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ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA (ATSWA)
PRINCIPLES OF AUDITING

Time Allowed: 3 hours

SECTION A: Attempt all questions

PART I:- MULTIPLE-CHOICE QUESTIONS

(30 Marks)

Write only the alphabet (A, B, C, D or E) that corresponds to the correct option in each of the following questions:-

1. A form of qualification normally used by external auditors where there are obvious uncertainties regarding the whole financial statements of a client is known as
 - A. Adverse opinion
 - B. Except for
 - C. Material opinion
 - D. Disclaimer of opinion
 - E. Subject to

2. The first auditors of a company are usually appointed by
 - A. Shareholders of the Company
 - B. Members of the audit committee
 - C. Corporate Affairs Commission
 - D. Directors of the Company
 - E. Solicitors to the Company

3. An audit procedure that involves detailed examination of assets and liabilities in the financial records at the year end is known as
 - A. Depth Test
 - B. Walk Through Test
 - C. Substantive Test
 - D. Sampling Test
 - E. Compliance Test

4. Ethically, an auditor of a Company can as well be a receiver of the same company if the company cannot continue its operations.
 - A. One cannot say
 - B. Yes

- C. No
 - D. On application to audit committee
 - E. On application to the Governor of the State
5. Which **ONE** of the following is the merit of using statistical sampling method in audit assignments?
- A. It helps auditors to deal with homogenous transactions.
 - B. It promotes the standardization of audit sampling procedure
 - C. It assists auditors to achieve more than one audit objectives
 - D. It highlights auditors' knowledge of using sampling method
 - E. It makes the selection less cumbersome
6. Which of the following is **NOT** a potential duty of an audit committee?
- A. Review of financial statements
 - B. Review of shareholders' Register
 - C. Review of Internal Audit
 - D. Liaison with external auditors
 - E. Review of Internal Control
7. Which letter sets out those control weaknesses within an entity's operations discovered by auditors in the course of their duties?
- A. Management Representation Letter
 - B. Letter of Consent
 - C. Engagement Letter
 - D. Domestic Report
 - E. Comfort Letter
8. The following are the causes for the loss of audit trail in a computer-based accounting system **EXCEPT**:
- A. Over written of computer file
 - B. Having backup copies for data transactions
 - C. Non-preparation of documentary evidence before processing
 - D. Non-retention of documentary evidence
 - E. The use of Visual Display Unit instead of Computer print out
9. Which of the following mode of communication signifies the end product of an audit assignment?
- A. Letter of Representation
 - B. Evaluation Report

- C. Engagement Letter
 - D. Domestic Report
 - E. Audit Report
10. The pictorial presentation of the internal control system of an entity is known as
- A. ICEQ
 - B. MAP
 - C. Diagram
 - D. Artistic
 - E. Flowchart
11. The audit procedures that ensure that transactions are recorded in the period to which they relate could be best described as
- A. Border line
 - B. Deadline procedures
 - C. Leverage test
 - D. Cut off procedure
 - E. Line of demarcation procedures
12. Where there are numerous accounts of small debtors to be circularised by the auditor, which of the following circularization methods is the most appropriate for use?
- A. Nil Method
 - B. Positive Method
 - C. Blank Method
 - D. Negative Method
 - E. None of the above method
13. The main reason why external auditors obtain audit evidence is to
- A. Establish evidence for future reference
 - B. Use it as a basis of his opinion on the financial statements
 - C. Detect fraud
 - D. Assess inherent risk
 - E. Examine management efficiency
14. Management responsibility as to the preparation of financial statements is re-emphasized in
- A. Bank Letter
 - B. Comfort Letter

- C. Letter of Representation
 - D. Circularization Letter
 - E. Management Letter
15. Independence and objectivity of an auditor cannot be impaired if
- A. He accepts undue hospitality from the client
 - B. He has direct/Indirect beneficial interest in any capacity in an organization for which he is acting as auditor
 - C. He is related by blood or by marriage to the directors of the company
 - D. He accepts fees, the amount of which is based on the success of an assignment except where unavoidable
 - E. He rejects appointment on the ground of technical incompetence
16. What is the responsibility of an incoming auditor with respect to communicating with the outgoing auditor in connection with a prospective new audit client?
- A. the incoming auditor has no responsibility to contact the outgoing auditor
 - B. the incoming auditor should obtain permission from the prospective client to contact the predecessor auditor
 - C. the incoming auditor should contact the outgoing auditor regardless of whether the prospective client authorized contact
 - D. the incoming auditor need not contact the outgoing auditor if the incoming auditor is aware of all available relevant facts.
 - E. the incoming auditor needs to contact the outgoing auditor only if the size of auditing firms of incoming and outgoing auditors are of the same size.
17. **ONE** of the following is **NOT** relevant as to the qualities that an auditor must possess:-
- A. Painstakingness
 - B. Tactfulness
 - C. Deceit
 - D. Courage
 - E. Honest
18. Which of the following is **NOT** a duty of the Auditor-General for a country?
- A. Ensuring that money is expended for the purpose for which they are intended
 - B. Seeing that proper system of account as prescribed by head of regulatory agency is maintained

- C. Ensuring that authorized maximum cash balance is not exceeded
 - D. Informing the Corporate Affairs Commission/agency established to register companies of any defect in the financial information
 - E. Reporting on the truth and fairness view of financial statement examined
19. The major objective of any statutory audit is to
- A. Detect fraud and errors
 - B. Prevent fraud and errors
 - C. Ascertain material misstatement in the financial statements
 - D. Express an opinion on whether or not the financial statements show a true and fair view
 - E. Report fraudulent activities of directors to shareholders
20. A professional body controls the quality of audit work **EXCEPT:**
- A. Issue of Ethical guides
 - B. Regular revision of examination syllabus to meet current needs
 - C. Publication of accounting and auditing standards
 - D. Arrangement of seminars and courses to discuss technical matters
 - E. Election of members at annual general meeting of accountants
21. The audit committee should focus its activities on the following functions **EXCEPT:**
- A. Reliability and accuracy of the financial information provided to management and external users
 - B. any accounting or auditing concerns identified as a result of an audit
 - C. the appointment of a new director in replacing the outgoing director on account of age
 - D. the company's compliance with legal and regulatory provisions.
 - E. the functioning of internal audit department
22. Auditors can minimise liability arising from professional duties with the following precautions **EXCEPT:**
- A. Quality control as regards audit assignment
 - B. Avoiding risky audits or carrying out more extensive work
 - C. Minimising reliance on client's representation or even third party confirmation
 - D. Completion of audit assignments within short period of time so as to maximise gains
 - E. Taking professional indemnity insurance

23. Limitation in audit scope involves the following aspects with EXCEPTION of
- A. Lack of cooperation from the entity's management and staff
 - B. Submission of all financial documents, books, records, schedules and other necessary evidences humanly possible
 - C. Restrictive clauses in the terms of the audit engagement
 - D. Poor accounting and internal control procedures
 - E. Late appointment of auditors
24. Circumstances under which auditors may need to use the services of an expert EXCLUDE:
- A. Valuation of certain types of assets
 - B. New engagement by the auditors which involves purely commercial transactions
 - C. Determination of quantities or physical condition of certain assets
 - D. Determination of amounts using specialized techniques or methods
 - E. the measurement of work completed and to be completed on contracts in progress
25. The procedures outlined in an audit programme are designed to
- A. obtain audit evidence
 - B. detect errors or irregularities
 - C. ensure early completion of the audit
 - D. highlight movement in the accounts between years
 - E. protect the auditor against litigation
26. Which **ONE** of the following is **NOT** part of the powers and responsibilities of the Auditor-General for a country?
- A. Power to examine the financial statements in any way he deemed fit
 - B. Power to express his opinion on the financial statements
 - C. Power to sanction any erring officer
 - D. Power to certify annual financial statements of his country
 - E. Power to appoint his successor on account of his age or mandatory years of service
27. Which of the following is **NOT** a test of control?
- A. Verification of Value to Invoice
 - B. Use of ICEQ in systems audit
 - C. Checking for authorization of transactions
 - D. Observation of controls

- E. Re-performance of control procedures
28. Auditors current audit file usually include a copy of
- A. Company's Memorandum and Articles of Association
 - B. Audit Planning Memorandum
 - C. Certificate of Incorporation
 - D. Last year's Letter of Representation
 - E. Organisational and Management Structure
29. Which of the factors does NOT affect the auditors' judgement as to what is sufficient audit evidence?
- A. the materiality of the item being examined
 - B. the auditors' knowledge of the business and industry
 - C. availability of software packages
 - D. the risk assessment
 - E. the source and reliability of information available
30. Persons disqualified to act as an auditor include the following **EXCEPT:**
- A. A body corporate
 - B. A retired civil servant with Practising Certificate
 - C. A partner or employee or officer/servant of the Company
 - D. A person who has been disqualified to act as auditor of a subsidiary company
 - E. An auditor who becomes disqualified for any reason

SOLUTIONS TO MULTIPLE-CHOICE QUESTIONS

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

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

SECTION A

PART II SHORT-ANSWER QUESTIONS

(20 Marks)

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

1. State any **ONE** type of Internal Control.
2. **TWO** main types of Test that will be carried out by the auditor to obtain audit evidence are.....and.....
3. The type of audit that is carried out during the financial year of a company is known as.....
4. Auditors' involvement in an all year round review of client`s transactions and account balances which occur within a particular year is best described as.....
5. State any **ONE** main feature each member of The Institute of Chartered Accountants of your Country must possess.

6. Independent professional services that improve the quality of information or its context for decision makers are referred to as.....
7. The system by which the affairs of companies are directed and controlled by those charged with the responsibility of managing them is known as.....
8. The extent to which rules, policies, laws, covenants or government regulations are followed by the entity being audited is determined by.....test.
9. Rules and regulations guiding the implementation of accounting and auditing functions within an enterprise are embedded in.....
10. A letter issued by an auditor to management or another party at the request of management, expressing an opinion as to management`s compliance with regulations or requirements concerning financial matters, is called.....letter.
11. An obligation, relating to some past events or transactions, which may arise depending on the outcome of some future events is.....
12. An independent appraisal unit established within an entity to examine and make available its activities as a service to management is known as.....
13. State **TWO** circumstances when the directors of a company can appoint an auditor.
14. An assurance given by the auditor that nothing has come to his attention which indicate that financial statements have not been prepared according to the generally accepted accounting principles is called.....
15. The information obtained by the auditor which enables him to arrive at the conclusions in forming an opinion on the financial statements is referred to as.....
16. Non-statistical sampling methods are also referred to as.....
17. Schedules prepared by auditors setting out those procedures to be executed during the course of the audit in order to obtain audit evidence from which the auditors draws conclusions on the financial statements are called.
18. A person or firm possessing special skills, knowledge and experience in a particular field other than auditing or accounting is called.....
19. Test of transactions and balances which seek to provide audit evidence as to the completeness, accuracy and validity of the information contained in the accounting record or the financial statements is called.....
20. Audit evidence must be reliable,.....and.....

