You are required to:

Prepare the extended trial balance showing the adjustments as at December 31, 2021.

(Total 12½ Marks)

QUESTION 6

Wazobia sets up a trading business on October 1, 2020 buying and selling goods. The following transactions took place in 2021.

You are required to:

- Post all transactions to the appropriate ledger accounts. (10 Marks)
- Balance off each account and extract a trial balance. (2½ Marks)

(Total 12½ Marks)

SECTION A: PART I

MULTIPLE-CHOICE SOLUTIONS

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

Working Notes

| | |
|--|----------------|
| | N |
| 7. Selling Price | 152,000 |
| Cost of goods sold ($80\% \times 152,000$) | <u>121,600</u> |
| Gross Profit | <u>30,400</u> |

Using the revenue formula of $(S-C=P)$

$(20\% \times 152,000)$

Margin is P/S OR $P/(C+P)$

Mark up is P/C or $P/(S-P)$

Mark up = $25\% = P/C = 1/4$

Margin = $P/(P+C) = 1/(4+1) = P/S = 1/5 = 20\%$

Suggested tutorial notes to questions 13, 14 and 15.

Revenue Accounting Equation is $P = R - E$

Where P = Profit

R = Revenue

E = Expenses

- 13. Inventory bought for Le25,000; sold for Le40,000.**

Profit for the business is $P = R - E$

$P = \text{Le } 40,500 - \text{Le } 25,000$

$P = \text{Le } 15,000$

- 14. Inventory bought for Le 15,000; Loss on sale Le 3,000**

Revenue of the business is $R = P + E$

$R = \text{Le } (3,000) + \text{Le } 15,000$ (Loss is negative profit)

$R = \text{Le } 12,000$

- 15. Goods sold for Le 23,500 and profit on sale is Le 4,500**

Expense of the business is $E = R - P$

$E = \text{Le } 23,500 - \text{Le } 4,500$

$E = \text{Le } 19,000$

| | | |
|-----|------------------------------------|--------------------|
| | | GH¢ |
| 17. | Invoice Price | 100,000,000 |
| | Less: Trade discount | <u>(1,000,000)</u> |
| | | 99,000,000 |
| | Value added tax | 12,500,000 |
| | Freight charges | 10,250,000 |
| | Installation/ other start-up costs | 4,000,000 |
| | Total Cost | <u>125,750,000</u> |

| | | | |
|-----|-------------------------------------|------------------|--------------------|
| 20. | | L\$ | L\$ |
| | Cost of purchase | | 10,000,000 |
| | Less: Acc. Dep. In Yr1 (31/12/2020) | 1,000,000 | |
| | Acc. Dep. In Yr2 (31/12/2020) | <u>1,000,000</u> | <u>(2,000,000)</u> |
| | Carrying amount | | 8,000,000 |
| | Disposal Proceed | | 8,200,000 |
| | Profit on disposal | | <u>200,000</u> |

| | | |
|-----|--|------------------|
| 21. | Acc. Dep in Yr1 (Date of purchase up to 31/12/2020) (Full) | 1,000,000 |
| | Acc. Dep in Yr2 (01/01/21 to 30/06/2021) (half) | <u>500,000</u> |
| | | <u>1,500,000</u> |

| | | |
|-----|---|---------------|
| 22. | | ₦ |
| | Trade receivables | 500 |
| | Allowances for doubtful debts | <u>(50)</u> |
| | Amount of good trade receivable | 450 |
| | Allowance for discount allowed (5%×450) | <u>(22.5)</u> |
| | Trade receivable to be shown in the statement of financial position | <u>427.5</u> |

| | | | |
|----|---|-------------|---------------|
| 23 | | ₦ | ₦ |
| | Gross Profit | | 150 |
| | Allowances for doubtful debts | 50 | |
| | Allowance for discount allowed (5%×450) | <u>22.5</u> | <u>(77.5)</u> |
| | Net Profit (extract) | | <u>77.5</u> |

| | N |
|---|----------------|
| Electricity paid from January to October 2021 | 600,000 |
| Add: Electricity bill owing for 2 months | |
| $(\text{N}600,000/10) \times 2$ | <u>120,000</u> |
| To Profit or loss account | <u>720,000</u> |

26. Electricity bill owing for 2 months of N120,000 will be shown in the statement of financial position as current liability.

Working Notes for Q29 and Q30

Standard time (or Allowed time) = 2,500 hours.

Wages rate per hour = N150

Actual time taken = 2,200 hours

Thus time saved = 2500hrs – 2200hrs = 300hrs

29. Bonus = 50% [300hrs × N150] = N22,500

30. Total earnings = N150 × 2,200hrs + 50% [300hrs × N150] = N352,500

Examiner's comment

The questions under this section test candidates' knowledge on all the areas of the syllabus.

All the candidates attempted the questions and their performance was above average.

Majority of the candidates' pitfall was their poor preparation for the paper. Candidates are advised to always prepare well for the future Institute's examination.

SECTION A: PART II

SHORT-ANSWER SOLUTIONS

1. Entity Concept/ Dual Concept
2. General ledger/ Ledger
3. Real accounts/ Real Ledger
4. Governmental and Non-Governmental Entities
5. Prudence/ Conservative

6. Offsetting/Contra-entry/Set-off
7. IAS 16
8. Extended Trial Balance/ Final Trial Balance
9. GH¢400,000
10. Matching and Accrual Principles
11. Control accounts/ Self balancing ledger
12. Manual Payroll system and Computerised payroll system
13. L\$900,000.00
14. L\$1,230,000,00
15. Articles of Association
16. Three Columns
17. Le101,00
18. ₦850,000
19. ₦152,000
20. Debugging

Working Notes

| | | |
|-----|--|----------------------------|
| 9 | Calculation of company's non-current liability | |
| | Le | Le |
| | Carrying amount of PPE | 1,000,000 |
| | Current assets | <u>520,000</u> |
| | | 1,520,000 |
| | Less: | |
| | Total equity | 800,000 |
| | Current liabilities | <u>320,000</u> (1,120,000) |
| | Non-current liability | <u>400,000</u> |
| 13. | L\$ | L\$ |
| | Prime cost of | 900,000 |
| | Factory overhead | <u>360,000</u> |
| | Manufacturing cost | 1,260,000 |
| | Opening work in progress | 50,000 |
| | Closing work in progress | <u>(80,000)</u> (30,000) |
| | Production cost | <u>1,230,000</u> |

| | | |
|----|------------------------------------|----------------|
| 17 | | Le |
| | Profit | 93,500 |
| | Add back overstated returns inward | <u>7,500</u> |
| | Correct profit | 101,000 |

| 18. | Computation of capital as at | 31/12/2022 | | 31/12/2021 |
|-----|-----------------------------------|-----------------------|----------|-------------------------|
| | | N | N | N |
| | Non-current assets | 320,000 | 286,000 | |
| | Provisions for depreciation | <u>(70,000)</u> | (74,000) | 212,000 |
| | Current assets | <u>750,000</u> | | 920,000 |
| | Total assets | 1,000,000 | | 1,132,000 |
| | Current liabilities | <u>(150,000)</u> | | <u>(130,000)</u> |
| | Capital as at December 31, | <u>850,000</u> | | <u>1,002,000</u> |

| | | |
|-----|-----------------------|-----------------------|
| 19. | Computation of Profit | |
| | Closing Capital | 1,002,000 |
| | Opening Capital | <u>(850,000)</u> |
| | Profit | <u>152,000</u> |

Examiner's comment

All the questions under this section test candidates' knowledge on all the areas of the syllabus.

All the candidates attempted the question and their performance was average. Candidates' major pitfall was their inability to prepare for the examination adequately.

Candidates are advised to prepare very well for the examination in future.

SECTION B

SOLUTION 1

Characteristics of Business

- a) The following are some of the characteristics of business:
 - i. It exists to make profit
 - ii. It makes profit by supplying goods or services to others (customer)
 - iii. It supplies goods that it either makes or buys from other parties.
 - iv. Its rewards for accepting risk is profit

- v. The profit earned by it belongs to its owners (sole proprietor, partners or shareholders)
 - vi. It is set up to pursue customer satisfaction
 - vii. It is subject to government control. However, the extent of such control varies with the form of business
- b) (i) **Key features of Sole-proprietorship**
- i. It is a business owned by an individual.
 - ii. He bears the responsibility for running the business and he alone takes the profits or loss.
 - iii. The sole-proprietorship is not regulated by special rules of law
 - iv. The capital required to start the business or to continue operations, is arranged and brought to the business by the sole proprietor only, either from his personal resources or by borrowing, that is, from the banks, friends, relatives, etc.
 - v. In the event of loss, the personal assets of the proprietor along with the business assets can be utilized to discharge the dues of business. This is referred to as unlimited liability of the sole proprietor.
- (ii) **Key Features of Partnership business**
- i. Partnership is the relationship which exists between two or more persons, commonly referred to as partners, carrying on a business in common with a view to making profit.
 - ii. Most partnerships are formed under a formal agreement. In the absence of an agreement, the partnership Act 1890 provisions subsist.
 - iii. All profits and losses are to be shared among the partners in accordance with agreed profit or loss sharing ratio.
 - iv. Interest is allowed on capital and current account.
 - v. Remuneration and Commission is paid to partners as agreed.
 - vi. Partners are severally and jointly liable.
 - vii. The interests to be paid on any advance or loan made to the firm by a partner over and above his agreed capital.

(iii) Key features of limited liability company include:

- i. The owners of the company are called members or shareholders.
- ii. Ownership and control are usually separated, as such company are owned by shareholders and controlled by the Board of Directors, except for small companies, under CAMA 2020.
- iii. It has legal entity, which means the company can sue and be sued as well.
- iv. Interest is allowed on capital and current accounts.
- v. A limited liability company, as a business organization is chargeable to tax.
- vi. The liability of members is limited.
- vii. Legal personality of the business continues, even after the death of a shareholder.

c) Advantages and disadvantages of Limited Liability Company

(i) Advantages of Limited Liability Company

- i. The liability of the of the shareholders is limited to the amount they have subscribed to the company's capital if it goes through.
- ii. It can raise substantial amount of capital from the numerous shareholders or from financial institution.
- iii. The chance of survival is high because if the company is controlled and managed by highly skilled professional management team appointed by the Board of Directors who are elected by and answerable to the shareholders.
- iv. The limited company is a separate legal entity distinct from its members. It can sue and be sued in its name.
- v. Unless it is wound up, a limited company has perpetual succession so that it is not affected by the death, bankruptcy, mental disorder or retirement of its members.
- vi. Floating charges can be created by a limited company.

(ii) The disadvantages of limited liability company include:

- i. Formation of limited liability company requires costly legal and registration expenses.
- ii. Decision making may be delayed due to bureaucratic bottlenecks.

- iii. The members of the company may not have power to manage its affairs.
- iv. Much legal and publicity formalities are observed e.g Filing of annual returns, annual general meeting, etc.

Examiner's comment

The question tests candidates' knowledge on the features of a business, forms of business with the advantage and disadvantages of Limited Liability Company. About 90% of the candidates attempted the question and their performance was above average.

Candidates' major pitfall was their poor preparation for the examination. Candidates are advised to always prepare very well for the Institute future examination.

