



THE CHARTERED INSTITUTE OF TAXATION OF NIGERIA

OCTOBER 2021: PATHFINDER (QUESTIONS & SOLUTIONS)

FOUNDATION: PRINCIPLES OF TAXATION

TUESDAY 12TH OCTOBER, 2021

EXAM NO.....

PART I **MULTIPLE CHOICE QUESTIONS (MCQ)** **(60 MARKS)**

ATTEMPT ALL QUESTIONS.

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

1. The Constitution of Nigeria provides for the followings except that:
 - A. It shall be the duty of every citizen to declare his income honestly to appropriate and lawful agencies and to pay his tax promptly;
 - B. A taxpayer to insist that enough tax revenue be spent in his community or local government area;
 - C. Distribution of taxing powers among the three tiers of government as well as the modalities for sharing revenue among the three tiers of government;
 - D. States can collect and administer personal income tax subject to such conditions as the National Assembly may prescribe.

2. Which of the followings is **NOT** a definition of tax?
 - A. Tax is an enforced contribution in accordance of the provisions of relevant laws and imposed by the government.
 - B. Tax is usually a monetary charge on income of an individual and corporate entity.
 - C. Tax is a voluntary payment or donation.
 - D. The amount of money that must be paid to the government according to your income, property or goods etc. that is used to pay for public services.

3. With respect to Bases of Tax, which of the followings is correct?
 - A. **Personal Income Tax** – imposed on the income of individuals – all Nigerian citizens who lives in Nigeria;
 - B. **Petroleum Profits Tax** – imposed on the profits of all corporate entities registered in Nigeria or who derive income from oil and gas operations in Nigeria;
 - C. **Education Tax** – imposed on net profits of corporate entities in Nigeria;
 - D. **Companies Income Tax** – imposed on the profits of all corporate entities who are registered in Nigeria or derive income from Nigeria other than those engaged in petroleum operations;

4. Taxes are generally grouped into:
 - A. Local and International
 - B. Direct and Exempted.

- C. Direct and Indirect.
D. Regressive and Zero rate.
5. A member of the Federal Inland Revenue Service Board shall cease to hold Office as a member of the Board except.
A. He becomes of an unsound mind;
B. He becomes bankrupt or makes a compromise with his creditors;
C. He becomes an appointed Minister;
D. He resigns his appointments as a member of the Board by notice, under his hand, addressed to the President
6. What is the name of tax organ that is conferred with powers to assess, collect and administer taxes on limited liability companies in Nigeria?
A. Federal Board of Inland Revenue
B. State Internal Revenue Service
C. Federal Inland Revenue Service
D. State Inland Revenue Service
7. The following are purposes of taxation in Nigeria **except:**
A. To institute and improve corporate governance in doing business
B. To redistribute income and wealth within the country
C. To generate revenue for government
D. To manage the economy
8. The Tax Appeal Tribunal shall have power to adjudicate on disputes and controversies arising from:
A. The Stamp Duties Act
B. The Custom and Excise Act
C. The Withholding Tax Act
D. Personal Income Tax Act
9. The following taxes, levies and fees are collectible by the Federal Government of Nigeria **except:**
A. Companies Income Tax
B. Sales and Consumption Tax
C. Personal Income Tax of Policemen
D. Petroleum Profits Tax
10. Which of the following is an example of direct tax in Nigeria?
A. Value Added Tax
B. Excise Duty
C. Companies Income Tax
D. Import Duty
11. These categories of taxable persons are referred to as "Federal Subject" and they include the group listed below except:
A. Members of Nigerian Armed Forces
B. Members of Nigerian Police Force.
C. Officers of the Nigerian Foreign Service.
D. Foreign residents who earn Nigerian incomes.

12. Which of these is an Indirect Tax?
- Companies Income Tax.
 - Personal Income Tax.
 - Value Added Tax.
 - Education Tax.
13. The followings are objectives of taxation except
- To exercise control on individual's expenses
 - To raise money for Councillors and party supporters in various states.
 - To redistribute income and wealth of the citizens.
 - To generate money for projects.
14. The relevant tax law that governs taxation of Trusts, Settlements and Estates.
- Personal Income Tax Act (as amended).
 - Capital Gains Tax Act.
 - Pioneer Legislation.
 - Companies Income Tax Act.
15. The relevant tax authority in charge of Education Tax in Nigeria is:
- Federal Inland Revenue Service.
 - Joint Tax Board.
 - Education Tax Board
 - State Board of Internal Revenue.
16. The following are conditions for granting pioneer status **except**
- The applicant cannot process and collect tax clearance certificate
 - A non-current tangible asset of over ₦100m shall be deemed as satisfiable
 - During the pioneer period, a performance report must be submitted to Nigeria Investment Promotion Commission
 - An applicant must be engaged in an activity listed as pioneer industry or pioneer product
17. Which of the following is not among category of Inspectors of taxes?
- Chief Inspectors of taxes
 - Revenue Collectors
 - Principal Inspectors of taxes
 - Senior Inspectors of taxes
18. Which of the following is not a member of the Technical Committee of the Federal Inland Revenue Service Board?
- The Executive Chairman of the Federal Inland Revenue Service as Chairman
 - All the Directors and Heads of Departments of the Federal Inland Revenue Service
 - The Legal Adviser of the Federal Inland Revenue Service
 - All Executive Chairmen of State Internal Revenue Service

19. A situation where a tax authority agrees to forgo the payment of interests and penalties of a taxpayer in exchange for prompt payment of actual tax liabilities within a specified time period is called
- A. Tax farming
 - B. Tax yield
 - C. Tax avoidance
 - D. Tax amnesty
20. Which tier of government collects Pay As You Earn in Nigeria?
- A. National Assembly
 - B. State Government
 - C. Local Government
 - D. All of the above
21. What is the name for a worker that does not have a permanent principal place of residence in a year of assessment?
- A. Itinerant
 - B. Movable.
 - C. Non-taxable
 - D. Non-resident.
22. The characteristics of Withholding Tax do not include:
- A. Withholding Tax is a deduction at source which gives the taxpayer no option as to whether to pay or not;
 - B. Withholding tax is calculated on a flat rate;
 - C. Withholding tax is an advance payment in lieu of income tax to be paid later. This means that it is not a separate tax;
 - D. Some withholding tax are regarded as final tax. Where this so, the income from which they have been deducted can no longer be brought into account for tax purposes;
23. The developmental roles of Tax Incentives does not include:
- A. Promotion of Manufacturing Activities;
 - B. Preferential treatment for certain sectors, e. g. Agriculture, Mining, etc.;
 - C. Incentives on repatriation of Foreign Earnings;
 - D. To encourage remittance of withholding tax.
24. Accounts during the Pioneer Period are to be made up as follows except:
- A. A period of one year commencing on the production day;
 - B. Successive one year period thereafter;
 - C. The last one year of tax relief period;
 - D. 18 calendar months.
25. Which of the following will not be subject to withholding tax in Nigeria?
- A. Professional fees
 - B. Rent
 - C. Wages
 - D. Dividend

26. The current administrative bodies for tax in Nigeria does not include:
- A. The Joint Task Force;
 - B. The Federal Inland Revenue Service;
 - C. The State Board of Internal Revenue;
 - D. The Joint State Revenue Committee;
27. One of the following is NOT a member of the State Internal Revenue Board.
- A. The Directors and Heads of Departments within the State Service.
 - B. Three other persons nominated by the Commissioner for Finance.
 - C. A Director from National Planning Commission.
 - D. The Executive Head of the State Service.
28. Which of the following is a member of the Federal Inland revenue Service Board?
- A. The Auditor General of the Federation or his representative.
 - B. The Secretary of the Joint Tax Board.
 - C. The Accountant General of the Federation or his representative.
 - D. A Director of Budget in the Federal Ministry of Finance
29. Which one of the following determines the Principal Place of Residence of a Partner for tax purpose?
- A. Where he sleeps regularly during the assessment year.
 - B. Where the partner has spent 90 days during an assessment year.
 - C. His State of origin as at 1st January of the assessment year.
 - D. The place where most of the Partners reside.
30. Which of the following dividends are excluded from tax?
- A. Dividend earned from abroad and brought into Nigeria by a Nigerian resident in convertible currency and paid into a domiciliary account in a bank approved by the Federal Government.
 - B. Dividend distributed by a Unit Trust.
 - C. Dividend paid out of pioneer profit.
 - D. Dividend paid by companies in petrochemical and liquefied natural gas.
31. What is the name given to tax imposed on locally manufactured goods in Nigeria?
- A. Value Added Tax
 - B. Import duty
 - C. Excise duty
 - D. Stamp duty
32. Which Authority issues tax clearance certificates to limited liability companies?
- A. State Inland Revenue Service
 - B. State Internal Revenue Service
 - C. Federal Inland Revenue Service
 - D. Federal Internal Revenue Service

33. Which of the following is **NOT** on the list of approved taxes and levies collectible by a State Internal Revenue Service?
- A. Stamp duties on instrument executed by limited liability companies
 - B. Road taxes
 - C. Pool betting and lotteries, gaming and casino taxes
 - D. Capital Gains Tax on individuals
34. At what rate is Tertiary Education Tax calculated in Nigeria?
- A. 5%
 - B. 4%
 - C. 3%
 - D. 2%
35. A tax regime where various and similar types of taxes are imposed on taxpayers by different tiers of government is called
- A. Progressive tax
 - B. Multiple taxes
 - C. Regressive tax
 - D. Alternative tax
36. Which of the following is a non-investment income from which withholding tax is deductible?
- A. Consulting Services.
 - B. Dividend.
 - C. Interest.
 - D. Royalty
37. Under the Personal Income Tax Act CAP P8 LFN 2004, what is the period of assessment for income tax purposes?
- A. 12 months from 1st April
 - B. 12 months from 1st January
 - C. 12 months from 1st July
 - D. 12 months from 30th September
38. The followings are tax exempt items under Personal Income Tax (Amendment) Act 2011, except
- A. Gratuities
 - B. National Housing Fund Contribution
 - C. National Health Insurance Scheme Contribution
 - D. Overtime
39. What is the Act under which pioneer status can be granted to a company?
- A. Capital Transfer Act
 - B. Petroleum Profits Tax Act
 - C. Capital Gains Tax Act
 - D. Industrial Development Act