SOLUTIONS TO SHORT-ANSWREER QUESTIONS

1. Any of the following:- Physical controls, Authorization & Approval controls, Personal controls, Arithmetic & Accounting controls, Management controls, Organisational controls, Supervision controls & Segregation of duties controls.
2. Compliance and substantive Tests
3. Interim Audit
4. Continuous Audit
5. Integrity, Independence and objectivity, Confidentiality, Technical competence, conformity with technical competence, Maintenance of accepted ethical conduct, fees determination, restraint on advertisement of technical ability and publicity.
6. Assurance services
7. Corporate Governance
8. Compliance
9. Auditing Framework
10. Letter of weakness/Management Letter
11. Due Process
12. Internal audit
13. First auditors and casual vacancy
14. Negative assurance
15. Audit evidence
16. Judgemental sampling
17. Audit programmes
18. An expert
19. Substantive testing
20. Relevant, sufficient

SECTION B - Attempt any FOUR questions

(50 Marks)

QUESTION 1

Audit staff from a renowned firm of Chartered Accountants need to obtain evidence on financial statements of a client company before audit report would be issued to shareholders and other stakeholders.

Required:

A Briefly describe sufficiency, relevance and reliability in relation to the three attributes of audit evidence. (9 Marks)

B What is analytical review procedures in audit assignment? (3½ Marks)

(TOTAL 12½ Marks)

SOLUTION 1

1A **Sufficiency:-** This attribute of audit evidence is the measure of the amount of evidence gathered, and appropriateness is a measure of its quality, and adequacy. For example, an auditor looking at Non-Current Assets (Fixed assets) verification may inspect the relevant assets. This may be sufficient evidence if the auditor can inspect significant number of the relevant assets and it may be appropriate, but only as far as existence of the assets are concerned. An inspection of assets can prove they exist, but it doesn't prove the client owns them hence; another test has to be done on their ownership. (3 Marks)

Relevance:- The relevance of the audit evidence should be considered in relation to the overall audit objective of forming an opinion and reporting on the financial statements. The auditors need to answer the questions which include the following:-

- Have all assets and liabilities been recorded?
- Do the recorded assets and liabilities exist?
- Have all income and expenses been recorded?
- Did the recorded expense transactions in fact occur?
- Have the amounts attributed to the assets, liabilities, income and expenses been arrived at in accordance with the stated accounting policies, on an acceptable and consistent basis? (3 Marks)

Reliability:- The audit evidence must be reliable in terms of the source from which it is obtained as well as the consistency of the evidence in relation to other evidence obtained.

The following general assumptions are used in evaluating the reliability of audit evidence:-

- Documentary evidence is more reliable than oral evidence
- Evidence obtained from independent sources outside the enterprises' environment is better than evidence sourced within the enterprise
- Evidence originated by the auditor as a result of auditors' tests is more reliable than evidence obtained from others
- Original documents are more reliable than photocopied documents

(3 Marks)

B Analytical Review Procedures is defined as audit procedures which systematically analyse and compare related figures, trends, ratios and other data with the aim of providing evidence to support the audit opinion on the financial statements.

Generally, analytical review procedures entailed the following:-

- (i) Comparison of current-year account balances to balances of the preceding year.
- (ii) Comparison of the current-year account balances to anticipated results as contained in the Company's budget and forecasts.
- (iii) Comparison of current year account balances and financial relationship with similar information for the industry in which the company operates.

(3½ Marks)

(Total 12½ Marks)

QUESTION 2

"Audit assignment on the records of an entity which relates to a financial year are carried out at various times, during, at the end and after the end of the financial year"

Required:

a. What are the objectives of an audit assignment? (8 Marks)

b. Explain the qualities required of auditors. (4½ Marks)

(TOTAL 12½ Marks)

SOLUTION 2

A The objectives of an audit assignment involve the following:-

- (i) The main objective of an audit assignment is to produce a report by the auditors of their opinion of the truth and fairness of financial statements so that any person reading and using them can have belief in them. (2 Marks)

- (ii) Audit assignment allows auditors to advise management of any defects or problems with their accounting systems and to suggest ways of improving on them. (1½ Marks)
- (iii) Audit assignments may detect errors and fraud (1½ Marks)
- (iv) Prevention of errors and fraud by the deterrent and moral effect of the audit (1½ Marks)
- (v) Auditors are able to assist their clients with accounting problems, financial reporting systems, taxation, financial risk management and other problems. (2 marks each for any four)
(TOTAL – 8 Marks)

B. Auditors need to possess the following qualities:-

- Independence
- Competence
- Integrity

- (i) Independence:- Auditors cannot give unbiased opinions unless they are independent of all the parties involved. There is a dilemma here in that auditors receive their fees from the client. Nonetheless, independence is very important. Not only must auditors be independent in fact and in attitude of mind but they must also be seen to be independent. (1½ Marks)
- (ii) Competence:- Auditors must be thoroughly trained and prove their competence before they can sign an audit report. Members of the Institute of Chartered Accountants pass through difficult examinations, and post-qualifying education which enhance auditors' competence level tremendously. (1½ Marks)
- (iii) Integrity:- Qualified accountants are renowned for their honesty, discretion and tactfulness. (1½ Mark)

(6 marks)
(TOTAL 12½ Marks)

QUESTION 3

Blessings Nigeria Plc has been in manufacturing business for the past 5 years. The Management of the company observed, when considering the monthly financial returns from Director of Finance, that staff Salaries was the major expense head incurred by the Company recently.

The Management decided to call its external auditors to confirm the correctness or otherwise of the huge amount associated with Salary Expenses.

Required:

Draft the audit programme suitable for examining staff Salaries during your audit.

(12¹/₂ Marks)

SOLUTION 3

The audit programme suitable for the audit of staff salaries of a company are as follows:

- (a) Verify that the engagement of new employees and discharges of old ones have been carried out in line with the organisation's policies.
- (b) Check gross salaries to employees' records in personnel department.
- (c) Verify proper authorisation of overtime.
- (d) Check calculation of employee salaries including re-computation of deductions.
- (e) Confirm receipt of cash paid to employees.
- (f) Confirm payment of salaries through bank transfers to employees.
- (g) Recompute payroll sheets.
- (h) Trace totals of salary sheets to summaries.
- (i) Check additions of summary sheet
- (j) Trace summary sheet totals to nominal ledger.
- (k) Trace total of net pay to Cash Book.
- (l) Trace deductions to check-off accounts, and
- (m) Verify that there is proper approval for the payment of salaries.

(12¹/₂ Marks)

QUESTION 4

Internal Control Questionnaires (ICQs) and Internal Control Evaluation Questionnaires (ICEQs) are part of basic techniques used when documenting client's systems.

Required:

- A Distinguish between ICQ and ICEQ. (7½ Marks)
- B List **FIVE** key control questions you would expect to find in an ICEQ on Sales Cycle (5 Marks)
- (Total 12 ½ Marks)**

SOLUTION 4

Internal Control Questionnaire (ICQ) is a checklist containing a series of questions designed to ascertain and record the accounting and internal control procedures in existence within a client's entity. (1½ Marks)

The objective of an Internal Control Questionnaire is to record controls. (1 Mark)

A "YES" response to a question in ICQ implies the existence of controls whereas a "NO" response implies otherwise. (1 Mark)

Internal Control Evaluation Questionnaires (ICEQ) is a schedule or checklist containing a series of questions, which are designed to assess the strength and/or weaknesses of an entity's internal control system. (2 Marks)

The objective of ICEQ is to evaluate controls. (1 Mark)

A "YES" response in an ICEQ implies that controls are weak and a "NO" response implies the reverse. (1 Mark)

(7½ Marks)

- B. Five key control questions one would expect to find in an ICEQ on sales cycle are as follows:-
- (i) Can sales be effected without proper authorization?
 - (ii) Can goods be dispatched but not invoiced?
 - (iii) Can discounts be given to customers without authorization?
 - (iv) Can Cash or cheques be received but not banked?
 - (v) Can credit limit be exceeded without proper authority? (5 Marks)
- (Total 12½ Marks)**

QUESTION 5

As part of the by-products of an audit assignment, auditors are expected to write Management letter to clients before the completion of such assignment.

Required:

- A Define Management letter? (3½ Marks)
- B Enumerate FOUR purposes of the Management letter. (4 Marks)
- C Itemise procedures for agreeing and sending Management Letter. (2½ Marks)
- D List FIVE contents of Management Letter. (2½ Marks)
- (TOTAL 12½ Marks)**

SOLUTION 5

- A Management Letter is written by the auditor to the Management to inform the management of problem identified within the internal control environment, during the audit including specific control procedure problems.

In the course of audit assignment, auditors may uncover weaknesses in the accounting systems, incidences of poor accounting practice or other matters which should be reported to the client through Management Letter.

Reporting of the highlighted weaknesses is done to the directors, or any governing body including the Audit Committee or the senior management as appropriate in order to invite their attention on the need for remedial action on the identified lapses in control. (3½ Marks)

- B Purposes of the Management Letter include the following:-

- (i) It enables the auditors to bring to the attention of management areas of systems weakness that might lead to material errors or misstatements.
- (ii) It enables the auditors to give their comments on the accounting records, systems and controls.
- (iii) Management Letter enables the auditor to communicate matters that may have impact on future audits.
- (iv) It enables the management to put right matters that may otherwise have led to an audit report qualification. (4 Marks)

- C Procedure for agreeing and sending Management Letter involves the following:-

- (i) As weaknesses are identified, they should be discussed in detail with the operating staff involved and/or with more senior management.
- (ii) The Management Letter should then be written and discussed informally with the board or the Audit Committee prior to being formally submitted.
- (iii) The letter should then be sent.

(iv) An acknowledgement should be obtained from management stating what they propose to do about the weaknesses.

(v) Weaknesses should be followed up on the next audit visit. (2 ½ Marks)

D. Some contents of Management Letter are listed as follows:-

(i) A statement that only the weaknesses that have come to the auditor's attention are reported and there may be others.

(ii) A list of weaknesses in the structure of accounting systems or internal control procedures which have been uncovered during the audit and details of any controls which are ill-designed, inadequate or not functioning fully.

(iii) A list of deficiencies in operation of the records or controls. In reality, good records and controls may have been designed but they may be bypassed by staff.

(iv) Explanation of the risks from each weakness. The Client should be addressed of the implications of any weakness in the system and possible consequences which may flow from not dealing with it.

(v) Recommendations for improvement. (2½ Marks)

(Total 12 ½ Marks)

QUESTION 6

Principally, there are three stages which auditors need to pass through in any audit assignment. The stages involve Planning phase, Operation Phase and Reporting phase.

Required:

Itemise the duties expected of auditors in each of the phases or stages.