SOLUTION 2**Crown Enterprises****Three Columns Cash Book****For the month of January, 2022**

| Date | Particulars | F | Cash ₦ | Bank ₦ | Discount allowed ₦ | Date | Particulars | F | Cash ₦ | Bank ₦ | Discount Received ₦ |
|-----------|-------------|---|------------------|------------------|--------------------------|-----------|-------------|---|------------------|------------------|---------------------------|
| 2/1/2022 | Capital | | 800,000 | | | 4/1/2022 | Bank | C | 800,000 | | |
| 4/1/2022 | Cash | C | | 800,000 | | 5/1/2022 | Purchases | | | 270,000 | |
| 7/1/2022 | Bank | C | 12,000 | | | 6/1/2022 | Electricity | | | 5,000 | |
| 7/1/2022 | Sales | | 4,800 | | | 6/1/2022 | Rent | | | 7,000 | |
| 9/1/2022 | Sales | | 171,150 | | | 7/1/2022 | Cash | C | | 12,000 | |
| 10/1/2022 | Cash | C | | 171,150 | | 8/1/2022 | Lekan | | | 151,000 | 3,200 |
| 12/1/2022 | Abaya | | 392,000 | | 8,000 | 9/1/2022 | Wages | | | 5,000 | |
| 30/1/2022 | Chukwu | | | 784,000 | 16,000 | 10/1/2022 | Bank | C | 171,150 | | |
| | | | | | | 10/1/2022 | Stationery | | 5,000 | | |
| | | | | | | 22/1/2022 | Audu | | | 279,000 | 33,480 |
| | | | | | | 27/1/2022 | Salary | | 36,000 | | |
| | | | | | | 30/1/2022 | Drawing | | | 50,000 | |
| | | | | | | 31/1/2022 | Bal c/d | | 367,800 | 976,150 | |
| | | | 1,379,950 | 1,755,150 | 24000 | | | | 1,379,950 | 1,755,150 | 36,680 |
| 1/2/2022 | Bal b/d | | 367,800 | 976,150 | | | | | | | |

SOLUTION 2B

(b) The Characteristics of an imprest system includes:

- (i) It allows the use of cash float, which is a fixed amount of money used in running the imprest
- (ii) It defines rule for reimbursement of funds to the petty cashier
- (iii) The use of petty cash vouchers, which supports all payments made by the petty cashier from the imprest
- (iv) All receipts and payment made are recorded in the petty cash book
- (v) Selection of a petty cashier will be required.

Examiner's comment

This question tests candidates' knowledge on the preparation of a three column cash book and the basic traits of an imprest system.

About 75% of the candidates attempted the question and their performance was above average.

Major pitfall of the candidates was their poor understanding of how a three column cash book look-like and the principle of double entry.

SOLUTION 3

(a)

CORRECTING JOURNAL PROPER

| | DR GHc | CR GHc |
|--|-------------------|-------------------|
| Office equipment/ Adding machine a/c | 190,000 | |
| Office Expenses a/c | | 190,000 |
| Being purchase of adding machine debited to office expenses account in error, now reverse to appropriate account | | |
| Discount allowed a/c, | 156,800 | |
| Suspense a/c | | 156,800 |
| Being omission of discount allowed on the cash book from the ledger, now recorded | | |
| Sales a/c | 200,000 | |
| Suspense a/c | | 200,000 |

| | | |
|--|---------|---------|
| Being overcasting of sales day book, now corrected | | |
| Suspense a/c | 209,200 | |
| Trade payables a/c | | 209,200 |

Being purchase invoice for GHc 104, 600 received from a supplier but posted to the debit side of the supplier's personal account in error, now corrected

| | | |
|--------------|--------|--------|
| Bad debt a/c | 24,000 | |
| Suspense a/c | | 24,000 |

Being amount written off a dead customer account with no other entry being made in the books, now corrected

| | | |
|------------------------------|--------|--------|
| Returns inwards a/c | 72,000 | |
| Trade receivable control a/c | | 72,000 |

Being credit note of GHc 124,000 issued to a debtor but posted to the ledger as GHc52,000, now corrected

| | | |
|------------------------|--------|--------|
| Suspense a/c | 36,000 | |
| Wages and Salaries a/c | | 36,000 |

Being payment of GHc26,000 for wages and salaries but posted to wages and salaries account as GHc62,000, now corrected

| | | |
|--------------|---------|---------|
| Suspense a/c | 260,000 | |
| Bank a/c | | 260,000 |

Being cheque payment for purchase of motor vehicle not posted to motor vehicle account, now recorded

| | Suspense account | | |
|-----------------------|------------------|------------------|----------------|
| | GHc | | GHc |
| Trade Payable Control | 209,200 | Bal b/f | 124,400 |
| Wages and Salaries | 36,000 | Discount allowed | 156,800 |
| Bank | <u>260,000</u> | Sales | 200,000 |
| | | Bad debt | <u>24,000</u> |
| | <u>505,200</u> | | <u>505,200</u> |

- (b) Suspense account is a temporary account where the difference in the total of the debit and credit sides of a Trial Balance is recorded pending the time the cause (s) of the errors are discovered and corrected through this account

Uses of Suspense account

- (i) To correct cumulative errors arising from book-keeping
- (ii) It is used to facilitate transparency of financial reports
- (iii) It saves time pending the time the errors will be located

Examiner's comment

The question tests candidates' knowledge on the use of journal entries to correct errors and with suspense account being duly balanced. The second part of the question tests their knowledge on the meaning of a suspense account and its uses about 70% of the candidates attempted the question and their performance was average.

Candidates' major pitfall was their poor understanding of the tested areas of the syllabus.

Candidates are advised to read ICAN texts and other basic accounting books to practice and prepare for the future examination.

SOLUTION 4

a (i)

WOODWORK LIMITED Motor car a/c

| | GMD | | GMD |
|----------------|-------------------------|-----------------|-------------------------|
| Jan-18 Bank | <u>1,600,000</u> | Dec-18 Bal c/d | <u>1,600,000</u> |
| Jan-19 Bal b/d | <u>1,600,000</u> | Dec-19 bal c/d | <u>1,600,000</u> |
| Jan-20 Bal b/d | <u>1,600,000</u> | Dec-20 bal c/d | <u>1,600,000</u> |
| Jan-21 Bal b/d | <u>1,600,000</u> | Dec-21 bal c/d | <u>1,600,000</u> |
| Jan-22 Bal b/d | 1,600,000 | Dec-22 Disposal | 1,600,000 |

a (ii)

| Provision for depreciation a/c | | | |
|---------------------------------------|------------------|---|------------------|
| | GMD | | GMD |
| Dec-18 Bal c/d | | Dec-18 Statement of profit or loss (wk 1) | |
| | <u>320,000</u> | | <u>320,000</u> |
| Dec-19 Bal c/d | 640,000 | Jan-19 Bal b/d | 320,000 |
| | | Dec-19 statement of profit or loss (wk1) | <u>320,000</u> |
| | <u>640,000</u> | | <u>640,000</u> |
| Dec-20 Bal b/d | 960,000 | Jan-20 Bal b/d | 640,000 |
| | | Dec-20 statement of profit or loss (wk1) | <u>320,000</u> |
| | <u>960,000</u> | | <u>960,000</u> |
| Dec-21 Bal c/d | 1,280,000 | Jan-21 Bal b/d | <u>320,000</u> |
| | <u>1,280,000</u> | Dec-21 statement of profit or loss (wk1) | <u>1,280,000</u> |
| Jan-22 Asset disposal | 1,280,000 | Jan22-Bal b/d | 1,280,000 |

a (iii)

| Asset disposal a/c | | | |
|------------------------------------|------------------|-----------------------------------|------------------|
| | GMD | | GMD |
| Jan-22 Motor car | 1,600,00 | Jan-22 Bank | 560,000 |
| Jan-22 Statement of profit or loss | <u>240,000</u> | Jan-22 Provision for depreciation | <u>1,280,000</u> |
| | <u>1,840,000</u> | | <u>1,840,000</u> |

a (iv)

STATEMENT OF FINANCIAL POSITION (EXTRACT) AS AT DECEMBER 31, 2021

| NON-CURRENT ASSESTS | <u>COST</u> | <u>ACC.DEPR.</u> | <u>CARRYING VALUE</u> |
|----------------------------|--------------------|-------------------------|------------------------------|
| Motor Car | GMD | GMD | GMD |
| | <u>1,600,000</u> | <u>(1,280,000)</u> | 320,000 |

(b) Methods of computing depreciation includes:

- (i) Straight line method or fixed installment methods
- (ii) Reducing balance method or diminishing balance method;
- (iii) Sum-of-the- years'- digit method
- (iv) Units of output method

- (v) Revaluation method
- (vi) Machine hours method
- (vii) Depletion of units method
- (viii) Annuity method

Examiner's comment

The question tests candidates' knowledge on the provision of IAS 16 (PPE) and how to compute depreciation on non-current assets, entries involve when the concerned non-current asset is being disposed off.

About 65% of the candidates attempted the question and their performance was average.

Candidates majorly pitfall was their poor understanding of this area of the syllabus. Candidates are advised to consult many texts; particularly the ICAN text when preparing for the Institute future examination.

SOLUTION 5

Mesh Mensah Company

Extend Trial Balance as at December 31, 2021

| | Initial Trial Balance | | Adjustment | | Adjusted Trial Balance | |
|-------------------------|-----------------------|---------|------------|---------|------------------------|---------|
| | Le'000 | Le'000 | Le'000 | Le'000 | Le'000 | Le'000 |
| | DR | CR | DR | CR | DR | CR |
| Cash | 284,600 | | | | 284,600 | |
| Prepaid insurance | 16,000 | | | 4,000 | 12,000 | |
| Inventory of spare part | 108,000 | | | | 108,000 | |
| Heavy duty machine | 1,049,600 | | | | 1,049,600 | |
| Accumulated dep. | | 90,000 | | 100,000 | | 190,000 |
| 8% loan notes | | 120,000 | | | | 120,000 |
| Share Capital | | 750,000 | | | | 750,000 |
| Retained Earning | | 56,000 | | | | 56,000 |

| | | | | | | |
|---------------------------|-----------|-----------|---------|---------|-----------|-----------|
| Salaries & wages | 250,000 | | | | 250,000 | |
| Maintenance expenses | 84,000 | | | | 84,000 | |
| Fuel & lubricate exp | 63,000 | | | | 63,000 | |
| Water, gas, & electricity | 56,400 | | | | 56,400 | |
| Rental expenses | 24,000 | | | 4,000 | 20,000 | |
| Sales income | | 967,600 | 7,500 | | | 960,100 |
| Advertising expenses | 48,000 | | | | 48,000 | |
| Insurance expenses | | | 4,000 | | 4,000 | |
| Loan note interest | | | 8,000 | | 8,000 | |
| Accrued loan interest | | | | 8,000 | | 8,000 |
| Interest | | | 4,000 | | 4,000 | |
| Prepaid rent | | | | 65,000 | | 65,000 |
| Closing Inventory (SOPL) | | | 65,000 | | 65,000 | |
| Closing Inventory (SOPL) | | | 100,000 | | 100,000 | |
| Depreciation | | | | 7,500 | | 7,500 |
| Retained income | | | | | | |
| | 1,983,000 | 1,983,600 | 188,500 | 188,500 | 2,156,600 | 2,156,600 |

Examiner's comment

This question tests candidates' knowledge on the preparation of a trial balance and an extended trial balance.

About 35% of the candidates attempted the question and their performance was below average.

Candidates' major pitfall was their lack of in-depth knowledge in this area of the syllabus tested by the examiner.

Candidates are advised to prepare adequately for the paper in the Institute future examination.

