

THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA**ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
SEPTEMBER 2021 EXAMINATIONS (PART III)****PRINCIPLES OF AUDITING**

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 box to ensure that you do not have any cell phone or written material with you in the hall, otherwise, you will be stopped from continuing with the examination.
5. Do not enter the hall with anything written on your docket.
6. Insert your examination number in the space provided above.

TUESDAY, 28 SEPTEMBER, 2021

DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
PART III EXAMINATIONS – SEPTEMBER 2021**

PRINCIPLES OF AUDITING

Time Allowed: 3 hours

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

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

1. Which of the following assertions is NOT correct about the reliability of Audit Evidence?
 - A. Original documents are more reliable than photocopies
 - B. Evidence in the form of written representation is more reliable than oral representation
 - C. Audit evidence directly obtained from the entity's record is more reliable than that obtained from external source
 - D. Audit evidence directly obtained by auditor is more reliable than that obtained by or from the entity
 - E. Client generated computation is less reliable than auditors re-performance of the same

2. A review of an audit by the Engagement Partner should be carried out
 - A. After the audit report is signed, and after a similar review by the audit senior
 - B. After a similar review by the audit senior, but before the audit report is signed
 - C. After the audit report is signed, and before a similar review by the audit senior
 - D. Before a similar review by the audit senior, and before the audit report is signed
 - E. After the completion of the audit by the audit staff assigned to it

3. Which of the following should NOT be included in the audit working papers?
 - A. Information about the organisation being audited, including its recent history
 - B. Evidence of work done in the course of the audit
 - C. Curriculum vitae of Directors of the client's company
 - D. A means of planning the subsequent year's audit
 - E. Schedules in support of the accounts audited and summaries of the client's books

4. Which of the following provides the highest level of assurance?
- A. Limited assurance engagement
 - B. Review
 - C. Compilation
 - D. Audit
 - E. Investigations
5. Which of the following is NOT an example of assurance engagements?
- A. A statutory audit
 - B. Reports of corporate social responsibility performance
 - C. Reports on environmental performance
 - D. Reports for lenders and other investors
 - E. Reports on statements of accounting policies
6. Which of the following confirmations describes a review of financial statements?
- A. Limited assurance provided, Positive opinion expressed
 - B. Limited assurance provided, Negative opinion expressed
 - C. Reasonable assurance provided, Positive opinion expressed
 - D. No assurance provided, Positive opinion expressed
 - E. No assurance provided, Negative opinion expressed
7. Which of the following should be included in an audit engagement letter?
- I. Objective and scope of the audit
 - II. Results of previous audit
 - III. Management responsibilities
 - IV. Need to maintain professional scepticism
- A. I and II
 - B. I and III
 - C. I, II and III
 - D. II and III
 - E. III and IV
8. Which of the following is NOT among the content of Auditors reports?
- A. The heading
 - B. Period covered
 - C. Details of fees charged
 - D. Work done
 - E. Name of the Auditor and the date the report was signed

9. Which of the following can assist the Auditor in obtaining an understanding of the Internal Control System by way of computer documentation?
- A. System flow charts
 - B. System control
 - C. System narrative
 - D. Record count
 - E. Program listing
10. Apart from the statutory qualifications, which of the following qualities and traits should an auditor NOT possess?
- A. Intelligence and tactfulness
 - B. Familiarity with the latest developments affecting audit
 - C. Diligence
 - D. Intimate relationship with the client
 - E. Confidentiality
11. Which of the following is NOT an application controls?
- A. Input control
 - B. Output control
 - C. Operators control
 - D. Processing control
 - E. Master-file control
12. If an audit engagement is accepted but the Auditor does not have knowledge about the client's operations, he should
- A. Obtain a legal advice on what to do
 - B. Transfer the audit work to a big and experienced audit firm
 - C. Employ a joint Auditor who is experienced in the nature of the client's business
 - D. Obtain knowledge on matters relating to client's business by hiring an expert
 - E. Reject the appointment outright

13. Which of the following is NOT a reason for establishing a system of internal controls by a company?
- A. Control management spending
 - B. Prevent loss of resources by fraud and other means
 - C. Help achieving its performance and profitability goals
 - D. Ensure reliable financial reporting
 - E. Compliance with laws and regulations
14. Which of the following may NOT impair the going-concern of a business organisation?
- A. Failure of proper control mechanism and insider abuse
 - B. Management incompetence
 - C. Fraudulent practices by management
 - D. Political unrest
 - E. Ability to meet creditors bill as at when due
15. Test of the extent to which rules, policies and laws are followed by an entity being audited is called
- A. Operational audit
 - B. Government audit
 - C. Statement of Financial Position audit
 - D. Compliance audit
 - E. Forensic audit
16. Computation of ratios, the use of statistics and studying of trends is known as
- A. Hot review
 - B. Analytical review
 - C. Compliance review
 - D. Parallel review
 - E. Substantive review
17. An attitude of mind, that is characterised by objectivity and integrity in the approach to audit work is
- A. Confidentiality
 - B. Competence
 - C. Consistency
 - D. Independence
 - E. Honesty

18. An Auditor may disclose client's confidential information for the following reasons, EXCEPT
- A. Disclosure is required by a court of law
 - B. Information is required by the Auditor for a similar client in the same industry
 - C. There is a public duty to disclose
 - D. The Auditor wants to protect his own interest
 - E. The client is involved in criminal activities
19. How many years is an auditor advised to retain the audit working papers before destruction?
- A. 5 Years
 - B. 6 Years
 - C. 7 Years
 - D. 8 Years
 - E. Keep for ever
20. The circumstances under which Auditors may issue exception report include the following, EXCEPT if
- A. Proper accounting records have not been kept
 - B. Proper returns have not been received from branches not visited by them
 - C. The Directors threatened termination of the audit
 - D. The financial statements are not in agreement with the records and returns
 - E. The Auditor failed to obtain information and explanation necessary for the audit
21. Which of the following is NOT a threat to objectivity?
- A. Independence
 - B. Self-review
 - C. Advocacy
 - D. Intimidation
 - E. Self interest
22. What is the main reason for Auditors' independence?
- A. To ensure users of the audit report can place reliance on it and have faith
 - B. To ensure the financial statement give a true and fair view
 - C. To provide more regulations for Auditors, so it looks like audit is of higher quality
 - D. The law requires it
 - E. To ensure professional pride

23. Which of the following is NOT an objective of auditing the accounts of Government Parastatals?
- A. To ascertain whether proper accounting records are kept
 - B. To evaluate the professional competence of the accounting staff of the Parastatals
 - C. To ascertain whether all revenue items are duly collected and properly accounted for
 - D. To ascertain whether adequate controls exist to ensure the safety and proper use of the Parastatal's fund and assets
 - E. To ascertain whether the Parastatal's Management comply reasonably with the general level of probity and public accountability
24. What is the examination of documentary evidence in support of transactions called?
- A. Vouching
 - B. Observation
 - C. Verification
 - D. Physical inspection
 - E. Analytical review
25. Which of the following is NOT considered a fraud?
- A. Recording of transactions without substance
 - B. Misappropriation of assets or theft
 - C. Misinterpretation of accounting policies
 - D. Manipulation or alteration of records
 - E. Omission of transactions from records
26. Which of the following should be the responsibilities of the audit committee?
- I. Reviewing the independence of the external Auditor
 - II. Making recommendation on the re-appointment of the Auditors
 - III. Reviewing the work of internal audit
 - IV. Report to shareholders on the accuracy of the financial statements
- A. I, II and III
 - B. I, III and IV
 - C. II, III and IV
 - D. I, II and IV
 - E. II and IV

27. Which of the following is a routine audit procedure?
- A. Vouching of transactions
 - B. Analytical procedures
 - C. Risk assessment procedures
 - D. Verification of assets and liabilities
 - E. Risk analysis
28. Which of the following is NOT the main reason for preparing audit working papers?
- A. Assistance to the Management to increase company's profitability
 - B. Assistance in audit planning
 - C. Provision of evidence of work done
 - D. Supportive of opinion
 - E. Enabling audit Partners and Managers to review work done by their subordinates
29. The ethical principles which govern Auditors' responsibilities do NOT include which of the following?
- A. Integrity
 - B. Consistency
 - C. Objectivity
 - D. Independence
 - E. Professional competence
30. Which of the following are threats to the independence of an Auditor?
- I. Loans between the Auditor and the client
 - II. The provision of a non-audit services by the Auditor
 - III. Long association between the audit firm and the client
 - IV. Using the work of the client's internal audit department
- A. I, II, III
 - B. I, III, IV
 - C. II, III, IV
 - D. I, II, IV
 - E. I and IV

ATTEMPT ALL QUESTIONS

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

1. The monthly accounts submitted to the Accountant-General of your country by a self-accounting unit are known as
2. The evaluation of financial and other information and the review of plausible relationship in that information are known as
3. Which type of CAATs program compare the original specified program to the current program to detect unauthorised amendment?
4. The two important concepts of appropriateness of audit evidence are and
5. The two broad categories of Computer Assisted Audit Techniques (CAAT) are..... and
6. The information, written or oral, obtained by the Auditor to support the conclusion on which he based his opinion on the financial statements is called
7. A firm or person possessing special skill, knowledge or experience in a particular field other than accounting or auditing is called an
8. An auditor provides many assurance services. State TWO assurance engagement services an auditor can render
9. Who may appoint the first auditors of a company?
10. Qualifications in the Auditor's report can arise on two principal grounds which are and
11. The term given to the risk that the Auditor will draw an invalid opinion or conclusion from his audit work is known as
12. Computer programs used by the Auditor to extract information from a client's computer-based information system for use in the audit is known as

QUESTION 2

- a. List the THREE main types of audit in the public sector. (4½ Marks)
 - b. State the main objective of auditing the accounts of Ministries/Departments and Agencies. (8 Marks)
- (Total 12½ Marks)

QUESTION 3

- a. State THREE items an Auditor's working papers should provide in order to achieve the objective of forming an independent opinion on the client's financial statements. (4½ Marks)
 - b. State FOUR reasons for preparing audit working papers. (8 Marks)
- (Total 12½ Marks)

QUESTION 4

Verification is the process by which auditors seek confirmation of the existence, ownership, cost and appropriate presentation of assets and liabilities.

- a. State and briefly explain FIVE matters of importance in verification of assets. (5 Marks)
 - b. Outline the audit programme for the verification of investments. (5 Marks)
 - c. Explain TWO types of stocktaking. (2½ Marks)
- (Total 12½ Marks)

QUESTION 5

- a. Define "expectation gap" (2 Marks)
 - b. State THREE examples of expectation gap (1½ Marks)
 - c. List limitations of an audit. (4 Marks)
 - d. State FIVE factors an Auditor should consider when determining the need to use the work of an Expert in the course of his audit. (5 Marks)
- (Total 12½ Marks)

QUESTION 6

- a. State THREE advantages of automated working papers (4½ Marks)
 - b. Explain the term "real – time system" (2 Marks)
 - c. List the advantages of test data (2 Marks)
 - d. List the disadvantages of audit software (4 Marks)
- (Total 12½ Marks)

SECTION A

MULTIPLE – CHOICE QUESTIONS SOLUTION

PART I

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

- 26. A
- 27. A
- 28. A
- 29. B
- 30. A

EXAMINER'S COMMENTS

The performance was okay as most candidates (60%) scored more than 20 marks

PART II SHORT-ANSWER SOLUTION

- 1. Transcript
- 2. Analytical procedure/review
- 3. Code comparison programs
- 4. Relevance and Reliability
- 5. Audit software and Test data
- 6. Audit evidence
- 7. Expert
- 8. Statutory audit, Review Engagement, Accounting services, Taxation matters, Receivership, Advising companies seeking quotation on NSE, etc
- 9. Directors of the company
- 10. Uncertainty and disagreement
- 11. Audit risk
- 12. Audit software
- 13. Client screening
- 14. Audit Interrogation
- 15. Audit planning
- 16. Enquiry

17. Qualified Audit Report
18. Peer review
19. Public Accounts Committee
20. Audit Completion check list

EXAMINER'S COMMENTS

The performance in this section was encouraging. 60% of the candidates scored 15 marks and above. Many candidates got Nos: 13 and 20 wrong.

SECTION B

SOLUTION 1

- (a) Contents of Engagement Letter
 - i. The board of directors' responsibilities in respect of the proper books of accounts and financial statements.
 - ii. The auditors' responsibilities to report on the financial statements and the scope and basis of the audit work to be undertaken.
 - iii. Fees and billing arrangement (it does not state the fees payable).
 - iv. Where appropriate, arrangement concerning the involvement of other auditors and experts in some aspects of the audit.
 - v. Any agreement for the auditor to provide taxation services.
 - vi. Arrangements, if any, to be made with the predecessor auditors
 - vii. Any restriction of the auditors' liabilities to the client (this is not possible with limited companies).
 - viii. A reference to any further agreements between the auditors and the client.
 - xix. A proposed time-table for the assignment.
 - x. A request for written acknowledgement of the letter.

