



THE CHARTERED INSTITUTE OF TAXATION OF NIGERIA

OCTOBER 2024: PROFESSIONAL EXAMINATION

FOUNDATION: BUSINESS LAW

TUESDAY 15TH OCTOBER, 2024 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. All but ONE is not an essential element of a valid contract
 - (a) Capacity
 - (b) Necessity
 - (c) Consideration
 - (d) Acceptance
2. What type of nuisance is a civil wrong
 - (a) Public Nuisance
 - (b) Defamation Nuisance
 - (c) Private Nuisance
 - (d) Civil Nuisance
3. The Incorporation of a limited liability Company has the following consequences except....
 - (a) Enjoys perpetual succession
 - (b) Unlimits the liability of members
 - (c) Limits the liability of members
 - (d) Can own properties in its corporate name
4. One of the following is an essential elements of Arbitration
 - (a) The parties must agree to arbitrate
 - (b) The parties must be the same sex
 - (c) The issue must be on contract basis
 - (d) The issue must lead to litigation
5. A company whose liabilities exceed its assets is said to be
 - (a) Insolvent
 - (b) Broke
 - (c) Buoyant
 - (d) Poor

6. A Receiver of any undertaking of a company appointed by the court is an officer of the -----
 - (a) Shareholders
 - (b) Court
 - (c) Board of Directors
 - (d) Company's secured creditors
7. A liability borne by one as a result of another's wrongful act is known as
 - (a) Third party liability
 - (b) Vicarious liability
 - (c) Transferred liability
 - (d) Defamation
8. Who majorly administers Personal Income Tax and Withholding Tax?
 - (a) Local Government
 - (b) Joint Tax Board
 - (c) Federal Inland Revenue Service
 - (d) State Board of Internal Revenue
9. Tax administration involves all of the following except
 - (a) Registration
 - (b) Negotiation
 - (c) Compliance enforcement
 - (d) Reconciliation
10. The object of a Sale of Goods contract is _____
 - (a) To know the price of the goods
 - (b) To transfer property in goods from the seller to the buyer
 - (c) To know the time to sell the goods
 - (d) To transfer property in goods from buyer to seller
11. Two major examples of tax statutes in Nigeria are:
 - (a) University of Lagos Act and Lagos State University Law
 - (b) The Exclusive Legislative List and the Concurrent Legislative List both in the Second Schedule of the CFRN 1999 (as amended)
 - (c) Companies Income Tax Act (CITA) and Tertiary Education Tax
 - (d) The Chartered Institute of Taxation of Nigeria, (CITN) Act and The Institute of Chartered Accountants of Nigeria, (ICAN) Act
12. One major distinguishing feature of law of tort is that
 - (a) It is an agreement that will be enforced by the courts
 - (b) It is an offence with criminal consequences
 - (c) The parties to an action in tort are the State and the Defendant/Accused
 - (d) It is a breach of personal duties fixed by law
13. Which of the following is the aim of criminal law?

- (a) Persecute the protester
 - (b) Award damages to victims
 - (c) Assuage the aggrieved
 - (d) Penalise the offender
14. The group of Courts categorised as Special Courts are
- (a) District Courts, Area Courts and Magistrate Courts
 - (b) Sharia Courts, Customary Courts and Upper Area Courts
 - (c) Supreme Courts, Court of Appeal and Customary Court of Appeal
 - (d) Juvenile, Coroners and Military Courts/Tribunals
15. The court conferred with original jurisdiction over the revenue of the Federal Government is
- (a) Federal High Court
 - (b) National Industrial Court
 - (c) Arbitration and Conciliation Court
 - (d) Revenue Court
16. The arm of government vested with primary power to enact written laws in Nigeria is known as
- (a) Executive
 - (b) Judicial Precedent
 - (c) Legislature
 - (d) Judiciary
17. The doctrine which implies that the various organs of government should function separately and independently of one another is called
- (a) Organic theory of government
 - (b) Separation of powers
 - (c) Doctrine of Necessity
 - (d) General Monroe's doctrine
18. ONE of the following is a major source of Nigerian law
- (a) Statute of General Application in force in England as at January 1, 1900
 - (b) Statute of General Application in force in England as at January 1, 1960
 - (c) Doctrine of Laches and Acquiescence
 - (d) Statute of General Application in force in England as at October 1, 1960
19. The arrangement of superior courts in Nigeria, in a hierarchical ascending order is as follows:
- (a) Circuit Court, Regional Court, House of Lords, and Judicial Committee of the Privy Council
 - (b) High Court, Court of Appeal and the Supreme Court
 - (c) Magistrate Court, District Court and Customary Court of Appeal
 - (d) Supreme Court, Court of Appeal and High Court