40. The employer shall deduct tax from emoluments of his employees and remit to the relevant tax authority not later than:
- Twenty-one days after month of deduction
 - Ten days after month of deduction
 - Eighteen days after month of deduction
 - Fifteen days after month of deduction
41. What is rate of tax under the National Information Technology Development Agency Act?
- 1%
 - 2%
 - 3%
 - 4%
42. On what condition can a member of the Federal Inland Revenue Service Board cease to hold office as a member of the Board?
- If he is impeached as the President of Nigeria by the National Assembly.
 - If he marries second wife without informing the Chairman of the Board.
 - In the case of a person possessing professional qualification, he is disqualified by a competent authority.
 - If he is impeached by the State House of Assembly.
43. The Executive Chairman of the Federal Inland Revenue Service is appointed by the President but subject to the confirmation of
- The Minister of Finance
 - The House of Representatives
 - The National Assembly
 - The Senate
44. In accordance with Finance Act 2019, what rate of tax is paid by a limited liability company with an annual turnover of ₦75,000,000?
- 30%
 - 20%
 - 10%
 - 0%
45. Tenement rate is collected by
- State Commissioner for Finance
 - Federal Government only
 - Local Government only
 - Both State and Local Governments
46. Information contained on a Tax Clearance Certificate (TCC) covers how many years, if it not a new business?
- 2
 - 3
 - 4
 - 10

47. The Tax Clearance Certificate shall show the following except
- A. Adjusted Profit
 - B. Tax Payable
 - C. Chargeable Profit
 - D. A statement that no tax is due
48. An appeal against the decision of the Tax Appeal Tribunal is made to the
- A. Federal High Court
 - B. Joint Tax Board
 - C. Supreme Court
 - D. Joint Sitting of the Joint Tax Board and Appeal Commissioners
49. Under the review of Self Assessment tax returns, a taxpayer is _____
- A. Always charged to Court
 - B. At times, censured for tax evasion
 - C. At times, assessed to additional tax
 - D. Always asked to represent tax returns
50. An corporate taxpayer is expected to make tax returns
- A. Not later than six months after the end of the accounting year.
 - B. Not later than the end of March every year.
 - C. When a notice of request from revenue office is received.
 - D. At the end of every year.
51. Which of the following are types of equity in principles of taxation?
- A. Vertical equity and horizontal equity
 - B. Longitude equity and latitude equity
 - C. External equity and internal equity
 - D. Original equity and duplicate equity
52. Which of the following is **not** a reason why government collect tax?
- A. To promote imports
 - B. To combat inflation through fiscal measures
 - C. To promote exports
 - D. To provide social amenities
53. Which of the following can be used by a country experiencing a deficit balance of payment owing to unfavourable balance of trade?
- A. Companies income tax
 - B. Import duties
 - C. Excise duties
 - D. Tertiary Education Tax
54. Which of the following is **not** a factor affecting compliance and collection costs of tax in Nigeria?
- A. Methods of tax payment
 - B. The rates of tax
 - C. Time of tax payment
 - D. Distance to location of tax station

55. What is the relevant tax law that governs the taxation of a sole trader?
- A. Partnership Profit Act
 - B. Companies Income Tax Act
 - C. Capital Gains Tax Act
 - D. Personal Income Tax Act
56. Which one of the following is not a "person" under the Personal Income Tax, CAP.P8, LFN, 2004 as amended?
- A. A cooperative society
 - B. A Trustee
 - C. A family
 - D. An Executor
57. Which of the following is NOT deductible under the Personal Income Tax Act, CAP.P8, LFN 2004 (Amendment) Act 2011?
- A. National Pension Scheme.
 - B. Children Allowance
 - C. Gratuities
 - D. National Housing Fund Contribution
58. Benefit-in-kind (BIK) means
- A. The official monetary remuneration of a management
 - B. The official remuneration of an employee
 - C. The official non-monetary remuneration of an employee.
 - D. The tax paid by the enterprise on behalf of an employee.
59. Which of the following is not an advantages of Progressive Taxation?
- A. Convenience;
 - B. Equitability;
 - C. Lower Cost of Collection;
 - D. Transparent.
60. The advantages of Direct tax are as listed below EXCEPT:
- A. Flexibility;
 - B. Certainty;
 - C. Not Convenient to taxpayers;
 - D. Control of Inflation.

PART II**SHORT ANSWER QUESTIONS (SAQ)****(40 MARKS)****ATTEMPT ALL QUESTIONS.**

1. What is the other name for Neutral Tax? _____
2. An assessment raised for correction as a result of failure to disclose full income or include an income in full in the returns filed to the tax office is called _____
3. _____ is achievable through the exploitation of loopholes in the tax laws.
4. The cost of acquisition or purchase price, including all costs incidental to the purchase is called _____ expense.
5. Companies and other organisations engaged in research and development activities for commercialisation shall be allowed _____ investment tax credit on their qualifying expenditure for that purpose.
6. For the purposes of ascertaining the chargeable profit or loss of any company from any source, only expenses incurred _____ in the generation of the profit shall be allowable as deductions for the tax purposes.
7. _____ will issue export certificate only, where it is satisfied that not less than half of the goods manufactured, during the accounting period are sold outside Nigeria, and are not re-exported back to Nigeria.
8. _____ is a form of tax regime designed to bring taxpayers operating in the informal sector into the tax net.
9. Which tier of government collects domestic animal license fee? _____
10. Any compulsory payment by an individual to government, which does not result in commensurate or direct economic benefit to the payer, is in essence a _____
11. The term that describes government's decision to take away less of people's income to enable them spend more is _____
12. What are taxes on local production termed?
13. What other term is used to describe the tax on imported goods?
14. How do you describe an income tax rate that increases as the income increases?
15. A person who earns his livelihood working in more than one place in Nigeria is called _____.

16. What is a "Principal place of Residence" in relation to an individual with no source of income other than pension in Nigeria?
17. Benefits enjoyed from employment but not in monetary terms are referred to as _____.
18. How are the expenses relating to the provision of meals in any staff canteen treated for tax purposes?
19. A term that best describes when the tax authority refuses to accept a taxpayer's return but raises its own assessment notice is known as _____.
20. The tax that is imposed on land or landed property is called _____
21. _____ refers to the final place of the tax on the person who bears the burden of the tax by suffering a loss in his personal disposable income.
22. The transfer of real economic resources from the private sector to the public sector to finance public sector activities is called _____
23. Who may make rules prescribing the procedure to be followed in the conduct of appeals before the Tax Appeal Tribunal? _____
24. When computing personal income tax liability, there shall be a consolidated relief allowance of
25. Who is the Chairman of Technical Committee of the State Board of Internal Revenue?

26. _____ can be used by a country experiencing a deficit balance of payment owing to unfavourable balance of trade.
27. Who issues pioneer status incentive certificate?
28. State the relevant Tax Authority which the executor of an estate of a deceased person should pay any tax to in Nigeria.
29. The relevant tax law that governs the taxation of partners in partnership businesses is _____
30. In any tax system, the deliberate understatement of income or overstatement of expenditure and making of false claims for allowances and reliefs is referred to as _____.

31. The rate of withholding tax on fees for Technical services rendered by a limited liability company is ____ and collected by _____.
32. The tax relief of a pioneer company shall be for a period of ____ years, where the company has not applied for extension.
33. Changes in revenue and expenditure policy of government are referred to as _____
34. What is the relief granted to any person or company that incurs capital expenditure during a basis period in respect of capital assets bought and in use for the purpose of a trade or business called?
35. The sum total of an employee's basic salary and other entitlements without other deductions is referred to as _____
36. A system under which a taxpayer is entrusted with responsibility for assessing himself to tax and paying the tax assessed as stipulated by law is called _____
37. Petroleum Profits Tax is collected in Nigeria by _____
38. Tax concession of _____ is granted for five years to industries that can attain minimum local raw materials utilization.
39. How many members or their representatives shall constitute a quorum at a meeting of the Joint Tax Board
40. When does the Tax Relief Period of a pioneer company commence?

SOLUTION: PRINCIPLES OF TAXATION

PART I

MULTIPLE CHOICE QUESTIONS (MCQ)

(60 MARKS)

1. B
2. C
3. D
4. C
5. C
6. C

7. A
8. D
9. B
10. C
11. D
12. C
13. B
14. A
15. A
16. A
17. B
18. D
19. D
20. B
21. A
22. B
23. D
24. D
25. C
26. A
27. C
28. B
29. A
30. C
31. C
32. C
33. B
34. D
35. B
36. A
37. B
38. D
39. D

- 40. B
- 41. A
- 42. C
- 43. D
- 44. B
- 45. C
- 46. B
- 47. C
- 48. A
- 49. C
- 50. A
- 51. A
- 52. A
- 53. B
- 54. D
- 55. D
- 56. A
- 57. B
- 58. C
- 59. D
- 60. C

PART II**SHORT ANSWER QUESTIONS (SAQ)****(40 MARKS)**

1. Proportional tax
2. Back Duty Assessment
3. Tax avoidance
4. Capital
5. 120%
6. Wholly, exclusively, necessarily and reasonably
7. Nigerian Export Promotion Council (NEPC)
8. Presumptive tax
9. Local Governments
10. Tax
11. Tax Cut
12. Excise Duty
13. Customs Duties
14. Progressive
15. Itinerant Worker
16. The place the individuals usually resides
17. Benefit-In-Kind (BIK)
18. It is exempted from tax
19. Best of Judgment
20. Property tax
21. Tax incidence
22. Taxation
23. Minister of Finance
24. ₦200,000 or 1% of gross income, whichever is higher plus 20% of gross income
25. The Chairman of the State Board of Internal Revenue
26. Import duty

27. Nigeria Investment Promotion Committee
28. State Internal Revenue Service
29. Personal Income Tax Act
30. Tax Evasion
31. 10% and collected by Federal Inland Revenue Service (FIRS)
32. 3 years
33. Fiscal Policy
34. Capital Allowance.
35. Gross Emoluments.
36. Self Assessment
37. Federal Inland Revenue Service
38. 30%
39. 7
40. Date of the production day and shall continue for three years.



THE CHARTERED INSTITUTE OF TAXATION OF NIGERIA

OCTOBER 2021: PROFESSIONAL EXAMINATION

FOUNDATION: BUSINESS LAW

TUESDAY 12TH OCTOBER 2021

EXAM NO.....

PART I **MULTIPLE CHOICE QUESTIONS (MCQ)** **(60 MARKS)**

ATTEMPT ALL QUESTIONS.

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

1. Which court has original jurisdiction to hear disputes between States of the Federation?
 - A. Supreme Court
 - B. Court of Appeal
 - C. Federal High Court
 - D. Chief Magistrates Court.

2. Which of the following is the term used to describe a written contract under seal?
 - A. Probate contract
 - B. Judicial contract
 - C. Complex contract
 - D. Specialty contract.