- b. The following are the types of the audit evidences that can be obtained by the auditor:
- i. Externally generated evidence
 - ii. Internally generated evidence
 - iii. Evidence obtained from carrying out analytical procedure
 - iv. Physical examination of company procedures
 - v. Management Representation
 - vi. Evidence obtained from audit tests carried out.
-
- i. Externally originated evidence: This is evidence obtained from sources outside the client's organization. Example: bank statement obtained from the client's bankers
 - ii. Internally generated evidence: This is evidence obtained from within the client's organization. Example of this is the minutes of board of directors meetings.
 - iii. Evidence obtained from carrying out analytical procedure: This is evidence obtained by the auditor from the analysis of certain aspects of the financial statement. Example of this is the information obtained from comparison of items in the financial statement or studying of trends.
 - iv. Physical examination of company procedures: This may be obtained by the auditor by attending client's annual inventory counts.
 - v. Management Representation: This may be in form of letter given by the management of the company to the auditor to confirm certain items in the financial statement.
 - vi. Evidence obtained from audit test carried out: This is in form of evidence obtained from test of controls or substantive test carried out by the auditor.

EXAMINER'S COMMENTS

The performance was good as many candidates scored good marks. The items that could be included in the engagement letter are inexhaustible.

In the second part of the question, many candidates were involved in writing the methods of gathering audit evidence instead of types of evidence.

SOLUTION 2

- a. The three main types of audit in the public sector are:
 - i. Regulatory Audit
 - ii. Financial Audit
 - iii. Value for money Audit

- b. The main objectives of auditing the accounts of Ministries/Departments and Agencies are as follows:
 - i. To ensure that proper accounting records are kept.
 - ii. To ensure that all revenue and receipts for the period under review are duly accounted for.
 - iii. To ensure that all expenditures meant for the programs for the period under review are applied in the most economic and efficient manner and in compliance to all laws and regulations that require such expenditures.
 - iv. That the agency only carries out such activities authorised by the National Assembly.
 - v. To ensure records are maintained to safeguard public fund and property.
 - vi. To ensure that all accounting statements presented to the Accountant-General and Auditor- General show adequate disclosures to the benefit of various users.
 - vii. To ensure that the accounting system in operation provides information that are reliable, free from material errors and should be able to facilitate the presentation of all financial statements required by law.

- viii. That the Ministry only carries out those functions, programs activities and operations for which budgeting approval was given by the National Assembly.
- ix. All revenues and receipts due to various funds are identified, collected and properly accounted for.
- x. The internal control and accounts are adequate for safeguards of the enabling financial laws and regulations governing any receipts, custody and disbursements and use of funds.

EXAMINE'R COMMENTS

The performance was above average as many candidates scored more than 7 marks.

SOLUTION 3

- a. Three items an Auditor's working papers should provide in order to achieve the objective of forming an independent opinion on the client's financial statement are as follows:
 - i. Information about the organisation being audited, including its recent history.
 - ii. Evidence of work done in the course of the audit
 - iii. A means of controlling the current year's audit work and also a means of planning the subsequent year's audit
 - iv. Schedules in support of the audited accounts and summaries of the client's books.
- b. Reasons for preparing audit working papers are:
 - i. To ensure that the audit work is conducted methodically and systematically. Without properly organised working papers, the auditor

can rarely maintain a perfect grasp of the work he carries out. In which case, the audit cannot be carried out in an orderly manner.

- ii. To provide continuity in the case of audit staff leaving midway through the audit engagement. Without working papers, it will not be possible to know which aspects of the work have been completed; hence the audit may have to be recommenced from the start.
- iii. To enable an independent review of the audit work. The person who carries out the review of the audit work does not need to be present when the audit exercise is being carried out. With the relevant working papers, he can carry out an effective review of the audit work.
- iv. To provide support for the audit opinion expressed. The opinion expressed by the auditor in his report is based on the work he carried out and this can only be meaningful if documented on working papers.
- v. To confirm that all aspects of work have been completed. Working papers serve as effective checklist that all aspects of the work have been carried out.
- vi. It may be used as evidence in the event of litigation against the Auditor. Working papers are valid documents which the auditor may need to present as evidence of the work carried out.

EXAMINER'S COMMENTS

Candidates' performances were good. Though the question was trikish as some candidates just wrote the contents of audit working papers file instead of what the auditor's working papers should provide to achieve the objective of forming an independent opinion on the clients' financial statements.

SOLUTION TO QUESTION 4

- a. The following are five matters of importance in the verification of assets:
- i. Cost of the asset
 - ii. Authorisation for the purchase of the asset
 - iii. Existence of the asset
 - iv. Valuation of the asset
 - v. Beneficial ownership of the asset
 - vi. Presentation and disclosure of the asset in the financial statements.

Brief Explanations:

- i. **Cost of the asset:**
The auditor must ascertain what the client paid in acquiring or producing the asset. This must be supported by the suppliers' invoice and receipts. The payment must be traced to the bank statement and cash book.
- ii. **Authorisation for the purchase of the asset:**
The authority to purchase the asset needs be confirmed by the auditor by checking payment vouchers or minutes of the board of directors' meetings for approval.
- iii. **Existence of the asset:**
This involves carrying out physical inspection of where the assets are located so as to confirm their existence
- iv. **Valuation of the asset:**
This is the confirmation that the assets appear in the statement of financial position at a fair value

v. **Beneficial ownership of the asset:**

This involves establishing title to confirm the ownership of the asset by checking title documents, payment receipts, certification of occupancy etc.

vi. **Presentation and disclosure of the asset in the financial statement**

This is to ensure that the asset has been properly classified and presented in accordance with relevant accounting standards.

4b. Audit programme for the Verification of Investment

i. Obtain or prepare analysis of investments and test clerical accuracy of the analysis

ii. Obtain third party confirmation and or make physical inspection of securities listed on the analysis.

iii. Test interest and dividend income received and accrued by reference to supporting documents

iv. Check for additional acquisitions and redemptions during the year

v. Review the treatment of capital distribution, bonus and right issue

vi. Verify quoted prices for listed investments at statement of financial position date.

vii. Determine whether unlisted investments at statement of financial position date are properly valued.

viii. Check whether investments are properly described and classified as current assets or long term investments

4c. The two types of stocktaking include:

i. **Periodic stocktaking:**

This is a system where records of quantity and types of stock are updated periodically after physical count. Stocks are usually counted, and the objective is to count all items of stock on specific date.

ii. **Continuous stocktaking:**

This is a system of stocktaking where the stocks are checked systematically throughout the year. Under this system, up-to-date records are kept of quantity and types of items of stock received, issued and on hand. This system involves perpetual physical count.

EXAMINER'S COMMENTS

Verification of assets and stocktaking. Performance was average.

SOLUTION 5

a. **Expectation Gap:**

Some users of the audit reports incorrectly believe that an audit provides absolute assurance that the audit opinion is a guarantee that the financial statements are correct. This and other misconceptions about the role of auditors are referred to as the Expectation Gap.

b. **Examples of expectation gap are:**

- i. A believe that auditors test all transactions and balances. Auditors test on a sample basis.
- ii. A believe that auditors are required to detect all frauds. Auditors are required to provide reasonable assurance that the financial statements are free from material misstatements which may be caused by fraud.
- iii. A believe that auditors are responsible for preparing the financial statements this is the responsibility of the management.

c. **Limitations of audit are as follows:**

- i. Financial statements include subjective estimates and other judgemental matters.

- ii. Internal controls which have their own inherent limitations may be relied on.
 - iii. Representation from management may have to be relied upon as the only source of evidence in some areas.
 - iv. Evidence is often persuasive, not conclusive
 - v. Auditors do not test all transactions and balances. They only test on sample basis.
- d. **Factors an Auditor should consider when determining the need to use the work of an expert in the course of his audit:**
- i. The materiality of the items being examined in relation to the financial statements
 - ii. The nature and complexity of items including the risk
 - iii. Whether there are alternative sources of audit evidence
 - iv. The cost and time involved in obtaining evidence from the expert against the benefit of obtaining evidence from this source.
 - v. The reputation, qualification, competence and objectivity of the particular expert concerned.

EXAMINER'S COMMENTS

Expectation gap, limitations of an audit and the need for expert.

Performance was average, as more than 60% attempted the question.

SOLUTION 6

a. Three advantages of automated working papers are:

- i. The risk of error is reduced
- ii. The working papers will be neater and easier to review
- iii. The time saved will be substantial as adjustments can be made easily to all working papers, including working papers summarizing the key analytical information.
- iv. Standard forms do not have to be carried to audit locations. Forms can be designed to be called up and completed on the computer screen.
- v. Audit working papers can be transmitted for review via email, or other applicable electronic media.

b. Real-time System

- i. Real-time system refers to computer systems in which users have instant and direct access to data.
- ii. Real-time systems are further development of on-line systems and permit immediate updating of computer held files.

The data input and file update phases are therefore merged and the system accepts individual transactions rather than batches of data.

c. Advantages of Test Data:

- i. Test data enables the auditor to test programmed controls which would not otherwise be able to be tested.
- ii. Once designed, cost incurred will be minimal unless the programmed controls are changed requiring the test to be redesigned.
- iii. Experiments and data manipulations can be carried out without fear of losing live data.

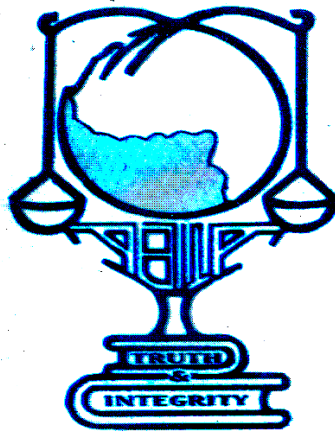
d. Disadvantages of Audit Software:

- i. Audit software tends to work unsatisfactorily on the programs and files contained within Database Management Systems (DBMS)
- ii. Rigidity: It does not allow for staff initiative
- iii. Audit software specific to one client can be expensive to set up
- iv. Training of audit staff will be required, thus incurring additional cost.
- v. If errors are made in the design of the software, issues may go undetected by the auditor.
- vi. Audit software may slow down or corrupt client's system.

EXAMINER'S COMMENTS

This is the only question on ICT in audit environment. Few candidates attended the question and marks scored were low. Average mark was 6

THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA



**ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
SEPTEMBER 2021 EXAMINATIONS (PART III)**

COST ACCOUNTING

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WEDNESDAY, 29 SEPTEMBER, 2021

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA**

PART III EXAMINATIONS – SEPTEMBER 2021

COST ACCOUNTING

Time Allowed: 3 hours

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

1. The basic users of cost accounting reports are
 - A. Financial Analyst and Financial Institution
 - B. Cost Accountant and Tax Authorities
 - C. Contractors and Engineers
 - D. Suppliers and Customers
 - E. Shareholders and management.

2. Cost accounting is useful for
 - A. Anyone using scarce resources
 - B. All profit seeking concerns provided they are not subject to perfect competition
 - C. All industrial concerns, whether in the private sector or public sector, but not for service organisations like banks or insurance companies
 - D. Only industrial concerns in the private sector since only they wish to maximise profits
 - E. Only industrial concerns using activity based costing

3. Which of the following is **NOT** a characteristic of cost?
 - A. It may vary with time, volume, firm, method or purpose
 - B. It may be ascertained in different ways by different persons
 - C. It is a flexible concept
 - D. It does not represent the same contents under every situation
 - E. Ascertainment of profitability of activities carried out

Use the following information to answer questions 4 and 5

A firm earns a profit of ₦60,000. The total contribution amounted to ₦90,000, while the variable cost for the period is ₦220,000.