SOLUTION 6

In the books of WAZOBIA

Capital Account (1)

| | L\$ | | L\$ |
|-------------|----------------|-------------|----------------|
| Balance c/d | 500,000 | Balance b/f | 350,000 |
| | | Bank | <u>150,000</u> |
| | <u>500,000</u> | | <u>500,000</u> |
| | | Balance b/d | 500,000 |

Bank Account (2)

| | L\$ | | L\$ |
|-------------------|----------------|--------------------------|----------------|
| Balance b/f | 210,000 | Furniture & Fittings b/f | 55,000 |
| Capital | 150,000 | Purchases | 30,000 |
| Sales | 60,000 | Drawings | 12,500 |
| Trade Receivables | 65,000 | Purchases | 100,000 |
| Bank | 120,000 | Printing & Stationeries | 22,500 |
| | | Balance c/d | <u>385,000</u> |
| | <u>605,000</u> | | <u>605,000</u> |
| Balance b/d | 385,000 | | |

Furniture & Fittings Account (3)

| | L\$ | | L\$ |
|-------------|---------------|-------------|---------------|
| Bank | <u>55,000</u> | Balance c/d | <u>55,000</u> |
| Balance b/d | 55,000 | | |

Ovia's Account (4)

| | L\$ | | L\$ |
|-------------|----------------|---------------|----------------|
| Balance c/d | <u>200,000</u> | Motor Vehicle | <u>200,000</u> |
| | | Balance b/d | 200,000 |

Printing & Stationeries (5)

| | L\$ | | L\$ |
|-------------|---------------|-------------|---------------|
| Bank | <u>22,500</u> | Balance c/d | <u>22,500</u> |
| Balance b/d | 22,500 | | |

Purchases Account (6)

| | L\$ | | L\$ |
|----------------|----------------|---------------------|----------------|
| Bank | 30,000 | Closing Inventories | 50,000 |
| Trade Payable | 15,000 | Balance c/d | 145,000 |
| Bank | 100,000 | | |
| Trade Payables | <u>50,000</u> | | |
| | <u>195,000</u> | | <u>195,000</u> |
| Balance b/d | 145,000 | | |

Trade Payables Account (7)

| | L\$ | | L\$ |
|-------------|---------------|-------------|---------------|
| Balance c/d | 65,000 | Purchases | 15,000 |
| | | Purchases | <u>50,000</u> |
| | <u>65,000</u> | | <u>65,000</u> |
| | | Balance b/d | 65,000 |

Motor Vehicles Account (8)

| | L\$ | | L\$ |
|-------------|----------------|-------------|----------------|
| Ovia | <u>200,000</u> | Balance c/d | <u>200,000</u> |
| Balance b/d | 200,000 | | |

Drawings Account (9)

| | L\$ | | L\$ |
|-------------|---------------|-------------|---------------|
| Bank | <u>12,500</u> | Balance c/d | <u>12,500</u> |
| Balance b/d | 12,500 | | |

Revenue Account (10)

| | L\$ | | L\$ |
|-------------|----------------|-------------------|----------------|
| Balance c/d | 215,000 | Bank | 60,000 |
| | | Trade Receivables | 35,000 |
| | | Bank | <u>120,000</u> |
| | <u>215,000</u> | | <u>215,000</u> |
| | | Balance b/d | <u>215,000</u> |

Trade Receivables Account (11)

| | L\$ | | L\$ |
|---------------|----------------|-------------|----------------|
| Balance b/f | 65,000 | Bank | 65,000 |
| Sales/Revenue | <u>35,000</u> | Balance c/d | <u>35,000</u> |
| | <u>100,000</u> | | <u>100,000</u> |
| Balance b/d | 35,000 | | |

Inventories Account (12)

| | L\$ | | L\$ |
|-------------|----------------|-------------|----------------|
| Balance b/f | 75,000 | Balance c/d | 125,000 |
| Purchases | <u>50,000</u> | | |
| | <u>125,000</u> | | <u>125,000</u> |
| Balance b/d | 125,000 | | |

WAZOBIA

TRIAL BALANCE AS AT 31 DECEMBER, 2021

| | DR L\$ | CR L\$ |
|---------------------------|----------------|----------------|
| Capital | | 500,000 |
| Bank | 385,000 | |
| Furniture & Fittings | 55,000 | |
| Ovia Account | | 200,000 |
| Printing and Stationeries | 22,500 | |
| Purchases | 145,000 | |
| Trade Payables | | 65,000 |
| Motor Vehicles | 200,000 | |
| Drawings | 12,500 | |
| Revenue/Sales | | 215,000 |
| Trade Receivables | 35,000 | |
| Inventories | <u>125,000</u> | |
| | <u>980,000</u> | <u>980,000</u> |

Examiner's comment

The question tests candidates' knowledge on double-entry principle, posting of transactions into the ledger accounts, balance off each account to extract a trial balance.

About 30% of the candidates attempted the question and their performance was below average.

Candidates' major pitfall was their poor understanding of the principle of double entry.

Candidates are advised to make sure that they are very versed in double-entry principle so as to enhance their sufficient skills in financial reporting.

THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA



**ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
MARCH 2023 EXAMINATIONS (PART 1)**

ECONOMICS

PLEASE READ THESE INSTRUCTIONS BEFORE COMMENCEMENT OF THE PAPER

EXAMINATION INSTRUCTIONS

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

WEDNESDAY, 29 MARCH, 2023

DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
PART I EXAMINATIONS – MARCH 2023**

ECONOMICS

Time Allowed: 3 hours

SECTION A: PART I MULTIPLE-CHOICE QUESTIONS

(30 Marks)

ATTEMPT ALL QUESTIONS IN THIS SECTION

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

1. Which of the following is **NOT** a component of microeconomic theories?
 - A. The theory of consumer behaviour
 - B. Production and cost theory
 - C. National income accounting
 - D. Theory of demand and supply
 - E. Market structure
2. Which of the following describes economic concept of 'what ought to be'?
 - A. Normative economics
 - B. Behavioural economics
 - C. Positive economics
 - D. Conceptual economics
 - E. Theoretical economics
3. If the value of income elasticity of demand for a good is negative, then the good is a/an
 - A. Substitute good
 - B. Inferior good
 - C. Normal good
 - D. Complementary good
 - E. Consumer good
4. If quantity demanded of a product decreases from 1,000 to 900 units due to a rise in its price from ₦15.00 to ₦20.00, then the coefficient of price elasticity of demand is
 - A. 3.00
 - B. 2.71
 - C. 0.37
 - D. 0.33
 - E. 0.30

5. A vertical demand curve illustrating the demand condition of a commodity means that demand is
- A. Price elastic
 - B. Price inelastic
 - C. Unit price elastic
 - D. Perfectly price elastic
 - E. Perfectly price inelastic
6. Increase in the price of a Giffen good causes its demand to
- A. Increase
 - B. Decrease
 - C. Remains constant
 - D. Become unstable
 - E. Shrink
7. The payments of interest on borrowed capital and charges on plant and machinery are examples of cost
- A. Variable
 - B. Sunk
 - C. Fixed
 - D. Implicit
 - E. Real
8. At the output levels when the total product is rising, the
- A. Average product is zero
 - B. Marginal product is rising but greater than average product
 - C. Average product is rising but greater than marginal product
 - D. Marginal product is negative
 - E. Average product is falling but greater than marginal product
9. Which of the following is **NOT** an advantage of division of labour?
- A. Skills development by workers
 - B. Increase in productivity
 - C. Saving of time
 - D. Monotony of work
 - E. Increase use of machines and equipment
10. Which of the following is **NOT** true about short-run cost curves?
- A. Total fixed cost curve is horizontal and parallel to the output axis
 - B. The average cost curve is U-shaped
 - C. At minimum point of average cost curve, it is equal to marginal cost curve
 - D. When average variable cost is rising, it is less than the marginal cost curve
 - E. When marginal cost curve is falling, it is greater than average variable cost curve

11. The demand curve of monopolist is downward sloping because
- At higher price, consumer demand higher quantity
 - Quantity and price are equal
 - At lower price, consumer demand lower quantity
 - At higher price, consumer demand is infinity
 - At lower price, consumer demand higher quantity
12. Which of the following best describe the condition for shutting down firm's operation?
- Average cost greater than price
 - Marginal cost greater than price
 - Average variable cost greater than price
 - Total cost greater than price
 - Average fixed cost greater than price
13. The West African banking industry is characterised by market structure
- Oligopoly
 - Monopoly
 - Monopolistic competitive
 - Perfect competitive
 - Duopoly

Use the information in the table below to answer questions 14 and 15.

| | |
|-------------------------------|------------|
| Depreciation | L\$40,000 |
| Gross Domestic Product | L\$100,000 |
| Factor payments to foreigners | L\$20,000 |
| Factor receipts from abroad | L\$25,000 |

14. The Gross National Product is equal to
- L\$40,000
 - L\$50,000
 - L\$105,000
 - L\$125,000
 - L\$150,000
15. The value of Net National product is
- L\$45,000
 - L\$60,000
 - L\$65,000
 - L\$75,000
 - L\$195,000

16. The multiplier equation is given as $K = \frac{1}{1-m}$. If $MPS = 0.25$, what is the value of K?
- A. 1
 - B. 2
 - C. 2.5
 - D. 4
 - E. 25
17. Financial institutions which intermediate funds between the Central Bank, licensed banks and other financial institutions is known as
- A. Finance companies
 - B. Discount houses
 - C. Insurance companies
 - D. Money market
 - E. Development banks
18. One of the primary roles of a development bank is the provision of loans to
- A. Estate agents
 - B. Manufacturing sectors
 - C. Transporters
 - D. Educationist sector
 - E. Petty traders
19. Long term loans can be secured from
- A. Commercial banks
 - B. Discount houses
 - C. Development banks
 - D. Acceptance houses
 - E. Cooperative societies
20. The following are classified as Direct Taxes, **EXCEPT**
- A. Capital gain tax
 - B. Value-Added-Tax
 - C. Company tax
 - D. Capital transfer tax
 - E. Petroleum profit tax
21. A document containing statements of intended expenditure and expected revenue of the government for a particular year is
- A. Expenditure
 - B. Public debt
 - C. Fiscal policy
 - D. White paper
 - E. Budget

22. The following are reasons for rising public expenditure, **EXCEPT**
- A. Increasing population
 - B. Public debt servicing
 - C. Development projects
 - D. Insecurity
 - E. Redistribution of wealth
23. Which of the following suggests inverse relationship between inflation and unemployment?
- A. The Keynes curve
 - B. The Engel curve
 - C. The Philips curve
 - D. The demand curve
 - E. The supply curve
24. Which of the following best describes unemployment? It is the stock of
- A. Individuals who are willing and able to work but not engaged in any productive activity at the existing wage rate
 - B. Individuals who are not productively engaged
 - C. Graduates who are willing and able to work but not engaged in white collar job
 - D. Total population seeking job but not engaged in any productive activities at the existing wage rate
 - E. Individuals who are willing but unable to work
25. Under the flexible exchange rate system, an increase in the value of a country's currency relative to foreign currencies is called currency
- A. Depreciation
 - B. Appreciation
 - C. Revaluation
 - D. Devaluation
 - E. Hedging
26. Free international trade maximises world output through
- A. Countries reducing various taxes imposed
 - B. Countries specialising in production of goods they are best suited for
 - C. Perfect competition between countries and other special regions
 - D. The diluting of the international business laws & conditions between countries
 - E. Combination of factors of production

27. The World Trade Organisation (WTO) was formed on 1st January
- 1994
 - 1995
 - 1996
 - 1997
 - 1998
28. A member of the World Bank Group whose core functions include provision of insurance services to member countries is
- International Monetary Fund (IMF)
 - International Bank for Reconstruction and Development (IBRD)
 - International Finance Corporation (IFC)
 - Multilateral Investment Guarantee Agency (MIGA)
 - International Development Association (IDA)
29. The Bretton Woods Agreement led to the creation of which of the following institutions?
- United Nations
 - UNESCO
 - IMF
 - UNICEF
 - AU
30. Economic development refers to
- Improvement in the well-being of the urban population
 - Economic growth
 - Improvement in the general well-being of only the rural population
 - Sustainable increase in real Gross Domestic Product with improved citizens' general welfare
 - Increase in per capita income

SECTION A: PART 11 SHORT ANSWER QUESTIONS (20 Marks)

ATTEMPT ALL QUESTIONS

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

- Government 'ought to solve' persistent exchange rate crises is typical example of
- The downward movement along a normal demand curve illustrates

3. The maximum legal price above which a particular good or service cannot be sold is called
4. Indifference curves are best described as to the origin.
5. At the level of labour employment where a firm's total product (TP) is at maximum, the marginal product (MP) is
6. The cost saving advantages derived by a firm resulting from its location are called
7. The change in total production divided by change in the units of variable factor employed is known as
8. Zero market power is a common feature of.....
9. Assume a monopolist faces a demand function $P = 100 - 5q$, the total revenue at $q = 5$ is.....
10. The sum of government expenditure multiplier and tax multiplier equals
11. The taxes that are fixed by the government and do not vary with real gross domestic product are called.....
12. A coin or currency whose physical value in terms of metal or paper is below the nominal value in terms of what it will purchase is known as
13. The policy of the government that regulates money supply and credit availability in the economy is called
14. The total outstanding debt obligation or accumulated borrowing of the government is
15. The type of government borrowing which involves raising loans from banks and non-bank public within the country is called
16. Assume that the number of individuals in labour force is 20 million while those not in labour force is 30 million. The labour force participation rate is.....
17. Short and long term movements in capital are recorded in the component of the Balance of Payment (BOP).
18. Surplus on the Balance of payment (BOP) occurs when

PART II:

MACRO - ECONOMICS

ATTEMPT ANY TWO QUESTIONS

QUESTION 4

- a. State and explain **FOUR** factors that influence aggregate level of consumption. (8 Marks)
- b. In a hypothetical economy, consumption function is given as:
 $C = a + bY_d$ $a > 0, 0 < b < 1$

Required:

- i. Explain the economic meaning of a and b.
- ii. What is the meaning of Y^d (4½ Marks)
- (Total 12½ Marks)**

QUESTION 5

- a. Distinguish between economic growth and economic development. (5 Marks)
- b. Explain **FIVE** features of less developing nations. (7½ Marks)
- (Total 12½ Marks)**

QUESTION 6

- a. What is Balance of Payments? (3½ Marks)
- b. Explain the various accounts that comprise a typical Balance of Payments account. (9 Marks)
- (Total 12½ Marks)**

SECTION A: PART I

MULTIPLE-CHOICE SOLUTIONS

1. C
2. A
3. B
4. E
5. E
6. A
7. C
8. B
9. D
10. E
11. E

12. C
13. A
14. C
15. C
16. D
17. B
18. B
19. C
20. B
21. E
22. E
23. C
24. A
25. B
26. B
27. B
28. D
29. C
30. D

Examiner's comment

The questions in this part were selected from all topics in the syllabus. It is compulsory for the candidates. All the candidates attempted the questions and about 80% of them scored pass marks. Effective coverage of the entire syllabus is required for candidates to score well in this part of the paper.