3. Which of the following is a form of indirect tax?
 - A. Personal Income Tax
 - B. Capital Transfer Tax
 - C. Company Income Tax
 - D. Value Added Tax.

4. How is the display of goods referred to under the law of contracts?
 - A. Invitation to bargain
 - B. Invitation to treat
 - C. Invitation to negotiate
 - D. Invitation to inspect.

5. Under the law of contract, what is the result when an offer is accepted?
 - A. Alignment
 - B. Contentment
 - C. Achievement
 - D. Agreement.

6. Which of the following is the effect of social contract between friends?
 - A. Unenforceable
 - B. Valid
 - C. Void
 - D. Illegal

7. Where is the Pay As You Earn tax deduction of military men/women resident in States paid to?
 - A. Federal Internal Revenue Service
 - B. Joint Tax Board
 - C. State Internal Revenue Service
 - D. Joint Tax Force.

8. What is it called when a person creates in another person a reasonable apprehension of imminent harm or offensive contact?
 - A. Battery
 - B. Assault
 - C. Quarrel
 - D. Mischief.

9. Where a person suffers injury or damage due to the person's omission or commission to prevent the act, what is it called?
 - A. Carelessness
 - B. Indifference
 - C. Nonchalant attitude
 - D. Contributory negligence.

10. Who is liable where an agent acts within the scope of his authority?
 - A. Principal
 - B. Third party
 - C. Broker
 - D. Agent.

11. Which arm of the government is responsible for the setting up of administrative judicial tribunal?
 - A. Legislature
 - B. Judiciary
 - C. Executive
 - D. High Court.

12. Which court has original jurisdiction to hear gubernatorial election petitions under the 1999 constitution of the Federal Republic of Nigeria.
 - A. Federal High Court
 - B. National Electoral Court
 - C. Court of Appeal
 - D. Election Tribunal.

13. In the Nigerian judicial system, which of the following is classified as an inferior court?
- A. Customary Court of Appeal
 - B. Magistrates Court
 - C. State High Court
 - D. National Industrial Court.
14. Which of the following transactions is similar to leasing?
- A. Hire purchase
 - B. Credit sale
 - C. Unconditional sale
 - D. Sale or return.
15. Which of the following is a condition that must be fulfilled by a sole proprietorship not trading under the owner's name?
- A. Must add "Ltd" to its business name
 - B. Must add "Ultd" to its business name
 - C. Must be registered with the Corporate Affairs Commission
 - D. Must have a family member as manager.
16. In a Hire purchase contract, which of the following is a right of the owner against a third party who has not acquired good title?
- A. Sue for full price
 - B. Claim for damages
 - C. Resell the goods
 - D. Sue for theft.
17. Who bears the liability where a partner injures a third party while performing duties in the ordinary course of the firm's business?
- A. Partner himself
 - B. Third party
 - C. Co-accomplice
 - D. The partnership.
18. Who appoints the first directors of a public company?
- A. Subscribers to the company's Memorandum of Association
 - B. Corporate Affairs Commission
 - C. Public subscribers
 - D. Major shareholder.
19. Which of the following is a test of a company's declaration of solvency?
- A. Ability to pay employees emoluments at month end
 - B. Ability to pay its debts in full within a period of 12 months from the commencement of winding up
 - C. Ability to declare dividend with 12 months of commencement of winding up.
 - D. Ability to pay purchased assets in cash.

20. When a company acquires the controlling shares of another company, what is the company whose shares are acquired called?
- A. Associated company
 - B. Subordinate company
 - C. Subsidiary company
 - D. Small company.
21. What is the period of notice to be given to a company secretary to make his defence before his removal from office?
- A. 7 working days
 - B. 14 working days
 - C. 21 working days
 - D. 30 working days.
22. Which of the following is not a composition of an Arbitration Tribunal?
- A. A sole arbitrator
 - B. Alternate arbitrators
 - C. A single arbitrator assisted by assessors
 - D. One or more arbitrators nominated on behalf of employers or workers
23. How many members constitute a Tax Appeal Tribunal?
- A. 5
 - B. 4
 - C. 3
 - D. 2
24. Which of the following is the outcome of the application of *ejusdem generis* rule of statutory interpretation?
- A. Each clause or terms in the statute are interpreted independently
 - B. A class of things is distinguished from another
 - C. General words following particular words are interpreted similarly to the particular words
 - D. The provision being interpreted is given its ordinary meaning
25. What is the situation in which both parties to an agreement were mistaken about the same thing?
- A. Common mistake
 - B. Unanimous mistake
 - C. Mutual mistake
 - D. Bilateral mistake
26. What is the measure of payment for a contract that is partly performed?
- A. Payment by mutual agreement
 - B. Payment on *quantum meruit*
 - C. Payment according to discharge
 - D. Gratuitous payment

27. Where the performance of a contract rests expressly or impliedly on the continued existence of a particular subject matter and the subject matter has been destroyed, the contract is discharged by
- A. annihilation.
 - B. understanding.
 - C. satisfaction.
 - D. frustration.
28. In which of the following situations could a hirer pass a good title without exercising his option to purchase?
- A. Sale and purchase in market overt
 - B. Cash sale
 - C. Sale by agreement
 - D. International sales
29. Which of the following is a function of an international convention?
- A. It is binding on all States
 - B. It is binding on all States that ratify or accede to it
 - C. It allows unilateral application
 - D. It applies to arbitral awards only
30. When does property pass on an unconditional sale of specific goods in deliverable state the payment for which is postponed?
- A. At the time of delivery
 - B. When the seller agrees
 - C. When the buyer pays
 - D. When the contract is made
31. Which of the following items is valued *ad-valorem* for stamp duty?
- A. Mortgage and debenture loans
 - B. Poll levy
 - C. Cooperative share
 - D. Payment receipts
32. Which of the following may deprive a plaintiff of remedy for defective product?
- A. *Complicit negligentia*
 - B. Manufacturer's reputation
 - C. Interference
 - D. Prevarication
33. Which of the following torts is of absolute liability?
- A. Negligence
 - B. Strict liability torts
 - C. Occupational torts
 - D. Product liability torts

34. In law, which of the following is not a ground for termination of agency?
- A. Acts of the parties
 - B. Conduct of the parties
 - C. Operation of law
 - D. Custom
35. In which of the following situations could an agent claim indemnity for an illegal act?
- A. Where the principal misled the agent as to the nature of the transaction
 - B. Where the agent and principal are equally at fault
 - C. Where there is a compelling commercial necessity
 - D. Where it is not excluded expressly in the parties' agreement
36. Who, of the following, is not bound to perform the obligation under an agency?
- A. *Del credere agent*
 - B. Paid agent
 - C. Gratuitous agent
 - D. Agent of necessity
37. Which, if any, of the following attributes does a limited liability partnership share with a company under the Companies and Allied Matters Act, 2020?
- A. Designated membership
 - B. Perpetual succession
 - C. Maximum membership
 - D. Minimum number of directors
38. Which of the following is a function of a promoter?
- A. Marketing a proposed company
 - B. Ratification of pre-incorporation contract
 - C. Raising capital for a newly formed company
 - D. Determining directors' status
39. Which of the following shares of its own could a company purchase?
- A. Unallotted shares
 - B. Issued shares
 - C. Unpaid shares
 - D. Fully paid up shares
40. Which of the following is a penalty for a corporate body that is found guilty of insider dealing under the Investments and Securities Act?
- A. A fine of not less than N1,000,000
 - B. A fine of not less than N1,500,000
 - C. A fine of not less than N2,000,000
 - D. A fine of not less than N2,500,000
41. Which of the following is not a proof to make the occupier of a property liable under law of Torts?
- A. Occupier took reasonable safety of visitors
 - B. Safety of persons is property owner's duty
 - C. Safety of self and family is that of the occupier
 - D. Unannounced entry by visitors is at visitor's risk.

42. Which of the following remedies should a hirer seek for where the breach of a hire purchase contract has defect in the owner's title?
- A. Specific performance
 - B. Damages and recovery of deposit
 - C. Rectification
 - D. Action for deceit
43. Under agency law, which of the following is a duty of an agent?
- A. To enter into contract with only the principal's client
 - B. Not to disclose confidential information
 - C. Owe money to the principal
 - D. Not to disclose goods to third parties.
44. United Nations Convention on contracts for International Sale of Goods (CISG) applies to
- A. sale of goods to consumers.
 - B. sale of goods between merchants.
 - C. services arrangements.
 - D. transactions to which the UN is a party.
45. Which of the following is a reason to set up administrative commission of enquiry?
- A. To appease the parties
 - B. To dispense instant justice
 - C. To pass new laws
 - D. To avoid technicalities in regular courts.
46. Which of the following is an element of passing off?
- A. *Laches*
 - B. Negligence
 - C. Likelihood of deception
 - D. Quantitative equality
47. Contributory negligence is based on lack of
- A. foreseeability.
 - B. hindsight.
 - C. grandstanding.
 - D. filibustering.
48. What is the type of finance lease where the lessor borrows majority of the funds from the bank to buy the leased asset called?
- A. Consortium lease
 - B. Banker's lease
 - C. Structured lease
 - D. Leveraged lease.

49. In which of the following instances does a partner lacks authority to bind the firm?
- A. To give guarantee in the firm's name
 - B. To accept payment from the firm's debtors
 - C. To issue valid receipts of the firm
 - D. To engage or dismiss the firm's staff.
50. The principle that enjoins a person to have in contemplation those likely to be affected by his conduct is known as
- A. relatives' principle.
 - B. affinity's principle.
 - C. neighbour's principle.
 - D. contemplation principle.
51. Which of the following circumstances will compel a company director to vacate office?
- A. If he refuses to declare dividends
 - B. If he fails to hold his qualification shares
 - C. Disagreement with statutory auditors
 - D. Dispute with tax authorities.
52. What is it called when a company submits to the Corporate Affairs Commission, declaration of solvency for winding up of the company?
- A. Corporate voluntary winding up
 - B. General voluntary winding up
 - C. Member's voluntary winding up
 - D. Statutory voluntary winding up.
53. In a public company that is listed on the stock market, which of the following offices must not be held by the same person?
- A. Managing Director and Chief Executive Officer
 - B. Managing Director and Chairman
 - C. Managing Director and Executive Director
 - D. Alternate Director and Non-Executive Director
54. Who, of the following, must not take part in managing a partnership business?
- A. An unlimited partner
 - B. A general partner
 - C. A limited liability partner
 - D. A limited partner
55. What is the process by which a company takes over another company?
- A. Acquisition
 - B. Pay off
 - C. Sell off
 - D. Merger.
56. Which of the following is a ground for lifting the veil of incorporation of a company?
- A. Fraudulent trading
 - B. Homogeneous membership
 - C. Dominant majority shareholding by a member
 - D. Protection of the minority

57. Who appoints the Company Secretary of a public company?
- A. Shareholders
 - B. Board of directors
 - C. Promoter
 - D. Human Resources Manager.
58. What is the minimum number of independent directors that a public company must have?
- A. 5
 - B. 4
 - C. 3
 - D. 2
59. Which of the following is not a duty of a person appointed solely as a receiver of a company?
- A. Taking possession of its property
 - B. Discharge of all outgoings
 - C. Carrying on any business or undertaking
 - D. Realising security for benefit of those on whose behalf he is appointed
60. What is the document issued under seal by a company, acknowledging specified debt secured by charge on the assets of the company?
- A. Loan paper
 - B. Debit Note
 - C. Credit Note
 - D. Debenture.