4. The fixed cost for the period is
 - A. ₦30,000
 - B. ₦70,000
 - C. ₦110,000
 - D. ₦150,000
 - E. ₦280,000

5. Determine the sales value of the firm
 - A. ₦130,000
 - B. ₦150,000
 - C. ₦280,000
 - D. ₦310,000
 - E. ₦370,000

6. The fundamental and important method of classification of costs according to traceability is divided into..... and,
 - A. Direct and Indirect Cost
 - B. Fixed and Variable Cost
 - C. Controllable and Uncontrollable Cost
 - D. Step and Mixed Cost
 - E. Traceable and Non-Traceable Cost

7. Which of the following methods of pricing issues are close to current economic values?
 - A. Last-In-First-Out
 - B. First-In-First-Out
 - C. Replacement price
 - D. Weighted average price
 - E. Next-in-First-Out

8. Which of the following is part of continuous inventory count?
 - A. Annual inventory taking
 - B. ABC analysis inventory system
 - C. Periodic inventory system
 - D. Capital inventory system
 - E. Perpetual inventory system

9. Which of the following methods of wages payment should be used for indirect workers?
 - A. Rowan Plan
 - B. Differential Piece Rate Plan
 - C. Halsey Plan
 - D. Gantt's Task Plan
 - E. Bonus Plan

10. Cost of idle time arising due to non-availability of raw materials is
- A. Charged to costing profit or loss
 - B. Charged to factory overhead
 - C. Recovered by inflating the wage rate
 - D. Charged to the beginning of the period
 - E. Recovered at the end of the period
11. In a job process where standard time is 8 hours, actual time taken is 6 hours and the time rate is ₦200 per hour. What is the total wages under Halsey Premium Plan?
- A. ₦1,800
 - B. ₦1,600
 - C. ₦1,400
 - D. ₦1,200
 - E. ₦1,000
12. Which of the following is **NOT** an objective of time booking?
- A. To ascertain the labour cost of a job, order or process
 - B. To ascertain the cost of idle time
 - C. To ascertain the cost of capital investment on labour basis
 - D. To control labour cost by comparing actual time spent with standard time allowed
 - E. To provide the basis of apportioning overhead where overhead is based on time spent
13. The comparative assessment of relative worth of jobs in a job hierarchy of an organisation on the basis of nature and requirement of different factors required to perform various jobs is
- A. Job Merit
 - B. Job Rating
 - C. Job Analysis
 - D. Job Evaluation
 - E. Job Specification
14. Which of the following is a method of absorption of factory overheads in an organisation that produces a uniform type of product?
- A. Percentage of direct wages
 - B. Direct labour hour rate
 - C. Machine hour rate
 - D. A rate per unit of output
 - E. Percentage of work done

15. When the amount of under or over-absorption is significant, it should be disposed-off by
- Transferring to costing profit or loss
 - Transferring to statement of profit or loss.
 - Carrying over as deferred charge to the next accounting year
 - The amount of over absorption will be written off cost
 - The comprehensive overheads is taken over
16. The following are the basis of apportionment of overhead of service cost centre, **EXCEPT** the number of
- Employees or total wages bill
 - Labour hours or machine hours
 - Inspection hours or time worked
 - Purchase orders
 - Jobs done and carried out
17. Badejah operates an integral cost and financial accounting system. The accounting entries for an issue of direct materials to production would be
- DR – Cost of Sales Account CR – Finished Goods Control Account
 - DR – Work-in-Progress Account CR – Finished Goods Control Account
 - DR – Work-in-Progress Account CR – Stores Control Account
 - DR – Finished Goods Control Account CR – Work-in-Progress Account
 - DR – Stores Control Account CR – Work-in-Progress Account
18. The use of the same costing principles and practices by several undertakings is known as
- Uniform costing
 - Job costing
 - Batch costing
 - Process costing
 - Contract costing
19. Which of the following is **NOT** an example of where unit costing is applicable?
- Collieries
 - Quarries
 - Brick-making
 - Breweries
 - Book publishing

20. An essential feature of batch costing is
- A. The production is continuous
 - B. The product is homogeneous
 - C. Each batch is treated as a cost unit
 - D. The processes are standardised
 - E. Costs are collected product-wise
21. Where a contract is 40% completed, amount of profit to be credited will be
- A. The amount of profit estimated
 - B. 40% of the estimated profit
 - C. A third of the notional profit multiplied by cash ratio
 - D. Estimated profit at work certified and cash ratio
 - E. Estimated profit at cash ratio and uncertified work
22. In process costing, cost per unit increases due to
- A. Abnormal loss
 - B. Abnormal gain
 - C. Normal loss
 - D. Normal gain
 - E. Seasonal gain
23. The cost attributable to cost units on the basis of benefit received from indirect activities is called
- A. Operating costing
 - B. Activity based costing
 - C. Target costing
 - D. Uniform costing
 - E. Unit costing
24. In a "Make or Buy" decision, which of the following factors will ultimately prevail?
- A. Return on investments
 - B. Management decision
 - C. Incremental revenue
 - D. Key limiting factor
 - E. Net profit/loss
25. Which of the following is **NOT** a sunk cost?
- A. Book values of an existing fixed asset.
 - B. Cost of new plant to be purchased
 - C. Assets with no realisable value
 - D. Cost of a resource acquired in the past
 - E. Depreciation of old machines purchased

26. The difference between actual sales and breakeven sales is
- A. Margin of safety
 - B. Margin of best fit
 - C. Contribution
 - D. Margin of volume
 - E. Margin of cost
27. Basic standard is established for a
- A. Short period
 - B. Current period
 - C. Indefinite period
 - D. No period
 - E. Medium period
28. Which of the following is **NOT** a benefit of performing post-implementation audits of capital budgeting decisions?
- A. It aims to compare the actual performance of the investment projects
 - B. It attempt to encourage more thorough and realistic appraisals of future investment projects
 - C. It aims to necessitate the appointment of the investment project manager
 - D. It aims to facilitate major overhauls of ongoing investment projects
 - E. It aims to seek an improvement in quality and cohesion
29. Which of the following is **NOT** a common measure of investment appraisal techniques?
- A. Net Present Value
 - B. Annual Rate of Return
 - C. Internal Rate of Return
 - D. Accounting Rate of Return
 - E. Pay Back Period
30. A set of concepts and tools for getting all employees focused on continuous improvement in the eyes of the customer is called
- A. Automated Production Technology
 - B. Kaizen Costing
 - C. Just-in-Time Technology
 - D. Planned Based Budgeting System
 - E. Total Quality Management

ATTEMPT ALL QUESTIONS

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

1. Charging of overheads to cost units is known as.....
2. Cost of personnel department is apportioned to different departments on the number of
3. The clause in a contract which provides that under certain specific conditions, the contract sum will be increased appropriately is known as.....
4. In contract costing, work-in-progress certified is valued based on and uncertified work is valued at
5. The excess of anticipated loss over actual loss in a process is called
6. The difference between sales and variable cost is known as
7. A system of book keeping in which the cost accounts are distinct from financial accounts, the two sets of accounts being kept continuously in agreement by the use of control accounts or made easily reconcilable by other means is called
8. A cost which has both fixed and variable elements is referred to as
9. The process used by companies to improve their bottom-line through a systematic downward review of expenses is known as
10. A document used in labour costing to record for each worker in respect of time spent by him on each job during the day is known as
11. The portion of the cost which has been consumed during the current accounting period and does not contribute to the revenue of the organisation is called
12. The statement in which the difference between financial accounting and cost accounting can be compared using the conformity to an existing status and requirement is known as

13. A responsibility centre for which costs are accumulated is termed
14. The cost which can be influenced by the action of a specific member of an undertaking at a given level of authority can be defined as
15. The cost of converting raw materials into finished products which is the aggregate of direct labour cost, direct expenses and production overhead is called
16. A responsibility centre for which revenue and variable costs are accumulated is termed
17. An absorption rate used throughout a factory and for all jobs and units of output irrespective of the department in which they were produced is known as
18. A system of justifying all items of cost in alignment with budget before they are incurred is known as
19. The cost of production which are not traceable to production units are known as
20. An estimate which serves as a device for planning and controlling of the sources and uses of the liquid assets of an entity to ensure their availability is known as

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

QUESTION 1

The ICWA defines cost accounting as “the process of accounting for cost from the point at which expenditure is incurred or committed to the establishment of its ultimate relationship with cost centres and cost units”.

Required:

- a. State **FIVE** differences between cost accounting and financial accounting
(7½ Marks)
- b. Explain briefly **FIVE** factors to be considered when installing a good cost accounting system.
(5 Marks)

(Total 12½ Marks)

QUESTION 2

You have just been employed as the bookkeeping officer in Tastanet Manufacturing Limited a company that produces plastic and fibre toys.

The following information relates to the books of accounts of the company

Cost Accounts

	Le'000
Opening inventory of raw materials	3,500
Closing inventory of raw materials	4,200
Opening inventory of work-in-progress	4,900
Closing inventory of work-in-progress	5,600
Opening inventory of finished goods	6,300
Closing inventory of finished goods	7,000
Factory overheads	7,000
Office & administrative overheads	7,700
Selling & distribution overheads	8,400
Net Loss	1,000

Financial Accounts

	Le'000
Opening inventory of raw materials	3,150
Closing inventory of raw materials	3,780
Opening inventory of work-in-progress	5,600
Closing inventory of work-in-progress	6,300
Opening inventory of finished goods	6,650
Closing inventory of finished goods	7,420
Factory overheads	8,400
Office & administrative overheads	7,000
Selling & distribution overheads	7,400
Interest on investment	700
Bad debt written off	1,050
Rent (credit)	1,350
Transfer fees received	750
Legal fees charges	480
Loss on sales of machine	500
Income tax paid	420
Preliminary expenses written off	550
Store adjustments (credit)	1,260

Required:

- a. State **FIVE** reasons for the differences in cost accounts and financial accounts
(2½ Marks)
 - b. Prepare a statement reconciling the net loss of cost account with a net profit of
Le 360,000 in the financial accounts
(10 Marks)
- (Total 12½ Marks)**

QUESTION 3

Hubby Golden Transport Services Limited owns a fleet of 10 trucks each costing ₦900,000. The company has employed one manager Mr. Shukete who is paid ₦100,000 per month, an accountant Ms. Alomaja who gets ₦50,000 per month and Supervisor Mr. Zack Kokobi who is on a salary of ₦20,000 per month.

Each of the trucks are insured at 2% of cost per annum, Kober Local Government imposed a monthly levy of ₦15,600 per truck while Drivers' Union fees borne by the company is ₦1,200 each month.

Other expenses are as follows:

- Driver's salary per month - ₦15,000 each
- Truck Cleaner's salary per month is ₦10,000 each for 5 cleaners who take care of 2 trucks each.
- Mechanic salary's per annum is ₦360,000
- Repairs and maintenance – ₦180,000 per year
- Diesel consumption – 3 kilometres per litre @ ₦90 per litre

Other information provided include:

- (i) The estimated useful life of the trucks is 5 years
- (ii) Distance travelled by each truck per day is 200 kilometres
- (iii) Effectives period of work per month is 25 days
- (iv) The truck has a normal capacity of 100 tonnes.

Required:

- a. Prepare an operating statement per month
(10½ Marks)
 - b. Calculate the cost per tonne
(1 Mark)
 - c. Calculate the cost per kilometres
(1 Mark)
- (Total 12½ Marks)**

QUESTION 4

- a. List **FIVE** broad types of standards (2½ Marks)
- b. OGILVY Limited provides the following different and unique case scenario:
- i. Budgeted production – 4,000 units. The product requires 5 hours to produce. In July, 2017; 24 effective working days of 8 hours a day, 3,600 units of the product were produced. The company employs 100 workers in the production department to produce the product.
Calculate Efficiency Ratio, Activity Ratio and Capacity Ratio. (6 Marks)
- ii. When Activity Ratio = 90% and Efficiency Ratio = 96%.
Calculate Capacity Ratio. (2 Marks)
- iii. When Activity Ratio = 96% and Capacity Ratio = 93.75%.
Calculate Efficiency Ratio (2 Marks)
- (Total 12½ Marks)**

QUESTION 5

Pob-Babs Nigeria Limited has the capacity to produce 50,000 units of their major product called “LeePee” per month. The company currently plans to produce and sell 40,000 units of the product monthly for ₦1,500 each.

The cost of production per unit is as follows:

	₦
Direct Materials	380:00
Direct Wages	255:00
Direct Expenses	165:00
Variable Factory Overheads	100:00
Fixed Factory Overheads	50:00
Variable Selling Expenses	25:00
Fixed Administrative Expenses	50:00
	<u>1,025:00</u>

Note Variable selling expenses is the cost of delivery

Required:

- a. Sapata Enterprises places a special order of 6,000 units of LeePee at ₦850 per unit from Pro-Babs instead of the normal price of ₦1,500. Should Pob-Babs Nigeria Limited accept the offer? (7½ Marks)
- b. If the answer to (a) above is **NO**, what is the minimum price the company should accept for the offer? (5 Marks)
- (Total 12½Marks)**

QUESTION 6

- a. Obojoh Enterprises furnishes you with the following information relating to half year ending 30th June 2019.

