



THE CHARTERED INSTITUTE OF TAXATION OF NIGERIA

APRIL 2024: PROFESSIONAL EXAMINATION

FOUNDATION: BUSINESS LAW

TUESDAY, APRIL 16, 2024

EXAM NO.....

PART I: MULTIPLE CHOICE QUESTIONS (MCQ)

TIME: 3 HOURS

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

1. Which of these is **NOT** a Tort?
 - (a) Passing off
 - (b) Deceit
 - (c) conversion
 - (d) stealing
2. Where an agent acts without an authority of his principal but the principal subsequently accepts to be bound by the contract, the principal is said to have the act of the agent.
 - (a) Estopped
 - (b) Ratified
 - (c) presumed
 - (d) Accepted
3. A director of a company must be at least of the age of
 - (a) 18
 - (b) 21
 - (c) 25
 - (d) 28
4. What does the term "reverse charge" refer to under the Nigerian VAT Act?
 - (a) A mechanism where the responsibility for paying Value Added Tax (VAT) is shifted from the supplier to the recipient of goods or services.
 - (b) A discount provided by the government on certain taxable transactions.
 - (c) A penalty imposed on businesses that fail to register for VAT
 - (d) An exemption from VAT for specific categories of goods and services.
5. Agency of necessity may be created in all the following circumstances except where it is
 - (a) An emergency
 - (b) Impossible to communicate with the principal
 - (c) Retain customers
 - (d) An action in good faith

6. A non-adversarial process through which parties to a dispute seek amicable settlement is referred to as
 - (a) Mini-trial
 - (b) Dispute settlement
 - (c) Arbitration
 - (d) Negotiation
7. What is the maximum number of partners in a professional partnership of accountants?
 - (a) No limit
 - (b) 20
 - (c) 30
 - (d) 50
8. Which of the following is mandatory for a public company?
 - (a) Management Meeting
 - (b) Departmental Meeting
 - (c) Statutory Meeting
 - (d) Regulatory Meeting
9. An agreement becomes contract if
 - (a) It is by free will
 - (b) Parties are compelable
 - (c) it is enforceable by law
 - (d) it is backed by penal sanctions
10. Which type of agency is created in relation of husband and wife?
 - (a) Agency by implication
 - (b) Agency by estoppel
 - (c) Agency of necessity
 - (d) Agency by appointment
11. Which of the following is a special agent?
 - (a) A bouncer
 - (b) A Servant
 - (c) Factor
 - (d) The facilitator
12. Agency may be created by all the following ways EXCEPT by
 - (a) Ratification
 - (b) Necessity
 - (c) Solicitation
 - (d) Estoppels
13. Which of the following is NOT a component of the Received English Law as a source of Nigerian law?
 - (a) Common Law
 - (b) Judicial Precedent
 - (c) Equity
 - (d) Statutes of General Application

14. A form of business organisation in which two or more persons come together to carry out business with the purpose of making and sharing profit is a
 - (a) Sole-proprietorship
 - (b) Co-ownership
 - (c) Partnership
 - (d) Company
15. A company is said to be insolvent when
 - (a) The company is in financial distress and it is unable to pay its debt
 - (b) The Board of Directors has refused to act
 - (c) The Managing Director of the company dies
 - (d) The Articles of Association of the company is altered
16. The constitutional powers of state governments on taxation is contained in the
 - (a) Exclusive Legislative List
 - (b) Finance Legislative List
 - (c) Concurrent Legislative List
 - (d) Residual Legislative List
17. Which of the following mode of setting disputes is close to litigation in court?
 - (a) Conciliation
 - (b) Arbitration
 - (c) Mediation
 - (d) Multi-door
18. The fundamental ground upon which a partnership is distinct from a limited liability company is
 - (a) Authorised share capital
 - (b) Financial accounts
 - (c) Asset turnover
 - (d) Debt recovery procedure
19. A contract by which one person uses a product while paying for it in instalments is known as
 - (a) Bill of lading
 - (b) Agency by future
 - (c) Carriage of goods
 - (d) Hire purchase
20. The laws made by the legislative arm of the local government is commonly referred to as
 - (a) Council laws
 - (b) Municipal laws
 - (c) Bye-Laws
 - (d) Edicts
21. The following courts are of co-ordinate jurisdiction EXCEPT
 - (a) National Industrial Court
 - (b) Sharia Court of Appeal
 - (c) Court of Appeal
 - (d) Federal High Court

22. Which of the following indicates partnership?
- (a) Joint tenancy
 - (b) Tenancy in common
 - (c) Receipt of annuity
 - (d) Sharing of profits
23. Which of the following is not an invitation to treat?
- (a) Sale of necessities
 - (b) Advertisement of goods in periodicals
 - (c) Invitation to tender
 - (d) Auction
24. The hirer in a contract for hire purchase has the following rights EXCEPT
- (a) Use the goods
 - (b) Quiet possession of the goods
 - (c) Knowing the exact instalments to be paid
 - (d) Repossessing the goods
25. The Nigerian Legal System is pluralistic in nature because
- (a) Favours some parts of Nigeria over the others
 - (b) Consists of different systems and types of laws
 - (c) Allows for introduction of archaic laws
 - (d) Is controlled by the elite few
26. The dividends on shares is paid
- (a) Whenever the company makes profit
 - (b) In anticipation of profits
 - (c) Even if there is no profit
 - (d) Only when the company declares dividends
27. That an incorporated company is a juristic person which has perpetual succession means that
- (a) Its life depends on the life of its members
 - (b) It is created by a process of law and can only be put to an end by law
 - (c) Its life is terminable at will
 - (d) It lives longer than all its members
28. Which of the following statements relating to debentures is incorrect?
- (a) Debenture stock is transferable
 - (b) A company may not purchase its own debentures
 - (c) A debenture holder is a creditor of the company
 - (d) A debenture is the written document issued by a company setting out terms of a loan
29. Shares issued with special right attached to them are known as
- (a) Ordinary shares
 - (b) Preference shares
 - (c) Rights shares
 - (d) Debenture shares

30. Which of the following is not a right of a shareholder?
- (a) To receive a dividend declared by the company
 - (b) To attend and vote at company meetings
 - (c) To receive the company's accounts
 - (d) To manage company affairs
31. What is the minimum number of person(s) that could form a private Company according to Companies and Allied Matters Act.
- (a) Two
 - (b) One
 - (c) Twenty
 - (d) Fifty
32. Which of the following is mandatory for a public company?
- (a) Management meeting
 - (b) Departmental meeting
 - (c) Statutory meeting
 - (d) Regulatory meeting
33. 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) Discharging all outgoings
 - (c) Carrying on any business or undertaking
 - (d) Realising security for benefit of those on whose behalf he is appointed.
34. The appointment of a director of a company at a general meeting is by
- (a) Extra-ordinary resolution
 - (b) Ordinary resolution
 - (c) Special resolution
 - (d) Director's resolution
35. In Nigeria, which law governs the registration, operations, and management of companies?
- (a) Federal Inland Revenue Service
 - (b) Companies and Allied Matters Act (CAMA)
 - (c) Corporate Affairs Act (CAA)
 - (d) Nigeria Investment Promotion Commission (NIPC)
36. The following clauses must be in the memorandum of association of a Company EXCEPT
- (a) The name of the company
 - (b) That the company is a private or public company
 - (c) The name of the secretary and auditors
 - (d) That the registered office of the company shall be situated in Nigeria
37. 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

38. The first directors of a company are appointed by?
- (a) Subscribers to company's Memorandum of Association
 - (b) Corporate Affairs Commission
 - (c) Public subscribers
 - (d) Major shareholder
39. The following persons may petition the court for winding up of a company under supervision of the court EXCEPT
- (a) A creditor or creditors of a company
 - (b) The Official Liquidator
 - (c) A stakeholder
 - (d) Corporate Affairs Commission
40. In Nigeria, which of the following is a ground for compulsory winding up of a company?
- (a) Voluntary decision by the shareholders
 - (b) Ongoing business operations
 - (c) Inability to pay debts
 - (d) Expansion plans
41. Which of the following is not a type of business organisation in Nigeria?
- (a) Sole Proprietorship
 - (b) Liability Limited Company
 - (c) Partnership
 - (d) Limited Liability Company
42. Goods which the seller is obligated to manufacture or acquire after the contact of sale is made are
- (a) Ascertained goods
 - (b) Bubble goods
 - (c) Future goods
 - (d) Existing goods
43. A method of issuing new shares to existing shareholders of the company is called
- (a) Rights issue
 - (b) Public offer
 - (c) Placing
 - (d) Initial offer
44. Which of the following is NOT a negotiable instrument?
- (a) Share
 - (b) Cheque
 - (c) Promissory note
 - (d) Bill of lading
45. Partnership is the relationship which subsists between persons carrying on business in common with a view to
- (a) Assisting other partners
 - (b) Making and sharing profit
 - (c) Ensuring accuracy
 - (d) Establishing good business

46. Persons who take the procedural steps to set up a company and who make business preparations for the company are known as
- (a) Directors
 - (b) Shareholders
 - (c) Registrars
 - (d) Promoters
47. Lowest court in hierarchy of courts in the northern Nigeria is
- (a) Alkali
 - (b) Federal High Court
 - (c) Magistrate Court
 - (d) Customary Court
48. Which of the followings is NOT a source of Nigerian Law?
- (a) Constitution
 - (b) Case Law
 - (c) International Treaties
 - (d) Company Law
49. Which of the following is NOT a classification of goods?
- (a) Specific goods
 - (b) Ascertained goods
 - (c) Unascertained goods
 - (d) Emblements goods
50. In hire purchase the property in the goods is vested in the
- (a) Hire
 - (b) Owner
 - (c) Agent
 - (d) Buyer
51. Wale Olomu, a chartered accountant with Dangote Nigeria Limited is aggrieved that he was wrongly dismissed from his employment. Which court could he approach for redress?
- (a) National Industrial Court
 - (b) Industrial and Labour Matters Court
 - (c) High Court
 - (d) Federal High Court
52. Consideration is paid in a contract by
- (a) Promisor
 - (b) Promisee
 - (c) Offeror
 - (d) Guarantor
53. Which of the following is NOT a source of tax laws in Nigeria?
- (a) Customary laws
 - (b) Statute laws
 - (c) Circulars issued by and practices of the Federal Inland Revenue Service
 - (d) Pronouncement by governors of states