SECTION A: PART II

SHORT-ANSWER SOLUTIONS

1. Normative statement
2. Increase in quantity demanded/change in quantity demanded
3. Price ceiling
4. Convex
5. Zero
6. External economies of scale
7. Marginal product of the factor
8. Perfect competitive firm
9. 375

10. One (1)
11. Autonomous taxes
12. Token Money
13. Monetary Policy
14. Public debt
15. Internal debt/Domestic public debt
16. 40%
17. Capital account
18. Total receipts exceed total payments
19. United Nations Conference on Trade And Development
20. Developed countries/Advanced countries

Examiner's comment

This part of the paper is equally compulsory. The questions were fairly selected from both branches of Economics – Microeconomics and Macroeconomics. Candidates' performance in this part was rather abysmal, less than average. Candidates require a good understanding of all topics in the syllabus to be able to score a pass mark in this section. Less than 50% of candidates scored pass mark in this section.

SECTION B

SOLUTION 1

- a) **Price elasticity of demand** measures the responsiveness of quantity demanded for a good (or services) to the change in the price of the good. It is expressed as the ratio of percentage change in quantity demanded to percentage change in the commodity's own price. If E_d denotes price elasticity of demand, it follows that:

$$E_d = \frac{\text{Percentage change in quantity demanded}}{\text{percentage change in price}}$$

Income elasticity of demand measures the responsiveness of the quantity demanded of a commodity X to a change in the consumer's income (M), ceteris paribus. The income elasticity of demand is measured as:

$$E_{dxM} = \frac{\partial Qd_x}{\partial M} \cdot \frac{M}{Qd_x}$$

The coefficient of income elasticity is always positive for normal goods and negative for inferior goods.

b) The concept of price elasticity of demand has some uses which include the following:

(i) **Pricing of goods and services**

It is important that price elasticity of demand is considered in decisions to change prices of goods and services. If the demand for a good or service is elastic then to increase sales revenue, price should be reduced. On the other hand, if a demand is inelastic then to increase sales revenue, price should be increased.

(ii) **Government taxation policy**

Government imposes indirect taxes on goods and services to either raise revenue or discourage consumption of the good and service. Government pays attention to price elasticity of demand imposing indirect taxes on goods and services. If government's aim is to raise revenue then goods and services with elastic demand will be selected. On the other hand, if the aim is to discourage consumption then goods and services with inelastic demand will be selected.

(iii) **Minimum wage policy**

Minimum wage is usually fixed above the equilibrium market wage. This causes employers to demand less labour while supply of labour increases creating unemployment of labour. For minimum wage policy to succeed and reduce unemployment then demand for labour should be inelastic.

(iv) **Demand forecasting:** The coefficient of price elasticity of demand is also used to forecast future demand for commodity and how a percentage change in price in the future affects demand for the firms commodity.

Income elasticity of demand on the other hand, has the following uses:

- (i) Income elasticity of demand determines the pattern of consumers demand with respect to changes in income. If there is an increase in income, demand for normal goods increases while the demand for inferior goods falls.
- (ii) Income elasticity of demand is also important for businessmen when planning investments. Outputs of inferior goods should not be expanded during times that incomes are rising while those of normal goods could be expanded during times that incomes are rising.

Examiner's comment

This question tested candidates' knowledge of basic microeconomics on price and income elasticity of demand. Almost 60% of the candidates attempted this question with 40% scoring above the average.

SOLUTION 2

(a) **The sole proprietorship** also known as sole trader or one-man business is a form of business organisation owned and controlled by one person. It is the most numerous or commonest form of business organization in West Africa. Examples are the shoemakers, hairdressers, various drinking spots, peasant farmers, doctors who operate their own clinics, etc.

(b)

1) Advantages of the Sole Proprietorship

- i. **Easy to form:** It is comparatively quite easy to start this type of business because there are no laid down requirements with regard to its formation. It only requires a small capital for its take off.
- ii. **Personal Interest:** There is the spirit of self-interest and personal desire to ensure the success of the business on the part of the owner.
- iii. **Quick Decision Making:** The owner is the sole decision maker and does not need to go through any bureaucratic channels before arriving at a decision. This makes decision making process very fast.

- iv. **Secrecy:** The business strategy is completely kept secret by the proprietor. He is not under any obligation to divulge his business secrets.
- v. **Intimate Relationship:** Due to the small size of the business, the proprietor maintains personal and close relationship with his workers. He also maintains close contact with customers.

2) Disadvantages of Sole Proprietorship

- i. **Unlimited Liability:** If the business fails, his liabilities may be extended not only to his capital but to some personal properties depending on the extent of the liability
- ii. **Limited Capital:** Since capital is raised by the owner alone, he/she may not be in the position to raise enough when expansion of the scale of operation is needed to benefit from economies of scale.
- iii. **Business Liquidation:** The death of the proprietor may end the business since the successor who is likely to be a relative may not be as efficient as the business owner.
- iv. **Difficulty in assessing credit facilities:** The sole proprietor may not have the requisite collateral needed by financial institutions before loans are granted, thus they have little access to credit facilities to expand their businesses.

Examiner's comment

This question on Business Organisation is a straight forward one. It tested explicitly the knowledge of candidates on what sole proprietorship is, its merits and demerits. Almost 100% of the candidates attempted this question with not less than 85% of them scoring pass mark.

SOLUTION 3

- (a) **Market structure** is an expression of various arrangements of buyers and sellers within a market. These include monopoly (one seller and many buyers); duopoly (two sellers and many buyers); oligopoly (few sellers and many buyers); and perfect competitive market (many buyers and many sellers)

(b)

- i. THREE differences between perfect competitive market and monopolistic competitive market.

| S/n | Perfect market | Monopolistic competitive market |
|-----|--|---|
| 01 | <u>Non-differentiated product</u> In perfect competitive industry, firms trade in similar and none differentiated good. i.e consumers can not differentiate one from another e.g egg and other agricultural products | <u>Differentiated product</u> In monopolistic competitive market, firms trade in similar but differentiated goods. Products are similar but differentiated by brand name e.g branded tooth pastes. |
| 02 | <u>Horizontal demand curve</u> As all firms in perfect competitive market are price takers, price is fixed irrespective of units sold, hence horizontal demand curve. | <u>Downward sloping demand curve</u> Firms in monopolistic competitive markets give price. However, at higher price, quantity demanded reduces and vice versa, hence downward sloping demand curve |
| 03 | <u>Price equals average revenue and marginal revenue</u> As a price taker, price is fixed, hence price of a perfect competitive firm is the same as average revenue and marginal revenue | <u>Price equals average revenue and not marginal revenue</u> Monopolistic competitive firm gives price, hence inverse relationship between price and quantity demand. Therefore, price is the same as average revenue but not marginal revenue. |

- ii. TWO similarities between perfect competitive market and monopolistic competitive market

1. They both maximize profit where marginal cost equates marginal revenue Profit maximizing condition requires marginal revenue to equate marginal cost.
2. Large number of sellers and buyers Perfect market and monopolistic competitive market have huge customer base and sellers. For example the total number of accounting and law firms in Nigeria are significantly huge.

Examiner's comment

This question on market structure tested candidates' knowledge of the various market structure that exists and in particular, the differences and similarities

between the perfect competitive market and the monopolistic competitive market structure. About 70% of candidates attempted the question, while about 50% of them scored at least half (50%) of the marks allocated to the question.

SOLUTION 4

(a) The following factors affect the aggregate level of consumption:

- i. **The level of income:** The level of income is the basic determinant of how much households will consume. As households' income increases consumption expenditure increases and vice versa.
- ii. **Stock of durable goods:** If the economy has enjoyed an extended period of prosperity, consumers may find themselves well supplied with various durable goods, e.g. cars, televisions, etc. all worth years of service. Hence, for sometime, many households will be out of the market for such products with the result that consumers will be willing to spend less and save more at each level of disposable income.
- iii. **Wealth:** This is a stock of accumulated purchasing power stored up from the past. For example, if you have a fat savings account accumulated from your past earnings, your current spending may be greater than your current income. This implies that what determines consumption is not the nominal wealth but real wealth, which takes the price level into account.
- iv. **Expectations:** Households' expectations concerning future prices, money income and the availability of goods may have a significant impact on their current spending. Expectations of rising prices and product shortages tend to trigger more spending and less saving, that is, it shifts the consumption function upward and the saving function downward.
- v. **Aggregate household indebtedness:** This is the purchasing power of the sum of money outstanding that households have borrowed and are currently obligated to repay. If households are in debt to the degree that part of their current incomes are committed to instalmental payments on previous purchases, they may well be obliged to reduce current consumption.

vi. **Availability of credit facilities.** Credit availability to individual households can influence immediate consumption of the household. The higher the level of credit available, the higher the level of consumption and vice versa.

vii. **Government policy.** If the government decided to raise the level of taxes, it will bring down the disposable income and thus reduce consumption level of individual.

On the other hand, if there is reduction in taxes, disposable income will increase and thus increase the level of consumption.

(b) $C = a + bY_d$ $a > 0, 0 < b < 1$

(i) The economic meaning of “a” in the consumption function is that “a” is the autonomous consumption or the intercept. It is the consumption that does not depend on the level of income.

“b” represents the slope of the consumption function. It measures the extent of a change in consumption expenditure with respect to a change in disposable income. It can equally be referred to as the marginal propensity to consume (MPC). It is the proportion of the disposable income that is spent on consumption expenditure.

(ii) Y_d is termed the disposable income. That is, the income that is available to the household to be spent after tax has been removed.

Examiner’s comment

This is a question on the components of the national income accounting. The question tested the candidates’ knowledge on the consumption component of the national income accounting. The variables that make up the consumption function were examined. About 60% of candidates attempted this question and just about 30% scored pass mark.

SOLUTION 5

(a) **Economic Growth** refers to an increase in real aggregate output (real GDP) reflected increased real per capita income. A country is said to experience economic growth if overtime, its real output (real GDP) increases as well as its real per capita income.

Economic development is a sustainable increase in real GDP that implies increased real per capita income, better education and health as well as environmental protection, legal and institutional reforms and an efficient production and distribution system for goods and services.