Fixed Expenses -	₦750,000
Sales -	₦2,000,000
Profit -	₦500,000

During the second half of the same year, the firm has projected a loss of ₦100,000.

You are required to calculate:

- i. Contribution margin ratio and breakeven point (4 Marks)
- ii. Margin of safety for the period ending 30th June 2019 (2 Marks)
- iii. Expected sales volume for second half of the year if selling price and fixed expenses remain unchanged in the second half of the year (2 Marks)
- iv. The breakeven point and margin of safety for the year ended 31st December 2019. (2 Marks)
- b. State **FIVE** uses of breakeven analysis (2½ Marks)
- (Total 12½ Marks)**

COST ACCOUNTING

SOLUTIONS

PART 1:

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

Workings

4. Contribution = Fixed Cost + profit
 $\text{N}90,000 = \text{Fixed Cost} + \text{Profit}$
 $\text{Fixed Cost} = \text{N}90,000 - \text{N}60,000$
 $\text{Fixed Cost} = \underline{\text{N}30,000} \quad (\text{A})$
5. Contribution = Sales - Variable Cost
 $\text{N}90,000 = \text{Sales} - \text{N}220,000$
 $\text{Sales} = \text{N}90,000 + \text{N}220,000$
 $\text{Sales} = \underline{\text{N}310,000} \quad (\text{D})$
11. Calculation of Total Pay = (C)

Time Allowed (a)	8 hours
Time Taken (b)	6 hours
Time Saved (c=a-b)	2 hours
Hourly Rate (d)	N 200
Basic Pay (e=b*d)	N 1,200
Bonus Pay ($\frac{1}{2} * \text{TS} * \text{HR}$) (f= $\frac{1}{2} * \text{c} * \text{d}$)	N 200
Total Pay (g = e+f)	N 1,400

EXAMINER'S COMMENTS

The 30 questions cover a large area of the syllabus and they were attempted by all candidates. Performance was above average though the expectation was that the section should be a mark-booster.

Candidates should in future understand that MCQs are not to be gambled as it taken deep knowledge to discover the correct one out of the seemingly similar options.

SHORT ANSWER SOLUTION

1. Absorption
2. Numbers of Employees
3. Contract Escalation clause/Re-evaluation clause
4. Contract value and cost
5. Abnormal gain
6. Contribution
7. Non-integral/ Non-integral/Interlocking System
8. Mixed Cost/Semi-Variable Cost/ Semi-Fixed Cost
9. Cost Reduction
10. Daily Time Sheet/ Card or Clock Card
11. Sunk Cost/Loss
12. Memorandum Reconciliation Statement
13. Cost Centre
14. Controllable Cost
15. Conversion Cost/ Production Cost
16. Contribution Centre
17. Blanket Overhead Absorption Rate
18. Cost Control
19. Overhead/Indirect Cost
20. Cash Budget

EXAMINER'S COMMENTS

This subsection contains 20 questions which have a fair spread over the entire content of the syllabus. Performance was just last fair, also a bit disappointed like the MCQs.

In the future, candidates should devote a large percentage of their study time on section A which actually covers 50% of total marks in the examination.

SECTION B

Solution

a. Differences between Cost Accounting and Financial Accounting

S/N	AREAS OF DIFFERENCE	FINANCIAL ACCOUNTING	COST ACCOUNTING
1.	USERS (½)	Information are meant for both Internal Users e.g. Management, Employees etc. and External Users e.g. Inventors, Banks etc. (½)	Information are meant for Internal Users only e.g. Management, Employees etc. (½)
2.	OBJECTIVES (½)	The objectives of preparing financial accounting information is to establish the profitability and financial position of an enterprise. (½)	The objective of cost accounting information is to help management in planning, controlling, evaluating and decision making. (½)
3.	TIME FOCUS (½)	The focus of financial accounting is purely historical (½)	The focus of cost accounting is futuristic because the accountant cannot just assume that what happened in the past will exactly be the same in the future when providing relevant

			information for planning purposes to management. (½)
4	REGULATION (½)	<p>a. Professional requirements:</p> <p>The preparation of financial accounting is governed by Generally Accepted Accounting Principles and Standards such as IAS, IFRS, concepts and conventions etc.</p> <p>b. Statutory requirements:</p> <p>The preparation of financial accounting is governed or guided by the provisions of the laws such as CAMA, BOFIA etc (½)</p>	<p>a. Professional requirements: The preparation of cost accounting is not governed by any standard.</p> <p>b. Statutory requirements:</p> <p>The preparations of cost accounting is not governed by any statute, it is subject to the specific requirements of each business organization. (½)</p>
5.	REPORTING TIME (½)	<p>Financial accounting Information is always prepared at fixed periods of 3,6,12 or 18 months as the case may be (½)</p>	<p>Cost accounting information/ statement are prepared at any point in time as required by the management. (½)</p>

6.	APPROXIMATION AND ESTIMATION (½)	In the reporting of Financial Accounting, approximation and estimation are not permitted as Management must account to the last value. (½)	In the preparation of Cost Accounting Information approximation and estimation of values are allowed with some degree of tolerance (½)
7.	DECISION MAKING (½)	Financial accounts, being historical, are of limited use in decision making (½)	Cost accounts, being current, are basically designed to facilitate decision making (½)
8.	MONETARY TERMS (½)	Financial accounting information is basically expressed in monetary terms (½)	Cost accounting information gives preference to units, quantities, volume apart from the common denomination of money (½)
9.	AUDIT (½)	Financial accounting information is subject to independent statutory audit (½)	Cost accounting information is not subject to statutory audit (½)
10.	VOLUME OF INFORMATION	Financial accounting represents a summary of	Cost accounting represents

	(½)	the entire financial transaction that took place with the period of 12 or 18 months. As a result of this, essential information is usually omitted especially as it relates to limited segment of the organization (½)	segmental information designed principally to generate adequate information on all aspects of the organization. (½)
11.	FOCUS OF REPORTING (½)	The focus of financial accounting is for the totality of the business (½)	The focus of cost accounting is usually production or service based (½)
12.	INTERDISCIPLINARY RELATIONSHIP (½)	Does not make use of the knowledge of other well established disciplines such as Economics, Marketing, Psychology etc (½)	Cost accounting makes use of the knowledge of other well established disciplines (½)
13.	SCOPE (½)	Financial accounting reports cover the organization as a whole (½)	Cost accounting reports can be prepared by segments, product lines, market, region. (½)
14.	TOOLS (½)	Financial accounting uses Financial statements (½)	Cost accounting uses tools to improve the

			efficiency of business operations. (1/2)
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(1/2 each for area of the differences accurate comparison of cost accounting and Financial accounting)

Factors to be considered when installing a good accounting system.

- i. The nature of the business
- ii. The designer should consider the objective of costing system whether to fix selling price or control cost or both
- iii. The organizational structure of the business
- iv. Technical aspects should be studied thoroughly by the designer
- v. The size and layout of the organization should be studied
- vi. Existing methods and procedures for the purchases, receipts, inspection, storage, issue, return, and transfer of materials, work-in-progress, finished goods and inventory should be studied.
- vii. Existing methods of wages payment
- viii. Various forms to be used by costing system should be standardized as far as possible
- ix. The degree of accuracy desired should be determined
- x. The system should be easy to understand and simple to operate
- xi. The system should be economical to install and operate
- xii. The system should be flexible to adopt the changing requirements of the business
- xiii. The extent of details in which the cost information is required should be determined
- xiv. The various fields where cost control is to be exercised should be determined.
- xv. Comparability. The system must be able to provide management with information for evaluation of performance by comparing with past figures, industry average or alternatives.
- xvi. It should be capable of providing information to management as and when needed.
- xvii. Cooperation and participation of all segments of the organization
- xviii. It should involve as little clerical work as possible
- xix. Segmenting (Departmentalization) of cost- A sound plan devised for allocation, appointment, absorption of overhead costs.

- xx. Reconciliation of financial and cost accounts- Capable of reconciling with financial accounting reports.

EXAMINER'S COMMENTS

The question tested candidates' understanding integrated and interlocking accounting system otherwise known as cost accounting book keeping and reconciliation. The question is of good standard. About 40% of the candidates that sat for the examination attempted the question but less than 30% of the candidates that attempted the question demonstrated a mastery of the topic. On the average, success rate is estimated at 30% of candidates that attempted the question.

QUESTION 2

Solution

- a. Reasons for the differences in cost accounts and financial accounts
- i. Under absorption of overheads
 - ii. Over absorption of overheads
 - iii. Different bases for valuation of inventory of raw materials, work-in-progress & finished goods
 - iv. Use of different methods of depreciation
 - v. Items included only in financial accounts e.g. investment income, rent receivables, cash discount receivables etc.
 - vi. Items included only in cost accounts (notional expenses)
 - vii. Exceptional items recognized by financial accounts but not recognized by cost account e.g. bank charges, cash discount allowed, bad debt written-off etc.

Tastanet Manufacturing Limited
Reconciliation Statement

Details	Le	Le
Net Loss as Per Cost Account		(1,000,000)
Add: items having the effect of higher profit in financial account:		
Over-valuation of opening inventory raw Work-in-progress (3,500,000-3,150,000)	350,000	
Under-valuation of closing inventory raw Work-in-progress (6,300,000-7,000,000)	(700,000)	
Under-valuation of closing inventory of finished goods (7,420,000- 7,000,000)	420,000	
Over-absorption of office & Admin overheads (7,700,000- 7,000,000)	700,000	
Over-absorption of selling & distribution overheads (8,400,000-7,400,000)	<u>1,000,000</u>	3,170,000
Add: Income Excluded for Cost Accounts		
Interest on Investment	700,000	
Rent received	1,350,000	
Transfer fees received	750,000	
Store adjustments	<u>1,260,000</u>	4,060,000
Add: items having the effect of lower profit in cost account:		
Under-valuation of opening inventory of work-in-progress (5,600,000- 4,900,000)	700,000	

Over-valuation of opening inventory of finished goods (6,650,000- 6,300,000)	350,000	
Over-valuation of closing inventory of raw materials (4,200,000- 3,780,000)	420,000	
Under-absorption of factory overheads (8,400,000-7,000,000)	<u>1,400,000</u>	(2,870,000)
Less; Expenses Excluded for Cost Accounts		
Bad debts written off	1,050,000	
Income tax paid	420,000	
Preliminary expenses written off	550,000	
Legal fees charges	480,000	
Loss on sales of machine	500,000	(3,000,000)
Net profit as per financial accounts		<u>360,000</u>

EXAMINER'S COMMENTS

The question tested candidates' understanding integrated and interlocking accounting system otherwise known as cost account book keeping and reconciliation. The question is of good standard. About 40% of the candidates that sat for the examination attempted the question but less than 30% of the candidates that attempted the question demonstrated a mastery of the topic. On the average, success rate estimated at 30% allocated to the question.

Question 3

Solution

Hubby Golden Transport Services Limited

a. Operating Statement for the Month

Particulars	₦
Depreciation	($\frac{1}{2}$) 150,000
Drivers Salary	($\frac{1}{2}$) 150,000
Truck Cleaners Salary	($\frac{1}{2}$) 50,000
Diesel Consumption	($\frac{1}{2}$) 1,500,000
Repairs & Maintenance	($\frac{1}{2}$) 15,000
Insurance	($\frac{1}{2}$) 15,000
Local Govt. Levy	($\frac{1}{2}$) 156,000
Union fees	($\frac{1}{2}$) 12,000
Manager's Salary	($\frac{1}{2}$) 100,000
Accountant's Salary	($\frac{1}{2}$) 50,000
Supervisor's Salary	($\frac{1}{2}$) 20,000
Mechanic Salary	($\frac{1}{2}$) 30,000
	<u>2,248,000</u>

Workings

1. Depreciation = $(900,000 \times 10 \text{ Trucks}) \div (12 \text{ mths} \times 5 \text{ yrs}) = \text{₦}150,000$
2. Drivers Salary = $\text{₦}15,000 \times 10 \text{ Trucks} = \text{₦}150,000$
3. Truck Cleaners Salary = $\text{₦}10,000 \times 5 \text{ Cleaners} = \text{₦}50,000$
4. Diesel Consumption = $(200 \text{ km} \div 3 \text{ km}) \times 25 \text{ days} \times 10 \text{ Trucks} \times \text{₦}90 = \text{₦}1,500,000$
5. Repairs & Maintenance Cost = $\text{₦}180,000 \div 12 \text{ mths} = \text{₦}15,000$
6. Insurance = $2\% \times (\text{₦}900,000 \times 10 \text{ Trucks}) \div 12 \text{ mths} = \text{₦}15,000$

7. Mechanic Salary = $\text{N}360,000 \div 12\text{mths} = \text{N}30,000$
8. Total Kilometers per month = $200\text{km} \times 25\text{days} \times 10\text{Trucks} = 50,000\text{km}$
9. Total Tonnes per month = $100\text{Tonnes} \times 25\text{days} \times 10\text{ Trucks} = 25,000\text{Tonnes}$

b. Calculation of cost per Tonne

$$\text{Cost per Tonne} = \frac{\text{N}2,248,000}{25,000} = \text{N}89.92$$

c. Calculation of cost per Kilometre

$$\text{Cost per Kilometre} = \frac{\text{N}2,248,000}{50,000} = \text{N}44.96$$

EXAMINER'S COMMENT

Candidates' performances indicated a lack of adequate knowledge of the subject matter and broad understanding of the question. About 50% of the candidates that sat for cost accounting examination attempted this question. About 50% of those that attempted the question scored below the average marks allocated to the question.