ATTEMPT ALL QUESTIONS.

1. State the jurisdiction of the Investments and Securities Tribunal and Federal High Court in capital market matters.
2. Who is eligible for appointment as the Chairman of the Board of Federal Inland Revenue Service (FIRS)?
3. State One (1) of the main technical functions of the Commissioner for Stamp Duties.
4. Okechukwu offered to sell a car to Abubakar for ₦2million but the latter replied that he has bought the car, crediting Okechukwu's account with ₦1.8million by wire transfer. Okechukwu has refused to let Abubakar have the car. What is the position of the law.
5. State One (1) way in which a contract could be discharged.
6. is an agreement by which a buyer takes possession of goods for sale while title and right or repossession remain with the seller until the buyers pays the price in full or the conditions to which the sale is subject are fulfilled.
7. State the following acronyms in full: (a) CIF; and (b) FOB.
8. What do repeated trespasses by a person without preventive action by the occupier confer?
9. What is the major element of an intentional tort?
10. State One (1) way in which agency relationship could arise?
11. State One (1) category of persons that are entitled to notice of a general meeting of a company.
12. State One (1) of the types of voluntary winding up.
13. State One (1) category of professionals that could be secretary of a public company.
14. There are Two (2) types of merger under the Federal Competition and Consumer Protection Act, No.1 of 2019 state one of them.
15. What is the main purpose of Law?
16. State the main function of the Tax Appeal Tribunal.
17. What is the position and effect of the decision of the Supreme Court under the Nigerian Court System?
18. State One (1) of the beneficiaries of Education Tax?

19. State the main objective of the introduction of withholding tax into the Nigerian tax system.
20. State One (1) categories of persons that lack legal capacity to enter into contracts.
21. State One (1) circumstances under which a contract may be discharged through the operation of law.
22. arises in emergency situations where a person is obliged to act to protect property or interest of another or prevent irreparable loss to another, and it is impossible to communicate with or contract the owner for approval of the act.
23. State One (1) of the government agencies responsible for consumer protection in Nigeria.
24. What is right of "Lien" on goods under Sale of Goods contract?
25. State One (1) duty of a private carrier under contract of Carriage of Goods by sea.
26. State One (1) content of Hire Purchase agreement.
27. State One (1) characteristic of a general partner in a partnership.
28. State One (1) type of illegal contracts under common law.
29. Under the law of Torts is a situation where a person or a master will be held liable for acts of another related person or servant which caused injury or damage to a third party.
30. When should a public company hold its "Statutory meeting".
31. is a lease in which the lessee acquires the right to use the asset on lease for a short period and lessee does not have the privilege to buy the asset at the expiration of the lease period.
32. State One (1) of the advantage of incorporation of a company.
33. In agency law, which condition is waived when a pre-incorporation contract is ratified?
34. State One (1) of the types of partnership that may not be dissolved at the death of a member.
35. is an equitable charge over the whole or a specified part of the company's undertakings and assets both present and future, which generally does not preclude the company from dealing with the assets.
36. What duty has a director who is allowed to delegate his powers under the companies and Allied Matters Act?

37. Shares which confer on the holders, priority of payment of fixed rate of dividends over equity shareholders on payment of dividends.
38. Which type of corporate information is an insider prohibited from using in buying or selling the securities of his company?
39. is passed by a simple majority of votes cast by members of the company that are entitled to vote at a general meeting of the company.
40. State One (1) of the duties of statutory auditors of a company.

FOUNDATION: BUSINESS LAW

TUESDAY 12TH OCTOBER, 2021

PART I MULTIPLE CHOICE QUESTIONS (MCQ) (60 MARKS)

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

- 29. B
- 30. D
- 31. A
- 32. C
- 33. B
- 34. D
- 35. A
- 36. C
- 37. B
- 38. C
- 39. D
- 40. A
- 41. A
- 42. B
- 43. B
- 44. B
- 45. D
- 46. C
- 47. A
- 48. D
- 49. A
- 50. C
- 51. B
- 52. C
- 53. B
- 54. D
- 55. A
- 56. A
- 57. B
- 58. C
- 59. C
- 60. D

SOLUTION: BUSINESS LAW

PART II SHORT ANSWER QUESTIONS (SAQ) (40 MARKS)

1. (i) Civil matters of the capital market.
(ii) All criminal matters.
 2. The President of Nigeria subject to Senate confirmation.
 3. The technical functions of the Commissioner for Stamp Duties are:
 - (a) Assessment of instruments;
 - (b) Stamping the assessed instruments;
 - (c) Custody of dies; and
 - (d) Adjudication

(1 mark for any 1).
 4. Okechukwu is right in law. By paying ₦1.8million for the car, Abubakar made a counter offer which Okechukwu rightly rejected.
 5. A contract could be discharged by:
 - (a) breach;
 - (b) performance;
 - (c) agreement; or
 - (d) frustration (1 mark for any 1).
 6. Conditional sale
 7. (a) CIF – Cost Insurance Freight; and (b) FOB – Free On Board.
 8. Implied licence.
 9. Intention to cause harm to the plaintiff.
 10. (a) Expressly
(b) impliedly;
(c) by estoppel;
(d) by ratification;
(e) by necessity; or
(f) by cohabitation
- (1 mark for any 1).

11. The following are entitled to notice of a company meeting:
- (a) Members;
 - (b) Persons on whom ownership of shares devolves as trustees or receivers;
 - (c) Directors
 - (d) Company's External Auditor;
 - (e) The secretary; and
 - (f) Corporate Affairs Commission (in the case of a public company)
- (1 mark for any 1).
12. Types of voluntary winding up are:
- (i) Members' voluntary winding up
 - (ii) Creditors' voluntary winding up. (1 mark for any 1)
13. The professionals that could be secretary of a public company are
- (a) Chartered accountants;
 - (b) Legal practitioners; and
 - (c) Chartered secretaries and administrators (1 mark for any 1).
14. Mergers are of the following two types:
- (a) small merger; and
 - (b) large merger. (1 mark for any 1)
15. The main purpose of law is to regulate the activities of individuals, societies, communities and corporate bodies to ensure orderliness.
16. The main function of the Tax Appeal Tribunal is to adjudicate over tax disputes between the Federal Inland Revenue Service and limited liability companies (corporations).
17. The Supreme Court of Nigeria is the highest court in hierarchy and the final court in judicial proceedings. Decisions pronounced by the court constitute a binding precedent on all other courts.
18. The beneficiaries of Education Tax are:
- (a) All Federal and States' Universities
 - (b) All Federal and States' Polytechnics and Colleges of Technology
 - (c) All Federal and States' Colleges of Education
- (1 mark for any 1).
19. The main objective of introducing withholding tax into the Nigerian tax system include the following:
- (a) To ensure that tax due from all income derived by individuals and corporate bodies are paid to the relevant tax authorities
 - (b) To make the tax payment less cumbersome for recipients of income.
- (1 mark for any 1).
20. The categories of persons that lack legal capacity to enter into contracts are as follows:
- (a) Infants or minors
 - (b) Drunken persons
 - (c) Insane persons.
- (1 mark for any 1).

21. Circumstances under which a contract may be discharged through operation of the law are as follows:
- Death of either party
 - Subsequent incapacity of either party (Bankruptcy or Insanity)
 - Frustration of the contract by supervening events
 - Illegality of the contract either *ab initio* or subsequently
 - Where the subject-matter did not exist or no longer exists.
- (1 mark for any 1).
22. Agency of necessity
23. The government agencies responsible for consumer protection in Nigeria are:
- Standards Organisation of Nigeria (SON)
 - National Agency for Foods and Drugs Administration and Control (NAFDAC)
 - Federal Competition and Consumer Protection Commission (FCCPC).
- (1 mark for any 1).
24. Under sale of goods contract, Lien on goods is a right of the unpaid seller to retain possession of the goods the property in which has passed, until the buyer makes payment for the goods by the buyer.
25. Under the contract of Carriage of Goods the duties of a private carrier are as follows:
- He is liable for the goods he has contracted to carry
 - He must take reasonable care to keep the goods safe
 - Not to do any intentional act inconsistent with the owner's title
 - Not to convert or divert the goods.
- (1 mark each for any 1).
26. The contents of Hire Purchase agreement include the following:
- Name and address of the owner
 - Name and address of the hirer
 - Details of the goods
 - Cash sale price of the goods
 - Hire purchase price of the goods
 - Amount, number of instalmental payments and date of payments
 - Details of guarantor(s).
- (1 mark for any 1).
27. Characteristics of a general partner in a partnership include the following:
- Unlimited joint, several and personal liability for the partnership debts
 - Involve in management of the partnership
 - Issue notice for dissolution of the partnership
 - Death automatically dissolves the partnership
 - Subsequent incapacity will dissolve the partnership.
- (1 mark for any 1).
28. Under common law, the following are classified as illegal contracts:
- Contracts to commit crime or civil wrong;
 - Contracts to commit sexual immorality and other social vices;
 - Contracts affecting public safety;

- d. Contract prejudicial to dispensation of justice;
 - e. Contracts that promote corruption in public life; and
 - f. Contract to defraud the government of revenue.
(1 mark for any 1).
29. Vicarious liability
30. Within 6 months from the date of incorporation.
31. Operating lease
32. The advantages of incorporation of a company include the following:
- a. Corporate legal existence;
 - b. Limitation of members' liability;
 - c. Company self-ownership of property;
 - d. Company's legal capacity to sue and be sued;
 - e. Company's perpetual succession;
 - f. Raise large funds from share issue; and
 - g. Enhanced borrowing capacity.
(1 mark for any 2 = 1 mark).
33. The condition that the principal must be in existence at the time the act calling for ratification was done.
34. (i) Limited partnership
(ii) Limited liability partnership.
35. Floating charge
36. The director shall not delegate the power in such a way and manner as to amount to an abdication of duty.
37. Preference Shares
38. Unpublished price sensitive information in relation to those securities.
39. Ordinary resolution
40. The duties of the statutory auditors of a company are the following:
- a. Examine the financial records of the company for the period under review;
 - b. Report on whether or not the directors' report for the period is consistent with financial reports regulatory standards;
 - c. Report on observed lapses in the system and control;
 - d. Report on detected fraud, if any;
 - e. Make recommendations for strengthening of internal controls to prevent fraud and financial malpractices in the system; and
 - f. Form an opinion on whether or not the financial statements are true and fair.
($\frac{1}{2}$ mark for any 2 = 1 mark).