20. Which of the following is TRUE in respect of the National Industrial Court?
- (a) It is an appellate court to the Area District courts in Nigeria
 - (b) It sits with a seven-man panel when exercising its exclusive original jurisdiction
 - (c) The Head of the Court is statutorily known and addressed as the Chief Justice of the National Industrial Court
 - (d) It is a court set up to adjudicate exclusively on labour and employment causes and matters
21. Under the Constitution of the Federal Republic of Nigeria, 1999 (as amended), the tier of government vested with powers on the taxation of incomes, profits and capital gains tax is the
- (a) Akwa-Ibom State Government
 - (b) Lagos State Government
 - (c) Federal Capital Territory, Abuja
 - (d) Federal Government of Nigeria
22. The statute which assigns responsibility to persons for collecting taxes and levies, assessment and collection of taxes is known as
- (a) Taxes and Levies (Approved List for Collection) Act
 - (b) Division and Devolution (Taxing Powers) Act
 - (c) Techniques of Division of Taxing Powers Act
 - (d) Revenue Mobilisation Allocation and Fiscal Commission Act
23. The personal income tax of members of the armed forces of the federation are collectable by
- (a) The Federal Government
 - (b) The State Government where the members of the armed forces are resident
 - (c) The state of origin of respective members of the armed forces
 - (d) The Local Government where the members of the armed forces are residing
24. The exclusive power for the assessment or collection of any tax or levy listed in the Schedule to the Constitution of the Federal Republic of Nigeria 1999 Amendment Act, on behalf of the Government, is to be exercised by the
- (a) The Federal High Court
 - (b) The National Industrial Court
 - (c) The appropriate tax authority
 - (d) The Tax Appeal Tribunal
25. The power to tax in respect of pools betting and lotteries, gaming and casino taxes is vested in
- (a) State government
 - (b) Local Government administration
 - (c) The Federal Board of Internal Revenue
 - (d) The Federal Inland Revenue Service

26. Under a sale of goods contract, "goods" are classified under the following terms **EXCEPT**
- (a) Perishable goods
 - (b) Specific goods
 - (c) Unascertained goods
 - (d) Future goods
27. Which of the following is **NOT** a void contract under common law?
- (a) Contract to oust the jurisdiction of the courts
 - (b) Contract entered into by a party who lacks capacity
 - (c) Contract in restraint of trade
 - (d) Contract to corrupt public morals
28. The consideration in a sale of goods contract is
- (a) Price
 - (b) Specific goods
 - (c) Barter
 - (d) Sales
29. Which of the following is **NOT** the duty of an agent?
- (a) To obey the principal
 - (b) To make secret profit
 - (c) To exercise due care and diligence
 - (d) To act personally
30. Discharge of a contract may occur in all of the following ways **EXCEPT** by
- (a) Frustration
 - (b) Express agreement
 - (c) Breach
 - (d) Performance
31. In a hire purchase agreement, the owner of the goods can sue the hirer for the following **EXCEPT**
- (a) Loss of the goods
 - (b) Arrears of instalment
 - (c) Damage of the goods
 - (d) Repossession of the goods
32. One of the conditions for qualifying as a small company under Finance Act 2020 is
- (a) Its registered office is not situated in a state capital
 - (b) Its turnover is less than ₦25,000,000
 - (c) It has less than 10 members of staff in its employment
 - (d) Only people in rural areas can subscribe for its shares

33. What is the number of days required for the notice of Annual General Meeting of a public company?
- (a) 30 days
 - (b) 45 days
 - (c) 21 days
 - (d) 14 days
34. Which of the following is NOT a fundamental right under the Constitution of the Federal Republic of Nigeria?
- (a) Right to acquire and own immovable property anywhere in Nigeria
 - (b) Right to state indigene-ship
 - (c) Right to fair hearing
 - (d) Right to freedom of movement
35. Under the provision of CAMA 2020 (as amended) the statutory minimum number of directors is:
- (a) 20
 - (b) 30
 - (c) 1
 - (d) unlimited
36. Which of the following vitiates a contract?
- (a) Familiarity
 - (b) Consanguinity
 - (c) Affinity
 - (d) Undue Influence
37. A voidable contract is a contract
- (a) That is destitute of all legal rights
 - (b) Generally recognisable at law and given effect to subject to certain conditions
 - (c) Of a sale of goods
 - (d) Of personal service
38. Where the subject matter of a contract or the specific object needed to perform a contract is destroyed, such a contract is said to have been discharged by
- (a) Redundancy
 - (b) Cancellation
 - (c) Performance
 - (d) Frustration
39. A false statement of fact made honestly but carelessly is known as
- (a) Honest statement
 - (b) Negligent statement
 - (c) Hybrid statement
 - (d) Negligent mis-statement