Question 4

Solution

a. Types of Standards

- i. Ideal/Theoretical Standards
- ii. Attainable/Expected Standards
- iii. Loose Standards
- iv. Current Standards
- v. Basic Standards
- vi. Average/Normal Standards

b. OGILVY Limited

Calculation of Activity Ratio

i. Efficiency Ratio = $\frac{\text{SHBOAO}}{\text{AH}} \times 100\%$

$$= \frac{5 \times 3,600}{19,200} \times 100\%$$

$$= \underline{\underline{93.75\%}}$$

$$\begin{aligned}\text{Activity Ratio} &= \frac{\text{SHBOAO}}{\text{BH}} \times 100\% \\ &= \frac{5 \times 3,600}{20,000} \times 100\% \\ &= \underline{90\%}\end{aligned}$$

$$\begin{aligned}\text{Capacity Ratio} &= \frac{\text{AH}}{\text{BH}} \times 100\% \\ &= \frac{19,000}{20,000} \times 100\% \\ &= \underline{96\%}\end{aligned}$$

$$\begin{aligned}\text{ii. Capacity Ratio} &= \frac{\text{Activity Ratio}}{\text{Efficiency ratio}} \times 100\% \\ &= \frac{90}{96} \times 100\% \\ &= \underline{93.75\%}\end{aligned}$$

$$\begin{aligned}\text{iii. Efficiency Ratio} &= \frac{\text{Activity Ratio}}{\text{Capacity Ratio}} \times 100\% \\ &= \frac{96}{93.75} \times 100\% \\ &= \underline{102.4\%}\end{aligned}$$

EXAMINER'S COMMENTS

About 50% of those that sat for cost accounting examination attempted the question. More than 70% of those that attempted the question scored above the average marks allotted to the first part of the question. About 70% of those that attempt the second part of the question score below 30% indicating a dearth of knowledge in this area of the syllabus.

Question 5

Solution

- a. Calculation of Relevant Cost and Contribution for the special order of 6,000 units at N850 per unit

	Unit Cost		6,000 units
	N		N
Direct Materials (N 380 × 6,000)	380:00		2,280,000:00
Direct Wages (N 225 × 6,000)	255:00		1,530,000:00
Direct Expenses (N165 × 6,000)	165:00		990,000:00
Variable Factory Over heads (N100 × 6,000)	100:00	<u>OR</u>	600,000:00
Variable Selling Expenses (N 25 × 6,000)	<u>25:00</u>		<u>150,000:00</u>
	(925:00)		(5,550,000:00)
Special Order (6,000 × N 850)	<u>850:00</u>		<u>5,100,000:00</u>
Contribution	<u>(75:00)</u>		<u>(450,000:00)</u>

Decision- the company should not accept the special order because it presents a negative contribution of (~~N~~450, 000).

- b. The minimum price the company should accept for the offer is the total variable cost per unit

	N
Direct Material	380:000
Direct Wages	255:00
Direct Expenses	165:00
Variable Factory Overheads	<u>100:00</u>
Total Variable Cost per Unit	<u>900:00</u>

EXAMINER'S COMMENTS

More than 75% of those that sat for cost accounting examination attempted the question. About 40% of those that attempted the question scored above the average marks allotted to part A of the question. Part B was poorly attempted hence, more than 70% scored below 30% of the marks allotted to this part.

Question 6

Solution

a. Obojoh Enterprise

Breakeven Analysis

I. Contribution margin ratio

$$\begin{aligned}\text{Contribution} &= \text{Fixed Cost} + \text{Profit} \\ &= \text{N}750,000 + \text{N}500,000 \\ \text{Contribution} &= \text{N}1,250,000\end{aligned}$$

$$\begin{aligned}\text{Contribution Margin Ratio (CMR)} &= (\text{Contribution} \div \text{Sales}) \times 100 \\ &= (1,250,000 \div 2,000,000) \times 100 \\ &= \underline{0.625 \text{ or } 62.5\% \{ \frac{1}{2} \}}\end{aligned}$$

$$\begin{aligned}\text{Breakeven Point Sales} &= (\text{Fixed Cost} \div \text{CMR}) \\ &= (\text{N}750,000 \div 0.625) \\ &= \underline{\text{N}1,200,000}\end{aligned}$$

II. Margin of safety for the period ending 30th June 2019

$$\begin{aligned}\text{Margin of Safety} &= \text{Actual Sales} - \text{Breakeven Sales} \\ &= \text{N}2,000,000 - \text{N}1,200,000 \\ &= \underline{\text{N}800,000}\end{aligned}$$

Alternative Solution

$$\begin{aligned}
 \text{Margin of Safety} &= \text{Profit} \div \text{CMR} \\
 &= \text{N}500,000 \div 0.625 \\
 &= \underline{\text{N}800,000}
 \end{aligned}$$

- III. Expected sales volume for second half of the year if selling price and fixed expenses remain unchanged in the second half of the year

$$\begin{aligned}
 \text{Contribution} &= \text{Fixed Cost} - \text{Loss} \\
 &= \text{N}750,000 - \text{N}100,000 \\
 \text{Contribution} &= \underline{\text{N}650,000}
 \end{aligned}$$

$$\begin{aligned}
 \text{Contribution Margin Ratio (CMR)} &= (\text{Contribution} \div \text{Sale}) \times 100 \\
 &= \underline{0.625 \text{ or } 62.5\%} \text{ as it was in the first half year} \\
 \text{Sales} &= (\text{Contribution} \div \text{CMR}) \\
 &= (\text{N}650,000 \div 0.625) \\
 &= \underline{\text{N}1,040,000}
 \end{aligned}$$

- IV. The breakeven point and margin of safety for the year ended 31st December 2019.

Contribution Margin Ratio will be the same because selling price not changed.

Therefore, CMR = 62.5%

The fixed expense for the whole year is N1,500,000 (i.e. N750,000 for each half year)

$$\begin{aligned}
 \text{Breakeven Point Sales} &= (\text{Fixed Cost} \div \text{CMR}) \\
 &= (\text{N}1,500,000 \div 0.625) \\
 &= \underline{\text{N}2,400,000}
 \end{aligned}$$

Margin of safety for the period year ended 31st December 2019

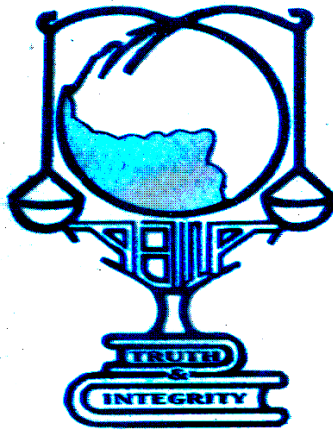
$$\begin{aligned}
 \text{Margin of safety} &= \text{Actual Sales} - \text{Breakeven Sales} \\
 &= (\text{N}2,000,000 + \text{N}1,040,000) - \text{N}2,400,000 \\
 &= \underline{\text{N}640,000}
 \end{aligned}$$

- b. Uses of Break-Even Analysis:
- I. It helps in the determination of selling price which will give the desired profits.
 - i. It helps in the fixing of sales volume to cover a given return on capital employed.
 - ii. It helps in forecasting costs and profit as a result of change in volume
 - iii. It gives suggestions for shift in sales mix
 - iv. It helps in making inter-firm comparison of profitability
 - v. It helps in determination of costs and revenue at various levels of output
 - vi. It is an aid in management decision-making (e.g. make or buy, introducing a product etc), forecasting, long-term planning and maintaining profitability.
 - vii. It reveals business strength and profit earning capacity of a concern without much difficulty and effort

EXAMINER'S COMMENTS

A general outlook on the performance of candidates in this question revealed that more than 70% scored below average. The common pitfall is considered to be speculative tendencies of candidates which are direct consequence of lack of adequate preparation for the examination.

THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA



**ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
SEPTEMBER 2021 EXAMINATIONS (PART III)**

PREPARING TAX COMPUTATIONS AND RETURNS

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 box to ensure that you do not have any cell phone or written material with you in the hall, otherwise, you will be stopped from continuing with the examination.
5. Do not enter the hall with anything written on your docket.
6. Insert your examination number in the space provided above.

WEDNESDAY, 29 SEPTEMBER, 2021

DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO

ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
PART III EXAMINATIONS – SEPTEMBER 2021
PREPARING TAX COMPUTATIONS AND RETURNS

Time Allowed: 3 hours

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

ATTEMPT ALL QUESTIONS

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

1. Which of the following is **NOT** the objectives of taxation?
 - A. To raise revenue to meet government expenditure
 - B. For redistribution of wealth
 - C. For management of the economy
 - D. To enhance the image of the economy
 - E. In some cases to redress the problem of income inequality

2. Which of the following is **NOT** the principle of taxation?
 - A. It must be reliable
 - B. It must be certain
 - C. It must be convenient
 - D. It must be flexible
 - E. It must be progressive

3. Which of the following is **NOT** a source of tax laws
 - A. Constitution
 - B. Court judgment
 - C. Community decision
 - D. Legislation
 - E. Jurisprudence

4. Tax on documents, which are not on transactions or persons, is called
 - A. Import duties
 - B. Fixed duties
 - C. Ad-valorem duties
 - D. Stamp duties
 - E. Back duties

5. Frank Investment Income is described as dividend received by a company
 - A. Before deduction of withholding tax
 - B. After deduction of withholding tax
 - C. Deduction of withholding tax and value added tax
 - D. Plus withholding taxes
 - E. During the preceding year

6. The government agency that administers company income tax in Nigeria is
 - A. Federal Board of Inland Revenue
 - B. The Joint Tax Board
 - C. Internal Revenue Service/Ministry of Finance
 - D. Board of Appeal Commissioners
 - E. The Joint Board of Commissioners

7. Withholding tax due on a dividend is
 - A. 5%
 - B. 10%
 - C. 15%
 - D. 20%
 - E. 25%

8. The operational arm of the Federal Inland Revenue Service Board is known as
 - A. State Board of Internal Revenue
 - B. Federal Inland Revenue Service
 - C. Joint Tax Board
 - D. State Internal Revenue Service
 - E. National Planning Commission

9. A loss arising from letting of land and building is not available as a relief to
- A. An agent
 - B. An Individual
 - C. A company
 - D. A parastatal
 - E. An executor
10. A VATable person is expected to register for VAT scheme withinmonths after the commencement of the Act or from the date of commencement of business
- A. 6
 - B. 5
 - C. 4
 - D. 3
 - E. 2
11. Directors' salaries are subject to tax under what Act?
- A. Personal Income Tax Act, Cap P LFN 2004
 - B. Value Added Tax Act, Cap. V1, LFN 2004
 - C. Companies Income Tax Act, Cap. C21, LFN 2004
 - D. Education Tax Act, Cap CI, LFN 2004
 - E. Capital Gains Tax Act, Cap CI LFN 2004
12. A body of Appeal Commissioners may be established by which of the following ways?
- A. Announcement in the media by the State Governor
 - B. Special announcement by the Board Chairman
 - C. A notice in the official Gazette, the Minister or State Commissioner
 - D. The State House of Assembly
 - E. The Judiciary Service commission
13. Which of the following is **NOT** allowable for tax purpose?
- A. Donation to government institutions
 - B. Donation to a friendly institutions
 - C. Donation made out of profit
 - D. Donation made not of a capital nature
 - E. Donation below ten percent of the company's total profit

14. Education Tax is payable by **ALL** companies at the rate of 2% of.....profit
- A. Chargeable
 - B. Adjustable
 - C. Assessable
 - D. Attributable
 - E. Net
15. The authority that has power to gazette Pioneer Certificate or product is
- A. Federal Executive Council
 - B. Council of Ministers
 - C. National Assembly
 - D. The Minister of the State
 - E. The Minister of Industry
16. The most productive source of Tax revenue to the Federal Government is
- A. Excises
 - B. Custom duties
 - C. Value Added tax (VAT)
 - D. Petroleum Profit tax
 - E. Export tax
17. The depreciation of any premises, building structures, work of a permanent nature, plant, machinery or fixture depends on
- A. Policy of board of organisation.
 - B. A legal practitioner
 - C. A lawyer from tax office
 - D. A witness only
 - E. A tax official and a witness
18. Where a taxpayer is aggrieved with the decision of the Appeal Tribunal, he can appeal against the Tribunal's decision to the
- A. Supreme Court
 - B. Joint Tax Board
 - C. The Federal High Court
 - D. The Court of Appeal
 - E. The Magistrate Court
19. Which of the following is **NOT** a taxable income in the hands of an individual partner in a partnership?