THE CHARTERED INSTITUTE OF TAXATION OF NIGERIA

OCTOBER 2021: PROFESSIONAL EXAMINATION

FOUNDATION: FINANCIAL ACCOUNTING

WEDNESDAY 13TH OCTOBER, 2021

EXAM NO.....

PART I

MULTIPLE CHOICE QUESTIONS (MCQ)

(60 MARKS)

ATTEMPT ALL QUESTIONS.

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

1. Which of the following is MOST useful for Managers?
 - a) Tax records for the past 5 years
 - b) Budget for the coming financial year
 - c) Financial statement for the last 5 years
 - d) Management account for the previous year

2. Which of the following are the effects of matching concept?
 - (i) Determination of periodic profits.
 - (ii) Unexpired costs are deferred.
 - (iii) Cost of goods sold may be different from purchases
 - a) I and II
 - b) I and III
 - c) II and III
 - d) I, II and III

3. If a motor vehicle is purchased on credit for N5m from UAC Motors, state the account to be debited and credited
 - a) Dr Cash Cr Motor Vehicle
 - b) Dr UAC Motors Cr Motor Vehicle
 - c) Dr Motor Vehicle Cr Purchases
 - d) Dr Motor Vehicle Cr UAC motors

4. Which of the following is an example of a liability?
 - a) Loan
 - b) Plant and Machinery
 - c) Goodwill
 - d) Inventory

5. AB and Co. has development expenditure of ₦10m. Its policy is to amortise development expenditure at 3% per annum. Accumulated amortisation brought forward is ₦600,000.

What is the charge in the income statement for the year's amortisation?

- a) ₦318,000
- b) ₦300,000
- c) ₦282,000
- d) ₦600,000

6. AB and Co. has development expenditure of ₦10m. Its policy is to amortise development expenditure at 3% per annum. Accumulated amortisation brought forward is ₦600,000.

What is the amount to be shown in the statement of financial position for development expenditure?

- a) ₦9,100,000
- b) ₦9,400,000
- c) ₦10,000,000
- d) ₦9,700,000

7. An irrecoverable debt arises in which of the following statements?

- a) A customer fully paid the debt
- b) The invoice is not yet done for payment
- c) An invoice is in dispute
- d) The customer goes bankrupt

8. An allowance for receivables of 3% is required. Trade receivables at the period end is ₦1.2m and the allowance for receivables brought forward from the previous period is ₦12,000.

What movement is required for this year?

- a) Increase by ₦12,000
- b) Decrease by ₦12,000
- c) Increase by ₦24,000
- d) Decrease by ₦24,000

9. A transaction for ₦100,000 of sales offers 2% trade discount and 5% cash discount. If both discounts are claimed, how much is posted to discount allowed?

- a) ₦4,900
- b) ₦5,000
- c) ₦6,900
- d) ₦7,000

10. A company's bank statement shows ₦107,250 direct debits and ₦52,950 investment income not recorded in the cash book. The bank statement does not show a customer's cheque for ₦131,250 entered in the cash book on the last day of the accounting period. If the cash book shows a credit balance of ₦91,500, what balance appears on the bank statement?

- a) ₦145,800 debit
- b) ₦145,800 credit
- c) ₦277,050 debit
- d) ₦277,050 credit

11. Given the facts in question 11 above, what is the figure for the bank balance to be reported in the final accounts?
- ₦145,800 debit
 - ₦145,800 credit
 - ₦277,050 debit
 - ₦277,050 credit
12. A company's income statement for the year ended 31 December, 2020 showed a profit of ₦13.5m. It was later found that ₦180,000 paid for repairs to the company's trailer has been debited to motor vehicle account and has been depreciated as if it was motor vehicle. The company depreciates its vehicle at 25% on straight line basis. What would the profit be after adjusting for the error?
- ₦13,320,000
 - ₦13,680,000
 - ₦13,365,000
 - ₦13,545,000
13. What must be done with a suspense account before preparing a statement of financial position?
- Clear it to nil
 - Write it off to capital
 - Include it in assets
 - Include it in liabilities
14. Sales return of ₦60,000 have mistakenly been posted to the purchases return although the correct entry has been made to the accounts receivables control.

How much suspense account should be set up to correct this?

- ₦30,000
 - ₦60,000
 - ₦90,000
 - ₦120,000
15. Ayo's trial balance includes the following items: receivables ₦30,000, bank ₦660,000, allowance for receivables ₦6,000, inventory ₦90,000, Payables ₦60,000, non-current assets ₦300,000.

What is the figure for total assets?

- ₦774,000
 - ₦1,080,000
 - ₦1,074,000
 - ₦1,146,000
16. Net assets at the beginning of 2020 were ₦2.2m. The proprietor injected new capital of ₦700,000 during the year and took drawings of ₦60,000. If net asset at the end of 2020 was ₦2.95m. What was the profit earned by the business in 2020?
- ₦60,000 profit
 - ₦110,000 profit
 - ₦700,000 Profit
 - ₦750,000 Profit

17. Which method(s) is/are allowed when valuing inventory under IAS 2
- i. FIFO
 - ii. LIFO
 - iii. Standard cost
 - iv. AVCO
- a) I only
 - b) II and III
 - c) I, II and III
 - d) I and IV
18. An item of inventory was purchased for ₦10,000. However, due to a fall in demand, its selling price will be only ₦8,500. In addition, further costs will be incurred prior to sale of ₦1,000.

What is the net realizable value?

- a) ₦10,000
 - b) ₦7,500
 - c) ₦9,500
 - d) ₦8,000
19. Ajede Ltd purchased 20 computers from Ajilore stores originally priced at N190,000 each. A 10% trade discount was negotiated together with a cash discount of 5% if the payment was made within 2 weeks. Calculate the total cash discount if payment was made within stipulated time.
- a) ₦17,100
 - b) ₦171,000
 - c) ₦380,000
 - d) ₦190,000
20. A company issues 500,000 N1 shares at a price of ₦1.25 per share. How much should be posted to share premium account?
- a) ₦62,500
 - b) ₦125,000
 - c) ₦375,000
 - d) ₦625,000
21. A liability should be classified as current liability when it is:
- i. Held primarily for the purpose of being traded
 - ii. Expected to be settled in the entity's normal operating cycle
 - iii. Due to be settled within twelve months of the reporting date
- a) I and II
 - b) I and III
 - c) I, II and III
 - d) II and III
22. If a company makes a loss of ₦2,500,000 in a year, yet has unappropriated profits from previous years totaling ₦6,800,000. How much dividend can such a company pay to its shareholders.

- a) ~~₦~~2,500,000
- b) ~~₦~~4,300,000
- c) ~~₦~~6,800,000
- d) ~~₦~~1,800,000

23. When dividends are paid; what are the accounting entries?

- a) Dr Cash account Cr Dividend paid account
- b) Dr Cash account Cr Share Capital account
- c) Dr Share Capital account Cr Cash account
- d) Dr Dividend paid account Cr Cash account

24. In the published accounts of Yahaya Ltd, the profit for the year was ₦17.5m. The balance of retained earnings at the beginning of the year was ₦670,000. If dividends of ₦6.250m were paid, what is the closing balance of retained earnings?

- a) ~~₦~~16,830,000
- b) ~~₦~~11,920,000
- c) ~~₦~~11,250,000
- d) ~~₦~~5,580,000

25. Which of the following disclosure is not required under IAS 1?

- a) Name of major shareholders of the entity
- b) Name of reporting entity
- c) The measurement basis used in preparing the financial statement
- d) A description of the entity's operation and its principal activities

26. Which of the following items are adjusting items?

- i. A building destroyed by fire after reporting date
 - ii. Inventory found to have deteriorated
 - iii. Dividends proposed at the year end
- a) I only
 - b) II only
 - c) III only
 - d) I and II

27. A company has the following extract from a statement of financial position

	2019	2020
	₦'000	₦'000
Share Capital	15,000	7,500
Share Premium	3,750	---
Loan Stock	5,625	7,500

What is the Cash flow from financing activities for the year?

- a) ~~₦~~9,375 outflow
- b) ~~₦~~13,125 outflow
- c) ~~₦~~9,375 Inflow
- d) ~~₦~~13,125 outflow

28. Information on Lala Ltd for the previous two years is given below

	2019	2020
Quick ratio	1.5:1	1.5:1
Current ratio	1.8:1	3:1
Inventory turnover	15 days	27 days

Which of the following statements regarding Lala Ltd is/are correct?

- i. Lala Ltd appears to have less inventories in 2020 than 2019
 - ii. The debt position of Lala Ltd is worsening
 - iii. Inventory obsolescence could be a problem for Lala Ltd
- a) III only
 - b) I and III only
 - c) I only
 - d) II and III
29. Which of the items could appear in a company's statement of cash flows?
- i. Surplus on revaluation of non-current assets
 - ii. Proceeds of issue of shares
 - iii. Proposed dividend
 - iv. Dividend received
- a) I and II
 - b) I and III
 - c) II and IV
 - d) I and IV
30. In which book of prime entry will a business record credit note received in respect of goods which the business has sent back to its suppliers?
- a) The purchase returns day book
 - b) The sales day book
 - c) The Purchase day leave
 - d) The sales return day book
31. Agbeluyi sells goods worth ₦170,000 to a customer, the customer pays ₦100,000 in cash immediately and promise to pay the remaining ₦70,000 in 30days time.
- What is the double entry to record the sale?**
- a) Debit cash ₦100,000 Credit receivable ₦70,000 credit sales ₦170,000
 - b) Debit sales ₦170,000 credit sales ₦170,0000
 - c) Debit receivables ₦70,000 Debit cash ₦100,000 Credit sales ₦170,000
 - d) Debit sales ₦170,000 credit receivables ₦170,000
32. ABD Partnership value its goodwill as two times the average of the annual profits in excess of N6,000,000 each year for the last three years. Profit for the last three years has been as follows:-
- | | |
|--------|-------------|
| Year 1 | ₦8,000,000 |
| Year 2 | ₦9,000,000 |
| Year 3 | ₦10,000,000 |

What is the value of the goodwill the partnership will have in their records?