54. Which of the following taxes is not collectible by the federal government?
- (a) Petroleum profits tax.
 - (b) Tertiary education tax.
 - (c) Stamp duties on corporate bodies
 - (d) Slaughter slab fees
55. Which of the following is NOT an objective of taxation?
- (a) To provide fiscal tool for stimulating economic growth and development
 - (b) To promote healthy competition among different tiers of government.
 - (c) For revenue generation to meet the needs of the government.
 - (d) To redistribute income and wealth in order to reduce inequality.
56. What is the name given to the management board of the FIRS?
- (a) Board of Federal Inland Revenue Service.
 - (b) Federal Board of Inland Revenue Service.
 - (c) Federal Internal Revenue Service Board
 - (d) Federal Inland Revenue Service Board
57. Which of the following is NOT an indirect tax?
- (a) Import duties
 - (b) Value added tax
 - (c) Excise duties
 - (d) Withholding tax
58. Tax laws in Nigeria include the following, EXCEPT
- (a) Personal Income Tax Act Cap. C21, LFN 2004 (as amended)
 - (b) Petroleum Profits Tax Act Cap. P13 LFN 2004
 - (c) Tertiary Sports Institutions Tax Act Cap. C12 LFN2004
 - (d) Value Added Tax Act Cap. VI LFN 2004
59. Tax Clearance Certificate (TCC) for limited liability companies is a certificate issued by
- (a) Federal Inland Revenue Service
 - (b) The Presidency
 - (c) Ministry of Finance
 - (d) State Internal Revenue Service
60. Which of the following service is NOT VAT exempt in Nigeria?
- (a) Hospitality services
 - (b) Services rendered by Community Bank and Mortgage Institutions
 - (c) Plays and performances conducted by educational learning institutions
 - (d) All exported services

SOLUTIONS MCQ**TIME: 3 HOURS**

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

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

Examiner's Report:

The questions cover all areas of the syllabus and test candidates' understanding of principles of law and their application. All the candidates attempted the questions and performance was just average.

The commonest pitfall was candidates' inability to recall those principles and apply them to simple situation.

Candidates are advised to ensure they familiarise themselves with all aspects of the syllabus when preparing for future examination.

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

1. A system of government in which powers are shared between the central government and component states is known as _____.
2. Which source of Nigerian law is its validity subject to the public policy test? _____.
3. Which Alternative Dispute Resolution is parties driven and resolution of which is not binding until pronounced on by court?
4. The head of Court of Appeal of Nigeria as known as _____.
5. The minimum number of Justices of Supreme Court that can sit on a case is _____.
6. Advertisement is known in the law of contract as _____.
7. A valid contract could otherwise be held in law to be void or voidable where it contains a _____.
8. Under which principle of the law of torts could a party who did not partake in a tortious act be held liable?
9. Ngozi, a resident at XYZ hotel, slipped on a wet floor in the hotel, and there was no sign to show that the floor is wet. Which principle of the law of tort allows Ngozi to sue XYZ hotel?
10. Specific performance is an _____ remedy in law of contract.
11. Which court hears company winding up matters? _____.
12. Stamp duty is charged on _____.
13. A company dissatisfied with the tax assessment issued on it by FIRS for a financial year can apply to _____ for remedy.
14. An order of court enjoining a party to do or refrain from doing an act is _____.
15. The lowest court in hierarchy in the southern part of Nigeria is _____.
16. The principle in company law established by the case of Salomon Vs Salomon is _____.
17. Consideration in law of contract must move from the _____.
18. An infant cannot enter into a valid contract for purchase of goods except contract of _____.
19. When a company is winding up for inability to meet up with her financial responsibility the company is said to be _____.
20. The minimum salary for PAYE tax in Nigeria is _____.
21. The penalty for failure to file PAYE returns for a corporate body is _____.
22. A charge that is attached to a specific property is called _____.
23. Who collects company income tax in Nigeria? _____.
24. Under CAMA 2020, what is the minimum age for company membership?
25. Who manages the business of a company in liquidation _____.
26. A debenture holder of company is _____ to the company.
27. For a company to offer Its shares to the public it is mandatory to register the shares with _____.

28. CAMA 2020 prohibits a person to be appointed as Director and CEO of more than _____ companies in Nigeria.
29. A debenture is a company's _____
30. Under CAMA 2020, conveyance or transfer of company property is not invalid for the reason of _____
31. The body that has sole responsibility to confer a status of "legal personality" on business organisation in Nigeria is _____
32. The head of the judicial branch of the federal government is _____
33. An agreement on goods by parties coupled with an option to purchase is called _____
34. An order of Court enjoining a party to fulfil an obligation is _____
35. A tax that takes a larger percentage of income from high income groups is _____
36. An agreement in a domestic setting is usually unenforceable because it lacks _____
37. A judgment given by a court wrongly due to the court's inconsistency with the statutory provisions or some authority binding on the court is said to be given _____
38. A rule of judicial interpretation that follows the ordinary meaning of the words used except there is an absurdity is known as _____
39. Dividends, interest, rents and royalties are subject to _____
40. Goods that are owned and possessed by the Seller at the time of contract are called _____

SHORT ANSWER SOLUTIONS

1. Federal System
2. Customary Law
3. Mediation
4. President of Court of Appeal
5. Five (5)
6. Invitation to treat
7. Vitiating Factor
8. Vicarious Liability
9. Occupiers Liability
10. Equitable
11. Federal High Court
12. Ad Valorem
13. Tax Appeal Tribunal
14. An Injunction
15. Customary Court

16. Corporate or Separate Personality
17. Promisee
18. Necessaries
19. Insolvent
20. ₦ 30,000.00
21. ₦ 500,000.00
22. Fixed Charge
23. The Federal Inland Revenue Service
24. 18
25. Receiver/Manager
26. A Creditor
27. Securities and Exchange Commission
28. Five (5)
29. Loan or Loan Document
30. Ultra Vires
31. Corporate Affairs Commission
32. Chief Justice Of Nigeria
33. Hire purchase
34. Specific performance order
35. Progressive
36. Intention to create legal relation
37. Per in curium
38. Golden rule
39. Withholding tax
40. Existing goods



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FOUNDATION: ECONOMICS

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EXAM NO.....

MULTIPLE CHOICE QUESTIONS (MCQ)

SHOW ALL WORKINGS.

TIME: 3 HOURS

1. A vertical demand curve described which type of economic goods?
 - A. Normal
 - B. Necessity
 - C. Luxury
 - D. Inferior
2. Market structure is determined by which of these?
 - A. The nature of competition in a market
 - B. Ownership of economic resources
 - C. Size of the market
 - D. Political ideology in the environment
3. Who bears the tax burden when the price elasticity of demand for a product is high?
 - A. Middlemen
 - B. Producer
 - C. Consumer
 - D. Both consumer and producer shared the tax burden
4. Which of these is a limitation of division of labour?
 - A. Increase in output
 - B. Monotony of work
 - C. Specialisation
 - D. Skilled acquisition
5. The highest level of economic integration is the
 - A. Common market
 - B. Free trade
 - C. Economic union
 - D. Custom union
6. Shortage of a product in the market will lead to all of these except:
 - A. Rationing
 - B. Black (Parallel) Market
 - C. Queuing
 - D. Selling at Consumers' Preferences

7. Which of these statements is correct about equilibrium?
 - A. At equilibrium, the market clears.
 - B. Quantity demanded is less than quantity supplied
 - C. A change in demand or supply will cause the price and quantity to be the same.
 - D. Quantity demanded exceed quantity supplied.
8. These are basic facts in economic analysis EXCEPT:
 - A. The resources available have alternative uses.
 - B. Productive resources are not available in sufficient quantities
 - C. Human wants are insatiable.
 - D. Some goods and services are ends to means
9. Given the marginal utilities of consuming goods A and B to be 10 utils and 4 utils respectively and the price of good B as ₦2, what is the price of commodity A at consumer equilibrium?
 - A. ₦2.50
 - B. ₦20
 - C. ₦8
 - D. ₦5
10. Nigeria is currently experiencingof her currency relative to foreign currencies
 - A. Currency appreciation
 - B. Currency revaluation
 - C. Currency depreciation
 - D. Currency evaluation
11. The sum of Marginal Propensity to Save (MPS) and Marginal Propensity to Consume (MPC) especially in a closed-economy, will be
 - A. Equals to zero
 - B. Equal to one
 - C. Less than one
 - D. Greater than one
12. Given that $K = 1/(1-mpc)$, or $1 \div (1-mpc)$ where MPC is marginal propensity to consume. If the marginal propensity to save (MPS) is 0.25, then what is K?
 - A. 25
 - B. 4.0
 - C. 2.5
 - D. 2.0
13. The following situations or scenarios result into exceptional demand curve except:
 - A. Giffen goods
 - B. Consumer ignorance
 - C. Ostentatious goods
 - D. Normal goods
14. If the supply and demand functions of a commodity are $Q_s = 100 + 7P$ and $Q_d = 260 - P$ respectively, the equilibrium price will be
 - A. ₦10
 - B. ₦20
 - C. ₦30
 - D. ₦40

15. If the consumption for a household is ₦5000, savings is ₦3000, and tax paid is ₦2000. What is the personal income of the household?
- ₦6,000
 - ₦8,000
 - ₦7,000
 - ₦10,000
16. When there is no shortage or surplus of a commodity in the market, then there is likely to be..... in the market
- Equilibrium price
 - Profit maximizing price
 - Price floor
 - Price ceiling
17. Which of these statements is incorrect?
- Economic costs is the sum of the explicit and the implicit costs
 - Accounting profit is total revenue less total cost where total cost is the explicit cost.
 - Economist's profit is total revenue less total cost where total cost is the sum of explicit and implicit costs
 - Economist's profit is total revenue less implicit cost
18. From the table below, determine the marginal cost when output is 2.