40. One of the tax administration authorities in Nigeria is the:
- (a) Joint Tax Board (JTB)
 - (b) The Revenue Mobilisation, Allocation and Fiscal Commission (RMAFC)
 - (c) Joint Admissions and Matriculation Board
 - (d) Joint Tax Force (JTF)
41. One of the duties of a company secretary includes all except ONE:
- (a) Maintains the register of members and directors
 - (b) Advise the company on the types of benefits accruing to the Directors
 - (c) File corporate returns of the company's operation with regulatory agencies
 - (d) Convenes all the company's corporate, general and directors meeting
42. ----- arises where the ownership and possession of goods become vested in different persons
- (a) Contract
 - (b) Bailment
 - (c) Agreement
 - (d) Offer
43. An agreement by which the seller sells and transfers ownership in goods to the buyer and agrees to accept payment by instalment is known as
- (a) Conditional sale agreement
 - (b) Hirer purchase
 - (c) Credit sale agreement
 - (d) Sales of good
44. The decisions of a company taken at general meetings are described as
- (a) Resolutions
 - (b) Company agreement
 - (c) Company registration
 - (d) Terms and conditions
45. The tort committed whenever a person willfully or recklessly makes a statement with the intention that another person shall act on it and thereby suffer damage in tort is known as
- (a) Slander
 - (b) Defamation
 - (c) Deceit
 - (d) Libel
46. The court which can adjudicate upon winding up of a company in a state is
- (a) Federal High Court
 - (b) Magistrate court
 - (c) State high court
 - (d) Corona court

47. The goods being identified and agreed upon by the parties at the time the agreement was entered into is known as
- (a) Sales of goods
 - (b) Specific goods
 - (c) Unascertained goods
 - (d) Future goods
48. The following are types of debentures of a company except
- (a) Convertible debentures
 - (b) Redeemable debenture
 - (c) Perpetual debenture
 - (d) Combustible debenture
49. *Volenti non fit injuria* means
- (a) No injury is done to a person who has consented to the injury
 - (b) Injury to one is injury to all
 - (c) Buyers beware
 - (d) Injury has been done to a person who consented to the injury
50. The duty of a personal representative of a deceased person is to
- (a) To make sure he spends the money of the administrator
 - (b) To identify and define the estate by gathering together all the assets and liabilities of the estate
 - (c) To administer the estate of the deceased as he like
 - (d) To share the estate of the deceased according to seniority
51. The instances in which a seller who has no title could pass a good title to the buyer are as follows except
- (a) Sale in a market overt
 - (b) Sale by hirer who is yet to exercise option for purchase under the hire purchase contract.
 - (c) Sale by seller in possession
 - (d) Sale by estoppel
52. Judicial proceedings for the winding up of a company must be commenced before the
- (a) State High Court
 - (b) Supreme Court
 - (c) National Industrial Court
 - (d) Federal High Court
53. A person appointed by the secured creditors to manage the assets of an insolvent company is called a/an -----
- (a) Manager/ Receiver
 - (b) Debt collector

- (c) Bailiff
 - (d) Auctioneer
54. The following are beneficiaries of Education Tax except
- (a) State Cooperative Colleges
 - (b) Federal Universities
 - (c) State Universities
 - (d) State Colleges of Education
55. Which of the following is essential to a contract and a breach of which entitles an aggrieved party to sue for damages and avoid the contract?
- (a) Conditions
 - (b) Breach
 - (c) Warranty
 - (d) Contract
56. The successor in title to the Petroleum Profits Tax Act, Cap P. 13, LFN, 2004, is the:
- (a) Petroleum Profits Tax (Amendment) Act, 2021
 - (b) Petroleum Profits (Miscellaneous) Act, 2019
 - (c) Petroleum Industry Act, 2021
 - (d) Petroleum Profits (Consolidation) Act, 2021.
57. The stamp duty chargeable on the consideration or any part thereof for the conveyance on sale of stocks and securities is to be calculated at:
- (a) 15% of the consideration sum
 - (b) *ad valorem* rate
 - (c) 25% of the value of the stocks or securities
 - (d) Best of judgment rate of the taxman
58. The Value Added Tax (VAT) – levies tax on the following activities which are regarded as business within the meaning of the Act, EXCEPT:
- (a) activities involved in the carrying on of any profession or vocation
 - (b) activities for the provision of facilities or advantages by a club, association or organisation to its members for a subscription or other consideration
 - (c) activities of public bodies performed exclusively for public officials or other public bodies
 - (d) activities of bodies carrying out statutory duties where supplies are made to the public for a consideration
59. The following assets are the subject matter of the Capital Gains Tax EXCEPT
- (a) non-Nigerian currency
 - (b) any form of property created by the person disposing of it or otherwise coming to be owned without being acquired
 - (c) any disposal of assets made by a statutory or registered friendly societies
 - (d) stocks and shares of every description