- a) ₦6,000,000
- b) ₦3,000,000
- c) ₦4,000,000
- d) ₦2,000,000

33. Calculate the cost of goods sold from the following information:

	₦
Return inwards	60,000
Revenue	1,230,000
Opening inventory	300,000
Purchases	1,110,000
Gross profit	300,000

- a) ₦1,100,000
- b) ₦990,000
- c) ₦930,000
- d) ₦870,000

34. From the information in 33 above, what is the closing inventory of the business?

- a) ₦240,000
- b) ₦480,000
- c) ₦540,000
- d) ₦600,000

35. The importance of ledger accounts includes one, some or all of the following:

- i. They serve as the means of keeping permanent records of assets, liabilities, income and expenses
 - ii. They provide relevant information that is required to prepare the income statement and statement of financial position
 - iii. They give the origin of every transaction and the parties involved
 - iv. They show the details of the movement in each account
 - v. The trial balance is extracted from the ledger accounts at the end of the accounting period
- a) I and III
 - b) I, II and III
 - c) I, II, III and IV
 - d) V only

36. The qualitative characteristics of financial statements include all or some of the following:

- i. Understandability
 - ii. Relevance
 - iii. Reliability
 - iv. Comparability
- a) I and II
 - b) I and III
 - c) II and III
 - d) All of the above

37. What receivables figure should be shown in the statement of financial position; if we have the following information;
- | | |
|---|------------|
| Trade Receivables control account balance | N1,500,000 |
| Allowance for doubtful receivables | N150,000 |
| Provision for discount allowed on receivables | 5% |
- a) N1,275,000
 b) N1,282,500
 c) N1,342,500
 d) N1,350,000
38. Which of the following would result from an increase in the allowance for doubtful debts?
- a) An increase in gross profit
 b) A decrease in net profit
 c) An increase in net profit
 d) A decrease in gross profit
39. What is the cost of goods sold, given the sales figure as N1,600,000 with a mark-up of 25%?
- a) N1,008,000
 b) N320,000
 c) N1,200,000
 d) N1,280,000

Use the data below to answer Questions 40 and 41

	31/12/19	31/12/20
	N	N
Non-current Assets	3,200,000	2,860,000
Current Assets	7,500,000	9,200,000
Current Liabilities	1,500,000	1,300,000
Provision for depreciation	700,000	740,000

During 2020, an equipment costing N540,000 with a book value of N200,000 was sold for N150,000.

40. What was the capital of the business as at 31 December 2019?
- a) N11,500,000
 b) N9,900,000
 c) N8,500,000
 d) N6,500,000
41. The account into which provisions for depreciation on motor vehicle is debited is
- A. Capital account
 B. Trading account
 C. Manufacturing account
 D. Profit and loss account

42. Which of the following books is not a book of original entry?
- A. Sales day book
 - B. Pay-in-book
 - C. Returns inwards book
 - D. Returns outwards book
43. The statement which the suspense account is used to balance is the
- A. Statement of financial position
 - B. Trading account
 - C. Profit and loss account
 - D. Trial balance
44. A set of furniture owned by Hope Ltd costing ₦1,000,000 was depreciated at the rate of 20% on a diminishing balance basis. The asset realised the sum of ₦600,000 after it was used for two years. What is the net result of the sales?
- A. ₦600,000 loss
 - B. ₦640,000 profit
 - C. ₦40,000 profit
 - D. ₦40,000 loss
45. When shares are oversubscribed, the promoter may consider a reduction in the number of allocations. Under this situation, the shares are being
- A. Issued at a premium
 - B. Issued on pro-rata
 - C. Forfeited
 - D. Issued at a discount
46. The preliminary expenses of a limited liability company are
- A. Current liabilities
 - B. Fixed assets
 - C. Fictitious assets
 - D. Current assets
47. The price paid for the purchase of a business is
- A. Debited to the cash account and credited to the vendor's account
 - B. Debited to the business purchase account and credited to the assets account
 - C. Credited to the business purchase account and debited to the assets account
 - D. Credited to the cash account and debited to the vendor's account
48. Which of the following is in personal ledger?

- A. Debtor's account
- B. Cash sales account
- C. Interest received account
- D. Discounts allowed account

49. The authorised share capital of a private limited liability company is the number of shares.

- A. Called-up
- B. Approved in the memorandum of association
- C. Paid-up
- D. Offer for sale

50. Bosco has sold goods on credit and received ₦200,000 in cash from the debtors. The customers owed him the sum of ₦50,000 as at the end of the last year. The balance with the debtors as at the end of the current year is ₦30,000.

What is the value of goods sold for the year?

- A. ₦220,000
- B. ₦170,000
- C. ₦180,000
- D. ₦230,000

51. A trial balance is prepared to

- A. Determine losses
- B. Detect fraud
- C. Ascertain the accumulated fund
- D. Test the arithmetical accuracy of postings made in the various ledger accounts

52. When allowance is made for doubtful debt, the accounting entries are debit

- A. Profit or loss account, credit sales account
- B. Profit or loss account, credit allowance for doubtful debt account
- C. Trading account, credit debtors account
- D. Debtors account, credit trading account

53. The excess of the amount at which a company's share is issued to the public over the par value of the shares is known as

- A. Profit
- B. Discount
- C. Premium
- D. Reserve

54. Goodwill can also be called a

- A. Fictitious asset
 - B. Current asset
 - C. Current liability
 - D. Capital
55. Which of the following is not a revenue item?
- A. Extension of a building premises
 - B. Gate takings
 - C. Goods purchased for resale
 - D. Interest received from bank deposit
56. The self-balancing ledger is also called
- (i) Total account
 - (ii) Suspense account
 - (iii) Control account
 - (iv) Adjustment account
- A. (iii) and (iv) only
 - B. (ii) and (iii) only
 - C. (i) and (iii) only
 - D. (i) and (ii) only
57. The amount of creditors at the beginning of the year for a firm was ₦94,000, and credit purchases was ₦406,000. During the trading period, the creditors received cash which was ₦389,000. The sum of discount received was ₦49,000. What is the amount standing in favour of the creditors in the statement of financial position at the end of the trading period?
- A. ₦143,000
 - B. ₦111,000
 - C. ₦62,000
 - D. ₦66,000
58. The cost of goods bought for ₦29,000, was entered in the books as ₦92,000. This is an error of
- A. Omission
 - B. Original entry
 - C. Compensation
 - D. Commission
59. At the end of a financial year. the profit and loss account of a firm disclosed a profit of ₦240,000. It was later found that an item of revenue for ₦24,000 was reflected as an expense while an expense of ₦8,000 had been shown as a revenue item. What should the correct profit be, after making the necessary adjustments?
- A. ₦256,000

- B. ₦208,000
- C. ₦288,000
- D. ₦272,000

60. Dissolution expenses on the dissolution of a partnership business is accounted for by
- A. Debiting realisation accounting, and crediting bank account
 - B. Debiting bank account, and crediting consideration account
 - C. Debiting cash account, and crediting bank account
 - D. Debiting individual liabilities, and crediting bank account

PART II

SHORT ANSWER QUESTIONS (SAQ)

(40 MARKS)

ATTEMPT ALL QUESTIONS.

1. By carrying forward subscription in advance in a not for profit making organization, one is applying concepts
2. The VAT which is charged on sales is termed
3. Two methods of showing cash flows from operating activities are and
4. Which form of accounting information is needed for the day to day running of a business?
5. State two types of goodwill that may be found in a business statement of financial position
6. The expenses which have already been paid but relate to a future accounting period is known as.....
7. Sales of ₦300,000 was omitted from the receivables control account. What is the entry to correct this?
8. Which side of the trial balance will discount allowed be posted?
9. Which side of the trial balance will discount received be posted?
10. Errors which are, coincidentally, equal and opposite to one another is called
11. A temporary account created to balance trial balance is called
12. When a business does not have a full set of accounting records, such business is set to keep
13. Capital + Liabilities is equal to
14. Opening net assets + Capital Introduced + Profit – Drawings equals to
15. What is the basis of inventory valuation according to IAS 2 “Inventories”
16. The main objective of preparing statement of affairs of not- for- profit organisation is to ascertain
17. A company issued 1,000,000 9% debenture at N110. What is the interest payable on the debenture per annum?

18. A financial statement prepared in order to explain how the operation of a company is financed during the year under review is called
19. The subscription account of Frenco club has ₦210,000 and ₦45,000 as subscription in arrears and advance respectively at 1/1/20. The club received cash subscription of ₦720,000 during the year, and at 31/12/20, the account has ₦30,000 and ₦15,000 as subscription in arrears and advance respectively. What is the subscription accrued for the year?
20. What is the double entry to record a cash sales of ₦350,000?

Use the following information to answer questions 21 – 24

A firm has the following transactions with its product **Z**.

Opening Inventory Nil

- 4 Jan. 2021 bought 100 units at ₦3,000 per unit
- 11 Jan. 2021 bought 120 units at ₦2,500 per unit
- 16 Jan. 2021 sold 80 units at ₦4,000 per units
- 21 Jan. 2021 bought 60 units at ₦2,000 per unit
- 26 Jan. 2021 sold 120 units at ₦4,000 per unit

Using FIFO, calculate the following on an item by item basis.

21. The closing inventory
22. The turnover
23. The cost of sales
24. The gross profit
25. The expenditure incurred for the purpose of the trade or to maintain non-current assets is known as
26. A motor vehicle bought for a business for ₦4.5m. It is expected to last for five years and can be sold thereafter at a scrap of ₦500,000. What is the depreciation to be charged for each year?
27. The liability that should not be recognised in financial statements but should be disclosed in the notes is called
28. A company is being sued for ₦2,000,000 by a customer. The company's lawyers reckon that it is likely that the claim will be upheld. Legal fees are currently ₦400,000. How much provision should be made if further legal fees of ₦200,000 are likely to be incurred?
29. What is the formula for Quick ratio?
30. What is the formular for current ratio?
31. The first source of fund considered in a cash flow statement is

Use the information below to provide answers for questions 32 and 33

On January 1 2015, an equipment was bought for ₦112,000 with an estimated life span of 5 years and a scrap value of ₦2,000.