Output	1	2	3	4	5
Total cost (₦)	20	56	96	144	160

- ₦76
 - ₦20
 - ₦36
 - ₦36
19. For output level of 10 units, the Total Cost is ₦4,000, if the Variable Cost is ₦2,500, what will be the Average Fixed Cost?
- ₦150
 - ₦250
 - ₦200
 - ₦180
20. Which of the following actions will promote globalisation?
- Intensify trade protection
 - Restrict movement of people across borders
 - Introduce more indirect business taxes
 - Improve e-banking system
21. Which of these is incorrect about monopolistic competition?
- The commodities or services are similar but not identical.
 - There are no serious entry barriers to new firms into the industry.
 - None of the firms can single handedly control output or price in the market.
 - A firm in the market makes abnormal profit in the long-run

22. Which of these is incorrect about a Monopoly?
- The emergence of new firms is either legally, naturally, or artificially restricted
 - The firm can determine both the price and the output of its product or service
 - The firm can make abnormal profit both in the short-run and the long-run
 - The firm faces perfectly elastic demand curve
23. Which of these is not among the assumptions underlying the process of deposit money creation by banks?
- The banking system is comprised of many banks
 - There is no cash leakage in the system
 - The statutory cash reserve ratio is given
 - All banks in the system are mandated to make loans to the limit set by cash reserve requirement.
24. Quantity theory of money is based on a number of assumptions, one of which is that:
- The velocity of money circulation varies
 - The real GNP is fixed only in the long-run
 - The money stock is determined by price level
 - The economy is at full employment level
25. All of these are included in the calculation of National Income EXCEPT....
- Dividends
 - Wages and Salary
 - Transfer payments
 - Profits
26. Price ceiling will not result into one of these:
- Rationing of product among buyers
 - Excess supply of the product
 - Emergence of black market
 - Selling on first - come first-serve basis
27. If total output is 5,000 units, variable cost is ₦20,000 and fixed cost is ₦30,000, what is the average cost?
- ~~₦4~~
 - ~~₦12~~
 - ₦ 10
 - ~~₦ 6~~
28. The reward to Capital as a factor of production is
- Profit
 - Interest
 - Rent
 - Wages
29. The negative slope of the demand curve for a normal good indicates relationship between price and quantity demanded.
- Neutral
 - Inverse
 - Positive

D. Exponential

30. The locus of all various combination of two commodities given the income of a consumer is called
- A. Budget line
 - B. Indifferent curve
 - C. Isocost line
 - D. Isoquant curve
31. Which of these best describe economic development?
- A. Improvement in the well-being of the urban population
 - B. Increase in per capita income
 - C. Improvement in the general well-being of the rural population
 - D. Sustainable increase in real Gross Domestic Product with improved citizens' general welfare
32. Which of these is incorrect about this equation: $C = a + bY_d$
- A. $a > 0$,
 - B. $0 < b < 1$
 - C. "b" represents the slope of the consumption function
 - D. "b" can equally be referred to as the marginal propensity to save (MPS)
33. When consumers are completely indifferent to changes in price, price elasticity of demand will be.
- A. Elastic
 - B. Inelastic
 - C. Perfectly elastic
 - D. Perfectly inelastic
34. Marginal cost is the
- A. Total cost less total fixed cost
 - B. Ratio of change in total variable cost to change in output
 - C. Total cost divided by output level
 - D. Ratio of change in average variable cost to change in output
35. One of these instruments will be traded in the money market
- A. Company bonds
 - B. Treasury bills
 - C. Debentures
 - D. Shares
36. Budget Surplus will be expedient as a government policy during
- A. Unemployment crisis
 - B. Economic depression
 - C. Insecurity
 - D. Economic suppression
37. One of these firms will produce and sell as much as it can at any given market price
- A. Perfectly competitive firm
 - B. Oligopolistic firm
 - C. Monopoly firm

- D. Duopoly firm
38. Goods and services are required to satisfy human wants or for human's material wellbeing collectively referred to as.....
- A. Means
 - B. Ends
 - C. Want
 - D. Need
39. Which of these is correct about the behaviour of consumption
- A. when income is zero consumption is also zero
 - B. when income is zero consumption cannot be zero
 - C. when income is zero consumption increases
 - D. when income increases consumption remain constant
40. All of these are rationale behind trade restrictions EXCEPT
- A. Protection of infant industries
 - B. Promotion of import
 - C. Prevention of dumping
 - D. Correction of balance of payments deficit
41. In a TWO sector economy model, what is not invested is _____
- A. a savings
 - B. an income
 - C. a consumption
 - D. redistributed
42. One of these is not a macroeconomic policy
- A. Monetary policy
 - B. Fiscal Policy
 - C. Tax Policy
 - D. Trade policy
43. The relationship between marginal propensity to consume and average propensity to consume shows that
- A. marginal propensity to consume is always greater than average propensity to consume
 - B. average propensity is greater than marginal propensity to consume
 - C. marginal propensity to consume is positive while average propensity to consume is negative
 - D. both are always negative
44. Which of these is not a function of Commercial Banks?
- A. Acceptance of deposit
 - B. Discounting bill of exchange
 - C. Issue and distribution of currency
 - D. Pay on behalf of the customers
45. The European Union price support programme for farmers is
- A. Common Agricultural Policy (CAP)
 - B. Special Driving Right (SDR)
 - C. General Agreement on Tariffs and Trade (GATT)
 - D. World Trade Organisation (WTO)

46. Price = Marginal Cost = Marginal Revenue ($P = MC = MR$) is a profit maximisation condition applicable to
- A. Firms in all types of industries
 - B. Monopoly firms
 - C. Perfectly competitive firms
 - D. Monopolistic firms
47. The increase in unemployment that occurs during recessions is called
- A. Frictional unemployment
 - B. Structural unemployment
 - C. Cyclical unemployment
 - D. Abnormal unemployment
48. Which of the following statements is correct in the long-run,
- A. All costs are fixed
 - B. All costs are variable
 - C. Variable costs equal fixed costs
 - D. Fixed costs are greater than variable costs
49. Which of these cost curves is horizontal in nature in the short-run?
- A. Average Cost (AC)
 - B. Marginal Cost (MC)
 - C. Total Fixed Cost (TFC)
 - D. Total Cost (TC)
50. Which of these is not usefulness or purpose of taxation?
- A. To correct balance of payment deficits
 - B. To protect infant industries
 - C. To manage the economy
 - D. To control the population
51. Which of these is not a source of deficit financing in the public sector?
- A. Multilateral creditors
 - B. The Capital Market
 - C. The Paris Club
 - D. Mortgage Bank
52. Pay-As-You-Earn (PAYE) is a form of
- A. Indirect tax
 - B. Regressive tax
 - C. Progressive tax
 - D. Proportionate tax
53. Promotion of free flow of goods and services in international trade through removal of trade restrictions is known as
- A. Devaluation
 - B. Liberalisation
 - C. Privatisation
 - D. Indigenisation
54. Kinked demand curve is a feature of.....
- A. Oligopoly

- B. Monopoly
 - C. Monopolistic competition
 - D. Monopsony
55. The primary function of a development bank is
- A. Supervision of finance houses
 - B. Granting medium and long term loans for viable projects
 - C. Printing of currency notes and coins
 - D. Accepting deposit from government agencies
56. Extraction of Natural Resources as raw materials in manufacturing activities will be classified as
- A. Processing activity
 - B. Secondary production
 - C. Primary production
 - D. Tertiary production
57. Scarcity required that people must
- A. Trade
 - B. Cooperate
 - C. Make choices
 - D. Compete
58. Increase in the salaries and wages of workers will likely result in
- A. Deflation
 - B. Cost push inflation
 - C. Stagflation
 - D. Demand pull inflation
59. Factor of production (FOP) that bears the risk and brings together other FOP is the.....,
- A. Entrepreneur.
 - B. Rent
 - C. Labour
 - D. Land
60. Increasing government expenditure to stimulate aggregate demand is
- A. Monetary policy
 - B. Restrictive fiscal policy
 - C. Expansionary fiscal policy
 - D. Tax policy

SOLUTIONS MCQ**TIME: 3 HOURS**

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

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

WORKINGS

9. D – Workings: $\frac{MU_A}{P_A} = \frac{MU_B}{P_B}$ i.e. $PA = \frac{MU_A \cdot P_B}{MU_B} = \frac{10 \times 2}{4} = \text{₦}5$
12. B – Workings: $K = \frac{1}{1 - mpc} = \frac{1}{1 - (1 - mps)} = \frac{1}{1 - (1 - 0.25)} = \frac{1}{1 - 0.75} = \frac{1}{0.25} = 4$
14. B – Workings: $Q_d = Q_s \Rightarrow 260 - p = 100 + 7p \Rightarrow 8p = 160 \Rightarrow p = 160/8 = \text{₦}20$
15. D – Workings: $1/p = c + s + T = 5000 + 3000 + 2000 = \text{₦}10000$
18. C – Workings: $MC_2 = TC_2 - TC_1 = 56 - 20 = \text{₦}36$
19. A – Workings: $AFC_{10} = \frac{TC_{10} - VC_{10}}{Qty} = \frac{4000 - 2500}{10} = \frac{1500}{10} = \text{₦}150$
27. C – Workings: $AC = \frac{TC}{Q} = \frac{FC + VC}{Q} = \frac{30000 + 20000}{5000} = \frac{50000}{5000} = \text{₦}10$

PART II: SHORT ANSWER QUESTIONS (SAQ)

(40 MARKS)

ATTEMPT ALL QUESTIONS

1. The demand for a commodity that is backed up with the ability to pay is known as _____.
2. In a rapidly growing economy, a change in technology which is labour saving is likely to cause what type of unemployment _____?
3. The difference between GNP and GDP is _____.
4. Demand for camera and film is regarded as _____.
5. Scarcity of capital, unemployment and technological backwardness are generally found in _____ economies.