(b) Features of less developing nations

- i. **Low standards of living:** In developing nations, general standards of living tend to be very low for the vast majority of the people. These low standards of living are manifested quantitatively and qualitatively in the form of low incomes (poverty), inadequate housing, poor health, limited or no education, high infant mortality, low life and work expectancy and sometimes a general sense of hopelessness.
- ii. **Health and Life Expectancy:** Many people in the developing nations fight serious battle against malnutrition, disease and ill health due to their low incomes and poor health facilities. The average life expectancy in West African countries nations in 2019 was 58 years for males and 60 for females as compared to 78.8 years in USA. Infant mortality rate is approximately 66%. This compares poorly with 12% in developed nations. Medical care is an extremely scarce social service in many parts of the developing countries.
- iii. **Low levels of productivity:** The developing countries are generally characterized by relatively low levels of productivity. Throughout the developing world, levels of labour productivity (output per worker) are extremely low compared with those in developed countries. In crop production, rural small-scale farmers form the majority of the producers. Their productivity level is low due to the use of rudimentary tools (such as hoes, cutlasses and sticks) and simple and outmoded technology.
- iv. **Dependence on primary product for exports.** Almost 75% of the population in developing countries is rurally based. A very high percentage of their exports basket is from the agricultural sector and other primary products. As a result, when income levels rise, the structure of demand changes, which leads to a rise in the manufacturing sector and then the services sectors.

- v. **Low per Capita Real Income.** This is one of the most defining features of developing economies. The low per capita income results to low savings and low investments. This creates a cycle of poverty that most of the population struggles to escape from. The percentage of people in absolute poverty is high in developing countries.
- vi. **High population growth rate.** Due to the fact that most of the developing nations do not have effective family planning options and the belief that more children could result to a higher labour force for the family to earn income, the developing nations tend to have either high population growth rate or large populations.
- vii. **High Rate of Unemployment:** In rural areas, unemployment suffers from large seasonal variations. However, unemployment is a more complex problem requiring policies beyond traditional measures.
- viii. **Low level of Capital Formation:** The insufficient amount of physical and human capital in the developing countries makes them to be often called 'capital-poor economies'. One indication of the capital deficiency is low amount of capita per head of the population. Not only that the capital stock is extremely small, but the current rate of capital formation is also very low. The low level of capital formation could be attributed to rapid population growth, which makes capital per head very low.

Examiner's comment

This question on the differences between economic growth and economic development is a straight forward one. The question also tested the features of developing countries. About 100% of candidates attempted this question and more than 70% scored more than the pass mark.

SOLUTION 6

- a) Balance of payments is an account that summarizes a country's total payments and total receipts from international economic transactions within a specific period usually one year. The main reason for compiling the balance of payments is to inform the government authorities in a particular country of

the international position of the country. It also helps policy makers in taking decisions on monetary and fiscal policies on one hand, trade and payment policies on the other.

b) The Balance of payments has three main parts namely: the Current Account, the Capital account and the Official Reserves Account.

i. **The Current Account:** The Current account is subdivided into three main items: merchandise imports and exports, services imports and exports and unilateral transfers. Merchandise imports and exports are also referred to as visible trade and services imports and exports and unilateral transfers dubbed invisible trade.

The difference between merchandise exports and Merchandise imports is termed as the Balance of Trade. When merchandise exports exceed visible merchandise import, the country is said to have trade surplus. The country has a trade deficit if merchandise imports exceed merchandise exports.

The services accounts records the services of shipping and civil aviation, insurance, dividends, profits, remittances, government services, travel and tourism, banking services, etc. This section also includes unilateral transfers (gifts), that is, money transferred to and from foreign countries without rendering any services.

The difference between invisible exports and invisible imports is called the balance of services. This is classified as favourable or unfavourable. When invisible exports exceed invisible imports we have favourable balance of services, otherwise we have unfavourable balance of services.

ii. **The Capital Account:** The capital account deals with long and short-term capital movement. These capital movements are referred to as autonomous because they take place for business or profit motive. Long-term capital movements are overseas investments in shares or long-term securities or from the establishment of factories in foreign countries or the reporting country. The short-term are usually portfolio investment.

The movement of capital to a country represents an inflow of foreign capital and there is a corresponding outflow when such funds are withdrawn. An inflow of funds represents credit while an outflow represents debit.

- iii. **Official Reserves Account:** This part of the balance of payments informs us about how the balance of both current and capital accounts taken together is settled. Transaction in this section is called accommodating transactions. They are accommodating transaction because the funds are moved to make the balance of payments balance. When the net balance on the current and capital accounts is in deficit, the deficit must be settled with an equal net credit in the official reserve account. If on the other hand, a country has a surplus, the surplus must be used up to balance the balance of payments.

Examiner's comment

This question is on International Finance. It tested candidates' knowledge of what balance of payment is and its components. About 40% of the candidates attempted the question with a success rate of about 30%. Most of the candidates exhibited shallow knowledge of the components in the part (b) of the question, thereby losing vital marks.

THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA**ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
MARCH 2023 EXAMINATIONS (PART I)****BUSINESS LAW**

PLEASE READ THESE INSTRUCTIONS BEFORE COMMENCEMENT OF THE PAPER

EXAMINATION INSTRUCTIONS

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

TUESDAY, 28 MARCH, 2023

DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
PART I EXAMINATIONS –MARCH 2023**

BUSINESS LAW

Time Allowed: 3 hours

SECTION A: PART I MULTIPLE-CHOICE QUESTIONS(30 Marks)

ATTEMPT ALL QUESTIONS IN THIS SECTION

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

1. The document which stipulates the functions of government as well as the, rights and duties of citizens of Nigeria is
 - A. The Customary Code
 - B. The Common Law
 - C. The Constitution
 - D. The Edicts
 - E. The Bye-laws
2. A Bill duly passed by the National Assembly and assented to by the President of Nigeria is an
 - A. Executive Bill
 - B. Executive Order
 - C. Edict
 - D. Executive Command
 - E. Act
3. Which of the following courts in Nigeria is an inferior court?
 - A. Court of Appeal
 - B. Magistrates Court
 - C. Sharia Court of Appeal
 - D. State High Court
 - E. Customary Court of Appeal
4. In a dispute between a state and an individual, in which of the following courts could a party institute an action?
 - A Supreme Court
 - B Juvenile High Court
 - C Magistrates Court
 - D State High Court
 - E Court of Appeal

5. The major aim of criminal law in the society is to
- A. Vindicate the offender
 - B. Promote the offender
 - C. Compensate the offender
 - D. Project the offender
 - E. Protect the society
6. A tort cannot be redressed unless it amounts to a legal
- A. Injury
 - B. Promise
 - C. Secret
 - D. Movement
 - E. Friendship
7. Which of the following is an essential element of a contract?
- A. Intention to listen to each other
 - B. Intention to create enabling environment of business
 - C. Intention to create legal relations
 - D. Intention to discuss business issues
 - E. Intention to criticize other peoples contract
8. A breach of condition, which goes to the root of a contract will entitle the affected party to
- A. Reproduce the contract
 - B. Repudiate the contract
 - C. Rewrite the contract
 - D. Retain the contract
 - E. Reaffirm the contract
9. An agreement for the purpose of carrying out an act forbidden by law is
- A. Unavoidable
 - B. Voidable
 - C. Enforceable
 - D. Void
 - E. Recoverable
10. A contract entered into by parties through electronic means is an/a
- A. Informal contract
 - B. E-contract
 - C. Enforceable contract
 - D. Invalid contract
 - E. Privy contract

11. Which of the following would result in the discharge of a contract?
- A. Endorsement
 - B. Agreement of the parties
 - C. Arrangement
 - D. Constraint
 - E. Appointment
12. An emergency situation in which a person is obliged to act to prevent irreparable loss to another creates an agency of
- A. Value
 - B. Risk
 - C. Necessity
 - D. Loss
 - E. Prevention
13. The essence of sale of goods contract is the parties' intention to transfer property in the good to the
- A. Seller
 - B. Marketer
 - C. Market
 - D. Vendor
 - E. Buyer
14. In sale of goods contract, it is an implied condition that the seller must have right to transfer the
- A. Title
 - B. Trust
 - C. The Manual
 - D. The Trade
 - E. Future goods
15. In hire purchase contract, ownership of the property does not pass if the hirer fails to
- A. Sign the agreement
 - B. Pay insurance
 - C. Pay all the installments
 - D. Pay charges
 - E. Use the property well

- 16 Finance lease is for a basic term during which the agreement cannot be
- A. Cancelled
 - B. Called
 - C. Negotiated
 - D. Clarified
 - E. Changed
- 17 Which of the following is a duty of an employer to the employee by virtue of their contractual relationship?
- A. Pay the children school fees
 - B. Send him abroad
 - C. Pay his wages and remuneration
 - D. Pay his debts
 - E. Manage domestic affairs
- 18 Amalgamation is a type of
- A. Arrangement
 - B. Mergers
 - C. Compromise
 - D. Hire purchase
 - E. Partnership
19. The consideration payable by an insured is known as
- A. Price
 - B. Instalment
 - C. Commission
 - D. Premium
 - E. Warranty
20. Which of the following partnerships must have designated partners?
- A. Limited Partnership
 - B. Unlimited Partnership
 - C. General Partnership
 - D. Premium Partnership
 - E. Limited Liability Partnership
- 21 Which of the following is an attribute of a Limited Liability Partnership?
- A. Dormancy
 - B. No maximum partnership
 - C. Minimum membership of five
 - D. Perpetual succession
 - E. Minimum contribution by members

- 22 What is the legal maximum membership of a trading general partnership?
- A. 5
 - B. 10
 - C. 15
 - D. 20
 - E. 25
- 23 A company in which the liability of members is limited to the amount subscribed is a/an
- A. Company limited by shares
 - B. Unlimited company
 - C. Charitable company
 - D. Company limited by assurance
 - E. Promoters limited company
- 24 Which of the following is **NOT** a business of the Annual General Meeting?
- A. Declaration of dividends
 - B. Presentation of financial statements
 - C. Presentation of directors' reports
 - D. Transfer of shares
 - E. Appointment of the audit committee
- 25 The debenture of a company is a written acknowledgement of the indebtedness of the company setting out the terms and conditions of the
- A. Trustee
 - B. Banker
 - C. Loan
 - D. Financer
 - E. Creditor
- 26 Which of the following is **NOT** a function of commercial banks?
- A. Receiving deposits from customers
 - B. Payment of interest to customers
 - C. Granting of money loan to customers
 - D. Lender of last resort
 - E. Accepting of credits
27. A bank is not obliged to honour a customer's cheque if the customer has no
- A. Reputation
 - B. Credibility
 - C. Sufficient credit in his account
 - D. God father
 - E. Character

28. Negotiable instrument is a commercial document which is transferable by the
- A. Owner
 - B. Transferee
 - C. Translator
 - D. Testator
 - E. Transformator
29. Real estate investment company or trust is an example of
- A. Over the counter transaction
 - B. Company limited by guarantee
 - C. Large scale investment
 - D. Collective investment scheme
 - E. Multi-door investment
30. In a custodian trust, the appointed trustee does not participate in the day to day
- A. Adjudication of the trust property
 - B. Advertisement of the trust property
 - C. Admonition of trust property
 - D. Appointment of the trust property
 - E. Administration of the trust property

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 Application of force or coercion to obtain a promise from a party to a contract is known as
- 2 The principle of law on which a judicial decision is based is known as
- 3 Under international law, an agreement entered into by sovereign states is called
- 4 The master is not liable for a servant's tort unless it is committed in the course of
- 5 In the law of contract, the ability to incur legal rights and obligations is called

- 6 When the obligation created under a contract is completely performed, the contract is said to be
- 7 A term of contract, the breach of which does not lead to repudiation is called
- 8 An agent having authority to perform series of transactions in the ordinary course of business is a
- 9 In sale of goods contract, the doctrine of *caveat emptor* means
- 10 In operating lease agreement, unlike hire purchase, the lessee only uses the asset over a
- 11 Monetary compensation available for breach of contract of employment is called
- 12 For a contract of insurance to be valid, the insured must have
- 13 Which obligation has a person that intends to carry on business in a name other than his surname and forename?
- 14 The act of a company outside its memorandum of association is
- 15 The relationship of a promoter to his company is a/an
- 16 The appointment of the auditor of a company shall be at the
- 17 The relationship between a banker and the customer who maintains an account with the bank is that of
- 18 Dividend is payable out of company's
- 19 A financial instrument made payable on demand on stated date drawn on a banker is a
- 20 Public trust is mainly for

SECTION B: ATTEMPT ANY FOUR QUESTIONS (50 Marks)

QUESTION 1

The sources of Nigerian law include the constitution.