32. What is the yearly depreciation expense, based on the straight-line method of depreciation?
33. When a cash investment of ₦100,000 is made in a business, the debit is to cash account, and the credit is to
34. A written notice by a depositor instructing his bank to deduct a specific sum from his account to pay for an obligation is called a
35. Transactions are governed by legal principles, but are nevertheless accounted for and presented in accordance with the substance and financial reality. The principle observed here is
36. The basis of accounting which does not reckon with creditors and debtors is called
37. The interest of the creditors in analysing the financial statements of an entity is to
38. With respect to the cash flow statement, the issue of shares is a ----- activity
39. The accounting assumption that emphasises on the fact that a firm will not reduce its scale of operations or close down any of its line of business is the
- 40.** Subscription in advance is treated in the statement of financial position of a not-for-profit making organisations as a

SOLUTION: FINANCIAL ACCOUNTING

WEDNESDAY 13TH OCTOBER, 2021

EXAM NO.....

PART I

MULTIPLE CHOICE QUESTIONS (MCQ)

(60 MARKS)

- 61. B
- 62. D
- 63. D
- 64. A
- 65. B
- 66. A
- 67. D
- 68. C
- 69. A
- 70. C
- 71. B
- 72. C
- 73. A
- 74. D
- 75. C
- 76. B
- 77. D
- 78. B
- 79. B
- 80. B
- 81. C
- 82. B
- 83. D
- 84. B
- 85. A
- 86. B
- 87. C
- 88. A

- 89. C
- 90. A
- 91. C
- 92. B
- 93. D
- 94. C
- 95. C
- 96. D
- 97. A
- 98. B
- 99. D
- 100. C
- 101. D
- 102. B
- 103. D
- 104. D
- 105. B
- 106. C
- 107. D
- 108. A
- 109. B
- 110. C
- 111. D
- 112. B
- 113. C
- 114. A
- 115. A
- 116. C
- 117. C
- 118. B
- 119. D
- 120. A

PART II**SHORT ANSWER QUESTIONS (SAQ)****(40 MARKS)**

1. Matching
2. Output tax
3. Direct and Indirect
4. Management account
5. Inherent and Acquired Goodwill
6. Prepaid expenses
7. Dr Receivables control account N300,000 and Cr. Sales
8. Debit side
9. Credit side
10. Compensating error
11. Suspense account
12. Incomplete records
13. Assets
14. Closing net assets
15. Lower of cost and net realizable value
16. Accumulated fund
17. N9m
18. Cash flow statement
19. $N570,000 (N45,000 + N720,000 + N30,000) - (N210,000 + N15,000)$
20. Dr Cash account N350,000 Cr Sales account N350,000
21. $N170,000 (60 \times N2,000) + (20 \times N2,500)$
22. $N800,000 (80 \times N4,000 + 120 \times N4,000)$
23. $N550,000 (N300,000 + N300,000 + N12,000) - N170,000$
24. $N250,000 (N800,000 - N550,000)$
25. Revenue expenditure
26. $N800,000 (N5,500,000 - N500,000)/5$
27. Contigent liability
28. $N2,200,000 (N2,000,000 + N20,000)$
29. $(\text{Current assets} - \text{Inventory})/\text{current liabilities}$
30. Current assets/current liabilities
31. Operating activity
32. CURRENT RATIO

33. Capital Account
34. Standing Order.
35. Substance over form
36. CASH BASIS
37. Determine the ability of the entity to meet her obligations as at when due.
38. Financing
39. Going concern concept.
40. Current liability.



THE CHARTERED INSTITUTE OF TAXATION OF NIGERIA

OCTOBER 2021: PROFESSIONAL EXAMINATION

FOUNDATION: ECONOMICS

PART I MULTIPLE CHOICE QUESTIONS (MCQ) (60 MARKS)

ATTEMPT ALL QUESTIONS.

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

1. Because economist adopts scientific method to explain economic basis of human societies, it is called a
 - A. Social science
 - B. Pure science
 - C. Physical science
 - D. Normative science
2. The basic economic problem facing all societies is how to
 - A. Produce goods and services cheaply
 - B. Create jobs for the unemployed youths
 - C. Ensure stable prices for goods and services
 - D. Allocate scarce resources between alternative uses.
3. Ownership, control, and use of resources are entirely in the hands of government in a
 - A. Capitalist economy
 - B. Socialist economy
 - C. Developed economy
 - D. Closed economy
4. If demand function of a product is estimated as $P = \frac{1}{2} [80 - Q]$, quantity demanded at price ₦20 will be
 - A. 72
 - B. 60
 - C. 40
 - D. 20
5. Given that the price of a good falls from ₦50 to ₦30, and quantity demanded increases from 50 to 100, the price elasticity of demand will be
 - A. 4.00
 - B. 2.25
 - C. 1.25
 - D. 0.40

6. If demand for a product is perfectly elastic, the burden of tax will be borne
- A. Entirely by the consumer
 - B. Entirely by the producer
 - C. Equally by the consumer and the producer
 - D. More by the producer than the consumer
7. If the production of one good naturally leads to the production of another good, it is called
- A. Competitive supply
 - B. Composite supply
 - C. Complementary supply
 - D. Joint supply
8. There is negative income elasticity of demand for _____ goods
- A. Inferior
 - B. Luxury
 - C. Normal
 - D. Necessity
9. In the long run, once the process of market adjustment is complete, only a/an _____ is earned by the perfectly competitive firm.
- A. Abnormal profit
 - B. Supernormal profit
 - C. Normal profit
 - D. Accounting profit
10. The demand curve facing the monopoly firm is downward sloping, implying that
- A. Consumers are price – maker
 - B. All firms have identical cost curves
 - C. More can be sold at a lower price
 - D. Buyers can readily leave the market
11. The satisfaction derived from the consumption of a good is called
- A. Marginal utility
 - B. Ordinal utility
 - C. Utility
 - D. Utils
12. Which of the following is **NOT** a feature of Indifference curves?
- A. Indifference curves slope downwards from left to right
 - B. Indifference curves are convex to the origin
 - C. Indifference curves can never intersect
 - D. Indifference curves provide cardinal measurement of utility
13. A price ceiling fixed below the equilibrium price will
- A. Have no effect
 - B. Create excess supply
 - C. Create excess demand
 - D. Clear the market
14. Profit maximisation of the firm is achieved by producing the level of output at which

- A. Marginal cost and marginal revenue are equal
 - B. Marginal cost and average revenue are equal
 - C. Average revenue is higher than the average cost
 - D. Marginal revenue is higher than the marginal cost
15. Quantity of output produced per work in a production activity during any given period of time is called
- A. Production Function
 - B. Total Product
 - C. Average Product
 - D. Marginal Product
16. A cost that cannot be recovered by the firm in the event of exit from a market is called
- A. Fixed cost
 - B. Sunk cost
 - C. Explicit cost
 - D. Implicit cost
17. A market structure with a few interdependent firms is called
- A. Monopolistic competition
 - B. Perfect competition
 - C. Oligopoly
 - D. Duopoly
18. In economic theory, the goal of the firm as an economic agent is
- A. Output maximisation
 - B. Profit maximisation
 - C. Growth maximisation
 - D. Sales maximization
19. The transfer of ownership and control of a public enterprise into the ownership of the private sector is called.
- A. Privatisation
 - B. Commercialisation
 - C. Indigenisation
 - D. Nationalisation
20. The profit maximisation position defined as: $\text{Marginal Cost (MC)} = \text{Marginal Revenue (MR)} = \text{Price (P)}$ is applicable only to the firm under
- A. Monopolistic competition
 - B. Perfect competition
 - C. Oligopoly
 - D. Monopoly
21. Which of the following is **NOT** an instrument of monetary policy?
- A. Credit ceiling
 - B. Open market operations (OMO)
 - C. Reserve requirement
 - D. Government expenditure

22. Man is now able to overcome the need for double coincidence of wants associated with trade by barter because money serves as a
- Medium of exchange
 - Unit of account
 - Store of value
 - Standard for deferred payments
23. A sustained fall in the general price level is called
- Devaluation
 - Inflation
 - Deflation
 - Depreciation
24. Which of the following is **NOT** a component of aggregate demand in a closed economy?
- Government expenditure
 - Net exports
 - Investment
 - Consumption
25. Requirements for economic globalisation **EXCLUDE**
- Removal of trade barriers
 - Encouragement of inflow of foreign direct investment
 - Upgrade of telecommunication infrastructure
 - Placing of embargo on essential imports
26. The effects of successful trade protection strategies **EXCLUDE**
- Massive dumping of foreign goods
 - Improvement in balance of payments
 - Reduction in the level of unemployment
 - Rapid growth of infant industries
27. A physical restriction on the quantity of goods that can be imported during a specific time period is called
- Tariffs
 - Quotas
 - Exchange control
 - Anti – dumping legislations

Use the following national income accounting data to answer questions 28, 29, and 30

₦ Billion	
Gross Domestic Product (GDP)	264
Net Indirect Business Taxes	-19
Consumption of Fixed Capital	25
Net Factor Income From Abroad	16

28. The country's gross national product (GNP) is
A. ₦280 billion
B. ₦ 248 billion
C. ₦ 283 billion
D. ₦ 289 billion
29. The country's net national product (NNP) is
A. ₦305 billion
B. ₦299 billion
C. ₦274 billion
D. ₦255 billion
30. What is the country's national income (NI)?
A. ₦236 billion
B. ₦271 billion
C. ₦274 billion
D. ₦280 billion
31. The Nigerian stock exchange provides an example of a
A. Money market
B. Capital market
C. Commodity market
D. Foreign exchange market
32. Which of the following is **NOT** an attribute of money?
A. Availability
B. General acceptability
C. Portability
D. Divisibility
33. Uses of taxation **EXCLUDE**
A. To correct balance of payments deficit
B. To finance government expenditure
C. To redistribute income and wealth
D. To increase money supply
34. The following are examples of indirect taxes **EXCEPT**
A. Personal income tax
B. Value – added tax
C. Import duties
D. Export duties
35. Inability to secure jobs by those who are physically disabled is a source of
A. Structural unemployment
B. Seasonal unemployment
C. Residual unemployment
D. Cyclical unemployment