60. The basic rule for interpreting a tax statute when the words thereof are clear and unambiguous is:
- (a) the liberal or golden rule
 - (b) the strict or literal rule
 - (c) the *ejusdem generis* rule
 - (d) the *noscitur a sociis* rule

SOLUTION TO MCQ

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

- 21. D
- 22. A
- 23. A
- 24. C
- 25. A
- 26. A
- 27. B
- 28. A
- 29. B
- 30. C
- 31. C
- 32. B
- 33. C
- 34. B
- 35. C
- 36. D
- 37. B
- 38. D
- 39. D
- 40. A
- 41. B
- 42. B
- 43. C
- 44. A
- 45. C
- 46. A
- 47. B

- 48. D
- 49. A
- 50. B
- 51. B
- 52. D
- 53. A
- 54. A
- 55. A
- 56. C
- 57. B
- 58. C
- 59. C
- 60. B

SHORT ANSWER QUESTIONS

1. *Caveat emptor* means -----
2. An agent who has the authority to do some acts in the ordinary course of his business on behalf of his principal is called -----
3. Agency that arises by implication is known as -----
4. The highest court in Nigeria is the -----
5. Goods which the seller owns or possesses at the time of the contract is known as --

6. Nigeria operates a ----- system of Government
7. The duties of the promoter ends when -----
8. Members of professional bodies are regulated by law and -----
9. The document that contains the terms of the partnership agreement is called -----
10. Under Insurance law, consideration from the insured to the insurer is called -----
11. A honest statement made with an honest belief in its truth is known as
12. The only Board that brings tax authorities together in Nigeria is the
13. The doctrine of constitutional law under which the three branches of government are kept separate is known as _____

14. The liability which the occupier of premises bears in respect of loss or injury suffered by those who lawfully come upon his premises is known as -----
15. The main purpose of VAT is _____
16. The court that has exclusive jurisdiction and powers at first instance on criminal and civil causes in matters relating to taxation, is the _____
17. Where under the provisions of the tax laws, any person is aggrieved by an assessment or demand notice made upon him by the Federal Inland Revenue Service, such a person may _____ against such decision.
18. An appeal against an assessment or demand notice from the Federal Inland Revenue Service may be made to the _____
19. An appeal filed before a Tax Appeal Tribunal against an assessment or demand notice from the Federal Inland Revenue Service must be filed within a period of _____
20. The power to adjudicate on disputes and controversies arising from the Petroleum Profits Tax Act, 2004 is vested in the _____
21. Where both parties to a contract have performed their respective undertakings under the contract, the contract is said to have been _____ by performance.
22. Where in a breach of contract case, the amount claimed as damages by an aggrieved party has been agreed upon by the parties before the breach, the damages are said to be _____.
23. A partner who does not participate in managing the partnership but only receives share of profits when it becomes payable is a _____.
24. A person appointed by a member of a company to attend and vote on his behalf at a company meeting is a _____.
25. The Value Added tax is a tax imposed and chargeable on certain _____ and _____
26. The received English Law, are the Common Law of England, Doctrines of Equity, and _____
27. _____ is the next in hierarchy to the Supreme Court
28. The matter that both the National Assembly and State Assemblies have power to legislate upon are contained in the _____.
29. An offer to negotiate or an offer to receive is known as _____.
30. A false statement which causes physical damage or economic loss to the person who relies upon it, is referred to as _____.
31. The number of days that shall lapse between the day on which the statutory meeting is held and the day on which every member of the company receives a copy of the statutory report is _____
32. The payment made by a principal to an agent is _____.