Required

- a. Define constitution briefly (2½ Marks)
- b. Emimie offered to sell his plot of land at Ikate, Lagos to Bukola for the sum of ₦15,000,000. Bukola offered to pay ₦12,000,000 to which Emimie did not respond. Later, Bukola purportedly accepted the original offer after the property had been sold to Azeburuku for the sum of ₦20,000,000. Bukola is threatening to sue Emimie for a breach of contract.

Required

State the law and advise Emimie (5 Marks)

- c. Agency may be created in many ways

Required

- i Explain agency by ratification. (2Marks)
- ii State **THREE** circumstances in which agents' act may be ratified. (3 Marks)
- (Total 12½ Mark)**

QUESTION 2

- a. Tort is a civil wrong.

Required

Explain briefly vicarious liability as a tort (2½ Marks)

- b. Osaro Iyobosa, a 14 year old, SSS1 Science student of Itire High School, whose father is a security guard in the same school entered into the following contracts:
- i. Purchase of a Samsung android phone at Climax Compound for ₦75,000
- ii. Purchase of food from Mama-Put, with bottled water for ₦800.
He has refused to pay for the goods, saying he is a minor who is not liable to pay.

Required

State the law in respect of the contracts above. (5 Marks)

- c. In sale of goods contract, goods are classified.

Required

- i Explain briefly unascertained goods (2 Marks)
- ii State **THREE** remedies available to a buyer if there is a breach of sale of goods contract. (3 Marks)

(Total 12½ Marks)

QUESTION 3

Disputes in society are settled by courts

Required

- a. State the original jurisdiction of the Court of Appeal. (2½ Marks)
- b. Hire purchase transaction is a venture where the owner of goods retains title until the perfection of the transaction.

Required

State **FIVE** duties of the owner of goods in a hire purchase transaction. (5 Marks)

- c. In the formation of companies, promoters perform vital functions.

Required

- i. Define a promoter (2 Marks)
- ii. State **THREE** duties of a promoter (3 Marks)

(Total 12½ Marks)

QUESTION 4

Osareme Company Limited employed Abi Osayukeas the Chief Accountant of the company. The Managing Director of the company engaged an external auditor who audited the company's accounts. The Auditor informed the Managing Director that a sum of ₦2,000,000 was missing from the company's account and that the Accountant be compelled to refund the money. The Accountant who has worked for the company for more than 20 years was queried and dismissed without investigation or court trial, contrary to the terms and conditions of his letter of appointment. Abi Osayuke has come to you for advice, as he intends to challenge his dismissal in Court.

Required

- a. State the law and advise Abi Osayuke. (4 Marks)
- b. Partnership is a form of business associations.

Required

Explain limited partnership briefly. (2½ Marks)

- c. Once a bank opens an account in the name of a customer a relationship exists.

Required

Explain briefly banker and customer relationship. (2½ Marks)

- d. Define collective investment scheme and state one example (3½ Marks)
- (Total 12½ Marks)**

QUESTION 5

- a. A bill of exchange is a negotiable instrument

Required

Explain briefly the drawer of a bill of exchange (2½ Marks)

- b. Shares are individual holding in a company

Required

Explain preference share briefly (2½ Marks)

- c. Ijeoma, a wealthy man, has a life insurance policy with Delta Insurance Company Limited for which he paid ₦86,000 as premium annually. The premium covers March one year to February the following year. He has been paying the premium for the past 5 years without defaulting before he suffered a stroke in 2019, but he still managed to pay the premium up to February 2020. He died on March 5, 2020 before he could pay the next premium. Delta Insurance Company Limited has refused to pay the family the policy entitlement of ₦3,000,000.

Njoku, the first son, has come to you on behalf of the family for an advice.

Required

State the position of the law and advise the family on the matter. (5 Marks)

- d. Custom is one of the sources of Nigerian law.

Required

Explain briefly the repugnancy test. (2½ Marks)

(Total 12½ Marks)

QUESTION 6

- a. A bank owes the customer certain duties.

Required

Explain briefly the termination of a banker's duty to honour its customer's cheque. (2½ Marks)

- b. The Companies and Allied Matters Act (CAMA) regulates the formation of companies in Nigeria

Required

- i. Explain briefly the corporate personality of a company (2 Marks)

- ii. State **THREE** attributes or characteristics that are common to a company and limited liability partnership (3 Marks)

- c. For a contract to be valid it must not be illegal

Required

- i. Explain briefly an illegal contract (2 Marks)

- ii. State **THREE** consequences of the illegality (3 Marks)

(Total 12½ Mark)

SECTION A: PART I

MULTIPLE-CHOICE SOLUTIONS

1. C
2. E
3. B
4. D
5. E
6. A
7. C
8. B
9. D
10. B
11. B
12. C
13. E

14. A
15. C
16. A
17. C
18. B
19. D
20. E
21. D
22. D
23. A
24. D
25. C
26. D
27. C
28. B
29. D
30. E

Examiner's comment

The questions are spread equitably over the entire syllabus.

All the candidates attempted the questions, and about 65% of them scored above average marks.

Candidates' pitfall was inadequate preparation.

Candidates should cover the entire syllabus in their future preparation.

SECTION A: PART II

SHORT-ANSWER SOLUTIONS

1. Duress
2. Ratio decidendi
3. Treaty
4. Servant's employment/duly
5. Capacity
6. Discharged
7. Warranty
8. General Agent
9. Let the buyer beware
10. Fixed period
11. Damages
12. Insurable Interest
13. Registration of the business name
14. *Ultra vires*

15. Fiduciary relationship
16. Annual General Meeting
17. Debtor and Creditor or banker and customer
18. Profits
19. Cheque
20. Charitable purposes

Examiner's comment

The questions achieved a good spread over the entire syllabus.

All the candidates attempted the questions, and their performance was above average.

Candidates' major pitfall was not covering the syllabus in their preparation.

Candidates are advised to study the ICAN Study Text in depth in future.

SECTION B

SOLUTION 1

a) A Constitution is a document containing the rules and regulations, including the principles and objectives on the ways and manner in which a country is to be governed. The constitution regulates the activity of the organs of government as well as safeguards the interest of the governed.

b) The law is that a rejection or modification of an offer amounts to a counter offer, which destroys the original offer.

The offer of ₦12,000,000 by Bukola is a counter offer, not an acceptance; and it destroyed the original offer. Thus, there is no valid contract between Emimie and Bukola.

Bukola will not succeed in an action in court against Emimie as there is no valid acceptance of the offer. Therefore, no valid contract.

- c)
- i. Agency by ratification arises where a person acts either without authority at all or in excess of his authority, but the person on whose behalf the act was purportedly carried out subsequently adopts the act.
 - ii. The circumstances under which an agent's acts may be ratified are as follows:
 - The agent must have been appointed by the named principal,
 - The act must not be a part of the agent's authority,
 - The principal must be in existence at the time of the contract.
 - The agent must have purported to act as agent.

- The principal must have legal capacity to enter into the contract.
- The principal must have full knowledge of the material facts at the time of ratification.
- The principal must adopt the whole contract
- The principal must ratify within the time set or within a reasonable Time.

Examiner's comment

The question tests candidates' knowledge of the constitution as a source of law, counter offer in the law of contract, and ratification in the law of agency.

About 90% of the candidates attempted it, and about 70% of them scored above average.

Candidates' major pitfall was their inadequate understanding of ratification.

Candidates are advised to study the law of agency more intensely in the ICAN Study Text.

SOLUTION 2

- (a) Vicarious liability is a liability which falls on an individual without his fault. It is a liability imposed on a person by the action of another person who is under his control.
- (b) As a general rule, contract made by infants or minors are not binding on the infants except they are for necessities and beneficial purposes.
- The purchase of Samsung android phone is a contract for luxury, considering the status in the life of a SSS1 student and his family. Climax may not be able to recover the ₦75,000
 - The purchase of the food and bottled water is a contract for necessities. It is valid and binding on the infant. Mama-put can recover the ₦800.
- (c)
- Unascertained goods are goods not identified and agreed upon at the time of contract. Property and risk in the goods do not pass to the buyer immediately.
 - The remedies available to the buyer if there is a breach in a sale of goods contract are as follows:
 - The buyer has the right to reject the goods.
 - The buyer has a right of action for damages.
 - The buyer may ask for specific performance of the contract.
 - The buyer could recover the purchase price.

Examiner's comment

The question tests candidates' understanding of vicarious liability tort, necessities in the law of contract, classification of goods as well as liability for breach of sales of goods contract.

About 70% of the candidates attempted the question of which 65% performed above average.

The major pitfall of the candidates was their inadequate understanding of the sub-questions.

Candidates are advised to study these areas of the syllabus more diligently in their future preparation.

SOLUTION 3

3(a) The Court of Appeal has original jurisdiction to hear and determine any question as to whether any person has been validly elected into the office of President or Vice President, and whether his terms of office have ceased, or their office have become vacant.

3(b) The duties of the owner under a hire purchase contract are to:

- i. Disclose the cost price of the goods to the hirer at the inception of the contract;
- ii. Have a valid title in the goods, subject matter of the contract;
- iii. Accept installment payment from the hirer;
- iv. Deliver the goods to the hirer;
- v. Deliver exact quantity of the goods agreed upon;
- vi. Give quiet possession to the hirer; and
- vii. Not to repossess the goods, subject matter of the contract, except a motor vehicle.

C(i) A promoter is any person who undertakes to take part in forming a given company and in setting it going and takes the necessary steps to accomplish the purpose. He also helps in raising capital for the new company.

(ii) The duties of a promoter are as follows:

- A promoter is in a fiduciary relationship to the proposed or newly formed company and must observe utmost good faith in any transaction with it or on behalf of the company.
- He must not make secret profit in any transaction entered into for and on behalf of the company.
- He may freely sell his property to the proposed company but must disclose his interest to the company after incorporation.

Examiner's comment

The question tests candidates' understanding of the jurisdiction of the Court of Appeal, the duties of goods owner in hire purchase, and the duties of a promoter in company law.

About 70% of the candidates attempted the question of which about 65% scored above average marks.

The major pitfall of the candidates was their inadequate understanding of the duties of promoters.

Candidates should focus their area of deficiency more in their future preparation.

SOLUTION 4

- 4(a) The issue involved in this case is unfair or wrongful dismissal as well as summary dismissal under the employment contract.

Where a notice of termination is not served before dismissal, it could give rise to action for wrongful or unfair dismissal, whereas summary dismissal is a justified ground for termination without notice. This arises where the employee is liable for gross misconduct. Fraud is a gross misconduct and justified ground for termination without any notice.

Therefore, Abi Osayuke's dismissal is justified. He will not succeed in the Court if he challenges his dismissal.

- (b) Limited Partnership is a form of partnership where the liability of a limited partner is limited to his capital contribution. A limited partner must not be involved in the day to day running of the business. One of the requirements is that, there must be at least one partner, with unlimited liability.
- (c) The relationship of banker and customer is that of debtor and creditor when the customer is still having a credit balance with the bank.
- (d) Collective investment scheme means a scheme in whatever form, including an open-ended investment company, in pursuance of which members of the public are invited or permitted to invest money or other assets in a portfolio.

Examples are:

- Unit trust
- Open-ended investment company
- Real estate investment trust.

Examiner's comment

The question tests candidates' understanding of termination of employment contract, limited partnership, banker and customer relationship as well as the meaning of collective investment scheme.

About 80% of the candidates attempted the question of which about 60% scored above average.

Candidates' major pitfall was their lack of understanding of collective investment scheme.

Candidates' are advised to study collective investment scheme more in the ICAN Study Text.