6. The economics term for expressing costs in terms of forgone alternative is _____.
7. The average income of a country is otherwise known as _____.
8. The law of equi-marginal utility can otherwise be known as _____.
9. The type of unemployment which describes those who are out of work due to physical and mental disabilities is called _____.
10. The creation of utilities or wealth which improves society's welfare is known as _____.
11. A tax that takes a large proportion of the income of people with lower income is _____.
12. If the cross elasticity of two goods is positive, then the goods are _____.
13. The desire to hold money to meet expenditure which may arise due to unforeseen circumstances is _____.
14. When value judgements are made about the economic policy, this is called _____ economics.
15. The ratio of index of export prices to index of import prices expressed as a percentage is referred to as _____.
16. In the long run, all factors of production are _____.
17. If the estimated population of Nigeria in a year is 200 million and the calculated Gross National Product (GNP) for the same year is ₦400 billion, what is the per capita GNP for the year?
18. An increase in demand when supply remains unchanged will lead to _____.
19. A market structure characterised by a few buyers is called _____.
20. The largest component of aggregate demand is _____.
21. Taxes levied on commodities are _____.
22. The extra amount of money spent to produce an extra unit of good is called _____.
23. The difference between the Net National Product and the National Income at market price is known as _____.
24. Firms in perfect competition face _____ demand curve.
25. When inflation occurs as a result of a sustained increase in aggregate expenditure in the economy, it is classified as _____.
26. The function of money that makes it possible for households to plan for future is _____.
27. The major function of the price system in a market economy is to _____.
28. A market in which there are many sellers, all producing goods which are similar but capable of being differentiated by customers is called _____.
29. When the face value of money is greater than the actual value of the material from which it is made, it is called _____?
30. An economy in which factors of production are owned by individuals is known as _____.
31. The shut-down output of a loss minimizing competitive firm is obtained at a point where price is less than _____.
32. Taxes levied on goods which are manufactured within a country are referred to as _____.
33. The difference between the exports and imports of physical goods of a country is _____.
34. The locus of combination of goods which yield the same level of satisfaction to the consumer is called _____.

35. The simultaneous occurrence of high inflation and high unemployment is known as _____.
36. The act of selling goods abroad at a price lower than at the home market is _____.
37. The flow of receipts and payments between major economic units in an economy is usually demonstrated by a diagram known as _____.
38. The economic concept which describes how output responds to variations in input in the production process is known as _____.
39. A form of tax relief given to firms to establish themselves in the early stages of formation is known as _____.
40. A permanent organization properly established to completely replace the General Agreement on Tariff and Trade (GATT) and promote a liberal world trading system is _____.

SOLUTION TO SEQ

1. Effective demand
2. Structural unemployment
3. Net Income from abroad
4. Complementary demand or Joint demand
5. Underdevelopment
6. Opportunity cost or real cost
7. Per capital income
8. Law of substitution or Law of maximum satisfaction
9. Residual unemployment
10. Production
11. Regressive tax
12. Substitutes
13. Precautionary motive
14. Normative
15. Term of Trade (TOT)
16. Variable
17. ₦2,000
18. An increase in both equilibrium price and quantity
19. Oligopoly
20. Consumption
21. Indirect taxes
22. Marginal cost
23. Net indirect taxes
24. Perfectly elastic
25. Demand-pull inflation
26. Store of value
27. Allocate resources
28. Monopolistic competition
29. Token money
30. Capitalist/market/free/decentralised economy
31. Average variable cost

32. Excise duties
33. Balance of trade
34. Indifferent curve
35. Stagflation
36. Dumping
37. Circular flow of income
38. Return of scale
39. Tax holiday
40. World Trade Organization (WTO)

WORKINGS

17. Per capita GNP = $\frac{\text{GNP}}{\text{Population}} = \frac{\text{N}400,000,000,000}{200,000,000} = \text{N}2,000$



THE CHARTERED INSTITUTE OF TAXATION OF NIGERIA

APRIL 2024: PROFESSIONAL EXAMINATION

FOUNDATION: FINANCIAL ACCOUNTING

WEDNESDAY, APRIL 17, 2024

EXAM NO.....

PART I: MULTIPLE CHOICE QUESTIONS (MCQ)

SHOW ALL WORKINGS.

TIME: 3 HOURS

- (1) A company bought a generator on 1 July 2021 for ₦10,000,000 and sold it on 30 June 2023 for ₦8,200,000. What is the profit or loss on disposal of the asset if the company's year-end is December 31 and it is the policy of the company to depreciate their equipment at 10% per annum on cost.
 - A. ₦200,000 loss
 - B. ₦200,000 profit
 - C. ₦1,800,000 profit
 - D. ₦1,800,000 loss
- (2) Which of the following will increase the value of the account?
 - (i) Debit to a liability account;
 - (ii) Debit to an income account;
 - (iii) Debit to an asset account;
 - (iv) Debit to an expense account.
 - A. I only
 - B. I and II
 - C. II and III
 - D. III and IV
- (3) An entry on the left-hand side of a ledger account is
 - A. Credit
 - B. Debit
 - C. Transaction
 - D. Balance
- (4) When there is a set off between debtors and creditors the amount is
 - A. Debited in the cash book
 - B. Debited in sales ledger control account
 - C. Debited in purchase ledger control account
 - D. Refunded to the customer
- (5) Which of the followings are fundamental qualitative characteristics of financial information
 - A. Comparability and completeness

- B. Timeliness and relevance
 - C. Faithful representation and neutrality
 - D. Relevance and faithful representation.
- (6) An increase in the carrying amount of a non-current asset over and above its original cost is called?
- A. Residual value;
 - B. Depreciation;
 - C. Inflation;
 - D. Appreciation;
- (7) Which of the following are current liabilities?
- I. Unearned revenue
 - II. Accrued expense
 - III. Bills receivable
 - IV. Bills payable
- A. I and II
 - B. II and IV
 - C. I, II and III
 - D. I, II and IV
- (8) Assets are revalued when there is a change in partner because
- A. It helps prevent injustice to some partners
 - B. Inflation affects all values
 - C. The law insists upon it
 - D. It protects the interest of the incoming partners
- (9) In year 2023, Chichi Ltd has the following transactions on receivables control account. Revenue ₦937,500, cash received ₦375,000, discount allowed ₦15,000. The balance carried forward is ₦712,500. What was the opening balance at the beginning of the year?
- A. ₦150,000 debit
 - B. ₦165,000 debit
 - C. ₦210,000 debit
 - D. ₦547,000 debit
- (10) Which of the following represents discount on goods sold?
- A. Credit balance in a discount account
 - B. Discount found in the creditors account
 - C. Amount on the discount column in the credit side of the cash book
 - D. Amount on the discount column in the debit side of the cash book
- (11) Which of the following is both a book of original entry and a ledger?
- A. Cash book
 - B. Journal
 - C. Trial balance
 - D. Statement of cash flow
- (12) Which of the following will NOT appear in a bank reconciliation statement?
- A. Uncredited lodgment;
 - B. Unpresented cheques;

- C. Unexplained credit in bank statement;
D. Bank charges.
- (13) A business operates on the basis of a mark-up on cost of 40%. Calculate the revenue for the year using the following information
- | | |
|--------------------|----------|
| Opening inventory | ₦ 15,500 |
| Closing inventory. | ₦ 20,000 |
| Purchases | ₦210,500 |
- A. ₦82,400
B. ₦206,000
C. ₦226,300
D. ₦288,400
- (14) Which of the following would result from an increase in allowance for doubtful debts?
- A. A decrease in net profit;
B. A decrease in gross profit;
C. An increase in net profit;
D. An increase in gross profit.
- (15) Ajasaba Ltd has the following information in its records:
- | | 31 DEC 2023 | 31 DEC 2022 |
|----------------------------|-------------|-------------|
| | ₦ | ₦ |
| Non-current assets (cost) | 1,430,000 | 1,600,000 |
| Current assets | 4,600,000 | 3,750,000 |
| Current liabilities | 650,000 | 750,000 |
| Provision for depreciation | 370,000 | 350,000 |
- During 2023, a Non-current asset costing ₦270,000 with a carry amount of ₦100,000 was sold for ₦75,000.
- What was the capital of the business as at 31 December, 2022?
- A. ₦4,200,000;
B. ₦4,250,000;
C. ₦4,600,000;
D. ₦6,450,000.
- (16) Who reports on the "true and fair view" of the financial statements?
- A. The Auditor;
B. The company's accountant;
C. Owners of the business;
D. Government agencies.
- (17) The depreciation methods that leads to reduction in the depreciation charged on non-current assets is
- A. Reducing balance method
B. Straight line method
C. Production on unit method
D. Revaluation method

- (18) Annual rent payable is ₦600,000. Rent prepaid at 1 January 2023 was ₦100,000 and rent accrued at 31 December, 2023 was ₦50,000. How much was paid in respect of rent in 2023?
- ₦450,000
 - ₦500,000
 - ₦550,000
 - ₦600,000
- (19) The accrual concept in accounts preparation means:
- Financial statements are always prepared on cash basis
 - Assets are only included in statement of financial position when they can generate income for the company.
 - Income and related expenditure are reported in the same accounting period
 - Liabilities are only included in financial statements when they are paid for by the company
- (20) Which of the following is NOT a component of financial statements under IAS1?
- Statement of comprehensive income;
 - Statement of cash flows;
 - Statement of affairs;
 - Statement of financial position.
- (21) Which of the following should NOT be included in cost of inventory?
- Import duties;
 - Normal amount of wasted material;
 - Purchase price;
 - Administrative overhead.
- (22) Which of the following statements is NOT true about the accounts of a not-for-profit entity?
- The closing balances of receipt and payments account is transferred to Income and Expenditure Account
 - Income and expenditure account does not contain capital receipts and expenditure
 - The excess of total assets over liabilities represents accumulated fund.
 - The loss incurred in the bar trading account is recorded in the income and expenditure account.
- (23) The last phase of book keeping exercises is
- Issuing annual reports;
 - Preparation of source document;
 - Extraction of the trial balance;
 - Preparation of final accounts.
- (24) In the final accounts of not-for-profit entities, capital expenditures are recorded in
- Income and expenditure account
 - Subscription account
 - Suspense account
 - Statement of financial position
- (25) A proprietor withdrew ₦500,000 for private use. The implication of this is that