- A. Partner's share of the profit
 - B. Partner's capital
 - C. Passage costs charged into the accounts
 - D. Partner's costs charged into the accounts
 - E. Partner's salary
20. Which of the following does **NOT** attract ad-valorem duties?
- A. Mortgages
 - B. Bills of exchange
 - C. Lease documents
 - D. Policy of life insurance
 - E. Promisory note
21. Current year loss relief is applicable to.....only
- A. Insurance companies
 - B. Telecommunication companies
 - C. Individuals
 - D. Limited Liability companies
 - E. Petroleum companies
22. The Revenue's option to revise the assessment to actual year basis on cessation of business relates to the
- A. Penultimate year
 - B. Pre-penultimate year
 - C. Pre- penultimate and penultimate years
 - D. Cessation year
 - E. Accounting year
23. Which of the following is a non-investment income from which withholding tax is deductible?
- A. Dividend
 - B. Rent
 - C. Royalty
 - D. Interest
 - E. Consulting services

24. Which of the following **CANNOT** show in a Company's Tax Clearance Certificate?
- A. Tax paid
 - B. Tax payable
 - C. Chargeable Income
 - D. Expiry date
 - E. Adjusted profit
25. Which of the following is **NOT** a Trust?
- A. Express trust
 - B. Family trust
 - C. Implied trust
 - D. Unit trust
 - E. Mean trust
26. The duty to advise the government on request of double taxation arrangement is that of the
- A. Joint tax board
 - B. State Internal Revenue Services
 - C. State Technical Committee
 - D. Federal Inland Revenue Service Board
 - E. State Internal Revenue Service Board
27. Ability Nigeria Limited had the following for 2018 tax year; dividend payable was ₦500,000, dividend received was ₦360,000. Determine the net withholding tax payable/receivable
- A. 21,000
 - B. 16,800
 - C. 12,800
 - D. 14,000
 - E. 7,000
28. When a partnership is converted to limited liability company.....rules will apply to the partners up to the date of conversion?
- A. Commencement
 - B. Change of accounting date
 - C. Cessation
 - D. Cessation and commencement
 - E. Continuity

29. All disputes regarding the determination of the resident of a taxpayer between the tax payer and a tax authority or between tax authorities shall be referred to the
- Minister of Finance
 - Joint Tax Board
 - Tax Appeal Tribunal
 - Federal Inland Revenue Service
 - Federal High Court
30. What is the basis of assessing an old established company to taxation?
- Actual year basis
 - Succeeding year basis
 - Accruals basis
 - Preceding year basis
 - Continuity basis

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

- What does Pay As Earn (PAYE) tax encourage
- Section 2 of Stamp Duties Act stipulates that money deposited in one's own account or transferred electronically between accounts of the same owner by the owner within the same bank shall also be chargeable to duty. **TRUE** or **FALSE?**
- The process of assessing and collecting taxes from individuals and companies by relevant tax authorities is
- The first assessment raised on a taxpayer in a particular tax year is called.....
- Contribution by companies to a pension fund is allowable expenses, but the pension fund must be approved. The body that must approve the pension fund is called

6. Every company enjoys only one type of loss relief. This type of Loss Relief is called
7. Where there is a credit balance of VAT, it means output VAT is less than the VAT?
8. Which condition will an asset not be treated as disposed of?
9. The relevant tax authority that collects the withholding tax deducted from rent paid to an individual is called
10. Refund of medical expenses is not to income tax.
11. Chargeable person under the personal income tax provisions are..... and.....
12. Taxes borne by a person other than the one from whom the tax is collected is known as.....
13. The bad debts allowable as deduction for the tax purposes is called
14. The primary objective of a modern tax system is.....
15. A period of time when company is exempted from payment of tax is referred to as.....
16. The burden of an indirect tax is borne by
17. A tax rate which decreases as income increases is described as.....
18. Interest on bank overdraft for tax purposes is treated as
19. Taxes paid in the course of production of goods that are creditable to the taxpayer are referred to as.....
20. Initial Allowance is a component of

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

In year 2017, Ajayi Limited received a net dividend of ₦180,000 from which a withholding tax of 10% had been deducted. In the same year, it made a total assessable profit of ₦2,850,000 including the gross dividend received. Ajayi Limited also distributed, in the same year, dividend amounting to ₦700,000 including ₦140,000 of the dividend received gross.

Required:

- a. i. Determine the income tax due on the company's profit (4½ Marks)
ii. Determine the amount of withholding tax due from the company (6 Marks)
- b. What do you understand by withholding Tax? (2 Mark)
- (Total 12½ Marks)**

QUESTION 2

The following information is extracted from the records of Yakooyo Limited.

Year	Turnover (₦)	Adjusted profit (₦)	Capital Allowance (₦)
2017	500,000	450,000	250,000
2018	600,000	560,000	300,000
2019	800,000	650,000	400,000

Required:

Compute the tax liability of Yakooyo Limited for the relevant tax year.

(Total 12½ Marks)**QUESTION 3**

- a. What are the things specifically required to be furnished in a notice of appeal to the relevant tax authority? (5 Marks)
- b. State the procedure of allowing decision of appeal commissioners (7½ Marks)
- (Total 12½ Marks)**

QUESTION 4

Ola Nigeria Limited is a company that engages in hostel services. The company prepares financial statements up to 31 December of every year and is a registered VAT agent. In the company's 2020 ledger, VAT account shows the following.

VAT ACCOUNT

	₦		₦
VAT paid on materials for kitchen	8,800	Vat charged on food & drinks	15,400
VAT paid on drink for resale	1,000	Vat charged on accommodation	25,100
VAT paid on equipment for rooms	1,250	Vat charged on other services	9,100
VAT paid on legal Prof. Services	450		
Amount remitted to FIRS	20,000		
Balance C/F at 31/12/2020	<u>18,100</u>		
	<u>49,600</u>		<u>49,600</u>

Required:

- Compute the total amount of VAT due to FIRS for 2020 tax year (6 Marks)
 - Ascertain the balance remittable for that year (2½ Marks)
 - Distinguish between Value Added Tax (VAT) and Withholding (WHT) (4 Marks)
- (Total 12½ Marks)**

QUESTION 5

Lady Adanma who has been in business for many years, prepared her accounts to 31 December every year until 2018 when she decided to prepare a 15-month account to 31 March, 2018 and to make this permanent accounting date.

The adjusted profits were as follows:	₦
12 Months to 31 December, 2015	150,000
12 Months to 31 December, 2016	180,000
15months to March, 2018	300,000
12 Months to March, 2019	200,000

Required:

Compute the assessable profit based on the rules of change of accounting date.
(Total 12½ Marks)

QUESTION 6

In relation to the assessment procedures in Nigeria taxation administration, explain briefly the following:

- i. **TWO** types of assessment available to companies (5 Marks)
- ii. Time within which tax is to be paid (6 Marks)
- iii. Penalty for late payment (1½ Marks)

(Total 12½ Marks)

NIGERIAN TAX RATES

1. CAPITAL ALLOWANCES

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

2. INVESTMENT ALLOWANCE

10%

3. RATES OF PERSONAL INCOME TAX

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

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

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

4. COMPANIES INCOME TAX RATE

- I. 0% for Companies with Gross Turnover of ₦25m or less
- II. 20% for Companies with Gross Turnover of more than ₦25m but less than N100Million
- III. 30% for Large Companies.

5.	TERTIARY EDUCATION TAX	(2% of Assessable Profit)
6.	CAPITAL GAINS TAX	10%
7.	VALUE ADDED TAX	5% 7.5% (with effect from July 2020)

SECTION A

PART 1

MULTIPLE-CHOICE SOLUTION

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

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

EXAMINER'S COMMENTS

These are straight forward multiple choice questions. They covered the entire syllabus. All the candidates attempted the questions. The general performance was above average.

PART II SHORT ANSWER SOLUTION

- 1. It encouraged equity
- 2. False
- 3. Tax administration
- 4. Original assessment
- 5. Joint Tax Board
- 6. Carrying forward loss relief
- 7. Input

8. If specifically exempted by the CGT Act
9. It is payable to the State Board of Internal Revenue EXCEPT for resident of Federal Capital Territory, Abuja
10. chargeable
11. Individual or body of individual, corporate bodies, trustees or executors
12. Indirect Tax
13. Specific bad debts provision
14. Revenue generation
15. Tax holiday
16. Final Consumer
17. Regressive
18. Interest on overdraft is tax deductible in computation of the assessable profit of the company/Allowable expenses
19. Input VAT
20. Capital Allowance

EXAMINER'S COMMENTS

The Short-Answer Questions touched almost the entire syllabus. All the candidates attempted the questions; the general performance was satisfactory.

SECTION B

SOLUTION 1

AJAYI LIMITED

a. i. Computation of Tax Due for 2018 Tax Year	= N=
Assessable profit	2,850,000
Less Dividend received (180,000 x 10/9)	<u>200,000</u>
	<u>2,650,000</u>
Income Tax @ 30% on 2,650,000	<u>795,000</u>

ii. Computation of withholding Tax Due	=N=
Withholding tax on dividend paid (10% x 700,000)	70,000
Less withholding tax on dividend received (10%x 140,000)	<u>14,000</u>
Withholding Tax due from the company	<u>56,000</u>

- b. Withholding Tax is deduction of tax at source from payment made to a taxable person for supply of the goods and services. It is not another form of tax but simply an advance payment of tax as the withholding tax deducted at source is off settable against any subsequent tax liability that may be due in respect of such income.

EXAMINER'S COMMENTS

This is a straight forward question on withholding tax. About 40 per cent of the candidates attempted the question. The general performance was below average. The major pitfall was inability to understand the proper treatment of franked Investment Income.

SOLUTION 2

YAKOOYO LIMITED

COMPUTATION OF TAX LIABILITY FOR THE RELEVANT TAX YEAR

2017 TAX YEAR

	=N=	=N=
Assessable profit		450,000
Capital Allowance	250,000	
Absorbed	<u>(250,000)</u>	<u>(250,000)</u>
Unabsorbed Capital Allowance C/F	Nil	

Taxable profit		200,000
	<u>40,000</u>	
Tax liability @ 20% of 200,000		
<u>2018 TAX YEAR</u>		
Assessable profit		560,000
Capital Allowance	300,000	
Absorbed	<u>(300,000)</u>	<u>(300,000)</u>
Unabsorbed Capital Allowance C/F	Nil	
Taxable profit		260,000
Tax liability @ 20% of 260,000		52,000
<u>2019 TAX YEAR</u>		
Assessable profit		650,000
Capital Allowance	400,000	
Absorbed	<u>(400,000)</u>	<u>(400,000)</u>
Unabsorbed Capital Allowance C/F	Nil	
Taxable profit		<u>250,000</u>
Tax liability @ 20% of 250,000.		<u>50,000</u>

Note

Yakooyo Limited is classified as a small business because the turnover for the years is not more than =N= 1,000,000 and hence 20% is used as the applicable rate

EXAMINER'S COMMENTS

This is a simple computation question testing the candidates' understanding of the computation of tax liability of a limited liability company. About 65 per cent of the candidates attempted the questions. The general performance was satisfactory.

SOLUTION 3

a. A notice of appeal must state:

- i. The name and address of the applicant
- ii. The official number and the date of the relevant notice of assessment.
- iii. The amount of the assessment, total of chargeable income and of the tax charged/payable as shown by that notice and the year of assessment concerned.
- iv. The precise grounds of appeal against the assessment.
- v. The address for service of any notices or other documents to be given to the applicant.
- vi. The date on which the applicant was served with the notice of refusal by the relevant tax authority to amend the assessment as desired.
- vii. The official number and the date of the relevant notice of assessment

b. Procedure of allowing decision of Appeal Commissioners.

Notice of the amount of the tax chargeable under the assessment as determined by the appeal commissioner shall be served by the relevant tax authority on the taxpayer or on the person whose name is chargeable.