(12 ½ Marks)

SOLUTION 6

The stages in the audit and auditors' duties can be summarised as follows:-

(a) Planning Stage involves the following auditors' duties:- (5 Marks)

- Know your client
- Internal control system review
- Planning the audit (including preliminary analytical review)

- Evaluation of audit risk
- Developing the audit programmes.
- Audit Staff meeting

(b) Operational stage involves the following auditors' duties:- (3 Marks)

- Audit tests
- Analytical review techniques
- Analytical review of financial statements

(c) Completion Stage

- Obtaining letter of representation from client
- Subsequent events review

(d) Reporting stage has the following duties which auditors need to perform:-

- Preparation of Letter of weaknesses to the management
- Preparation of and signing the audit report

(Any 12 points with 1 mark each = 12 marks for $\frac{1}{2}$ mark for presentation)
(Total 12½ Marks)

ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIANS SCHEME WEST AFRICA (ATSWA)
COST ACCOUNTING

Time Allowed: 3 Hours

SECTION A: (Attempt All Questions)

PART 1 MULTIPLE-CHOICE QUESTIONS

(30 Marks)

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

1. A budget that gives a summary of all the functional budgets and projected Profit and Loss Account is known as
 - A. Capital Budget
 - B. Flexible Budget
 - C. Compound Budget
 - D. Master Budget
 - E. Discretionary Budget

2. According to marginal costing theory, selling prices in the short-term are normally fixed on the basis of
 - A. Total cost only
 - B. Variable cost plus fixed cost
 - C. Total cost plus contribution
 - D. Variable cost plus a contribution
 - E. Total cost plus profit

3. An hospital in your country uses an equipment for six patients in a ward but would require an additional one to render same kind of service for ten patients at the same time for the same purpose. Which one of the following options best describes the type of cost involved?
 - A. Total cost
 - B. Step cost
 - C. Fixed cost
 - D. Variable cost
 - E. Mixed cost

4. Which **ONE** of these is **NOT** a feature of good coding system?
 - A. Indexing
 - B. Distinctiveness

- C. Brevity
 - D. Uniqueness
 - E. Non-ambiguity
5. The document required by a production department to enable it receive replenishment of materials is known as
- A. Proforma Invoice
 - B. Purchase Order
 - C. Delivery Note
 - D. Material Order
 - E. Store Requisition
6. Which **ONE** of the following is **NOT** the underlying assumption in Economic Order Quality Model?
- A. Lead time is certain and constant
 - B. All units ordered are delivered in piece-meal
 - C. Demand rate is constant daily
 - D. Purchase price per unit is constant and there is no quantity discount
 - E. Demand rate is certain and constant
7. Over-absorbed overheads occur when
- A. Actual overheads exceed budgeted overhead
 - B. Absorbed overheads equal actual overheads
 - C. Production in units is greater than sales unit
 - D. Absorbed overheads exceed actual overheads
 - E. Absorbed overheads exceed budgeted overheads
8. The point of focus for the costs relating to a particular activity in an activity-based costing system is called
- A. Cost pool
 - B. Activities
 - C. Production
 - D. Cost Driver
 - E. Cost apportionment
9. The accounting systems where the cost accounts and financial accounts are combined in one set of accounts is known as
- A. Marginal costing system
 - B. Cost Control accounting system
 - C. Integrated accounting system
 - D. Interlocking accounting system
 - E. Control accounting system

10. Which **ONE** of the following is **NOT** a characteristic of contract costing?
- A. Surplus materials
 - B. High proportion of direct costs
 - C. Difficulties of cost control
 - D. Continuous operation
 - E. Low indirect costs
11. What is the treatment given to abnormal costs in specific order costing?
- A. Debited to the suspense account
 - B. Ignored
 - C. Included in the cost of the order
 - D. Debited to the profit and loss account
 - E. Included in the price of the order
12. Which **ONE** of these costing methods is likely to be used in a bakery?
- A. Contract costing
 - B. Mass production costing
 - C. Job costing
 - D. Process costing
 - E. Batch costing
13. The cost of an asset acquired about three years ago in a manufacturing company is a good example of
- A. A relevant cost
 - B. An avoidable cost
 - C. A sunk cost
 - D. A notional cost
 - E. A future cost
14. A breakeven point is the point
- A. Where fixed cost is at optimum
 - B. Where contribution is highest
 - C. Where variable costs are highest
 - D. Where return on investment is adjudged very low
 - E. Where contribution equals fixed cost
15. The value of the benefit sacrificed when one course of action is chosen in preference to an alternative is called
- A. A sunk cost
 - B. A target cost
 - C. A relevant cost

- D. An opportunity cost
 - E. A marginal cost
16. Which of the following techniques can be used in a cost reduction programme?
- A. Value reduction
 - B. Standard costing
 - C. Variety reduction
 - D. Budgetary control
 - E. Marginal costing
17. Which **ONE** of the following is **NOT** a component of value under Value Analysis Technique?
- A. Consumer value
 - B. Cost value
 - C. Esteem value
 - D. Exchange value
 - E. Usage value
18. The following are the principal uses of budgets **EXCEPT**:
- A. Budget time table
 - B. Control
 - C. Planning
 - D. Communication of plans
 - E. Evaluation of Performance
19. Which one of the following is the correct formula for calculating Total Contribution?
- A. Total revenue less fixed costs
 - B. Total revenue less production costs
 - C. Total revenue less variable costs
 - D. Total revenue less total costs
 - E. Total revenue less selling and distribution costs
20. XYZ Transport Company operates a fleet of delivery vehicles, for operational purposes. Which of the following cost units would be most useful for the company?
- A. Cost per kilometer run
 - B. Cost per kilogramme carried
 - C. Cost per driver hour
 - D. Cost per kilogramme/kilometer
 - E. Cost per passenger hour

21. Which **ONE** of the following would be included in the financial accounts of a manufacturing concern but would be excluded from the cost accounts?
- A. Direct labour costs
 - B. Direct material costs
 - C. Factory Manager's salary
 - D. Depreciation of storeroom handling equipment
 - E. Interest on loan
22. Prime cost comprises of
- A. Direct labour and material only
 - B. All variable costs
 - C. All costs
 - D. Direct labour, direct material and direct expenses
 - E. Direct labour, direct material and production overhead
23. Which of the following is relevant to the primary objective of Total Quality Management (TQM)?
- A. Satisfying customers requirement
 - B. Improving the profit of the company
 - C. Meeting budgetary targets
 - D. Meeting management goals
 - E. Meeting shareholders' dividend goals
24. What is the purpose of calculating an economic order quantity (EOQ) for a raw material?
- A. To minimize cost of purchasing
 - B. To minimise the stockholding quantity of the material in question
 - C. To minimize the total cost of purchasing and storing the material
 - D. To minimize the stockholding costs of the material
 - E. To enable the re-order level of the material to be established
25. Absorption costing is concerned with which of the following?
- A. Direct labour
 - B. Direct materials plus direct labour
 - C. Fixed costs
 - D. Direct materials
 - E. Variable and fixed costs

26. Which of the costing terms stated below is associated with charging a specific item of overhead cost to one particular department in an organization?

- A. Absorption
- B. Apportionment
- C. Allocation
- D. Re-allocation
- E. Re-appointment

27. The process of cost apportionment is carried out so that

- A. Costs may be totally controlled
- B. Costs may be partially controlled
- C. Common costs are shared among cost centers
- D. Cost units gather overhead as they pass through cost centers
- E. Whole items of cost can be charged to cost centers

28. A trade discount is

- A. An increase in quantity given to customers
- B. A discount for early payment
- C. A special sales promotion
- D. A reduction in price per unit given to customers
- E. The reduction in overhead costs per unit as production increases

29. Cost control and cost reduction

- A. Are aimed at exposing fraudulent managers
- B. Mean the same thing
- C. Are used during crises situations
- D. Are the opposite of each other
- E. Are two distinct management tools

30. Idle plant capacity means

- A. Practical capacity minus normal capacity
- B. Minimum capacity minus normal capacity
- C. Maximum capacity minus actual capacity
- D. Practical capacity minus actual capacity
- E. Maximum capacity minus practical capacity

SOLUTION TO MULTIPLE CHOICE QUESTIONS

- 1. D
- 2. D

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

SECTION A

PART II - SHORT ANSWER QUESTIONS

Write the answer that best completes each of the following questions/statement

1. In ABC analysis, A stands formaterials.
2. The method of regular physical checking of materials throughout the year is known as.....
3. Time not spent on productive work is known as.....
4. Workers who are appointed on day-to-day basis and are not on the payroll sheet are called workers.
5. Under/over absorption of overhead arises only when overhead absorption is based on.....rates
6. The costs incurred up to the point where individual products can be identified are called.....costs
7. In cinema halls, composite cost unit is.....
8. In transport companies,sheet is maintained for each vehicle to record details of trips made by vehicles during a specified period
9. The budget control organization is usually headed by a top executive who is known as.....
10. A summary of all functional budgets is referred to as.....
11. That portion of the material cost variance which is due to the difference between actual quantity consumed and standard quantity specified is called..... variance.
12. A costing method applicable where goods or services result from a sequence of production is known as.....
13. Costs which a manager could avoid by a decision or course of action are called.....
14. The process of grouping together items which are similar in an account is.....
15. Minimum stock or safety stock is otherwise called.....
16. The period of time between ordering and when goods are delivered is.....

17. The method of inventory valuation which assumes that material is charged out at a price of the most recent batch until a new batch is received is.....
18. The measure of the proportion of people leaving an organization relative to the average number of people employed is called.....
19. Special charges made in the cost accounts but not in the financial accounts to reflect the use of the company's assets are.....
20. An alternative system where the cost and financial accounts are kept independently is called an.....

SOLUTIONS TO SHORT ANSWER QUESTIONS

1. Costliest
2. Continuous stock taking/Perpetual Inventory Control
3. Idle time
4. Casual
5. Predetermined
6. Joint
7. A seat per cinema show
8. Daily log
9. Budget director
10. Master Budget
11. Material usage
12. Process costing
13. Controllable costs
14. Classification
15. Buffer stock
16. Lead time
17. Last-In-First-Out (LIFO)
18. Labour turnover
19. Notional charges
20. Interlocking accounting system

SECTION B – Attempt Any Four Questions

QUESTION 1

Many tools have been developed to enable organisations reduce and control costs of running their business activities.

Write short notes on the following tools:

- | | | |
|-----|--------------------------|---------------------------------------|
| (a) | Value Analysis | (2 ¹ / ₂ Marks) |
| (b) | Value Engineering | (2 ¹ / ₂ Marks) |
| (c) | Organisation and Methods | (2 ¹ / ₂ Marks) |
| (d) | Work study | (2 ¹ / ₂ Marks) |
| (e) | Cost Audit | (2 ¹ / ₂ Marks) |
- (TOTAL 12¹/₂ Marks)**

SOLUTION 1

a. Value Analysis

Value analysis is a tool which seeks to improve the value of a product or process by understanding its constituent components and their associated costs. Thereafter, it goes ahead to find improvements to those components by either reducing their cost of increasing the value of the functions. The overall objective is to give the customer better value and it is usually accomplished by a carefully selected team following a work plan.

b. Value Engineering

Value engineering is an organised approach to providing the necessary functions at the lowest cost.