SOLUTION 5

- (a) The drawer of a bill of exchange is the person that makes the order to pay in writing and signs it. The order is an undertaking to pay the payee the sum stated in the bill. The drawer may be discharged if the payee neglects or refuses to present the bill before it lapses.
- (b) A preference share is a type of share in a company. Preference shares do not entitle the holder to any right to participate beyond certain amount in the distribution of dividends. Preference shares have a right to fixed dividends, which is payable before any other shares. These shares may be cumulative or non cumulative. Holders of preference shares do not have a right to vote or speak in general meeting except on resolutions that affect them.
- (c) The Insurance Act, makes payment of premium mandatory. The payment of premium is a condition precedent to the validity of an insurance contract.

The premium paid by Ijeoma for the life policy elapsed in February, 2020. He died in March when the premium to cover the policy for the new period had not been paid. The law in respect of insurance contract is, no premium paid no policy cover.

The family of Ijeoma may not succeed in an action in court against Delta Insurance Company Limited because at the time of death, premium was not paid.

- (d) Before a custom becomes law and recognised by the court, it must pass the repugnancy test. Repugnancy test is a principle of equity and good conscience that a custom must not be repugnant to natural justice and must not be incompatible with any existing law, or contrary to public policy.

Examiner's comment

The question tests candidates' understanding of the drawer of a bill of exchange, meaning of preference share, and repugnancy test of customary law.

About 60% of the candidates attempted it, and their performance was largely below average.

Candidates are advised to study this area of deficiency more in their future preparation.

SOLUTION 6

- 6a. A banker is obliged to honour a customer's cheque if there is sufficient fund in his account except there is countermand from the customer. In addition, where the banker has received notice of the customer's death, mental disorder, bankruptcy, court order, alteration or ganishee order, the banker will not honour the cheque.
- b.
- i. Once a company is incorporated, it becomes a legal entity or corporate personality distinct from its members.
 - ii. The attributes or characteristics that are common to a company and a limited liability partnership are:
 - Legal personality
 - Perpetual succession
 - Property Ownership
 - Limitation of members' liability
 - Suing and being sued in corporate name
- c.
- i. An illegal contract is a contract that is forbidden by law. It is a void contract, which the court will not enforce because of overriding public policy. Contracts that are prohibited by statute or at common law, are all void.
 - ii. The consequences of illegal contract are:
 - No action will lie on an illegal contract for the money paid or property transferred.
 - No action will lie for a breach of an illegal contract.
 - Where a part of an illegal contract would have been lawful by itself, the court would not sever the good from the bad part.
 - Any contract which is collateral to the illegal contract is also tainted with illegality and is treated as illegal even though it would have been lawful by itself.

Examiner's comment

The question tests candidates' understanding of banker's duties, company's corporate personality, and illegal contract.

About 80% of the candidates attempted the question of which about 70% scored above average.

Candidates' preparation was not adequate, and they are advised to be more intense in their future preparation.

THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA



**ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
MARCH 2023 EXAMINATIONS (PART I)**

COMMUNICATION SKILLS

PLEASE READ THESE INSTRUCTIONS BEFORE COMMENCEMENT OF THE PAPER

EXAMINATION INSTRUCTIONS

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

WEDNESDAY, 29 MARCH, 2023

DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO

ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
PART 1 EXAMINATIONS – MARCH 2023

COMMUNICATION SKILLS

Time allowed: 3 hours

SECTION A: Part 1 MULTIPLE-CHOICE QUESTIONS (20 Marks)

ATTEMPT ALL QUESTIONS

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

1. Communication involves the following, **EXCEPT**
 - A. Speaking
 - B. Writing
 - C. Reading
 - D. Calculations
 - E. Language
2. Which of the following is **NOT** a type of reading?
 - A. Scanning
 - B. Skimming
 - C. Screening
 - D. Word by Word
 - E. Study
3. Which of the following is **NOT** a role of communication?
 - A. Creating conflict
 - B. Promoting education
 - C. Providing entertainment
 - D. Providing information
 - E. Promoting goodwill
4. Which of the following is **NOT** a constituent of communication?
 - A. Sender
 - B. Receiver
 - C. Channel
 - D. Action
 - E. Feedback

5. The communication process is **NOT** considered complete without a(n)
- A. Choice of words
 - B. Feedback
 - C. Decoding
 - D. Education
 - E. Encoding
6. Which of the following authors were the first to devise a structural model of communication?
- A. W. De fleur and Ellen Guffey
 - B. W. Schram and De Fleur
 - C. C. Shannon and W. Schram
 - D. W. Weaver and De Fleur
 - E. C. Shannon and W. Weaver
7. Which of the following is **NOT** a word class?
- A. Pronoun
 - B. Adjective
 - C. Preposition
 - D. Conjugation
 - E. Conjunction
8. Which of the following is **NOT** a barrier to effective visual communication?
- A. Well planned aids
 - B. Cost of production
 - C. Poor viewing conditions
 - D. Over-use of aids
 - E. Mis-use of aids
9. Which of the following is **NOT** a type of Adverbial clause?
- A. Time
 - B. Concession
 - C. Comparison
 - D. Condition
 - E. Admiration
10. Which of the following is **NOT** a component of a sentence?
- A. Subject
 - B. Predicator
 - C. Complement
 - D. Component
 - E. Adjunct

11. Which of the following is **NOT** a category of non-verbal communication?
- A. Body language
 - B. Gestures
 - C. Proxemics
 - D. Handwriting
 - E. Posture
12. An electronic means of sending an exact copy of a document by scanning it is
- A. Fax transmission
 - B. Scanning
 - C. Photocopying
 - D. Mailing
 - E. Journal
13. Models which facilitate effective learning are replicas of
- A. Aids
 - B. Pictures
 - C. Actual objects
 - D. Pictures and objects
 - E. Diagrams
14. One of the fundamental roles of communication is to
- A. Manage events
 - B. See the action
 - C. Increase message
 - D. Choose words
 - E. Create good relations
15. De Fleur (1966) explains the feedback loop as a traffic
- A. One-way
 - B. Two-way
 - C. Four-dimension
 - D. Diagonal
 - E. Three-way
16. A network that allows an individual to relay message to all other members is
- A. Gossip chain
 - B. Single strand
 - C. Cluster chain
 - D. Probability chain
 - E. Relaxation chain

17. A situation in which a person passes information to some selected trustworthy persons is known as
- A. Communication network
 - B. Upward communication
 - C. Cluster chain
 - D. Single strand
 - E. Information chain
18. A verb expresses the following, **EXCEPT**
- A. Tense
 - B. Voice
 - C. Action
 - D. State of being
 - E. Number
19. Which of the following is **NOT** associated with informal communication?
- A. Grapevine
 - B. Rumour
 - C. Newsletter
 - D. Gossips
 - E. Comments
20. An internal magazine printed by an organisation to inform employees about workplace issues is known as
- A. Financial regulations
 - B. Organisational Journal
 - C. Organisational law
 - D. Guiding principles
 - E. Staff handbook

SECTION A: PART II

SHORT ANSWER QUESTIONS

(20 Marks)

ATTEMPT ALL QUESTIONS

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

1. Technically, all letters in an acronym should be
2. The means of shortening names or expressions is referred to as

3. The listener's mind slowing down and therefore not keeping pace with the speaker is known as.....
4. Eye contact promotes effective
5. A sentence that expresses a command is referred to as a(an) sentence
6. An expression with contradictory terms appearing side by side is an
7. An interview requires an interviewer and a(n)
8. A compound-complex sentence has at leastindependent clauses and at leastdependent clause.
9. There are major methods of speech delivery.
10. A correspondence for consumption within an organisation is only a(n)one.
11. The art of putting an oral presentation into written form is
12. A speech delivered without an advance preparation is a(n) speech.
13. A word that links a noun or a pronoun to another word to show relationship between the two entities is a (an)
14. The dexterity of a speaker is seen in a(n) speech.
15. Grouping related ideas involves organising information through.....
16. The expressive nature of speech can be complemented by the use of
17. In the body of a speech lies the heart of the.....

18. The rhetorical triangle has three areas: ethos, pathos and
19. An external correspondence on a specific issue meant for public consumption is a (n).....
20. In an organisation, an Annual General Meeting is held..... a year

SECTION B

COMPULSORY

(30 Marks)

SUMMARY

Read the following passage carefully and answer the questions that follow:

Reading is a complex system of operations. It involves the eyes, the brain, the nervous system and the ears. We can liken the various operations involved to the parts of an engine. The component parts work together to produce the desired force and if any part fails to work, the whole system is affected. In the process of reading, the reader encounters language presented in print.

In reading, the brain and the eyes are deeply involved. Before any meaningful reading takes place, the eyes see and send signals or messages to the brain which registers the forms and the patterns. Subsequently, when the same pattern is encountered, recall takes place. Any meaningful reading begins with visual discrimination between many things, the eyes see shapes, colour, symbols and various forms. An association is made between the objects seen. A degree of training in visual discrimination is of immense help to the reader.

Principally, “reading” involves two people namely the encoder, who is the author who has experiences to share; and the decoder who attempts to make out the meaning of the interaction, one reads and re-reads the chosen piece of materials with an open and rested mind. The writer’s skill in his choice and general arrangement of language combine with our accumulated experience of reading, thinking and acting. All these will be recreated in our mind and communicate to us a great deal of what the writer intends to convey to us.

Reading occupies a very important position in the life of the average literate person. It may take the form of silent reading or reading aloud with the former playing a leading role. For example, the lecturer is always preoccupied with silent reading and the same thing is applicable to any person in academics and the students as well. Of all the communication skills, reading is closest to writing and it is the most important of all the skills.

In reading, the reader could focus on an object, a symbol or a shape without changing the movement of the eyes. Again, one could shift one's focus from one point to the other without following a particular pattern. In the process of reading, the reader makes some movements of the eyes which follow a particular direction usually from the left to the right of the printed page. This movement has been described as a "sweep". The eyes are made to move to the left or right up to a limit. Thus, the eyes move in spans.

An eye span is the extent which your focus covers when you fix your eyes on a particular spot. If one focuses one's eyes on one picture, it is possible to see all parts of the picture at one fixation. As one reads, the eyes tend to hop or glide from one unit of letters starting from left to right. The reading is not done in a smooth sweep but swings from one fixation to the next. It has also been established that the thinking that takes place during the reading process is done during the fixations. At times, fixations are long and at times, they are short depending whether the materials are simple or difficult.

(Adapted from *Language and Communication Skills* edited by Gbenedio, U.B. and F.A. Anene-Boyle pp 136-138)

- a. Give the passage a suitable title. (2 Marks)
- b. In **ONE** short sentence, state the parts of the body involved in the reading process. (2 Marks)
- c. In **ONE** short sentence, what can the various reading operations be likened to? (2 Marks)
- d.
 - i. In **ONE** short sentence, state what the reader could do without changing the movement of the eyes. (2 Marks)
 - ii. State in **ONE** short sentence, what the reader could do without following a particular pattern. (2 Marks)
- e. In **ONE** short sentence, what does the reader encounter in a reading process? (2 Marks)
- f. Describe in **THREE** short sentences, one for each, the three processes involved in a meaningful reading. (6 Marks)
- g. In **TWO** short sentences, one for each, describe "a sweep" and an "eye span". (2 Marks)
- h. In **ONE** short sentence, state what the writer says determines fixation. (2 Marks)

- i. In **TWO** short sentences, one for each, state the author's conclusion in comparing reading to other communication skills. (4 Marks)
- j. In **TWO** short sentences, one for each, state who an encoder and a decoder are according to the passage. (4 Marks)

SECTION C

ANSWER ANY TWO QUESTIONS

(30 Marks)

QUESTION 1

In order to deliver an effective speech that connects the speaker and the audience, certain principles have to be employed.

Required:

Explain briefly **FIVE** principles you will employ to make your speech effective.

(Total 15 Marks)

QUESTION 2

As a new member of staff in the Stores Section of Adebisi & Company, you have observed that some officers are in the habit of stealing company property. You have even confronted a few of these officers when you caught them red-handed.

Required:

Write an anonymous report to your Managing Director, stating your observations and the attempts made to curb the stealing, which were unsuccessful.

(Total 15 Marks)

QUESTION 3

Communication can be formal and informal.