- I. Cash is increased by ₦500,000
 - II. Capital decreases by ₦500,000
 - III. Cash is reduced by ₦500,000
 - IV. Profit of the business is increased by ₦500,000
 - A. I and II
 - B. I and III
 - C. II and III
 - D. III and IV
- (26) The invoiced price of a shoe is ₦150,000 with a trade discount of 15%. How much should be recorded as the amount to be paid by the buyer?
- A. ₦22,500
 - B. ₦127,500
 - C. ₦150,000
 - D. ₦172,500
- (27) Which of the following transactions would reduce asset and reduce liability?
- A. Purchase of goods on credit
 - B. Cash purchases
 - C. Sales of goods on credit
 - D. Cash paid to creditors
- (28) Which of the following is NOT an attribute of a general partnership?
- A. The liabilities of members are unlimited
 - B. Every member is entitled to take an active part in the running of the business
 - C. There is obligation under the law to prepare financial statements
 - D. Taxes are paid by individual partners and not the firm as an entity
- (29) Hajia bought a non-current asset on credit from AZ Mic Ltd. In which subsidiary book will AZ Mic Ltd record this transaction?
- A. Cash book
 - B. Journal book
 - C. Purchases day book
 - D. Sales day book
- (30) The following information were extracted from the records of Uti and sons enterprises for the month of January 2023
- | | |
|-------------------|------------|
| Sales | ₦3,740,000 |
| Opening inventory | ₦ 816,000 |
| Closing inventory | ₦2,176,000 |
| Other expenses | ₦ 680,000 |
| Net Profit | ₦ 306,000 |
- What is the purchase figure for the month?
- A. ₦1,360,000
 - B. ₦2,020,100

- C. ~~₦~~4,114,000
D. ~~₦~~4,930,000
- (31) Which accounts should be debited and which one should be credited where an office equipment worth ₦5m is bought on credit?
- | | Debit | Credit |
|----|------------------|------------------|
| A. | Seller | Office equipment |
| B. | Office equipment | Purchases |
| C. | Office equipment | Seller |
| D. | Purchases | Office equipment |
- (32) The cash book of a trader shows an overdrawn balance. Which of the following will reduce the balance when the necessary recordings are completed?
- A. Unpresented cheques;
B. Bank charges;
C. Dividend received by bank on behalf of customer;
D. Standing order on insurance paid by the bank
- (33) Which of the following is an example of intangible assets?
- A. BVN identification machine
B. Computer hardware
C. Computer software
D. Note counting machine
- (34) From the following information, calculate the cash paid by debtors during the year.
- | | |
|--------------------------------------|----------|
| Debtors at the beginning of the year | ₦595,000 |
| Debtors at the close of the year | ₦850,000 |
| Credit sales for the year | ₦867,000 |
- A. ~~₦~~578,000
B. ~~₦~~612,000
C. ~~₦~~1,122,000
D. ~~₦~~2,312,000
- (35) An accrued salary of ₦850,000 due to employees as at December 31, 2023 was omitted in the financial statements prepared for the year ended December 31, 2023.
Which of the following will be the implication on the financial statement of the year?
- A. Liability of the company would be overstated by ₦850,000
B. Gross profit of the company would be overstated by ₦850,000
C. Liability of the company would be under-stated by ₦850,000
D. Capital of the company would be under-stated by ₦850,000
- (36) Which of the following is NOT required to be disclosed under IAS 2, Inventory?
- A. Accounting policies adopted for measurement of inventory
B. Physical count of inventory at the end of the period
C. Carrying amount of inventories pledged as security for liabilities

- D. Carrying amount of inventories carried at fair value less cost of sell
- (37) The trial balance of Show Ltd showed wages of ₦250,000 and additional information revealed that ₦50,000 wages were due but unpaid.
How should the wages account be treated?
- A. DR Profit or Loss with ₦300,000 and CR Accrued wages with ₦50,000;
B. DR Profit or Loss with ₦250,000 and CR Accrued wages with ₦50,000;
C. DR Profit or Loss with ₦300,000 and CR Wages prepaid of ₦50,000;
D. Dr Accrued wages with ₦250,000 and CR Profit or loss account with ₦50,000.
- (38) After preparation of final account of Gambo Ltd for year 2022, it was discovered that the opening inventory was undervalued by ₦175,000. What will be the effect of this error on the company's income statement?
- A. Gross profit overstated by ₦175,000
B. Net profit understated by ₦175,000
C. Gross profit understated by ₦175,000
D. Net profit overstated by ₦350,000
- (39) If the cost price of a product is ₦480,000 and the selling price is ₦600,000, then
- A. Mark-up is 20%
B. Margin is 20%
C. Mark-up is 331/3%
D. Margin is 331/3%
- (40) A statement of affairs may include only
- A. Expenses, profits, assets and liabilities
B. Accrued expenses, assets, liabilities and outstanding revenues
C. Expenses, assets, profits, accrued revenue and liabilities
D. Assets, liabilities and expenses
- (41) The rules of accounting for property, plant and equipment are contained in IAS 16. The following are directly attributable cost of item of property, plant and equipment recognised by the standard **EXCEPT**.
- A. Repairs and maintenance cost
B. Carriage inward cost
C. Cost of site preparation
D. Installation and assembly cost.
- (42) The agreement of a trial balance will not disclose **ONE** of the following fundamental errors in the accounting books.
- A. Transposition of figures
B. Error of principle
C. Error in computation of balances
D. Double entry errors
- (43) The abbreviation PLC is used by
- A. All companies incorporated with shares
B. Company limited by Guarantee

- C. Public company only
D. Public and private company
- (44) How should income tax paid by a company be treated in statement of cash flow?
A. Reported as cash and cash equivalent
B. Reported as operating activities
C. Reported as financing activity
D. Reported as investing activity
- (45) Which one of the following is NOT a disadvantage of partnership?
A. There may be issues of continuity of business in the event of death of a partner
B. Sharing of risk and losses between more people
C. Partners are jointly personally liable for all debts unless they have formed a limited liability partnership
D. Slower decision making due to the need for consensus between partners
- (46) Which of the following is most useful for managers?
A. Financial statements for the last financial year
B. Bank statements for the past year
C. Budgets for the coming financial year
D. Tax records for the past three years
- (47) Which of the following is an example of a liability?
A. Unearned income
B. Inventory
C. Receivables
D. Plant and machinery
- (48) A company has a balance on share premium account of ₦50,000 and on retained earnings of ₦75,000. Issue share capital is 200,000 at 50k shares. If the company decides to make a bonus issue of one for one, what will be the closing balances on share premium and retained earnings?
- | | Share Premium | Retained earnings |
|----|----------------------|--------------------------|
| A. | ₦25,000 | Nil |
| B. | Nil | ₦275,000 |
| C. | ₦10,000 | ₦15,000 |
| D. | Nil | ₦25,000 |
- (49) Which of the following is correct?
A. Capital= Non-Current Assets+ Non-Current liabilities
B. Capital = Total Assets+ Total Liabilities
C. Capital = Non-Current Assets- Total Liabilities
D. Capital = Total Assets – Total Liabilities
- (50) Enhancing quantitative characteristics as per the conceptual frame work are the followings **EXCEPT**
A. Comparability
B. Understandability

- C. Timeliness
D. Relevance
- (51) The process to reduce or eliminate variations in accounting practice and to introduce a degree of uniformity into financial reporting is through.
- A. Accounting Concepts
B. Accounting Standards
C. Accounting Manuals
D. Management policies.
- (52) Temitayo sells ₦150,000 worth of wedding gown to Abosede who paid ₦100,000 in cash immediately and promised to pay the balance of ₦50,000 in a month's time. What is the double entry to record the sale?
- A. Dr sales ₦150,000 Cr Cash ₦150,000
B. Dr cash ₦150,000 Cr Sales ₦150,000
C. Dr cash ₦100,000, Dr receivables ₦50,000 Cr Sales ₦150,000
D. Dr Sales ₦100,000 Cr Cash ₦100,000 Cr Receivables ₦50,000
- (53) Net profit is calculated in the
- A. Income statement
B. Statement of financial position
C. Appropriation account
D. Statement of changes in equity
- (54) The following are the characteristics of property, plant and equipment EXCEPT;
- A. They are non- current assets.
B. They have useful life beyond one year
C. They are assets deployed for sale
D. Benefits from its use flow to the organisation
- (55) Petty cash is controlled under an imprest system. The imprest amount is ₦50,000. During a period payments totaling ₦43,700 have been made. How much needs to be reimbursed at the end of the period to restore petty cash to the imprest account?
- A. ₦6,300
B. ₦43,700
C. ₦50,000
D. ₦93,700
- (56) Which of the following items could appear in a company's statement of cash flow?
- I. Surplus on revaluation of non-current assets
II. Dividend received
III. Proposed dividend
IV. Proceeds of issue of shares
- A. I and II
B. II and III
C. II and IV
D. III and IV
- (57) Jude's trial balance includes the following items: Inventory ₦78,000, non-current assets ₦605,000, receivables ₦17,500, payables ₦42,500, allowance for receivables ₦2,500 and bank ₦150,000. What is the figure for current assets?
- A. ₦243,000

- B. ₦248,000
 C. ₦290,000
 D. ₦60,000
- (58) Which of the following headings is not a classification of cash flows in IAS 7?
 A. Financing
 B. Investing
 C. Funding
 D. Operating
- (59) In preparing a profit or loss account, interest on overdue debtors balance is treated as
 A. A current asset
 B. An income
 C. A prepaid revenue
 D. An expense
- (60) Galagima & co is preparing its bank reconciliation. The bank balance in the general ledger is ₦6,000 credit. There are two items that have not yet been treated.
 I. Bank charges of ₦1,250 was charged by the bank but yet to be recorded by the company in its books,
 II. A cheque of ₦9,500 sent by a customer was yet to show in the bank statement
 What is the closing balance on Galadima & co's bank statement?
 A. ₦4,750 overdraft
 B. ₦2,250 cash in hand
 C. ₦14,250 cash in hand
 D. ₦16,760 overdraft

SOLUTIONS

TIME: 3 HOURS

MCQ

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

- 19) C
- 20) C
- 21) D
- 22) A
- 23) C
- 24) D
- 25) C
- 26) B
- 27) D
- 28) C
- 29) B
- 30) C
- 31) C
- 32) C
- 33) C
- 34) C
- 35) C
- 36) B
- 37) A
- 38) A
- 39) B
- 40) B
- 41) A
- 42) B
- 43) C
- 44) B
- 45) B
- 46) C
- 47) A
- 48) D
- 49) D
- 50) D
- 51) A
- 52) C
- 53) A
- 54) C
- 55) B
- 56) C
- 57) A
- 58) C
- 59) B
- 60) B

Workings

1 $N8,200,000 - (N10,000,000 \times .8) = N200,000$ profit

- 9 $(N937,500 - 375,000 - 15,000) - N712,500 = N165,000$ debit
 13 $(N15,500 + 210,500 - 20,000) = N206,000 \times 1.4 = N288,400$
 15 $(1,600,000 + 3,750,000) - (750,000 + 350,000) = N4,250,000$
 18 $N500,000 - N100,000 - N50,000 = N450,000$
 26 $(N150,000 \times .85) = N127,500$
 30 $(3,740,000 - 980,000) + 2,176,000 - 816,000 = 4,114,000$
 35 $N595,000 + 867,000 - 850,000 = N612,000$
 40 $N600,000 - 480,000 = 120,000/600,000 \times 100 = 20\%$
 59 $N78,000 + 17,500 + 150,000 - 2,500 = N243,000$

Short Answer Questions

1. What document is used as evidence of the disbursement of cash from the petty cash float?
2. When a partnership is dissolved, the dissolution expenses is credited to the ----- account
3. The cost of a non-current asset less its residual value is referred to as ----- of the assets.
4. The book of original entry for recording non-current assets purchased on credit is the -----
5. A cheque duly credited to the cash book but not yet recorded in the bank statement is -----

Use the following information to answer questions 6 and 7.