At the initial stage of the approach, its focus was mainly to reduce costs but later on it was decided that this was deficient because quality was not covered. This has led to a modification of the approach, hence its current definition viz” Value engineering is an organised approach to the identification and elimination of unnecessary cost”. For this purpose, unnecessary cost is cost which provides neither use, nor life, nor quality, nor appearance, nor customer features.

(2¹/₂ Marks)

c. Organisation and Methods (O & M)

Organisation and Methods is defined as “the systematic examination of activities in order to improve the effective use of human and other material resources”. The overall objective is to improve an organisation’s efficiency and control. This assignment is usually contracted out to experts because of its specialist nature because it is believed that line management may not possess the required skills or time to provide the service.

Also, it is believed that those working day to day on an activity may not readily realise the imperfections of the system or identify obvious improvement opportunities.

In recent years, the O & M function has lost its original name to more current ones like "Project Management" or "Business Improvement". (2½ Marks)

d. Work Study

Work study is a system of increasing or maximizing the productivity of an operating unit by reorganizing the work of that unit.

Work study is subdivided into two major methods namely (i) method study and (ii) work measurement

Method study, as the name implies, is the recording and critical examination of existing methods of doing work and comparing same with proposed methods with a view to coming up with easier methods which would be more effective and cheaper on the long run

Work measurement seeks to measure the time required for an average qualified worker to complete a specific assignment at a specific level of performance.

(2½ Marks)

e. Cost Audit

Cost audit is the process of ascertaining whether the production, marketing and other aspects of a business are managed in the most cost effective manner. This assignment which is seen as a management efficiency optimising tool is done internally and not contracted out to experts. The most important benefit of this tool is that previously unseen leaks in revenue generation or unproductive and under-productive employment of resources are detected and remedied before they get out of hand.

(2½ Marks)

(Total 12½ Marks)

QUESTION 2

Just-In-Time (JIT) system was developed, as a departure from the traditional production and purchasing systems, to reduce efforts, and costs.

You are required to explain **FIVE** of the main goals of JIT.

(12½ Marks)

SOLUTION 2

With advancement in technology, production and other processes are becoming more and more sophisticated and many things are now being taken for granted. Precautions that were being applied to processes are now becoming less relevant because the current production systems are now more reliable.

Just In Time system was developed to maximize the benefits derivable from technical advancements and ultimately make business operations less cumbersome and more cost-effective.

The following are the main goals of JIT system:

- (a) No opening or closing stocks. Traditionally, for production to run without fail, materials are purchased in excess of requirements and inventory levels are strictly adhered to e.g. minimum stock level, reorder level etc. This increases production costs through working capital tied down in stocks, and higher stockholding costs. With JIT, items are purchased or produced “just in time” in the required quantities and quality.
- (b) Elimination of non-value-adding activities. With JIT, operations are precise and straightforward. All administrative activities that do not have a direct impact on the main activity are eliminated. Also avoided, are paper work which take time to generate whereas they do not add any value to the main activity. By so doing, time and cost are saved.
- (c) No production wastages. Producing goods for stock involves wastage through lack of controls; production is not strictly monitored for quality and size because products are not manufactured for immediate delivery; wastages are not controlled and curbed. But with JIT, exact quantities of materials are ordered as required and wastages arising, if any, are promptly addressed.
- (d) 100% on time deliveries. Under JIT production, each process is targeted towards a particular order and not for general delivery. With that in mind, timeliness of delivery becomes critical.
- (e) Batch sizes of one only. Under normal traditional production system, production batches are several and continuous. However, under JIT production, batches are synonymous with orders and therefore strictly monitored as such. Production need not take place if no orders are received.
- (f) Demand-pull manufacturing. Traditional systems manufacture goods (in anticipation of demand i.e. future deliveries) but JIT production manufacture goods only for particular orders received. This means demand by the customer is the trigger for the production and delivery process.
- (g) No break downs. Under the traditional production system, deliveries are not affected by temporary breakdown of machinery because orders are fulfilled through goods already in the store. However, under JIT, because machinery breakdown means a damaging impact on customer orders, conscious efforts are made to avoid such.
- (h) Shorter set-ups. Continuous production requires extensive, expensive and time-consuming production set-ups. This is not the case with JIT since each set-up is for a particular order which is defined and therefore limited in quantity.

(2¹/₂ Marks for each point)

(Total 12¹/₂ Marks)

QUESTION 3

Askario Manufacturing Co Ltd is a leading paint manufacturer in your country. The following data relates to the company during the month of July.

	Le
Raw materials (1000kg)	150,000
Labour cost	320,000
Overhead cost	220,000

A normal loss of 10% on input materials is expected

Actual output is 850kg

Losses are sold as scrap for Le150 per kg

You are required to prepare:

- | | |
|------------------------------|--|
| (a) Process A/c | (5 Marks) |
| (b) Normal Loss A/c | (4 Marks) |
| (c) Abnormal loss A/c | (3 ¹ / ₂ Marks) |
| (Show all relevant workings) | (Total 12¹/₂ Marks) |

SOLUTION 3

ASKARIO MANUFACTURING CO. LTD PROCESS ACCOUNT

	Kg			Kg	Rate	
		Le			Le	Le
Material	1,000	150,000	Normal loss	100	150	15,000
Labour		320,000	Abnormal loss	50	750	37,500
Overhead		220,000	Finished goods	850	750	637,500
		<u>690,000</u>				<u>690,000</u>

Workings

Normal loss	=	1000 x 10% = 100kg
Expected Output	=	Input - Normal loss
	=	1000kg – 100kg
	=	900kg

The process cost (Total)	
Input	150,000
Labour	320,000
O'head	<u>220,000</u>
	690,000
Less Normal Loss	<u>15,000</u>
Le15,000 (100kg x 150)	<u>675,000</u>

Cost per unit = $\frac{\text{Le}675,000}{900\text{kg}}$
= Le750 per kg

Abnormal Loss = Expected Output
Less Actual Output
= 900kg – 850kg
= 50kg

(b)

Normal Loss A/c					
	Units	Le		Units	Le
Process A/c	100	15,000	Cash/bank	150	22,500
Abnormal loss	50	<u>7,500</u>			
		<u>22,500</u>			<u>22,500</u>

(4 Marks)

(c)

Abnormal loss A/c					
	Units	Le		Units	Le
Process A/c	50	37,500	Normal Loss	50	7,500
		<u>37,500</u>	Profit & loss A/c		<u>30,000</u>
					<u>37,500</u>

3¹/₂ Mark
(Total 12¹/₂ Marks)

QUESTION 4

STRATA INDUSTRIES LIMITED plans to sell 150,000 units of their sole product, Strat at a unit price of L\$24 during the coming year.

To produce STRAT, the company uses two raw materials namely ZEE and BEE, obtainable at a unit price of L\$2 and L\$3 respectively. It takes 3 units of each material to produce a unit of STRAT.

Expected stock levels are as follows:

	OPENING	CLOSING
STRAT	60,000	90,000
ZEE	50,000	80,000
BEE	60,000	70,000

Required:

- (a) Prepare the following on behalf of STRATA INDUSTRIES LIMITED
- Sales Budget (2 Marks)
 - Production budget (2¹/₂ Marks)
 - Materials Purchase Budget (5¹/₂ Marks)
- (b) Prepare another Materials Purchase Budget assuming there are no opening or closing stocks of raw materials and their unit prices are 25% costlier (2¹/₂ Marks)
- (Total 12¹/₂ Marks)**

SOLUTION 4

STRATA INDUSTRIES LIMITED

a. i.	<u>SALES BUDGET</u>		
	Quantity to be sold	150,000	
	Unit selling price	L\$24,000	
	Total sales	<u>L\$3,600,000</u>	(2 Marks)
ii.	<u>PRODUCTION BUDGET (units)</u>		
	Closing Stock OF STRAT	90,000	
	Add: Quantity to be sold	<u>150,000</u>	
		240,000	
	Less: Opening Stock	<u>60,000</u>	
	Quantity to be produced	<u>180,000</u>	(2 ¹ / ₂ Marks)
iii.	<u>MATERIAL PURCHASE BUDGET</u>		
	Quantity of STRAT to be produced	<u>180,000</u>	
	Qty of materials required:	<u>ZEE</u>	<u>BEE</u>
	3 units each	540,000	540,000
	Add: Closing Stocks	<u>80,000</u>	<u>70,000</u>
		620,000	610,000
	Less: Opening Stocks	<u>50,000</u>	<u>60,000</u>
		570,000	550,000
	Unit cost	L\$2	L\$3
	Total cost	<u>L\$1,140,000</u>	<u>L\$1,650,000</u>
	GRAND TOTAL	<u>L\$2,790,000</u>	(5 ¹ / ₂ Marks)

b. MATERIAL PURCHASE BUDGET (Assuming no opening or closing stocks)

	<u>ZEE</u>	<u>BEE</u>
Quantity of materials required	540,000	540,000
Unit cost	L\$2	L\$3
Total cost	L\$ <u>1,080,000</u>	L\$ <u>1,620,000</u>
GRAND TOTAL		L\$ <u>2,700,000</u>
		(2 ¹ / ₂ Marks)
		(Total 12 ¹ / ₂ Marks)

QUESTION 5

VENKAT INDUSTRIES LIMITED trades in plastic products. Its bank account as at 31 December 2011 showed credit balance of ₦280,000. From actual sales figures of ₦900,000 and ₦950,000 in November and December respectively, management was able to project sales of ₦850,000, ₦880,000 and ₦1,000,000 for January to March 2012 respectively. According to trends, sales revenues are realised 60% in cash, 25% in 30 days and balance in 60 days.

Goods purchased for resale are usually paid for in 30 days and the usual gross margin is 100% on cost.

The following expenditure are proposed for the New Year:

January

- New generator ₦500,000
- Office Painting ₦125,000

February

- New delivery van ₦450,000

March

- Corporate Tax ₦105,000

Monthly salaries effective January are N175,000 payable at the end of each month. In January, an old generator which is to be replaced would be sold off for ₦120,000.