- Where the tax chargeable on tax payer for a year of assessment in accordance with a decision of the appeal commissioners does not exceed two hundred naira, no further appeal by the taxpayer shall be made except with the consent of the Board

- Notwithstanding that a further appeal is pending, tax shall be paid in accordance with the decision of the appeal commissioners within one month of notification of the amount of tax payable by the Board in line with what the appeal commissioners have determined.

EXAMINER'S COMMENTS

This is a two-part theory question testing candidates understanding of the contents of Notice of Appeal and the procedure of allowing decision of Appeal Commissioners. About 85 per cent of the candidates attempted the question.

The general performance was below average. The major pitfall was lack of adequate knowledge of the procedure of allowing decision of Appeal Commissioners. The candidates are reminded that all aspects of the syllabus are very important and can be examined.

SOLUTION 4

Computation of VAT Due and Remittable for 2017 Tax Year

	=N=	=N=
<u>OUTPUT VAT</u>		
Vat on food and drinks	15,400	
VAT on accommodation	25,100	
VAT on other services	<u>9,100</u>	49,600
<u>INPUT VAT</u>		
VAT on materials for kitchen	8,800	
VAT on drinks for resale	<u>1,000</u>	<u>9,800</u>
a. Total VAT due		39,800
Less VAT already remitted		<u>20,000</u>
b. Balance remitable as at 31/12/2017		<u>19,800</u>
c. i. VAT is not a substitute for withholding tax. A VAT able service still liable to deduction of withholding tax.		
ii. VAT is a tax on consumption while withholding tax is advance payment of tax which the sufferer is entitled to deduct from its actual tax liability.		

- iii. In case of VAT the sufferer is the consumer of vat able supplies while withholding tax is suffered by the t supplier or manufacturer of goods or person whose services is being paid for.
- iv. The Vat rate is currently 7.5%, whereas WHT rate depends on services rendered as whether corporate or individual
- v. VAT is shared among the three tiers of government, whereas WHIT collectible by the state for individual and the FIRS for corporate body.

EXAMINER'S COMMENTS

This is a three-part question. Part 'a' and 'b' tested candidates understanding of total amount due to FIRS and the computation of Value Added Tax (VAT) remittable respectively. Part 'c' tested candidates understanding of the difference between VAT and withholding tax. About 98 per cent of the candidates attempted the question. The general performance was good.

SOLUTION 5

LADY ADANMA LIMITED

COMPUTATION OF ASSESSABLE PROFIT

OLD BASIS NEW BASIS

<u>Tax year</u>		<u>Basis period</u>	<u>Assessable Profit</u>	<u>Basis period</u>	<u>Assessable profit</u>
			₦		₦
2017	1/1/16- 31/12/16		180,000	1/4/15- 31/3/16 (w.3)	157,500
2018	1/1/17- 31/12/17 (w.1)		240,000	1/4/16- 31/3/17(w.4)	195,000
2019	1/1/18- 31/12/18 (w.2)		<u>210,000</u>	1/4/17- 31/3/18 (w.5)	<u>240,000</u>
			<u>₦630,000</u>		
					<u>₦592,000</u>

Based on the foregoing, the Inland Revenue would assess on the old basis, since this would produce higher assessable profit for 2017-2019 assessment years.

WORKINGS

OLD BASIS

2018 YOA		Assessable Profit
		₤
(W.1)	(1/1/17-31/12/17) = $12/15 \times 300,000$	<u>240,000</u>
2019 YOA		
(W.2)	(1/1/18- 31/12/18):	
	(1/1/18- 31/3/18) = $3/15 \times 300,000 =$	60,000
	(1/4/18-31/12/18) = $9/12 \times 200,000 =$	<u>150,000</u>
		<u>210,000</u>

NEW BASIS

(W.3)

2017 YOA

(1/4/15-31/03/16) = (1/4/15- 31/12/15) =	
$9/12 \times 150,000 =$	12,500
(1/1/16- 31/3/16) = $3/15 \times 180,000 =$	<u>45,000</u>
	157,500

(W.4)

2018 YOA (1/4/16- 31/3/17) =

(1/4/16- 31/12/16) = $9/12 \times 180,000 =$	135,000
(1/1/17- 31/3/17) = $3/15 \times 300,000 =$	<u>60,000</u>
	195,000

(W.5)

2019 YOA (1/4/17- 31/3/18) = $12/15 \times 300,000 =$

240,000
AT/212/PIII

EXAMINER'S COMMENTS

This is a simple computation question. It tested the candidates' understanding of the computation of the assessable profit based on the rules of change of accounting date. About 80 per cent of the candidates attempted the question.

The general performance was below average. The major pit fall was the inability to identify the correct basis period. The candidates should study more all aspects of computations of assessable profit, of companies.

SOLUTION 6

- a. The form of assessment available to companies are:
 - i. Provisional assessment; where self assessment return is not filed. The provisional tax is due from corporate taxpayers within three months of each year of assessment. The amount of tax is the equivalent tax paid by the company in the immediate preceding year of assessment.
 - ii. Government assessment; which include estimated assessment (that is, Best of Judgment assessment) and other assessment which the Revenue Authority may raise
 - iii. The self-assessment of tax liability by the taxpayers themselves.

- b. Time within which Tax is to be paid
 - i. Provisional Tax: This must be paid before the end of March of any given year.
 - ii. Assessed Tax: A company's tax liability for the year is either conveyed through a Notice of Assessment in case of the government assessment system. The tax liability (after the payment of provisional tax, credit for withholding taxes and possible adjustment for overpayments) is payable within two months from the date on the notice. However, where the two months period expires before the 14th of December, such tax must be settled not later than that day.

- iii. Disputed Assessment: An amount payable in connection with a determined formal objection or appeal must be settled within one month from the date on the Notice of Amended Assessment.

- c. Penalty for late payment: Failure to comply with the time -table as regards the period within which tax is to be paid will attract a fine of 10% per annum of the tax plus interest thereon at prevailing commercial rate. The penalty is in addition to the tax in default

EXAMINER'S COMMENTS

This is a theory question on types of assessment, time of tax payment and penalty for late payment. About 80 per cent of the candidates attempted the question.

General performance was below average. The major pit fall is lack of proper knowledge of the time within which tax is to be paid. The candidates should diligently study all aspects of the syllabus.

THE ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA**ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
SEPTEMBER 2021 EXAMINATIONS (PART III)
MANAGEMENT****PLEASE READ THESE INSTRUCTIONS BEFORE COMMENCEMENT OF THE PAPER****EXAMINATION INSTRUCTIONS**

1. All solutions should be in ink. Any solution in pencil will not be marked.
2. Read all instructions on each part of the paper carefully before answering the questions.
3. Ensure that you do not answer more than the number of questions required for **Section B (The Essay Section)**.
4. Check your pockets, purse and mathematical sets box to ensure that you do not have any cell phone or written material with you in the hall, otherwise, you will be stopped from continuing with the examination.
5. Do not enter the hall with anything written on your docket.
6. Insert your examination number in the space provided above.

TUESDAY, 28 SEPTEMBER, 2021**DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO**

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
PART III EXAMINATIONS – SEPTEMBER 2021**

MANAGEMENT

Time Allowed: 3 hours

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

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

1. Which of the following is **NOT** a secondary objective of business?
 - A. Productivity
 - B. Growth
 - C. Profit
 - D. Positive public image
 - E. Shareholder satisfaction

2. Which of the following does **NOT** constitute external stakeholders in the business enterprises?
 - A. Unions
 - B. Suppliers
 - C. Competitors
 - D. Government agencies
 - E. Board of Directors

3. A set of obligations an organisation has to protect and enhance the society in which it functions is
 - A. Corporate Governance
 - B. Environmental Forecasting
 - C. Social Responsibility
 - D. Business Environment
 - E. Business Ethics

4. Which of the following is **NOT** a pre-scientific scholars?
- A. Robert Owen
 - B. Charles Babbage
 - C. Henry Varrun
 - D. Henry Mecalfe
 - E. Peter Drucker
5. Which of the following is **NOT** a feature of bureaucracy?
- A. Division of Labour
 - B. Formal Selection
 - C. Career Orientation
 - D. Impersonality
 - E. Initiative
6. A single use plan that consists of the same steps as a programme but does not cover a large set of activities is called a
- A. Programme
 - B. Budget
 - C. Strategy
 - D. Project
 - E. Tactic
7. Which of the following is **NOT** a barrier to effective planning?
- A. Goals
 - B. Reward system
 - C. Lack of time and resources
 - D. Divisional of labour
 - E. Dynamic and complex environment
8. A technique used by management to achieve collaboration between managers and their subordinates in goal setting and planning process is
- A. System theory
 - B. Division of labour
 - C. Authority and responsibility
 - D. Management by objectives
 - E. Management goal-setting

9. The process of systematically concentrating decision making in the hands of managers at the higher levels of the organisation is
- A. Decentralisation
 - B. Centralisation
 - C. Division of Labour
 - D. Chain of command
 - E. Span of control
10. Decision making which involves the use of estimates, guesses, or hunches to choose among alternative courses of action is called
- A. Systematic decision-making
 - B. Selective decision making
 - C. Intuitive decisions
 - D. Proactive decisions
 - E. Reactive decisions
11. The process of regulating organisational activities so that actual performance conforms to expected organisational standards and goals is
- A. Organising
 - B. Directing
 - C. Motivating
 - D. Controlling
 - E. Budgeting
12. Which of the following is **NOT** a characteristic of effective control system?
- A. Accurate
 - B. Timely
 - C. Flexible
 - D. Economically realistic
 - E. Organisationally unreliable
13. The ratios which measure the extent to which an organisation has been capitalised by debt is called
- A. Liquidity ratio
 - B. Current ratio
 - C. Acid-test ratio
 - D. Leverage ratio
 - E. Activity ratio

14. The outcome of strategic planning is called
- A. Strategic management
 - B. Strategic plan
 - C. Strategic performance
 - D. Strategic intent
 - E. Strategic Monitoring
15. Human resource management function involves in coordinating relations between the organisation and employee group is called
- A. Performance appraisal
 - B. Industrial relations
 - C. Collective bargaining
 - D. Job analysis
 - E. Labour management
16. The process of monitoring employee performance on the job and his or her potential development is called
- A. Job specification
 - B. Job evaluation
 - C. Performance evaluation
 - D. Performance appraisal
 - E. Performance analysis
17. The following are uses of Human resource records, **EXCEPT**
- A. Employee profiling
 - B. Employee scheduling
 - C. Employee rating
 - D. Career management
 - E. Reward management
18. Production system in which production process continues and remain unbroken for weeks or even months is called
- A. Job production
 - B. Unique production
 - C. Batch production
 - D. Extractive production
 - E. Flow production

19. The total net output achieved by an organisation per worker is called
- A. Capital productivity
 - B. Output productivity
 - C. Input productivity
 - D. Labour productivity
 - E. Material productivity
20. Systematic gathering, analysis and interpretation of data to aid marketing decision is called marketing
- A. Analysis
 - B. Audit
 - C. Research
 - D. Concept
 - E. Management
21. Which of the following is **NOT** a market segmentation method?
- A. Sex
 - B. Geography
 - C. Age
 - D. Language
 - E. Sector
22. The decision to set low prices for product with the aim of stimulating demand and sales is called
- A. Make-up pricing
 - B. Skimming pricing
 - C. Penetration pricing
 - D. Limit-pricing
 - E. Predatory pricing
23. Which of the following is **NOT** use in manual accounting?
- A. Vouchers
 - B. Invoices
 - C. Adding machine
 - D. Cashbooks
 - E. Software

24. Hygiene theory of motivation was associated with
- A. Victor Vroom
 - B. Douglas McGregor
 - C. Henri Fayol
 - D. Fredrick Herzberg
 - E. Abraham Maslow
25. The art or process of influencing people so that they will strive willingly towards the achievement of group goals is called
- A. Planning
 - B. Coordinating
 - C. Motivating
 - D. Leadership
 - E. Management by objective
26. A group deliberately created by manager in order to perform tasks directly related to attaining business objective is called
- A. Informal group
 - B. Social group
 - C. Formal group
 - D. Elite group
 - E. Organic group
27. Communication which arises as a result of social interaction among employees in an organisation is called
- A. Formal communication
 - B. Informal communication
 - C. Upward communication
 - D. Horizontal communication
 - E. Vertical communication
28. Which of the following is **NOT** a barrier to effective communication?
- A. Semantics
 - B. Conflicts
 - C. Communication overloads
 - D. Effective listening skill
 - E. Differences in background