Jayee LTD sold, for cash, old office cars with carrying amount of ₦1,700,000 at a loss of ₦234,000. The accumulated depreciation on the cars at the date of disposal was ₦4,530,000.

6. The original cost of the cars sold was -----
7. How much would be reported in the statement of cash flows in respect of the cars?
8. If a company's liabilities increase and there is no change in assets, what will happen to equity?
9. Opening inventory is transferred to the financial statements by debiting ----- account and crediting inventory account.
10. According to IAS 2 costs of purchase of inventories include; purchase price plus, import duties plus transport and other handling cost attributable to the acquisition of the product less -----
11. What is the inventory system in which the records show cost of sales?
12. When an entity charges depreciation on property, plant and equipment, the credit entry will be made in ----- account
13. A receivables ledger control account had a closing balance of ₦148,000. It contained a contra entry to the payable ledger of ₦7,425 which was entered on

- the wrong side of the account. The correct balance in the receivables control account should be -----
14. While reviewing the accounts of a sole trader, you have information only about the sales, gross profit and operating expenses. How would you obtain cost of sales figure?
 15. Which concept requires entities to make estimates modestly?
 16. According to IAS 1, the example of an expense that can be reported net of its related income is -----
 17. The concept which states that expenses should be recorded with corresponding revenue during the same period is the ----- concept
 18. In the period of inflation, which method will be required to reflect the current cost of inventories?
 19. First-in –first-out method is made up of inventories issued out of the ----- goods produced or purchased
 20. An entity learns that an amount of ₦14,000 owed by a customer is worthless, which account should be credited in respect of this transaction?
 21. In which components of financial statements are accounting methods and assumptions used in preparation of financial statements found?
 22. Morire Enterprises sold goods to a customer on credit for a price of ₦25,000. The cost of the goods is ₦13,000. The amount of increase or decrease in the assets of the Enterprise relating to the transaction is -----.
 23. A company deliberately overstated its revenue by ₦500,000, yet the account balanced because liabilities are -----by the same amount.
 24. Cash received from a customer for goods to be delivered in future is recorded as----- income
 25. The sale of inventories for cash will be classified as cash flows from ----- activities in the statement of cash flows
 26. Income tax paid is required to be reported in the statement of cash flows as outflows from -----activities
 27. When the Net Realisable Value (NRV) of inventory is higher than its cost, what is the effect on cost of sales?
 28. In a period of rising prices a company using weighted average method to measure inventory will experience ----- profitability than a company using FIFO method
 29. A loan note issued by a company to another serves as evidence of a ----- to the issuer
 30. Transactions that involve the issue and repayment of loan notes, investment by owners and distribution to owners are described as ----- activities
 31. In its first year of operation, Uro Enterprises' payables control account showed cash paid to suppliers of ₦1,200,000, discount received of ₦100,000 and closing payables of ₦720,000. What are the total purchases for the period?
 32. What term is used for the capital of a not-for-profit organization?
 33. State the type of discount that is not shown in the ledger accounts.

Use the following information to answer questions 34 and 35

Payable ledger control account

	₦		₦
Bank	"X"	Balance b/d	150,000
Discount	13,750	Purchases	2,250,000
Balance c/d	<u>456,250</u>		

34. How much is "X"?
35. How would the balance c/d of ₦456,250 be presented in the statement of financial position?
36. Which account is debited when there are gains on revaluation of assets on retirement of a partner from the partnership?
37. How are donations received by not-for-profit organisation, meant for specific purpose, shown in their financial statements?
38. The management of Karimi Limited aggregates, revalues and capitalises their loose tools. The records for the year ended 31 December, 2023 showed

	₦
Revaluation at January 1, 2023	700,000
Purchases during the year	240,000
Value of scrapped tools at nil value in 2023	25,000
Revaluation at December 31, 2023	790,000

The depreciation charged during the year is -----

39. A sole trader made a profit of ₦975,000 before it was discovered that the returns outward was overstated by ₦35,000. What should be the correct profit?
40. Two source documents for compiling the payables ledger control account are ----
----- and -----

Solution to SAQ

1. Petty cash Voucher
2. Cash account
3. Depreciable amount
4. Journal
5. Unpresented cheque
6. ₦6,230,000 (i.e carrying amount plus accumulated depreciation)
7. ₦1,466,000 (i.e the cash received on the sale of the cars, which is (₦1,700,000 - ₦234,000))
8. Equity decreases
9. Cost of sales or Statement of profit or loss
10. Trade discounts and rebates
11. Perpetual inventory system
12. Accumulated Depreciation
13. ₦162,850 ₦(148,000 + 7,425 x 2)
14. Cost of sales = Sales minus gross profit
15. Prudence
16. Loss on sale of non-current asset or losses arising from damages due to fire or flooding losses
17. Matching
18. First-in-first-out
19. Earliest
20. Receivables ledger control account
21. Notes to the financial statements or statement of accounting policies
22. ₦12,000 decrease
23. Reducing or understated
24. Unearned or unearned income
25. Operating activities
26. Operating
27. No effect
28. Lower
29. Debt or liability
30. Financing
31. ₦2,020,000
32. Accumulated fund
33. Trade discount

34. ₦1,930,000
35. Current liability
36. Revaluation account
37. Liability in statement of financial position
38. ₦125,000
39. ₦1,010,000
40. Purchases day book, returns outward book, cash book and credit notes

Tutorial to SAQs

6. Original cost of the cars = ₦1,700,000 + 4,530,000 = ₦6,230,000
7. ₦(1700,000 - 234,000) = ₦1,466,000
13. ₦7,425 x 2 + ₦148,000 = ₦162,850
22. Receivables (ASSET) increases by ₦25,000 while inventory (another asset) reduces by ₦13,000; giving a net increase of ₦12,000 in assets
23. Both revenue and liabilities are credit balances , so to offset an increase in one, the other must be reduced
31. ₦1,200,000 + ₦100,000 + ₦7,200,000 = ₦2,020,000
34. $X = ₦2,250,000 + ₦150,000 - (13,750 + ₦456,250) = ₦1,930,000$
- 38.

	₦
Revaluation at January 1, 2023	700,000
Purchases during the year	240,000
Value of scrapped tools at nil value in 2023	(25,000)
	915,000
Revaluation at December 31, 2023	790,000
Depreciation charged	125,000

39. When returns outward is overstated profits have been understated



THE CHARTERED INSTITUTE OF TAXATION OF NIGERIA

APRIL 2024: PROFESSIONAL EXAMINATION

FOUNDATION: PRINCIPLES OF TAXATION

TUESDAY, APRIL 16, 2024

EXAM NO.....

PART I: MULTIPLE CHOICE QUESTIONS (MCQ)

TIME: 3 HOURS

1. The process of imposing and collecting taxes from taxable persons within a particular location is
 - A. Levy
 - B. Tax
 - C. Taxation
 - D. Duties
2. The board that is responsible for taxation of limited liability companies in Nigeria is ...
 - A. Education tax board
 - B. Stamp duties board
 - C. Joint tax board
 - D. Federal board of inland revenue
3. Under the Personal Income Tax, one of the conditions for an expense to qualify as allowable deduction is
 - A. Dependability
 - B. Deductibility
 - C. Accessibility
 - D. Reasonability
4. The employment of staff of Tax Appeal Tribunal shall be subject to the provision of the
 - A. Tax Tribunal Act
 - B. National Salaries and Wages Act
 - C. Pension Reform Act
 - D. Employment and Wages Act
5. In a situation that a Tax Appeal Commissioner is having direct or indirect financial interest in any pending appeal before the Tribunal, such commissioner shall...
 - A. Declare such interest to the other tax appeal commissioners before sitting in any meeting for the hearing of such appeal
 - B. Declare such interest to the other tax appeal commissioners and keep quiet during sitting in any meeting for the hearing of such appeal

- C. Declare such interest to the other tax appeal commissioners and refrain from sitting in any meeting for the hearing of such appeal
 - D. Declare such interest to the other tax appeal commissioners and refrain from sitting in subsequent meetings for the hearing of any other appeals
6. The following are the major characteristics of tax except
- A. Tax is a compulsory contribution imposed by the government
 - B. Tax is a contribution to defray the cost incurred by the government to provide social amenities for the citizens
 - C. Tax is not levied in return for any specific service rendered by the government to the taxpayer
 - D. Tax is levied in return for a specific service rendered by the government to the taxpayer
7. The following are the reasons for imposing tax except
- A. To fulfil the legal requirement of government
 - B. To generate revenue for the government
 - C. To control inflation through fiscal measures
 - D. To discourage consumption of goods that are considered to be socially undesirable such as goods that are inimical to health
8. The form of tax system where the higher the tax base results into a higher rate is
- A. Regressive tax
 - B. Progressive tax
 - C. Proportional tax
 - D. Direct tax
9. The determination of who finally bears the burden of tax between the producer and the consumer is referred to as
- A. Impact of tax
 - B. Shifting of tax
 - C. Incidence of tax
 - D. Effect of tax
10. Which of the following is not the objective of tax administration?
- A. Monitoring and evaluation of implemented policy
 - B. Collection and accounting for tax revenue
 - C. Disbursement of revenue
 - D. Establishing of fiscal objectives
11. What is the actual object on which tax is levied or charged?
- A. Tax base
 - B. Tax yield
 - C. Tax buoyance
 - D. Tax incidence