Required:

Prepare a cash budget for the first three months of 2012 on behalf of VENKAT INDUSTRIES LIMITED. Show all workings. (12¹/₂ Marks)

SOLUTION 5

VENKAT INDUSTRIES LIMITED

CASH BUDGET FOR JANUARY TO MARCH 2012

	JANUARY	FEBRUARY	MARCH
	₹	₹	₹
INFLOWS			
Sales Revenue	882,500	883,000	947,500
Asset Disposal	<u>120,000</u>	-	-
TOTAL CASH INFLOW	<u>1,002,500</u>	<u>883,000</u>	<u>947,500</u>
OUTFLOWS			
Purchase	475,000	425,000	440,000
New Generator	500,000	-	-
Office painting	125,000	-	-
Delivery van	-	450,000	-
Corporate Tax	-	105,000	-
Salaries	<u>175,000</u>	<u>175,000</u>	<u>175,000</u>
TOTAL CASH OUTFLOW	<u>1,275,000</u>	<u>1,155,000</u>	<u>615,000</u>
NET CASH FLOW	(272,500)	(272,000)	332,500
OPENING BALANCE	<u>280,000</u>	<u>7,500</u>	(264,500)
CLOSING BALANCE	<u>7,500</u>	<u>(264,500)</u>	<u>68,000</u>

WORKINGS

(1) Sales Revenues

	NOV	DEC	JAN	FEB	MAR
	₹	₹	₹	₹	₹
60%	540,000	570,000	510,000	528,000	600,000
25%	-	225,000	237,500	212,500	220,000
15%	-	-	<u>135,000</u>	<u>142,500</u>	<u>127,500</u>
TOTAL	<u>540,000</u>	<u>795,000</u>	<u>882,500</u>	<u>883,000</u>	<u>947,500</u>

(2) Cost of purchase

	DEC	JAN	FEB	MAR
	₹	₹	₹	₹
Turnover	950,000	850,000	880,000	1,000,000
Cost (50%)	475,000	425,000	440,000	500,000
30 days' credit	<u>-</u>	<u>475,000</u>	<u>425,000</u>	<u>440,000</u>

(12¹/₂ Marks)

QUESTION 6

Kojo Kofi Plc uses a standard costing system with its material stock account being maintained at standard costs.

The following details have been extracted from records in respect of direct materials:

Standard Cost Card:

Materials for 70kg finished products 100kg

Price of material ₦100 per kg

Actual Results:

Output	210,000kg
Material used	280,000kg
Cost of materials	₦25,200,000

You are required to calculate:

- (a) Material usage variance (4¹/₂ marks)
 - (b) Material price variance (4 marks)
 - (c) Material cost variance (4 marks)
- (Show all workings) (Total 12¹/₂ marks)

SOLUTION 6

Kojo Kofi Plc

Calculation of material usage

Price and cost variance

Workings:

Standard Quantity for actual output

$$= 210,000\text{kg} \times \frac{100\text{kg}}{70\text{kg}} = 300,000\text{kg}$$

$$\text{Actual Quantity} = 280,000\text{kg}$$

$$\text{Standard Price} = ₦100 \text{ per kg}$$

Actual Price per kg

$$= ₦25,200,000 \div 280,000 \text{ kg}$$

$$= ₦90 \text{ per kg}$$

(a) Material usage variance

$$(\text{Std Qty} - \text{Actual Qty}) \times \text{Standard price} \quad (1 \text{ Mark})$$

$$= (300,000 - 280,000) \times 100 \quad (2 \text{ Marks})$$

= ₦2,000,000 (favourable)

(1½ Marks)

(b) Material price variance

(Std Price – Actual Price) x Actual Qty

(1 Mark)

= (100 – 90) 280,000

(2 Marks)

= ₦2,800,000 (favourable)

(1 Mark)

(c) Material cost variance

(Standard Quantity x Standard price) minus (Actual Quantity x Actual price)

(1Mark)

= (300,000x100) - (280,000x90)

(1 Mark)

= 30,000,000 – 25,200,000

(1 Mark)

= ₦4,800,000 (favourable)

(1 Mark)

(Total 12½ Marks)

ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIAN SCHEME WEST AFRICA (ATSWA)
PREPARING TAX COMPUTATIONS AND RETURNS

Time Allowed – 3 hours

SECTION A (Attempt All Questions)

PART I MULTIPLE-CHOICE QUESTIONS

(30 MARKS)

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

1. The objectives of taxation **EXCLUDE ONE** of the following
 - A. To redistribute income or wealth in order to reduce inequality
 - B. To provide fiscal tool for stimulating economic growth and development
 - C. To promote healthy competition among different tiers of government
 - D. To generate revenue to meet the needs of the government
 - E. To improve social functions such as redressing the rural-urban population drift

2. Sources of tax laws include the following **EXCEPT**
 - A. The Constitution
 - B. Accepted recommendations of Commission of Enquiry
 - C. Opinions of income tax experts
 - D. Opinion of a member of House of assembly of any state
 - E. Court judgement until overruled

3. Which **ONE** of the following is **NOT** cannon of taxation?
 - A. Equity
 - B. Accountability
 - C. Ability to pay
 - D. Economy
 - E. Convenience

4. Notice of assessment will contain the following **EXCEPT**
 - A. Tax charged in previous year
 - B. The tax payable
 - C. The total profit on which tax was charged
 - D. The name of the addressee
 - E. The address for service of any notice

5. Income derived from employment or from a trade, business, profession or vocation is known as
- A. Earned Income
 - B. General Income
 - C. Unearned Income
 - D. Chargeable Income
 - E. Assessable income
6. A quorum is formed at any meeting of the State Board of Internal Revenue where there is in attendance
- A. The Chairman and one Director
 - B. The Chairman and three other members
 - C. The Chairman or a Director and four other members
 - D. The Chairman and seven other members
 - E. The Chairman or a Director and two other members
7. A Tax Clearance Certificate discloses in respect of the last three years of assessment the following **EXCEPT**
- A. Tax outstanding or a statement to the effect that no tax is due
 - B. Projected income
 - C. Chargeable income
 - D. Tax payable
 - E. Tax paid
8. Who has the right to exercise the power of election under commencement rules?
- A. The tax payer
 - B. The tax consultant
 - C. The tax authority
 - D. The tax institute
 - E. The appeal commissioner
9. Which of the following is **NOT** a type of Capital Allowance?
- A. Balancing allowance
 - B. Quarterly allowance
 - C. Investment allowance
 - D. Annual allowance
 - E. Initial allowance

10. What is the estimated tax life of a qualifying capital expenditure with an annual allowance rate of 25%?
- A. One year
 - B. Two years
 - C. Three years
 - D. Four years
 - E. Five years
11. Which of the following is **NOT** true of stamp duties?
- A. These are taxes on persons
 - B. These are not taxes on transactions
 - C. These are relatively cheap to administer
 - D. These are charged under different heads of charges
 - E. The instrument to be stamped must be in a written form
12. Under Value Added Tax Act Cap V1 LFN 2004 (as amended), in which of the following ways can tax refunds be claimed?
- A. Checking method
 - B. Credit method
 - C. Direct debit method
 - D. Direct payment method
 - E. Indirect cash method
13. A Value Added Tax (VAT) appeal should be lodged at
- A. Revenue Court
 - B. Revenue Tribunal
 - C. VAT Tribunal
 - D. VAT Court
 - E. Federal Court of Appeal
14. Which of the following is **NOT** an employment income?
- A. Transport Allowance
 - B. Pension Fund Contribution refund
 - C. Rental income
 - D. Basic Salary
 - E. Pension income

15. Which of the following is **NOT** a source of unearned income for a sole trader?
- A. Interest on debenture
 - B. Dividend
 - C. Rental Income
 - D. Commission
 - E. Interest on bank deposit
16. Capital Gains Tax (CGT) may be paid in any of the following ways **EXCEPT**
- A. In kind
 - B. Cash immediately
 - C. By instalment
 - D. By Cash transfer
 - E. Cheque immediately
17. An annual tax return may contain the following **EXCEPT**
- A. The audited financial statements
 - B. The tax Computation
 - C. The Capital allowances computation
 - D. The payroll computations
 - E. A copy of the duly completed self assessment form
18. The following expenses are admissible under the Capital Gains Tax Act Cap C1 LFN 2004 **EXCEPT**
- A. Any professional cost such as solicitors' fees
 - B. Any donation to a political party
 - C. Any selling expenses such as advertisement costs
 - D. The cost of acquiring the asset disposed of
 - E. The cost of refurbishing the chargeable asset prior to disposal
19. Which **ONE** of the following is **NOT** a partner's income for tax purposes?
- A. Interest on capital as agreed between the partners
 - B. Salary paid to each partner as agreed between the partners
 - C. Interest on loan received from a third party
 - D. The share of profit and loss at the agreed ratio
 - E. Leave passages as agreed between the partners

20. The following conditions apply to current year Loss relief **EXCEPT**
- A. It is applicable to only individuals
 - B. It is applicable to both individuals and corporate bodies
 - C. Losses incurred from a particular source of income can be relieved against other sources
 - D. A written claim must be made within twelve months after the end of the year of assessment in which the loss arises in order to enjoy the current year relief.
 - E. Relief in respect of earlier loss has priority over current year loss
21. Which of the following is **NOT** subject to Withholding tax in Nigeria?
- A. Commission
 - B. Professional fees
 - C. Sales income
 - D. Rent
 - E. Dividend
22. What is the basis period of assessment for the first tax year of a new business?
- A. From actual date of commencing business to 31st December
 - B. From actual date of commencement of business to 31st March
 - C. The first twelve months of trading
 - D. The first eighteen months of trading
 - E. The preceding year basis
23. Which of the following is **NOT** a correct preceding year basis period for 2007 year of assessment?
- A. 1/8/2005 -- 31/7/2006
 - B. 1/11/2005 -- 31/10/2006
 - C. 1/1/2006 -- 31/12/2006
 - D. 1/1/2007 -- 31/12/2007
 - E. 1/4/2005 -- 31/3/2006
24. Which of the following represents the penultimate year of assessment?
- A. The year of cessation
 - B. The year of commencement
 - C. The year of change of accounting date
 - D. The preceding year of cessation
 - E. The preceding year of changing of accounting date

25. The Operational arm of the Federal Inland Revenue Service Board is known as
- A. Federal Inland Revenue Board
 - B. Federal Internal Revenue Service
 - C. Federal Internal Revenue Board
 - D. Federal Inland Revenue Service
 - E. Federal Board of Inland Revenue Service
26. Which of the following taxes may be administered by a State Internal Revenue Service?
- A. Value Added Tax
 - B. Capital Gains Tax for a company operating in the state
 - C. Stamp duties on a transaction between individuals
 - D. Pay as you Earn (PAYE) on an officer of the Nigeria Police working in the state
 - E. Custom Duties on goods imported by an individual in the state
27. Which of the following is **NOT TRUE** about restrictions on capital allowances?
- A. There is no restriction on capital allowance claim for agricultural business
 - B. There is no restriction on capital allowance claim for manufacturing businesses
 - C. There is a restriction on capital allowance claim for agricultural business
 - D. There is restriction on capital allowance claim for all other businesses
 - E. The rate of restriction for all other businesses is $66\frac{2}{3}$ percent of assessable profit
28. Which of the following is liable to education tax in Nigeria?
- A. All Nigerian Companies who supply education books only
 - B. Foreign Companies operating in Nigeria only
 - C. All Nigerian Educational Institutions
 - D. All Companies registered and operating in Nigeria
 - E. All Companies exporting goods from Nigeria
29. Royal Builders Limited commenced business on 1 April 2007 and has 31 December as its permanent year-end. In which tax year will initial allowance be claimed on a building that was acquired on 7 January 2007?
- A. 2007 Year of Assessment
 - B. 2008 Year of Assessment

- C. 2006 Year of Assessment
- D. 2009 Year of Assessment
- E. 2010 Year of Assessment

30. Which of the following can claim Carrying Forward Loss Relief?

- A. Individuals only
- B. Corporate bodies only
- C. Individuals and corporate bodies
- D. Corporate bodies only
- E. Government Ministries, Departments and Agencies

SOLUTIONS – MULTIPLE-CHOICE QUESTIONS

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

21. C
22. A
23. D
24. D
25. D
26. C
27. C
28. D
29. A
30. C

SECTION A

PART II - SHORT ANSWER QUESTIONS

(20 Marks)

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

1. Value Added Tax is borne by theconsumer of goods and services
2. Members of the State Board of Internal Revenue are appointed by.....
3. How many members constitute a Local Government Committee?
4. How many Appeal Commissioners can hear a tax appeal?
5. On what basis will an employee be assessed to tax in Nigeria?
6. What is the limit for carrying forward capital allowances?
7. The type of stamp duty that varies with the amount involved in the transaction is.....
8. The Value Added Tax (VAT) Technical Committee is headed by
9. On what basis will the profit of a sole trader be subjected to tax in Nigeria ?