29. The way an office is arranged to facilitate the flow of work is called office
- A. Classification
 - B. Filling
 - C. Layout
 - D. Organisation
 - E. Study
30. Which of the following is **NOT** a protective measure for safety at work place?
- A. Safety policy
 - B. Hazard elimination
 - C. Use of barriers
 - D. Frayed carpets
 - E. Use of warning system

SECTION A: PART II

SHORT-ANSWER QUESTIONS

(20 MARKS)

ATTEMPT ALL QUESTIONS

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

1. The document which lay down parameters concerning the company and its outside public is
2. Any individual or group of individuals who have a strong interest in the organisation and what it does or trying to achieve is/are called
3. Integration of a country economy with the world economy is called
4. The process used by manager to monitor events occurring in the external environment of the organisation is called
5. Management function of grouping tasks and assigning resources required to carry out a specific job is called
6. Fayol's principles of management which encourages subordinates to use their idea to carry out plan is called

7. The process of determining desired objectives or benchmarks and of developing ways to reach them is called
8. Statements of financial resources set aside for carrying out specific activities is called
9. The process of systematically concentrating decision-making in the hands of manager at the higher levels is called
10. Decision in which there are no previously established routines or procedures that can be used as guides is called
11. Costs which are related to production and change with production levels is called
12. An organisation's is its statement of purposes.
13. All activities carried out to attract qualified applicants to fill vacancies in an organisation is called
14. A statement which provides summary of duties and responsibilities attached to a job is called
15. The characteristics of a product that bears on the ability to satisfy stated or implied need is called
16. The philosophy which recognises the key role of satisfying the needs of the target customer as a priority is called
17. The third stage in product life cycle is called
18. All activities which are directly related to the sale of goods or services to final consumer is
19. Team formation phase in which members begin to challenge the leader and themselves concerning the group goals, individual roles, procedures and other issues is called
20. Filing system in which all files of the organisation are located at a particular office where interested staff can have access to them is called

SECTION B:

ATTEMPT FOUR QUESTIONS

(50 MARKS)

QUESTION 1

- a. Define Partnership as a form of business ownership. (2½ Marks)
 - b. List and explain **FOUR** features of partnership. (6 Marks)
 - c. State **FOUR** disadvantages of partnership as a form of business ownership. (4 Marks)
- (Total 12½ Marks)**

QUESTION 2

- a. Define business environment. (2½ Marks)
 - b. State and explain **FIVE** importance of business environment. (10 Marks)
- (Total 12½ Marks)**

QUESTION 3

- a. State **FIVE** features of Bureaucracy. (7½ Marks)
 - b. State and explain **FIVE** contributions of bureaucracy to the field of management. (5 Marks)
- (Total 12½ Marks)**

QUESTION 4

- a. Define formal organisation. (1½ Marks)
 - b. Highlight **SIX** advantages of a formal organisation. (6 Marks)
 - c. State **FIVE** disadvantages of formal organisation. (5 Marks)
- (Total 12½ Marks)**

QUESTION 5

- a. List and explain **FIVE** examples of on-the-job training method. (5 Marks)
- b. State **FIVE** benefits of training and development to an organisation. (7½ Marks)

(Total 12½ Marks)

QUESTION 6

- a. Define market segmentation (2 Marks)
 - b. State **THREE** benefits of market segmentation. (3 Marks)
 - c. List and explain **FIVE** methods of segmenting consumer market. (7½ Marks)
- (Total 12½ Marks)**

SECTION A

PART 1:

MULTIPLE CHOICE SOLUTIONS

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

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

EXAMINER'S COMMENTS

The Questions cover all the areas of the syllabus. Candidates' performance was good. Candidates observed pitfalls were due to inadequate usage of the study pack for the examination and poor preparation. The candidates are advised to use the study pack extensively while preparing for the examinations.

PART II: SHORT ANSWER SOLUTIONS

- 1. Memorandum of Association
- 2. Stakeholder(s)
- 3. Globalisation
- 4. Environmental Scanning
- 5. Organising
- 6. Initiative
- 7. Strategic Planning
- 8. Budgets
- 9. Centralisation
- 10. Non-programmed Decisions
- 11. Variable Cost
- 12. Mission
- 13. Recruitment
- 14. Job Description
- 15. Quality
- 16. Marketing Concept
- 17. Maturity and Saturation

18. Retailing
19. Storming Phase
20. Centralised Filing

EXAMINER'S COMMENTS

The questions cover all parts of the syllabus. All the candidates attempted the questions. The performance was fairly good. Poor preparation and inadequate usage of the study pack were responsible for the average performance. The candidates are advised to use the study pack religiously for future examinations.

SECTION B

SOLUTION 1

(a) Meaning of Partnership

This is a form of business ownership where two or more individual come together and agree to organize and operate an enterprise jointly with profit as the motive. They contribute their capital and jointly offer their services for the success of the business.

(b) Features of Partnership

- i. **Based on agreement:** It is always based on agreement between two or more parties to carry on business.
- ii. **Profit and loss sharing:** The partners are entitled to share profits realized and also bear the loss.
- iii. **Agency relationship:** Any of the partners can act on behalf of other partners as agent.
- iv. **Unlimited Liability:** In case some obligations arise and the partnership assets are not sufficient, private properties of the partners can be taken to pay for the liabilities of the firm.
- v. **Common Management:** Every partner has a right to participate in the management of the firm.
- vi. **Restriction in the transferability of shares:** No partner can transfer his/her shares without the consent of all other partners.

(c) Disadvantages of Partnership

- i. Unlimited liability
- ii. Limited life
- iii. Arguments or disagreement can arise among the partners
- iv. Limited access to initial capital when compared with companies
- v. Risks of implied authority
- vi. Difficulty in withdrawing from the firm.

EXAMINER'S COMMENTS

The question tests the knowledge of the candidates on Partnership as a form of business ownership. About 90% of the candidates attempted the question and about 80% passed. The major pitfalls of the candidates were poor preparation and poor usage of the study pack. Candidates are advised to make adequate use of the study pack for subsequent examinations.

SOLUTION 2

(a) Definition of Business Environment

Business environment can be defined as a set of factors or conditions that are external or internal to the business but which have influence on the operations of the business enterprise.

OR

Business environment can also be defined as web of forces which form the setting in which the firm makes its decisions.

(b) Importance of Business Environment

- i. **Determining Opportunities and Threats:** The interaction between the business and its environment gives the advantage of identifying opportunities for and threats against the business.
- ii. **Gives Directional Clarity:** The interaction will lead to open up of new frontiers for growth and sustainability of the business.
- lii. **Serves as a Continuous Learning Process:** Managers are motivated to continuously update their knowledge, understanding and skills to meet the challenges of the business.
- Iv. **Image Building:** Business interaction with the environment helps the business organization to improve their image by being socially responsible.

- v. Identification of Firm's Strength and Weakness: Business environment helps to identify strengths and weaknesses of the business organization for immediate response of the management.

EXAMINER'S COMMENTS

The question tests the ability to demonstrate knowledge of Business Environment. About 85% of the candidates attempted the question and about 72% passed. The major pitfalls of the candidates were poor preparation. Candidates are advised to make adequate use of the study pack for subsequent examinations.

SOLUTION 3

(a) Features of Bureaucracy

- i. Division of Labour: Each role has a clearly defined set of tasks along with a specified area of jurisdiction and responsibility.
- ii. Authority Hierarchy: The roles or jobs are organized to form a hierarchy of authority.
- iii. Formal Section: Employees are expected to be recruited on the basis of their competence and expertise.
- iv. Career orientation: Officials of the organization are not owners of the organization but are regarded mainly as professionals who have specified duties, tenure and reward; and cannot be arbitrarily removed.
- v. Formal rules and controls: Clearly stated rules, regulations and procedures are adhered to.
- vi. Impersonality: Rules and policies are applied uniformly regardless of personal feelings or needs.

(b) Contributions of Bureaucracy

- i. Since the policies, rules and procedures are set and applicable to all, this leads to consistent employee behaviour.
- ii. Since the jobs, duties and responsibilities are clearly defined the overlapping or conflicting job duties are eliminated.

- iii. Hiring and promotions are based on merits and expertise.
- iv. Division of labour makes the worker specialist.
- v. There is continuity in the organization, even if individuals leave since the position is emphasized rather than the person.

EXAMINER'S COMMENTS

The question tests the candidates' knowledge of Bureaucracy. About 85% of the candidates attempted the question and about 70% passed. Candidates are advised to make adequate use of the study pack for subsequent examinations to enhance their performance.

SOLUTION 4

(a) Formal Organization

Formal organization is a pattern of relationships, communication channels and authority structures recognized by management for the purpose of achieving the goals of the organization. It is characterised by clearly defined goals, hierarchical structures, rules, procedures and relationships.

(b) Advantages of Formal Organization

- i. It helps in achieving objectives.
- ii. It puts resources to the best use.
- iii. It ensures the benefits speculation can be achieved.
- iv. It develops feeling of cooperation.
- v. It limits conflict among executives.
- vi. It prevents duplication of work.
- vii. It ensures measurement of employees' efficiency.
- viii. It provides for well-defined authority and responsibility to avoid friction.
- ix. It ensures accountability
- x. It makes standardization of work become practicable.

(c) Disadvantage of Formal Organization

- i. Changes become difficult because rules, regulations and procedures are followed.
- ii. Rules are considered more than persons.
- iii. A formal organization is impersonal and discourages human feeling.

- iv. It recognizes only formal communication which may discourage informal communication.
- v. Excessive and undue use of authority.
- vi. No consideration is given to social needs.

EXAMINER'S COMMENTS

The question is structured to test the knowledge of the candidates on Formal Organisation. About 60% of the candidates attempted the question and about 55% passed. The major pitfalls of the candidates were basically poor preparation and poor interpretation of the question. Candidates are therefore advised to demonstrate more seriousness towards preparation for the examinations by using the study pack religiously in subsequent examinations.

SOLUTION 5

(a) Five samples of on-the-job training methods.

- i. **Demonstration:** Here, the trainee shows in a systematic manner the method of carrying out a specific job and allows the trainee to do it himself.
- ii. **Understudy:** An Understudy is a person who is training to assume, at a future date, the duties currently performed by his/her superior.
- iii. **Job rotation/ planned experience:** This is the practice of rotating people from job to job or from one department to another.
- iv. **Project or committee assignment:** in this method, managers are assigned to projects or committee to carry out specific assignment.
- v. **Temporary promotion:** Managers are assigned higher responsibilities to improve their skills.

(b) Five benefits of Training and Development.

- i. **Improved Performance on the Present Job:** After a training programme, the employee's levels of performance on-the-job increases.

- ii. **Improved Morale:** Training programmes help to increase the morale and job satisfaction of trainees.
- iii. **Reduction of Operational Problems:** Training programmes help to reduce operational problems such as accidents, high labour turnover, poor customer service etc.
- iv. **Increased Productivity:** By improving the standard of performance, quality of workmanship and morale of workers.
- v. **Provision of Human Resources Needs:** The organization fulfils its needs for certain types of skills without going out to recruit.
- vi. **Reduced Supervision:** Well- trained workers need little supervision.
- vii. **Improved Services to Customers:** Training exposes employees to new ideas and techniques which help to improve service to customers.

EXAMINER'S COMMENTS

The question tests the knowledge of the candidates on training and development in an organisation. The question also tests the knowledge of the candidates on the functions of the accounting department in an organization. About 65% of the candidates attempted the question while 60% passed the question.

SOLUTION 6

(a) Define Market Segmentation

Market Segmentation is the process of taking, heterogeneous market for a product and dividing it into several sub-markets or segments, each of which tends to be homogenous in all significant aspects.

(b) Benefits of Market Segmentation

- i. It enables the marketer to analyze characteristics of each segment.
- ii. It allows marketing organization to design its marketing programmes to suit each market.
- iii. Consumer satisfaction is met

- iv. The product could be designed to satisfy the peculiar needs of each market segment.

(c) FIVE methods of segmenting consumer market

- **Income:** Here customers are divided according to income
- **Sex:** Men and Women sometimes purchase different things. Under this method therefore the organization categorizes its customers into male and female.
- **Geography:** Under the geographic method the whole market is divided into regions, districts, cities etc.
- **Age:** In this method, the organization segments the market according to the ages of customers.
- **Social Classes:** Customers are categorized according to social class they belonged to.
- **Sector:** The market is divided according to sector of the economy e.g. agriculture, manufacturing, trade etc.

EXAMINER'S COMMENTS

The question tests the knowledge of the candidates on market segmentation. About 75% of the candidates attempted the question and about 62% passed the question.

Those who did not do well in the question were due to poor preparation and inadequate use of the study pack. Candidates are advised to make adequate use of the study pack and prepare diligently for the examinations.