12. What is the mechanism of adjusting and passing of the tax burden from one economic unit to another?
- A. Tax effect
 - B. Tax impact
 - C. Tax shifting
 - D. Tax buoyance
13. Which of the following is not the economic effect of taxation?
- A. Effect on production
 - B. Effect on savings
 - C. Effect on inflation
 - D. Effect on security
14. What is an attempt to escape tax liability by circumventing the tax law or exploiting the loopholes in tax law to reduce tax liability?
- A. Tax evasion
 - B. Tax avoidance
 - C. Tax default
 - D. Tax delinquency
15. Which of the following does not enhance the efficiency of tax administration?
- A. Voluntary compliance
 - B. Accounting records
 - C. Competent and honest staff
 - D. Illiteracy
16. The Appeal Tribunal has power to adjudicate on disputes and controversies arising from tax laws. Which of these is NOT included in the jurisdiction of the Tribunal?
- A. The Capital Gain Tax Act Cap C1LFN 2004 (as amended)
 - B. The Companies Income Tax Act Cap C21 LFN 2004 (as amended)
 - C. Value Added Tax Act Cap VI LFN 2004 (as amended)
 - D. Stamp Duties Act Cap P8 LFN 2004 (as amended)
17. To which court can a taxpayer who is dissatisfied with the decision of the Tax Appeal Tribunal refer his appeal?
- A. Supreme Court
 - B. Federal High Court
 - C. Customary Court
 - D. State High Court
18. Which of these may NOT likely improve the efficiency of tax administration in Nigeria?
- A. Honesty and competent staff
 - B. Political will
 - C. Proper Accounting records
 - D. Compulsory compliance

19. The definition of the word 'Trade' is not clear under Nigerian Tax Law. The British Tax Act of 1970 says 'tax trade includes every trade, manufacture, adventure or concern in the nature of trade'. Which of these is NOT a determinant of trading activities?
- A. Profit motive
 - B. Subsequent action taken on such item before its eventual disposal
 - C. Frequency of occurrences
 - D. Owner of the business
20. Which of these is NOT a criterion for any expense to be allowed for deduction for tax purpose?
- A. Exclusively
 - B. Necessarily
 - C. Compulsorily
 - D. Reasonably
21. Which of the following legal and professional fees paid to lawyers for service rendered is NOT allowed for tax purpose?
- A. Fee paid to handle tax dispute
 - B. Fee paid to defend taxpayers' title to a fixed asset
 - C. Fee paid to protect trade mark
 - D. Fee paid to recover trade debt
22. Which of these issues Tax Clearance Certificate (TCC) for limited liability companies?
- A. Federal Inland Revenue Service
 - B. Ministry of Finance
 - C. State internal Revenue Service
 - D. Federal Ministry of Finance
23. Who has the jurisdiction to collect the Withholding Tax deducted from dividend received by a non-resident individual in Nigeria?
- A. Joint Tax Board
 - B. State where the recipient resides
 - C. Local Government where the recipient resides
 - D. Federal Inland Revenue Service Board
24. An appeal against the decision of the Federal High Court at the instance of either party shall lie to the
- A. Court of Appeal
 - B. Customary court
 - C. Supreme court
 - D. Tribunal
25. Which of these taxes and levies are not collectible by the State Government?
- A. Slaughter slab fees
 - B. Withholding taxes
 - C. Stamp duties on instruments executed by individuals
 - D. Pools betting and lotteries, gaming and casino taxes

26. What is the term given to the difference between the total income and allowable expenses of an Estate, Trust or Settlement?
- A. Reserved income
 - B. Net income
 - C. Computed income
 - D. Assessable income
27. In a situation where a company provides only water for its use. What is the rural investment allowance rate?
- A. 5%
 - B. 15%
 - C. 30%
 - D. 50%
28. Which of these is not one of the contents of a Return?
- A. Source of income received in the year of assessment
 - B. Amount of income from each source for the year of assessment
 - C. Information relating to expenditure, reliefs, allowances, deductions capital allowance
 - D. Declaration that the taxpayer has power to appeal the assessed tax in the year of assessment
29. A fiduciary relationship through which money or property is conveyed to one or more persons so as to ultimately use it for the benefit of another person called the beneficiary is
- A. Settlement
 - B. Estate management
 - C. Trust
 - D. Executor
30. Which of these is NOT a particular required by the Tax Authority to be stated in writing by the taxpayer?
- A. The gross amount of the payment
 - B. The name and address of the recipient
 - C. The period which the payment relates to
 - D. Tax Identification Number
31. Incentives available to investors in the agricultural business are as follows except:
- A. 100% of capital allowances can be claimed in a year of assessment provided.
 - B. A company carrying on agricultural trade or business is exempted from the payment of minimum tax when it incurs a loss.
 - C. 100% exemption from income tax.
 - D. Companies carrying on agricultural trade or businesses are allowed to carry forward losses indefinitely.
32. The relevant tax authority for the assessment of directors in a limited liability business is:
- A. Federal Inland Revenue Service.
 - B. State Board of Internal Revenue
 - C. Local Government Office.

- D. Micro and Small Tax Office.
33. The relevant tax law that governs taxation of Trusts, Settlements and Estates.
- A. Companies Income Tax Act.
 - B. Capital Gains Tax Act
 - C. Trusts, Settlements and Estates Act.
 - D. Personal Income Tax Act (as amended).
34. The relevant tax authority in charge of Value Added Tax (VAT) in Nigeria is:
- A. State Board of Internal Revenue.
 - B. Joint Tax Board.
 - C. Value Added Tax Revenue Service.
 - D. Federal Inland Revenue Service.
35. The net loss of the company during the tax relief period is deemed to be incurred on the day following the end of the tax relief period. This loss shall be set off against
- A. the income of the first year of the new business.
 - B. the income of the second year of the new business.
 - C. the income of the second and third years of the new business.
 - D. the income of the first and fourth years of the new business.
36. The Act under which profit from disposal of fixed assets can be granted to a company is known as _____.
- A. Capital Transfer Act
 - B. Petroleum Profits Tax Act
 - C. Capital Gains Tax Act
 - D. Industrial Development (Income Tax Relief) Act
37. An individual who is in full time employment with Armed Forces is deemed to be resident for tax purposes in
- A. Federal Capital Territory.
 - B. Lagos.
 - C. Barracks.
 - D. State Capital.
38. An appeal from a decision of a High Court with respect to territory or residence lies with the
- A. Court of Appeal.
 - B. Supreme Court.
 - C. Revenue Court.
 - D. The Federal High Court.
39. The following are types of tax incentives except
- A. Pioneer Status.
 - B. Rural Investment Allowance.
 - C. Forgiven Debts.
 - D. Export Incentives.
40. Which of statements below is not a merit of Withholding Tax?
- A. It involves little or no cost of collection as it is self accounting in nature.
 - B. Withholding tax reduces the incidence of tax evasion.
 - C. Withholding tax does not enhance voluntary compliance.
 - D. Withholding tax helps to bring unknown taxpayer into the tax net.
41. Problems of withholding tax are listed below, except:
- A. Payment to wrong tax authorities

- B. Complete or correct information
 - C. Non-remittance and deductions
 - D. Use of wrong rates
42. Income exempted from withholding tax does not include:
- A. Bonus shares paid from company's reserves.
 - B. Dividend from small companies.
 - C. Direct purchase across the counter (cash sales).
 - D. Rental income.
43. 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. Encouraging remittance of withholding tax.
 - C. Incentives on repatriation of foreign earnings;
44. Accounts during the pioneer period are to be made up as follows:
- 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. A, B, & C above.
45. The period of assessment for income in accordance with the provisions of the Personal Income Tax Act CAP P8 LFN 2004, is
- A. 12 months from 1st January.
 - B. 12 months from 30th September.
 - C. 12 months from 1st July.
 - D. 12 months from 1st April.
46. Some of the measures put in place to ensure prompt payment of taxes are stated below except
- A. Cash assistance to taxpayers
 - B. Instalmental payments
 - C. Imposition of penalty and interest
 - D. Deduction of tax at source (or withholding tax)
47. Taxpayer can appeal against the decision of the Tax Appeal Tribunal (TAT) after it has delivered its judgment. Which of the following is not correct about this statement?
- A. The appeal must show the grounds of law on which the decision of the TAT is being challenged.
 - B. The appeal must be made within 20 days from receipt of the judgement.
 - C. The appeal shall be accompanied by such fee as may be prescribed by the tribunal
 - D. The appeal must be in writing.
48. The conditions for an expense to be tax admissible are as listed here under except
- A. Exclusively.
 - B. Exceptionally.
 - C. Reasonably.
 - D. Necessary.

49. The Federal Inland Revenue Service (FIRS) shall defray from the fund established all the amounts payable under or in pursuance of the Act being sums representing except:
- A. emoluments and allowances payable to the Executive Chairman and other members of the Board;
 - B. reimbursements to members of the Board or any committees set up by the Board for such expenses as may be expressly authorized by the FIRS;
 - C. to reimburse cost of tax appeal expenses incurred by the taxpayer;
 - D. cost necessary for the day-to-day operations of the FIRS.
50. Documents to be submitted by a Limited Liability Company before filing an application for Tax Clearance Certificate (TCC) includes the followings except:
- A. Duly Completed Self-Assessment Forms for Income and Education Tax.
 - B. Completed application form for TCC.
 - C. Evidence of payment of tax liability, either wholly or partly.
 - D. Monthly summary of payroll sheets.
51. Taxes and levies collectible by the State Government excludes
- A. motor pack levies.
 - B. Stamp duties on documents executed by individuals.
 - C. Pools betting and lotteries, gaming and casino taxes.
 - D. Tenement Rates.
52. Expenses that are specifically disallowed by the tax laws are as listed below except
- A. Capital withdrawn or repaid.
 - B. Any sum recoverable under an insurance or contract of indemnity.
 - C. Amount paid for the rent of the business premises
 - D. Any appropriation of profit.
53. A limited liability company that has been in business is required to file its self-assessment return within ____ of the end of its accounting year.
- A. 6 months
 - B. 18 months
 - C. 36 months
 - D. 12 months
54. An employer shall remit to the nearest office or designated bank of the relevant tax authority all taxes deducted from employee salaries within _____.
- A. 25 days of the end of every month
 - B. 30 days of the end of every month
 - C. 15 days of the end of every month
 - D. 10 days of the end of every month
55. Incentives available to investors in the agricultural are:
- A. 100% of capital allowances can be claimed in a year of assessment provided the assessable profit is sufficient to absorb the capital allowances.
 - B. A company carrying on agricultural trade or business is exempted from the payment of minimum tax when it incurs a loss
 - C. Companies carrying on agricultural trade or businesses are allowed to carry forward losses indefinitely.
 - D. All of the above.