10. Under Capital Gains Tax, one who deals in chargeable asset is known as a.....
11. Under the Companies Income Tax Act Cap C21 LFN 2004 (as amended), for how long may a company that is not in insurance business carry forward losses?
12. In determining the relevant tax authority on withholding tax, the.....of the recipient is very important.
13. An income in the hands of a partner is subjected to tax onbasis
14. Unutilized capital allowance of a business ceasing operation is carried backward foryears before cessation.
15. Income derived from trade, business, profession , vocation or employment is called.....income
16. The final decision in determining the basis of assessment under the cessation rule lies with the
17. The additional allowance to reduce tax where sales proceeds on disposal of a qualifying capital expenditure is less than the tax written down value is called a.....
18. Allowance granted in lieu of depreciation for tax purpose is
19. The deadline for remittance of Value Added Tax (VAT) for companies is not later thandays after the month-end.
20. The returns of income and claim for allowances and reliefs are filed by employees with the relevant tax authority at the..... of each tax year.

SOLUTIONS – SHORT-ANSWER QUESTIONS

1. Final
2. The State Governor
3. Six
4. Any three (3) Appeal commissioners
5. Actual Year Basis

6. No limit –Capital allowance may be carried forward indefinitely.
7. Ad-Valorem duty
8. The Executive Chairman of the Federal Inland Revenue Service Board
9. Preceding year basis.
10. A chargeable person
11. Indefinitely
12. residence
13. Preceding year.
14. Five (5)
15. Earned
16. The relevant tax authority/Revenue
17. Balancing allowance
18. Capital Allowance
19. Twenty one (21)
20. Commencement.

SECTION B: Attempt any FOUR questions

(60 Marks)

QUESTION 1

The Principles of taxation are guidelines underlying a good tax system.

Required:

Explain any **SIX** guidelines underlying a good tax system.

(12¹/₂ Marks)

SOLUTION 1

The guidelines underlying a good tax system are:

($\frac{1}{2}$ Mark)

a) Certainty

It is important that the tax payer should know the exact amount he/she is expected to pay, the basis of computation of the tax payable, time of payment, the rate of tax applicable and the relevant tax authority to pay to.

b) Economy in collection cost

The cost of collecting taxes should be relatively lower than the amount of tax collected.

c) Convenience

The method and timing of tax payment must be convenient to the payers. It must be easy to locate the tax payers.

d) Efficiency

The process of levying and collection must be administratively efficient, transparent and must not cause any economic distortion.

e) Equity

Taxes should be seen to be fair in order to gain acceptability of the tax payers. It is important that attention be paid to vertical equity and horizontal equity.

f) Flexibility

The tax system must be flexible for it to serve as a veritable fiscal tool. The rate of tax should be capable of being altered without much difficulty.

g) Neutrality

A good tax system should not distort the economic choices in any form as to cause excess tax burden. Taxes should be neutral and should not be made to impinge adversely on economic activity.

(2 Marks for each point)

(Total $12\frac{1}{2}$ Marks)

QUESTION 2

Mr. Leangard is a trader who started his business on 1 October 2007. He makes up his accounts to 31st December every year. His adjusted profits presented to you are as follows:

	₦
3 months ended 31/12/2007	144,000
Year ended 31/12/2008	288,000
Year ended 31/12/2009	216,000
Year ended 31/12/2010	270,000

Required:

Compute the assessable profits for the relevant years of assessment, assuming Mr. Leangard exercised his right of election available under Personal Income Tax Act Cap P8 LFN 2004. (12 ½ Marks)

SOLUTION 2

Mr. Leangard

		<u>Computation of Assessable Profits</u>	(½ Mark)
<u>Assessment on normal basis</u>		₦	
2007	1-10-2007 to 31-12-2007 (3 months) (1 Mark)	144,000	(1 Mark)
2008	1-10-2007 to 30-9-2008 (3 months +9 months)		
	₦144,000 + ₦216,000	= 360,000	(1 Mark)
2009	Preceding year basis (1-1-08 to 31-12-08)	=288,000	(1 Mark)
2010	Preceding year basis (1-1-09 to 31/12/09)	= 216,000	(1 Mark)
2011	Preceding year basis (1/1/10 to 31/12/10)	= 270,000	(1 Mark)

If election is to be made for the second and third years of assessment to be based on actual, then the assessments would be as follows:

		₦	basis Period	
(1 Mark)	2008	288,000	1/1/08 - 31/12/08	(1 Mark)
(1 Mark)	2009	<u>216,000</u>	1/1/09 -31/12/09	(1 Mark)
		<u>504,000</u>		

The total assessable profit for the two relevant assessment years is ₦504,000 if election is made, whereas the assessment is N648,000 if no election is made. It is, therefore, beneficial for Mr. Leangard to make the election. This claim has to be made within two years from the end of the second assessment year. (2 Marks)

(Total 12 ½ Marks)

QUESTION 3

- (a) Mr. Ajenifuja commenced business on 1 June 2007 as a sole trader, and makes up his accounts to 31 December, every year. He engaged you as his tax consultant to ensure his compliance with tax laws.

Required:

Determine his basis period for each of the assessment years from 2007 to 2010.
(6 Marks)

- (b) Ladies & Gents Limited commenced business on 1 May 2009 and chose 31 December every year as accounting year-end. You are provided with the following information on the qualifying capital expenditure.

Qualifying Capital Expenditure	Date of Acquisition
Buildings	20 April 2009
Plant and Machinery	28 September 2009
Motor Vehicles	17 March 2010
Furniture and Fittings	29 June 2010

Required:

Determine the basis period for capital allowance of each qualifying capital expenditure.
(6 ½ Marks)
(Total 12½ Marks)

SOLUTION 3

- (a) Ajenifuja

Determination of Basis period

<u>Year of Assessment</u>	<u>Basis Period</u>	
2007 (½ Mark)	01/06/2007-31/12/2007	(1 Mark)
2008 (½ Mark)	01/06/2007-31/05/2008	(1 Mark)
2009 ½ Mark)	01/01/2008-31/12/2008	(1 Mark)
2010 ½ Mark)	01/01/2009-31/12/2009	(1 Mark)
		(6 Marks)

(b) Ladies and Gents Limited

Tax year	Basis Period for Assessable Profit	Basis Period for Capital Allowances	Qualifying Capital Expenditure
2009	1/5/2009-31/12/2009 (1Mark)	1/5/2009-31/12/2009 (1 Mark)	Building, Plant and Machinery
2010	1/5/2009-30/04/2010 (1Mark)	1/5/2009-30/4/2010 (1 Mark)	Motor Vehicles
2011	1/1/2010-31/12/2010 (1Mark)	1/1/2010-31/12/2010 (1 Mark)	Furniture and Fittings

NOTE : Where an asset is acquired before the date of commencement of business, such an asset is deemed to have been acquired on the first day of the new business, hence the building acquired on 20/4/2009 is deemed to have been acquired on 1/5/2009.

(6½ Marks)

(Total 12½ Marks)

QUESTION 4

Chief Salako Richdad acquired a house in Abuja for ₦75,000,000 in June 2007. He did some renovation works on the building which cost him ₦35,000,000. He sold the building in September 2010 through an estate agent for ₦250,000,000. The agent is entitled to a commission of 10% on the sales value. He purchased another house on the next street to the one sold using ₦175,000,000 of the sales proceeds of the original house.

Required:

Calculate the Capital Gains tax payable by him.

(12½ Marks)

SOLUTION 4

Chief Salako Richdad		
Computation of Capital Gains Tax Payable (½ Mark)		
	₦	₦
Consideration received		250,000,000
Less:		
Cost of acquisition	75,000,000	
Cost of renovation	35,000,000	
Agent's Sales Commission	<u>25,000,000</u>	
(10% X ₦ 250,000,000)		
		<u>135,000,000</u>
Chargeable Gain		115,000,000

Less: Roll over Relief:		
Cost of replacement asset	175,000,000	
Less Cost of sold asset	<u>135,000,000</u>	
Chargeable Gain rolled over		<u>40,000,000</u>
Capital Gains assessable to tax		<u>75,000,000</u>
Tax thereon @ 10%		<u>7,500,000</u>
Capital Gains Tax Payable by Chief Salako Richdad		<u>7,500,000</u>

(1 Mark for each correct figure)

(12 Marks)
(Total 12 ½ Marks)

QUESTION 5

A taxable person under the Value Added Tax Act Cap V1 LFN 2004 (as amended) in Nigeria is required to register with the relevant tax authority for the purpose of the tax, within six months of commencement of business or commencement of the VAT Act, whichever is earlier.

Required:

State any **SIX** offences and penalties contained in the Value Added Tax Act Cap V1 LFN 2004 (as amended). (12 ½ Marks)

SOLUTION 5

VAT Offences And Penalties In Nigeria

(½ Mark)

	Offences	Penalties
1	Failure to register within the stipulated time	₦ 10,000 for the first month in which the failure occurs and ₦ 5000 for each subsequent month.
2	Non-remittance of tax	A sum equal to 5% per annum plus interest at a commercial rate of the tax remittable
3	Rendering false returns	Conviction or a fine twice the amount under declared.
4	Evasion of Tax	Fine of ₦ 30,000 or twice the amount of tax being evaded whichever is greater, or to imprisonment for a term not exceeding three years.
5	Failure to make attribution	Penalty of ₦ 5,000
6	Failure to issue tax invoice	Fine of 50% of the cost of goods and services

7	Failure to notify change of address	Penalty of ₦5,000
8	Non-issue of tax invoice by authorised person	Fine of ₦10,000 imprisonment for a term of 6 months
9	Failure to keep proper records	Penalty of ₦2,000 for every month in which the failure continues.
10	Failure to collect tax	Penalty of 150% of the amount not collected, plus 5% interest above the rediscount rate.
11	Failure to submit returns	Fine of ₦5,000 per month in which the failure continues
12	Aiding and abetting	Fine of ₦50,000 or imprisonment for a term of five years.