Required:

- a. Explain briefly formal and informal communication. (10 Marks)
- b. State **FIVE** characteristics each of formal and informal communication.

(5 Marks)

(Total 15 Marks)

QUESTION 4

There are different approaches that can be adopted for the management of conflict in an organisation.

Required:

- a. Identify **FIVE** conflict management styles. (5 Marks)
- b. Discuss briefly each of the **FIVE** management styles identified in (a) above. (10 Marks)

(Total 15 Marks)

SECTION A: PART 1

MULTIPLE-CHOICE SOLUTIONS

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

Examiner's comment

This is a compulsory section for all candidates. Candidates' performance was good as about 75% of them scored 50% and above of the allocated marks. Candidates can still perform better if they familiarise themselves with every part of the syllabus and make use of ICAN study texts and Insights.

SECTION A: PART II

SHORT-ANSWER SOLUTIONS

1. Capitalised
2. Acronyms/Abbreviations
3. Speech lag
4. Listening
5. Imperative
6. Oxymoron
7. Interviewee
8. Two; one
9. Four
10. Internal
11. Speech writing
12. Impromptu
13. Preposition
14. Extemporaneous
15. Association
16. Gestures
17. Topic
18. Logos
19. Press release
20. Once

Examiner's comment

This is also a compulsory section for all candidates. Candidates' performance here was just average as about 50% of them scored 50% and above of the marks for this part. It appears that candidates do not pay due attention to the concepts and principles involved in communication skills. For improved performance in this part of the paper, they must study the various concepts and principles in communication skills and make use of ICAN study texts and Insights.

SECTION B

SUMMARY

- a. Reading/The art of reading
- b. They are the eyes, the brain, the nervous system and the ears.
- c. The various operations can be likened to parts of an engine.
- d.
 - (i) The reader could focus on an object, a symbol or a shape without changing the movement of the eyes.
 - (ii) The reader could shift his focus from one point to the other without following a particular pattern.
- e. The reader encounters language presented in print.
- f.
 - (i) The brain registers the forms and patterns
 - (ii) The brain registers the forms and patterns.
 - (iii) An association is made between the objects seen and the recall that takes place.
- g.
 - (i) A sweep is the movement of the eyes which follow a particular Direction in reading.
 - (ii) An eye span is the extent that the eyes of a reader can cover when they are fixed on a particular spot.
- h. The eye span determines the fixation.
- i.
 - (i) Reading is closest to writing
 - (ii) The most important communication skill is reading.
- j.
 - (i) An encoder is the person who has a message to share with other person(s)
 - (ii) A decoder is the one who makes meaning out of the message sent to him.

Examiner's comment

This is an equally compulsory section of the paper. All candidates are expected to answer the questions on the summary passage given. This question is to test candidates' ability to read for main points and write answers as briefly as possible.

The candidates' performance was good. About 60% of them scored 50% and above of the allotted marks.

Candidates' shortcomings were inability to:

- i. read for main points;
- ii. know the techniques of summary writing;
- iii. follow instructions.

Candidates will do well if they can:

- i. read wide;
- ii. give correct interpretation to questions before answering them;
- iii. understand the techniques involved in summary writing;
- iv. make use of ICAN study texts and Insights.

SECTION C

SOLUTION 1

These principles are:

- a. **Use of gestures:** Gestures could be used as illustrators, initiators and facilitators of speech. Gestures are used to complement the delivery of speech. An effective speaker uses diverse and appropriate gestures as non-verbal complements along with facial expressions to heighten the expressive nature of the speech and communicate effectively.
- b. **Use of vocal resources:** Vocal resources include the tempo and rhythm of voice, pitch of voice, volume of voice of the speaker. An effective speaker should make use of vocal resources at his disposal. These resources can be varied and tailored to the message and the event. Using these resources will not make the speaker deliver in monotone. These dynamic acoustic properties would ensure that the speaker connects effectively to his audience.
- c. **Appropriate posture:** In delivering a speech, it is usually good that the speaker maintains an erect position. This is due to the fact that the posture of the speaker contributes significantly to the impression of the audience about the speaker. It is then important that the speaker should maintain a posture that would encourage the audience to have a positive impression of him as someone that deserves to be heard.

- d. **Right setting:** On many occasions, a speaker may not have an input in the choice of a venue. However, if and when he has an input, he should choose a venue that is appropriate for speech delivery. It should be a venue where the audience would not be in any form of discomfort. For the venue to be of right setting, the noise level in the environment should be low and all other environmental factors must be conducive to speech delivery.
- e. **Use of humour:** Humour should be used by a speaker to connect with the audience. An effective speaker inserts humour into the speech. Humour must not be over-used in order not to turn the speech or occasion into a jocular session or make it a distraction. Light humour helps to elicit the interest of the audience in the topic and speech.
- f. **Proper structuring of the speech:** An effective speaker must structure his speech properly to have an introduction, a body and a conclusion. Having a very strong and interesting introduction will enhance his delivery. The body should be clearly presented with ample examples and illustrations. The conclusion must be a short and powerful summary of the discourse.
- g. **Use of audio and visual aids:** Availability of audio aids such as a public address system consisting of very good microphone and speakers will enhance the delivery of speech to a large audience. In addition, audio visual aids such as overhead projectors, projectors and well-prepared slides enhance public speaking. Where necessary, the speaker should use a public address system to prevent him from shouting himself hoarse. Charts, diagrams, graphs and flash cards can also be used to illustrate information to give quality to his speech.

Examiner's comment

The question tests the candidates' ability to explain the principles to be employed to make effective speech. About 40% of the candidates attempted this question. The performance of the candidates was very poor as about 15% of them scored 50% and above of the allocated marks.

Candidates' shortcomings were:

- i. inability to understand the demand of the question;
- ii. lack of familiarity with principles of speech making;
- iii. poor use of language.

Candidates should endeavour to:

- i. study diligently the section dealing with speech making in the syllabus;
- ii. understand what questions demand before attempting them;
- iii. make use of ICAN study texts and Insights; if they wish to do well in subsequent examinations.

SOLUTION 2

ANONYMOUS REPORT

It is highly unfortunate that I have to resort to this means of letting the Company know that some of the employees of this great company have been defrauding the Company. I would not want to be quoted, hence my writing this report to the MD anonymously. I pray you will take proper action in time before the company goes under.

You will recall, sir, that in the last few months, you have been complaining that some items have been missing. It is a fact that a high rate of stealing has been going on. Actually, there is a syndicate at work: the Chief Stores Officer, has been conniving with some other junior officers to steal from the company. The Chief Stores Officer collaborates with the Chief Security Officer who ensures that adequate security is given to the store officers, who move out the products late in the evening.

I happen to have this information because I walked into one of their meetings about two months ago. Upon hearing their discussion, I hid myself behind the door. The following day, I invited one of the junior officers, Store Officer II, to my office and I counselled him. He felt remorseful and promised to stop joining them in the nefarious activity. Unfortunately, he came back after one week that he could not stop as they had vowed to kill him. I was not even sure if he had not told them about me. I am also afraid now.

Sir, I feel for the owners of this company and also for the management as they are doing a lot to make the company work. I hope something drastic shall be done to put a stop to this stealing activity in the company. The company has a lot of prospects if things are put in check now.

Thank you.

Examiner's comment

The question is to test candidates' knowledge of report writing. They are expected to write an anonymous report. About 30% of the candidates attempted this question. Their performance was poor as about 30% of them scored 50% and above of the allotted marks.

Candidates' shortcomings included:

- i. inability to know the formats of different kinds of reports;
- ii. inability to put their thoughts in logical sequence;
- iii. poor use of language.

For the candidates to improve their performance, especially on report writing, they should study this section in the ICAN study texts and Insights.

SOLUTION 3

a.

- i. **Formal communication:** This is the official interchange of information in an organisation through official routes and channels. Formal communication is commonly used in business and educational organisations. It is mostly expressed in writing and it can be oral too. Formal communication can be downward, upward, and horizontal in organisations.

Downward communication: This takes place when communication flows vertically downward from a higher level to a lower level. It is used to provide information on goals, policies and procedures to lower level employees. Such information is usually in written letters, memoranda, circulars and e-mails.

Upward communication: This is usually a response to the instructions from the higher level. It is called the feedback. Sometimes, communication can originate from the subordinate level in the form of suggestions for the consideration of the higher level, if such is permitted.

Horizontal communication: This is also called lateral communication. It occurs between employees of the same level across departments and sections. It is used for information sharing, for problem solving and for achieving organisational objectives.

- ii. **Informal communication:** This is also known as the grapevine. It is the interchange of ideas between workers in an organisation. It is casual in

nature and based on the social relationships formed at work. It is basically oral in mode. The following are types of informal communication:

Single strand: Communication is initiated by one person to another person. Each receiver talks to only one receiver ad infinitum.

Gossip chain: This happens in a group conversation where everyone engages another one informally.

Probability chain: In this type, each person randomly talks to another person on the same story or message.

Cluster chain: A person in a sub-group shares information with individuals in the small group and each individual in the small group shares the same information with other smaller groups.

Characteristics of formal and informal communication:

| | Formal communication | Informal communication |
|------|---|---|
| i. | It takes place by written/official channels. | It takes place by oral/unofficial channels. |
| ii. | It operates rigid rules and regulations. | It does not operate rules and regulations. |
| iii. | It is also known as official communication. | It is known as the grapevine. |
| iv. | It maintains secrecy. | It does not maintain secrecy. |
| v. | It seeks fulfilment of organisational objectives. | It seeks personal interests and needs. |

Examiner's comment

This question tests candidates' knowledge of organisational communication with particular reference to the differences between formal or informal communication as well as their characteristics. About 60% of the candidates attempted the question. The performance was poor as about 35% of them scored 50% and above of the marks allocated.

Candidates' shortcomings were:

- i. inability to differentiate between formal and informal communication;
- ii. majority of them did not know the candidates of these types of communication.

For a better performance in the future, candidates should familiarise themselves with organisational communication in ICAN study texts and Insights.

SOLUTION 4

a. Five conflict management styles:

- i. Accommodating
- ii. Avoiding
- iii. Collaborating
- iv. Competing
- v. Compromising

b.

- i. **Accommodating:** This style is also known as “smoothing.” It is when one party cooperates with the other party in a dispute situation with a view to resolving all grey issues. This style is appropriate when the resolution of the conflict matters more to the other party, and when peace is more valuable than winning. It usually indicates a willingness to meet the needs of the other party at the expense of one’s needs. This approach may, at times, not give the best outcomes as the other party may think it is indispensable.
- ii. **Avoiding:** This is also known as “withdrawing.” It is when one simply intentionally avoids the issue involved in the conflict. It is mostly adopted when the atmosphere surrounding the conflict is charged and there is the need to cool off. During the period of avoiding, the issue involved may be resolved, or on the other hand, it gets escalated.
- iii. **Collaborating:** This style is also known as “win-win” technique. It is the partnering or collaborating between different parties with the sole aim of achieving their goals. It requires a degree of trust on the part of each of the parties involved. To reach a consensus here may take sometimes and effort to get everybody to agree to the solution proffered. Collaboration encourages the sharing of ideas for solutions to the conflict.

- iv. **Competing:** Also called the “win-lose” approach. It is when one party refuses to co-operate with the other party in finding solution to the conflict. Here, each party to the conflict pursues its goal, resisting pressure from the other party to submit, or to force the other party to accede to its request if the conflict is to be resolved. This approach is employed when quick, decisive action is needed.
- v. **Compromising:** This is where neither party achieves its aim. In this situation, each party is expected to sacrifice personal goals to achieve the ones they agree upon. Each party agrees to do its part to resolve the conflict. In other words, each party involved in the conflict is ready to give up at least a part of what it wants. This is known as “lose-lose” technique.

Examiner’s comment

The question is designed to test candidates’ knowledge of conflict management styles in organisations. About 50% of the candidates attempted the question. The performance was very poor as only about 30% of them scored 50% and above of the allotted marks.

The major shortcoming of the candidates was their lack of the knowledge of conflict management styles.

In order to perform better in subsequent examinations, candidates should study communication ethics in the syllabus, make use of ICAN study texts and Insights.