56. A newly incorporated company is required to file its returns, audited accounts etc. within _____ months of incorporation or six months after the end of its first accounting year, whichever is earlier.
- A. 9
 - B. 12
 - C. 18
 - D. 36
57. Obligations of the taxpayers to tax authority are as stated below except:
- A. Submit complete, accurate and honest information necessary for optimum and realistic assessment and collection of taxes.
 - B. Follow laid down procedure to obtain required services.
 - C. Avoid negative influence or inducement of tax officials.
 - D. Settle tax liabilities as at when due.
58. The number of members that will constitute a quorum at a meeting of State Board of Internal Revenue is
- A. Seven
 - B. Five
 - C. Two
 - D. Ten
59. The Personal Income Tax (Amendment) Act 2011, states that Consolidated Relief Allowance shall be
- A. =N=200,000 or 1% of the gross income whichever is higher plus 10% of the gross income.
 - B. =N-200,000 or 1% of the gross income whichever is higher plus 30% of the gross income.
 - C. =N=200,000 or 1% of the gross income whichever is lower.
 - D. =N-200,000 or 1% of the gross income whichever is higher plus 20% of the gross income.
60. The Tax Appeal Tribunal shall, for the purposes of discharging its functions under this schedule have power to exercise the following except
- A. Review its decision
 - B. Call for the examination of witnesses or documents;
 - C. Evidence of affidavits;
 - D. To issue Tax Clearance Certificates

- 61. C
- 62. D
- 63. D
- 64. C
- 65. C
- 66. D
- 67. A
- 68. B
- 69. C
- 70. C
- 71. A
- 72. D
- 73. D
- 74. B
- 75. D
- 76. D
- 77. B
- 78. D
- 79. D
- 80. C
- 81. A
- 82. A
- 83. B
- 84. A
- 85. A
- 86. C
- 87. C
- 88. D
- 89. C
- 90. D
- 91. C
- 92. B
- 93. D
- 94. D
- 95. A
- 96. C
- 97. A
- 98. C*
- 99. C
- 100. C
- 101. D
- 102. A

- 103. C
- 104. A
- 105. A*
- 106. A
- 107. B*
- 108. B
- 109. C
- 110. D
- 111. D
- 112. C
- 113. A
- 114. D
- 115. D
- 116. C
- 117. C
- 118. B
- 119. A
- 120. D

SHORT ANSWER TYPE QUESTIONS

1. What is the trade or business of a pioneer company deemed under the provisions of section 11 of the Industrial Development (Income Tax Relief) Act, 1971 to have been set up and commenced on the day following the end of its tax relief period?
2. What is goods or service so described in any certificate given under section of the Industrial Development (Income Tax Relief) Act, 1971 being goods or service necessarily or ordinarily produced in the course of producing a pioneer product?
3. Which report is expected to be submitted with Nigeria Investment Promotion Commission (NIPC) during the pioneer period?
4. List TWO transactions that require the presentation of Tax Clearance Certificate by the taxpayer as required by Section 84(4) of Personal Income Tax Act, 2004 as amended.

5. What rate is used for initial capital allowance on plant and machinery in Agricultural production and what percentage is to be retained in the book until the asset is sold?
6. List TWO advantages of an indirect tax
7. What is the difference between progressive tax and regressive tax?
8. What are the THREE main tripartite activities of tax system?
9. Identify TWO of the major economic effects of taxation?
10. Differentiate between tax evasion and tax avoidance
11. Personal Income Tax Act (PITA 2004) establishes a Technical Committee of the State Board. Identify TWO members of the Board
12. There are many circumstances that may give rise to tax refund by the Federal Inland Revenue Service. List TWO of such circumstances.
13. The imposition of any type of tax on the citizens requires the promulgation of laws which must be enforced on prospective taxpayer. What are the three main sources of Nigerian Tax Laws?
14. Which relevant tax authority has the responsibility of imposing tax on incorporated companies in Nigeria?
15. List FOUR pieces of information to be disclosed by a tax clearance certificate
16. Sam J Limited is a company incorporated in Nigeria with two directors, Greg and Joy. It is compulsory that the parties involved must register with relevant tax authorities. Identify FOUR relevant taxpayers from the information provided.
17. Dr. Ojo has been in a business of import and export of goods since 10 Years ago. As a result of economic situation in the country, he could no longer continue the business. State FOUR other circumstances that can make a business to cease operations.
18. What do you understand by 'Qualifying Capital Expenditure'? Give two examples.
19. Which authority has the power to settle disputes between the relevant tax authority and taxpayer as regards dispute in assessment? Which assessment is raised to replace the original assessment?
20. Identify TWO Non-governmental Organisations to which company's donation can be allowed under the Companies Income Tax Act?
21. The quorum for any meeting of State Board of Internal Revenue is -----
22. Advising the Federal Government on request, in respect of Double Taxation Agreement concluded or under consideration with any other country is one of the duties of -----
23. Provisional Tax is the equivalent of the tax paid on the -----
24. An assessment based on "fair and reasonable" estimate of income in a particular year of assessment is known as -----
25. The first assessment raised on a taxpayer in a particular year of assessment is called - --
26. An assessment becomes -----, when the amount of total profit has been determined on appeal.
27. The quorum at the meeting of Tax Appeal Tribunal is ---- members.

28. Report prepared by taxpayers containing information on his tax affairs for a given period for the purpose of complying with tax laws is known as -----.
29. Audited Financial Statement is one of the components of -----.
30. The due date for filing tax returns for a newly incorporated company is either within -

31. Nigerian Employment means -----.
32. 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 is called -----.
33. The sum total of an employee's basic salary and other entitlements without other deductions is referred to as -----.
34. The term used when dies are impressed, fixed or adhesive on any document to indicate the duty paid is -----.
35. ----- is the stamping of any document known as instrument by the use of a die and stamping machine.
36. Stamp duty that varies with the amount involved in the transaction is called -----

37. A reduction by government in the payment of tax to attract a person or company to invest in a country is known as -----.
38. Under the Capital Gains tax Act, if the sales proceed is higher than the Tax Written Down Value, ----- will arise.
39. The basis of assessment for Capital Gains tax is -----, when a chargeable asset is disposed.
40. A method by which a taxpayer legally reduces his or her tax liability, by taking advantage of the loopholes in the tax laws is called -----.

SAQ

1. New Trade or Business
2. Permissible by-product
3. Performance reports
4.
 - i. Application for government loan for industry or business
 - ii. Registration of motor vehicle
 - iii. Application for firearm licence
 - iv. Application for foreign exchange
 - v. Application for certificate of occupancy
5. 95% and 5%
6.
 - i. It is easy to pay

- ii. It is difficult to evade
- iii. It generates a higher revenue
- iv. It is effective for protecting domestic industry
- 7. Progressive tax occurs when the rate increases as income increases while regressive tax occurs where the rate reduces as the income size increases
- 8.
 - i. Formulation of tax policy
 - ii. Translating the tax policy into law
 - iii. Tax administration to implement the provision of the tax law
- 9.
 - i. Effect on production
 - ii. Effect on savings
 - iii. Effect on inflation
 - iv. Effect on investment
 - v. Effect on consumption
- 10. Tax evasion is an attempt to escape tax liability wholly or partly while tax avoidance is an attempt to escape tax liability by exploiting the loopholes in tax laws.
- 11.
 - i. The chairman of the State Board as Chairman
 - ii. The Directors within the State Service
 - iii. The Legal Adviser to the Board
 - iv. The Secretary to the Board
- 12.
 - i. Over assessment of taxes by FIRS
 - ii. Outright overpayment of taxes by the taxpayer
 - iii. Double payment of the same tax liability by taxpayer
 - iv. Deduction of VAT at source without corresponding adjustment for input VAT
- 13.
 - i. Customary laws
 - ii. Statutes laws
 - iii. Case laws
- 14. Federal Inland Revenue Service
- 15.
 - i. Name, address and Taxpayer's Identification Number (TIN)
 - ii. Chargeable income/total profit
 - iii. Tax payable
 - iv. Tax paid
 - v. Nature of business
 - vi. Types of assessment
 - vii. Expiry date
 - viii. Turnover
 - ix. Serial number of the certificate
 - x. Issuing tax office
 - xi. Office stamp of the issuing office and the authorized signatory
- 16.
 - Sam J Limited
 - Greg
 - Joy
 - Employees of Sam J Ltd
- 17.
 - i. Change in government policies

- i. When business has not fulfilled specific purpose of establishment
 - ii. A fall in demand for a particular line of product
 - iii. Persistent losses
 - iv. Occurrence of natural disaster
 - v. Voluntary or compulsory liquidation
 - vi. Merger of two companies
18. Qualifying Capital Expenditure is an expenditure incurred on assets used for a trade or business which qualifies for capital allowance in a basis period. Two examples are:
- i. Capital expenditure incurred on plant, machinery and fixture
 - ii. Qualifying building expenditure
 - iii. Qualifying expenditure in connection with or preparation for the working of a mine, oil well or other sources
 - iv. Qualifying plantation expenditure
19. Body of Appeal Commissioners and assessment raised to replace the original is Revised/amended assessment.
20. i. The Boys' Brigade of Nigeria
 i. The Girls' Guides of Nigeria
 ii. The Nigerian Red Cross
 iii. The National Youth Council of Nigeria
 iv. The Nigerian Youth Trust
21. 5
22. Joint Tax Board
23. Immediate Preceding Year of Assessment
24. Administrative assessment
25. Original assessment
26. Final and conclusive
27. 3
28. Tax returns
29. Companies income tax returns
30. Eighteen months from the date of incorporation or six months after the end of accounting year whichever is earlier
31. That the duties are wholly performed in Nigeria
32. Capital allowances
33. Gross emoluments
34. Denoting
35. Embossment
36. Ad-valorem
37. Tax incentive
38. Balancing charge
39. Actual year basis (AYB)
40. Tax avoidance