(2 Marks for each of the six points)

(Total 12½ Marks)

QUESTION 6

Every deduction and remittance of withholding tax must be accompanied by a schedule of the details of withholding tax to the relevant tax authority. (½ Mark)

Required:

- (a) List **FIVE** items normally contained in the schedule accompanying remittance of withholding tax to the relevant tax authority. (10½ Marks)
- (b) State the relevant tax authority for withholding tax deducted from companies. (2 Marks)

(Total 12½ Marks)

SOLUTION 6

- a) Every deduction and remittance of withholding tax must be accompanied with a schedule showing the following details:
 - i. Name of the tax payer who suffered the tax deduction.
 - ii. The address of the tax payer
 - iii. The file reference number of the tax payer if known.
 - iv. The nature of transaction or activity
 - v. The gross amount payable to the tax payer
 - vi. The rate of tax applied
 - vii. The amount of tax withheld

- viii. The net amount payable to the tax payer
- ix. The period covered by the transaction
- x. The date of payment of the tax withheld
- xi. The particulars of the payment instrument

(2 marks for each of the 5 points)

(10¹/₂ Marks)

- b) The relevant tax authority for withholding tax deducted from companies is the Federal Inland Revenue Service (FIRS)

(2 Marks)

(Total 12 ½ Marks)

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIANS SCHEME WEST AFRICA (ATSWA)
MANAGEMENT**

Time Allowed – 3 hours

SECTION A (Attempt All Questions)

PART I MULTIPLE-CHOICE QUESTIONS (30 MARKS)

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

1. Which of the following is a primary objective of business?
 - A. Productivity
 - B. Profit
 - C. Shareholder satisfaction
 - D. Positive public image
 - E. Innovation

2. The process used by Managers to monitor events occurring in the external environment of the organisation is called
 - A. Globalisation
 - B. Environmental scanning
 - C. Environmental analysis
 - D. Environmental forecasting
 - E. Environmental monitoring

3. **ONE** of the following is **NOT** a good description of corporate social responsibility
 - A. Pollution cleanup and prevention
 - B. Product warranty and service
 - C. Equal employment opportunity
 - D. Training and retraining of employees
 - E. Financial support for charities

4. Planning is a management function that
 - A. Assesses the management environment to set future objectives and map out activities necessary to achieve those objectives

- B. Determines how firm's human and financial resources are arranged and coordinated to perform task to achieve desired goals
 - C. Energises people to contribute their best individually and in cooperation with other people
 - D. Measures performance, compares it to objectives, implements necessary changes and monitors progress
 - E. Determine the one best way to do a job and sharing the rewards with the employees
5. **ONE** of the following is **NOT** included in Fredrick Taylor's principles of management.
- A. Scientifically study each part of a task and develop the best method of performing the task
 - B. Carefully select workers and train them to perform the task by using the scientifically developed method
 - C. Cooperate fully with workers to ensure that they use the proper method
 - D. Divide work and responsibility so that management is responsible for planning work method and workers are responsible for executing the work accordingly
 - E. The organisations objectives should be the focus of the employee work
6. **ONE** of the following describes departmentation by process.
- A. Grouping of tasks on the basis of type of equipment or technologies involved in the manufacture of a product
 - B. Grouping of tasks on the basis of the services or products
 - C. Grouping of task to cater for nearness to local conditions
 - D. Grouping of tasks on the basis of customers which the organisation intends to serve
 - E. Grouping of tasks on the basis of time
7. Select the statement that best describe the informal organisation.
- A. Its activities are primarily differentiated and integrated
 - B. It is often quite large and incohesive
 - C. It is structured and shown on the organisation chart
 - D. Communication channels are not prescribed
 - E. Its activities are based mainly on written rules
8. **ONE** of the following is **NOT** a definition of management.
- A. The process of releasing and directing human energies towards attaining a definite goal

- B. The process of designing and maintaining an environment in which individuals working together in groups efficiently accomplish selected aims
 - C. An attempt to carry out the management functions of planning, organising, staffing, leading and controlling
 - D. A group of people working together to create surplus
 - E. Processing, Planning, Organising, directing and controlling the resources of an organisation in order to achieve its goals efficiently
9. Which of the following is a description of Human Resource Planning?
- A. Activities that managers engage in, to develop a pool of qualified candidates for open positions
 - B. The process that managers use to determine the relative qualifications of job applicants
 - C. Activities that managers engage in to forecast the current and future needs of an organisation
 - D. Process of identifying the tasks, duties and responsibilities that make up a job and the knowledge skills and abilities needed to perform the job
 - E. The process of determining the demand and supply of human resources
10. **ONE** of the following is **NOT** included in Henri Fayol's principles of management.
- A. Impersonality
 - B. Order
 - C. Equity
 - D. Stability of tenure
 - E. Initiative
11. Which of the following are potential sources of performance appraisal?
- A. Supervisors, peers, subordinates customers and self
 - B. Self, Subordinates, supervisors and customers
 - C. Peers, parents, supervisors and self
 - D. Parents, self, supervisors and self
 - E. Subordinate, self, supervisors and customers
12. **ONE** of the following is **NOT** a characteristic of a good plan
- A. It should be simple
 - B. It should define clear actions and standards
 - C. It should be flexible to accommodate changes
 - D. It should make the best utilization of available resources
 - E. It should be supervised by top management

13. **ONE** of the following is a marketing concept which believes that people will not buy until they are persuaded by positive selling.
- A. Production orientation
 - B. Product orientation
 - C. Sales orientation
 - D. Market orientation
 - E. Marketing orientation
14. Which of the following is **NOT** a feature of a non-programmed decision?
- A. Decisions are not routine
 - B. They require original thinking
 - C. Decisions are unique
 - D. Sometimes involve unusual or life threatening situation
 - E. They have a high degree of certainty of the outcome
15. **ONE** of the following is a major component of marketing MIX.
- A. Advertising
 - B. Personal selling
 - C. Sales promotion
 - D. Price
 - E. Publicity
16. All but **ONE** of the following are contents of theory of motivation.
- A. Reinforcement theory
 - B. Two-factor theory
 - C. ERG theory
 - D. Hierarchy of needs theory
 - E. McClelland's theory of leaned needs
17. The managerial grid in which exertion of minimum effort is required to get work done is
- A. Task Management
 - B. Team Management
 - C. Impoverished Management
 - D. Middle of the road management
 - E. Country club management

18. Which of the following statements represent the human relations view of conflict?
- A. Conflict must be avoided because it indicates a problem within the group
 - B. Conflict is a rational and inevitable outcome in any group and need not be negative
 - C. Conflict is absolutely necessary for a group to perform effectively
 - D. Some conflict is seen as supporting the goals of the work group and improving its performance
 - E. Conflict is destructive and prevent a group from achieving its goals
19. A subordinate who seeks clarification from his boss over a previous day assignment is involved in
- A. Downward communication
 - B. Diagonal communication
 - C. Upward communication
 - D. Horizontal communication
 - E. Vertical communication
20. **ONE** form of strategy that focuses on how the organisation will compete in each of its businesses is
- A. Business level strategy
 - B. Corporate level strategy
 - C. Renewal strategy
 - D. Functional level strategy
 - E. Operational level strategy
21. **ONE** of the following is a typical example of potential threat to an organisation.
- A. A well developed strategy
 - B. Change in consumer tastes
 - C. Good marketing skills
 - D. Diversify into new growth businesses
 - E. Enter new related businesses
22. A product-market strategy in which a business organisation aims at seeking out new marketing outlets for current products is
- A. Consolidation
 - B. Market penetration
 - C. Product development
 - D. Market development
 - E. Differentiation

23. Which of the following is an example of business level strategies?
- A. Diversification strategy
 - B. Diversification
 - C. Vertical integration
 - D. International expansion
 - E. Concentration in a single business
24. **ONE** of the following is a non-financial system
- A. Piece rate
 - B. Stock ownership plans
 - C. Contingency time off
 - D. Commission
 - E. Bonuses
25. Employers can help support employees ability to cope with stress using **ONE** of the following
- A. Retrenchment
 - B. Voluntary retirement
 - C. Relaxation classes
 - D. Performance appraisal
 - E. Social responsibility
26. **ONE** of the following is a cause of accident at work
- A. Job turnover
 - B. Poorly designed task
 - C. Low productivity
 - D. Poorly designed premises
 - E. Poor leadership style
27. Which of the following definitions represent a closed office layout?
- A. The way an office is arranged to facilitate the flow of work
 - B. The office where each individual is given a corporate room
 - C. An office in which more than one person share the same room
 - D. Offices which always remain closed to customers after the day's activities
 - E. An office in which work activities are closely connected to each other through computer network system

28. **ONE** of the following is **NOT** a method of filing classification
- A. Alphabetical
 - B. Numerical
 - C. Subject
 - D. Vertical
 - E. Geographical
29. The aspect of a report in which the manager provides a brief summary of the content of his report is called
- A. Abstract
 - B. Executive summary
 - C. Introduction
 - D. Conclusion
 - E. Executive obstruct
30. Which **ONE** of the following information technology tools allows simultaneous communication where participants can see each other?
- A. Teleconferencing
 - B. Video conferencing
 - C. Web conferencing
 - D. Voice mar
 - E. Intranet

SOLUTIONS TO MULTIPLE-CHOICE QUESTIONS

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

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

SECTION A

PART II- SHORT-ANSWER QUESTIONS

(20 Marks)

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

1. Industries that produce plant, machinery, equipment, and tools which are required for the manufacture of other goods and services are broadly classified as.....
2. A legal document which authorizes companies to commence business is known as.....

3. The Standards of behaviour guiding individual managers on their work and their relationship with one another is.....
4. The skills possessed by lower level managers which enable them to manage employees who are using tools to produce the organisations' product is called.....
5. The definition of management as the art of getting things done through people is attributed to.....
6. Plans that are used to carry out actions that probably will not be repeated in the same form in future are.....
7. A decision making technique in which systematic procedure is used for developing a consensus of opinion among a group of experts is.....
8. The process of integrating the activities and objectives of the separate units of an organisation to achieve organisational goals is called.....
9. Human resource activities in which employees are equipped with knowledge, skills and attitudes they need to perform their jobs effectively and prepare them for future career is.....
10. The use of name, term, symbol, designed to identify goods or services is.....
11. A promotion strategy, in which sellers make face-to-face contact with prospective customer is known as.....
12. The communication process by which the receiver extracts some meaning out the message received is.....
13. The relationship between employees based on similarities in biographic characteristics is termed.....
14. An analysis of an organisation's current situation followed by the development of strategies to accomplish its mission and achieve its goals is.....
15. An organisation which expands operations into a new business or industry and produces new goods and services is said to be involved in.....
16. A broad declaration of an organisation's purpose that identifies the organisation's products and customers, and distinguishes the organisation from its competitors is.....

17. An association of wage and salary earners for the purpose of maintaining and improving the conditions of their work life is called.....
18. A document used in an office to record and compute cash received from clients is known as.....
19. A system in which each department develops and maintains its own filing system is called.....
20. A step in the design of management information system which involves detailed analysis of the organisation's activities to find out opportunities or problems which could be solved through the use of the MIS is.....