36. In a simple equilibrium national income model, if government spending increased by ₦5 billion, and the marginal propensity to consume (MPC) is 0.8, the national income will increase by
- A. ₦40 billion
 - B. ₦ 25 billion
 - C. ₦ 20 billion
 - D. ₦ 10 billion
37. The following are measures to correct balance of payments deficit **EXCEPT**
- A. Export promotion
 - B. Import restriction
 - C. Currency devaluation
 - D. Repayment of foreign loans
38. The following are objectives of development planning **EXCEPT**
- A. To promote efficient use of productive resources
 - B. To reduce unemployment and poverty
 - C. To increase income inequality
 - D. To attract foreign investments
39. The Director-General of the World Trade Organization (WTO) is
- A. Christine Lagarde
 - B. Akinwumi Adesina
 - C. Yoo Myung – Hee
 - D. Ngozi Okonjo – Iweala
40. A member of the World Bank Group whose activities include provision of insurance services and private investment guarantee to member countries is
- A. International Monetary Fund (IMF)
 - B. International Finance Corporation (IFC)
 - C. International Development Association (IDA)
 - D. Multilateral Investment Guarantee Agency (MIGA)
41. A number of assumptions are important in consumer behaviour analysis. Which of these is not inclusive?
- A. Rational choice
 - B. Long run choice
 - C. Revealed preferences
 - D. Perfect substitution
42. If the demand for a good decrease when the consumer's income increases, such a good is classified as what type of good?
- A. Inferior good
 - B. Normal good
 - C. Luxurious good
 - D. Necessities

43. The demand of a product for the production of another commodity is what type of demand?
- A. Composite demand
 - B. Compensated demand
 - C. Derived demand
 - D. Joint demand
44. Various arrangements people have for trading with one another is generally referred to as what?
- A. Exchange
 - B. A market
 - C. Trade
 - D. Contract
45. Accounting profit is total revenue less total cost, if this difference is zero what is it?
- A. Pure or supernormal profit
 - B. Economic loss
 - C. Normal profit
 - D. Break-even point (BEP)
46. The amount of revenue received by the government from tax is called what?
- A. Tax base
 - B. Tax incidence
 - C. Tax yield
 - D. Tax rebate
47. Which of these is not a characteristic of Marginal Product of Labour (MP_L) Curve?
- A. The shape is determined by the shape of total product (TP) curve
 - B. It reaches its maximum before the average product of labour curve
 - C. It becomes zero when the TP is maximum
 - D. It is positive when TP begins to decline
48. The burden of direct taxes falls directly on which of the following parties?
- A. The producer
 - B. The consumer
 - C. The taxpayer
 - D. The general public
49. When a person is qualified for a job, willing to work at the current wage rate and could not find a job, which of the following is appropriate to describe this state?
- A. Underemployed
 - B. Unemployed
 - C. Voluntarily unemployed
 - D. Self-unemployed
50. What is the excess of exports value over imports value of visible goods in a country?
- A. Balance of trade
 - B. Balance of trade deficit
 - C. Balance of trade surplus
 - D. Balance of payment

51. The act of charging a lower price for similar product in a foreign market than the normal value of the product and the price of the same product in the domestic market of the exporter is referred to as what?
- A. Price discrimination
 - B. Dumping
 - C. Cracking the market
 - D. None of the above
52. A deliberate policy of reducing the worth of a country's currency in terms of other currencies is called what?
- A. Deregulation
 - B. Undervaluation
 - C. Overvaluation
 - D. Devaluation
53. The price at which quantity demanded equals quantity supplied and which will be established and restored by market forces is referred to as what?
- A. Universal price
 - B. Market price
 - C. The equilibrium price
 - D. None of the above
54. What is another name for the law of diminishing returns?
- A. Law of diminishing returns to scale
 - B. Law of diminishing Marginal Utility
 - C. Law of decreasing returns to scale
 - D. Law of variable proportion
55. A group of producers who dictates the market price of a product is called what?
- A. A cartel
 - B. Oligopoly
 - C. A cabal
 - D. Duopoly
56. Raising the level of employment and output in an economy will require adoption of which type of policy measures?
- A. Contractionary
 - B. Expansionary
 - C. Drastic
 - D. Automatic
57. When a firm has no control over the price of its product, the firm is operating as.....
- A. Perfect competitor
 - B. A Duopolist
 - C. A monopolist
 - D. None of the above
58. Assets which adequately serve as a store of value but do not fulfil the medium of exchange function is called what?

- A. Token money
- B. Commodity money
- C. Quasi- money
- D. None of the above

59. The desire of people to hold their resources or wealth in the form of cash is known as what?

- A. Transactionary motive
- B. Liquidity preference
- C. Speculative motive
- D. Precautionary motive

60. Which of this is not a usefulness of scale of preference?

- A. It makes choice making easier
- B. It enables economic agents to maximize their satisfaction
- C. It facilitates optimum allocation of scarce resources
- D. It reflects morally good choices among various alternatives

ATTEMPT ALL QUESTIONS.

Economics has been defined as the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses.”

1. The above definition was given by _____
2. The words 'ends' and 'means' can be interpreted as meaning _____ and _____ respectively.
3. The branch of economics which is described as the study of the behaviour of the economy as a whole is _____
4. The point inside the production possibilities curve illustrates the concept of _____
5. The additional satisfaction a consumer receives from one more unit of a good consumed is called _____
6. The effect of an increase in demand of a product on the equilibrium quantity when supply remains unchanged and perfectly price elastic is _____
7. The desire for a good or services together with the willingness and ability to pay for it is called _____
8. The result of a price floor set below the equilibrium price is _____
9. If a rise in the price of a product from ₦100 to ₦120 caused quantity demanded of another product to decrease from 1000 to 950 units, the point cross – price elasticity of demand is _____

Use the information below to answer questions 10, 11 and 12.

Consider a profit maximising firm facing total cost (TC) and total revenue (TR) functions given by

$$TC = 1000 + 10q^2$$

$$TR = 1200q$$

10. The total fixed cost can be identified as _____
11. The profit-maximising selling price is _____
12. The profit-maximising output (q) will be _____
13. The combining of firms that produce at a similar stage of an industry's production is referred to as _____
14. A market structure in which there are many firms producing slightly differentiated products is called _____
15. The upward sloping portion of the U – shaped long-run average cost curve illustrates _____
16. The interest rate that the central bank charges deposit money banks (DMBs) when they borrow from it is called _____
17. The motive to hold money to buy goods and services is called _____
18. As a type of deposit money, a deposit of funds with deposit money banks or the central bank that can be withdrawn at any time without restrictions is called _____
19. A method of national income accounting in which the gross domestic product (GDP) is defined in the equation: $GDP = C + I + G + (X - M)$ is called _____
20. In Nigeria, the determination of the price and time at which securities of a company are to be sold is a function of _____
21. The proportion of disposable income saved is called _____
22. Additional investment of ₦40 billion in an economy, when investment multiplier is 4, other things equal, will cause the national income to increase by _____
23. The type of government budget in which the government revenue estimate is less than the proposed expenditure is called _____
24. The Paris Club, London Club, and the multilateral creditors are classified as _____ sources of the Nigeria's public debt.
25. The effect of inflation on fixed – income earners is that _____
26. The simultaneous occurrence of high inflation and high unemployment in a stagnant economy is called _____

27. A sustained rise in a country's real national income and per capita real national income is referred to as _____
28. The elimination or reduction of restrictions on international trade is called _____
29. A decrease in the value of a currency relative to other currencies caused by the market forces is called _____
30. The acronym EAC standing for a regional economic integration in Africa means _____
31. $GDP = C + I + G + X_n$ is the model for which approach to the measurement of GDP?
32. What does 'a' represent in the consumption function, $C = a + bY_d$?
33. State the formula for calculating the inflation rate in a country using the Consumer price Index approach.
34. What is GDP deflator?
35. Economic analysis examines behaviour over different time horizon/period. What are the periods covered?
36. If total production cost increases by ₦3m as output increases by 300 units, what is the marginal cost?
37. Given the consumption function $C = 200 + 0.75Y_d$, what is the marginal propensity to save?
38. Should a firm close down when it cannot cover its costs in the short-run?
39. Deliberate government policy usually initiated and implemented by monetary authority to change the structure and composition of the financial system is called what?
40. What is the shape of demand curve that is perfectly inelastic?

SOLUTIONS: ECONOMICS

PART I

MULTIPLE CHOICE QUESTIONS (MCQ)

(60 MARKS)

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

- 30. A
- 31. B
- 32. A
- 33. D
- 34. A
- 35. C
- 36. B
- 37. D
- 38. C
- 39. D
- 40. D
- 41. B
- 42. A
- 43. C
- 44. B
- 45. D
- 46. C
- 47. D
- 48. C
- 49. B
- 50. C
- 51. B
- 52. D
- 53. C
- 54. D
- 55. A
- 56. B
- 57. A
- 58. C
- 59. B
- 60. D

PART II SHORT ANSWER QUESTIONS (SAQ) (40 MARKS)

1. Lionel Robbins
2. **Ends** =human needs or wants, **means** = productive resources/factors of production
3. Macroeconomics
4. Unemployment/under employment or underutilisation of resources
5. Marginal utility
6. Equilibrium quantity increases
7. Effective demand
8. No effect
9. -0.25
10. ₦1000
11. ₦1200
12. 60 units i.e $MR = MC$, $1200 = 200q$, $q = \frac{1200}{2} = 60$ units

20

13. Horizontal merger
14. Monopolistic competition
15. Diseconomies of scale
16. Monetary Policy/Bank rate/Discount rate (MPR)
17. Transactions motive
18. Demand deposit
19. Expenditure approach
20. Securities Exchange Commission (SEC)
21. Marginal Propensity to Save (MPS)
22. $\Delta Y =$ ₦160 billion
23. Deficit budget
24. External
25. The fixed-income-earners lose
26. Stagflation
27. Economic growth
28. Trade liberalization
29. Currency depreciation
30. East African Community.
31. The expenditure approach to measuring GDP

32. Autonomous consumption or consumption that is not influenced by income

33. The Inflation rate via the CPI:

$$\frac{\text{This year's CPI} - \text{Last year's CPI}}{\text{Last year's CPI}} \times 100$$

Or

$$\frac{\text{CPI}_t - \text{CPI}_{t-1}}{\text{CPI}_{t-1}} \times 100$$

34. A deflator is a price index used to adjust nominal GDP to arrive at real GDP. Called the 'deflator' because nominal GDP will usually over-state the value of a nation's output if there has been inflation. The GDP deflator is a measure of price inflation/deflation with respect to a specific base year; the GDP deflator of the base year itself is equal to 100. The formula used to calculate the deflator is:

$$\text{GDP Deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$$

35. The periods covered in economic analysis are Short run and Long run periods

36. $\Delta \text{ in Cost} / \Delta \text{ in Output} = \text{N}10,000$

37. $\text{MPS} = 1 - \text{MPC}, 1 - 0.75 = 0.25$

38. If depends on whether the average variable cost (AVC) is covered or not. If the firm is able to cover its average costs, than it should not close down, if not, it should close down.

39. Financial Reform

40. The demand curve will be a vertical one or will be parallel to the price axis.