SOLUTIONS TO SHORT-ANSWER QUESTIONS

1. Capital goods industries
2. Certificate of Incorporation
3. Managerial Ethics
4. Technical skills
5. Mary Parker Follet
6. Single use plans
7. Delphi technique
8. Coordination
9. Training and Development
10. Branding
11. Personal selling
12. Decoding
13. Informal Group
14. Strategy formulation
15. Diversification
16. Mission Statement
17. Trade Union
18. Cash Register

19. Decentralised filing
20. System Investigation.

SECTION B - Attempt Any FOUR Questions

(60 Marks)

QUESTION 1

- 1(a) Define the term 'business'. (2½ Marks)
- (b) Explain **FIVE** objectives of business. (10 Marks)
- (Total 12½ Marks)

SOLUTION 1

- (a) Business is any lawful activity conducted to make profit. It is an organized effort or activities of persons utilizing resources within an organizational context to produce and distribute goods and services for the purpose of making profit. (2½ Marks)
- (b) **OBJECTIVES OF BUSINESS**
- i. **Profit:-** This is the reward to the owners for assuming the risk of establishing a business enterprise. It is also the source of growth and survival of the business enterprise.
 - ii. **Productivity:-** The extent to which the business is able to use a given set of resources to achieve the predetermined output.
 - iii. **Innovation:-** Introduction of new products and new methods of distribution and production in order to satisfy the needs of the consumers.
 - iv. **Growth Objectives:-** A company aims at expansion thereby employing more people and capital.
 - v. **Shareholders' Satisfaction:-** Business also seeks to improve the returns to shareholders as well as reducing their risks.
 - vi. **Employees' Satisfaction:-** Business also creates ways to satisfy the employees hired in the business in order to enhance their contributions to the growth and competitiveness of the organization.

- vii. **Positive Public Image:-** Business also improves its image as a good corporate citizen that produces and distributes high quality products.
(2 Marks x 5 = 10 Marks)
(Total 12½ Marks)

QUESTION 2

Show your understanding of the following:

- (a) Definition of management from the process perspective (2½ Marks)
- (b) Robert Katz's management skills (6 Marks)
- (c) The relationship between managerial levels and managerial skills (4 Marks)
(Total 12½ Marks)

SOLUTION 2

- (a) From the process perspective, management can be defined as the process of planning, organising, leading and controlling the efforts of organisational members and the use of other organisational resources in order to achieve stated organisational goals. (2½ Marks)
- (b) Management skills are:
- (i) **Technical Skills:** These are the skills that are related to the knowledge to use the tools, procedures or techniques in a particular specialised field. These skills are necessary to meet or understand the challenges of a particular kind of work being done in an enterprise or organisation. (2 Marks)
- (ii) **Human relation Skills:-** These are the skills that enable managers to work well with others. They enable the manager to have the ability to communicate with, understand, and motivate individuals and groups irrespective of the physical and mental ability of a manager, without a cooperative effort, nothing much can be realised. (2 Marks)
- (iii) **Conceptual Skills:** These are the skills that relate to the ability of the manager to visualise the organisation in its entirety and appreciate the interrelationships among the organizational parts. Simply put, it is the ability of the manager to understand the organisation in its holistic form,

understand how its parts are related and understand the impact of a change on any of its parts on the entire system. (2 Marks)

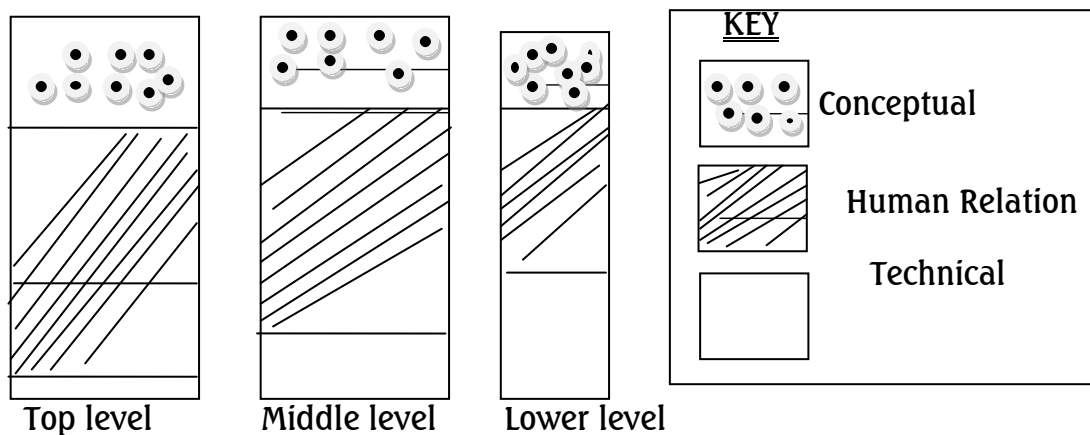
- (c) The relative expenditure of the skills to a particular manager depends on the level of the manager. The first line/lower level managers generally need to depend more on their technical and interpersonal skills and less on their conceptual skill.

Top level managers on the other hand, have great need for conceptual skills because they have the greatest need to see the organisation as a whole, understand how its various parts relate to one another, and associate the organisation with the outside world. They have a high need for interpersonal skills while they have very little need for technical skills.

Middle level managers should have a fair need for conceptual and technical skills. The need for the technical skills is borne out of the fact that they communicate with subordinates and recognise major problems. They have a high level need for interpersonal skills so as to relate very well with their supervisors and subordinates.

(4 Marks)

(Total 12½ Marks)



QUESTION 3

Every team passes through some basic developmental stages. List the stages and explain the characteristics of each stage. (12½ Marks)

SOLUTION 3

(a) There are five stages of development of a team.

These are:

- (i) Forming
- (ii) Storming
- (iii) Norming
- (iv) Performing
- (v) Adjourning

- (i) **Forming:-** At the forming stage, the basic ground rules are established. The purpose of the team is communicated to the team by the team leader; how often will the team be meeting; expectation of team members are communicated to them.
- (ii) **Norming:-** Resolution and agreement over team goals and values emerge. Team members understand their roles and establish closer relationship, cohesion and interdependence of members are more visible; members begin to develop a team identity.
- (iii) **Performing:-** This stage is characterised by a focus on the performance of the tasks delegated to the team. Team members collaborate to capture synergies between individuals with complementary skills.
- (iv) **Adjourning:-** The team has completed the assignment with satisfaction. The team is anxious to have new assignments and less willing to disband.

1 mark for mentioning

1¹/₂ marks for explanation

1 x 5 = 5

1¹/₂ = 7¹/₂ (TOTAL 12¹/₂ Marks)

QUESTION 4

Explain any FIVE of the following strategic concepts.

- (i) Retrenchment
- (ii) Liquidation
- (iii) Competitive Advantage

- (iv) Core Competence
- (v) Cost leadership strategy
- (vi) Differentiation
- (vii) Synergy

$2\frac{1}{2}$ Marks for any 5
 $2\frac{1}{2} \times 5 = 12\frac{1}{2}$ Marks
(Total $12\frac{1}{2}$ Marks)

SOLUTION 4

- (i) **Retrenchment:** This means that the organisation goes through a period of forced decline by either shrinking current business units or selling off or liquidating entire business. Retrenchment is equally called downsizing.
($2\frac{1}{2}$ Marks)
- (ii) **Liquidation:-** It means the organisation sells off a business unit for the cash value of the assets, thus terminating its existence.
($2\frac{1}{2}$ Marks)
- (iii) **Competitive Advantage:-** It refers to what sets the organisation apart from others and provides it with a distinctive edge for meeting customer needs in the market place.
($2\frac{1}{2}$ Marks)
- (iv) **Core Competence:-** This is what the organisation does especially well in comparison to its competitors. A core competence represents a competitive advantage because the company acquires expertise that competitors do not have. A core competence may be in the area of superior research and development, expert technological know-how, process efficiency or exceptional customer service.
($2\frac{1}{2}$ Marks)
- (v) **Cost Leadership Strategy:-** This is the strategy that enables organisations to provide products and services that are less expensive than those of competitors.
($2\frac{1}{2}$ Marks)
- (vi) **Differentiation Strategy:-** This is the strategy that enables a company to deliver products and services that customers perceive to be different and better than competitors' products and services.
($2\frac{1}{2}$ Marks)
- (vii) **Synergy:-** This is the condition that exists when the organisation's parts interact to produce a joint effect that is greater than the sum of the parts acting alone.

$2\frac{1}{2}$ Marks each for any five
 $2\frac{1}{2} \times 5 = 12\frac{1}{2}$
(Total $12\frac{1}{2}$ Marks)

QUESTION 5

- a. Identify **FIVE** causes of work hazards in organisations. ($7\frac{1}{2}$ Marks)

b. State **FIVE** the features of a sound safety programme

(5 Marks)
(Total $12\frac{1}{2}$ Marks)

SOLUTION 5

(a) **CAUSES OF SAFETY HAZARDS**

- (i) Poorly designed premises
- (ii) Poor environment
- (iii) Lack of preventive maintenance
- (iv) Wrong work process
- (v) Poor supervision
- (vi) Lack of protective equipment
- (vii) Horseplay and unsafe behaviour
- (viii) Lack of training

$1\frac{1}{2} \times 5 = 7\frac{1}{2}$ Marks

b. FEATURES OF SOUND SAFETY PROGRAMMES

- i. Facilities for dealing with safety such as first aid services, clinics, health personal etc.
- ii. Safety training for employees
- iii. Employees' investment in the running of safety programmes
- iv. Maintenance of safety records
- v. Job safety analysis
- vi. Institution of safety awards
- vii. Ensuring the right engineering standards
- Viii. Appointment of safety officers.

$1 \times 5 = (5 \text{ Marks})$
(Total $12\frac{1}{2}$ Marks)

QUESTION 6

(a) Define Centralized Filing

($2\frac{1}{2}$ Marks)

(b) Explain **FOUR** filing classification systems used in the office.

(10 Marks)
(Total $12\frac{1}{2}$ Marks)

SOLUTION 6

- (a) Centralized filing is a Filing system in which all files of the organisation are located at a particular office and staff interested in consulting those files go to that office. This system has the advantage of ensuring that files are not duplicated and there is better control over filing. It also ensures economies of space.

($2\frac{1}{2}$ marks)

(b) FILING CLASSIFICATION SYSTEMS

- i. The Alphabetical filing system: In this system, letters and other documents are filed in alphabetical order.
- ii. Numerical Filing System: Here the documents/files are allocated numbers and filed in cabinets corresponding to the numbers. The system often requires the use of a reference index.
- iii. Alphanumerical Filing System:- This combines the alphabetical and numerical systems.
- iv. Subject Filing System:- Here, the documents are filed according to the subject or topic.
- v. Geographical Filing Systems: Here, documents are filed according to the geographical area where it originated or geographical destination.

**$2\frac{1}{2} \times 4 = 10$ Marks
(Total $12\frac{1}{2}$ Marks)**