33. A law that arises from a court decision is known as _____.
34. An essential term which may cause repudiation of a contract is called a _____.
35. A Law passed by the Parliament or National Assembly/Legislature is called _____.
36. Penalty for non-payment of any income charged by assessment within the periods prescribed is a sum equal to additional _____ on the tax assessment.
37. A person who for the purposes of obtaining a tax clearance certificate gives incorrect information in relation to any matter or thing affecting his liability, shall be liable upon conviction to a fine in the sum of _____.
38. The period of time within which a taxable person may apply in writing for relief for an excessive assessment for a year of assessment is a timeline of _____ after the end of year of assessment
39. The tax chargeable on a sale of fixed assets is known as _____.
40. Where the sale proceeds of an asset is less than the tax written-down value of the asset, the difference is called _____.

SOLUTION TO SAQ

1. Let Buyer beware
2. General Agent
3. Agency of Necessity
4. Supreme Court
5. Existing goods
6. Federal
7. The company is registered
8. Ethical code
9. Articles of partnership
10. Premium
11. Innocent misrepresentation
12. Joint Tax Board
13. Separation of powers
14. Occupier's liability
15. To generate tax revenue for the government
16. Federal High court
17. Appeal
18. Tax Appeal Tribunal
19. 30 days

20. Tax Appeal Tribunal
21. Discharged
22. Liquidated
23. Limited/dormant/sleeping
24. Proxy
25. Goods and services
26. Statutes of General Application
27. Court of Appeal
28. Concurrent Legislative List
29. Invitation to treat
30. Negligent misstatement
31. 21 days
32. Commission
33. Judicial Precedent
34. Condition
35. Act
36. 10% per annum
37. ₦50,000
38. Six years
39. Capital Gains Tax
40. Balancing allowance.



THE CHARTERED INSTITUTE OF TAXATION OF NIGERIA

OCTOBER 2024: PROFESSIONAL EXAMINATION

FOUNDATION: ECONOMICS

TUESDAY 15TH OCTOBER, 2024 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 definition of Economics “the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses” is credited to
 - A. Adam Smith
 - B. Alfred Marshall
 - C. Lionel Charles Robbins
 - D. Adebayo Samson
2. Man-made items such as machines, dams and roads are examples of
 - A. labour
 - B. Land
 - C. Capital
 - D. Entrepreneur
3. Which of the following has the primary goal of utility maximisation given limited income and prices of goods and services?
 - A. Firm
 - B. Consumer
 - C. Government
 - D. Sellers
4. The sum of various quantities of goods and services which all the consumers are willing and able to buy at different possible prices is called _____
 - A. Composite demand

- B. Aggregate supply
 - C. Market demand
 - D. Individual demand
5. The following are features of free-market economic system EXCEPT
- A. Free competition for resources by the firms
 - B. Means of production are owned centrally
 - C. Private ownership of means of production
 - D. Freedom of choice
6. If the price of locally produced rice in Ikeja market increases from ₦450 per cup to ₦520 per cup, resulting to a decrease in the quantity demanded from 900 units to 750 units. The price elasticity of demand is
- A. Unitary elastic
 - B. Perfectly elastic
 - C. Perfectly inelastic
 - D. Fairly elastic
7. Which of the following is applicable to the concept of long-run in economics?
- A. The law of variable proportion
 - B. All inputs are fixed
 - C. The law of returns to scale
 - D. At least one fixed factor of production
8. If the unit cost of production falls as the plant size increases, the firm is experiencing
- A. Decreasing returns to scale
 - B. Law of diminishing returns
 - C. Economies of scale
 - D. Diseconomies of scale
9. At zero output level of a firm, the total cost of production is
- A. Greater than the total fixed cost
 - B. Equal to the total variable cost
 - C. Less than the total variable cost
 - D. Equal to the total fixed cost

10. If the average product of 5 units of labour employed in the production of rice is 35 bags, the total bags of rice produced is _____ bags
- A. 7
 - B. 40
 - C. 170
 - D. 175
11. The law of diminishing returns applies to
- A. The short run only
 - B. The long run only
 - C. Both the short run and long run
 - D. Neither the short run nor long run
12. Production technique which uses more equipments and machines and few workers is known as
- A. Capitalism
 - B. Capital-intensive
 - C. Labour-intensive
 - D. Capital project
13. A decrease in demand for a particular commodity with the supply remaining unchanged causes a/an
- A. fall in market price
 - B. rise in market price
 - C. increase in equilibrium quantity
 - D. rise in quantity supplied
14. Given two commodities A and B, and their prices P_a and P_b respectively, the consumer equilibrium condition under the marginal utility theory is expressed as
- A. $\frac{MU_a}{MU_b} = \frac{P_b}{P_a}$
 - B. $\frac{MU_a}{MU_b} = \frac{P_a}{P_b}$
 - C. $\frac{MU_a}{MU_b} < \frac{P_b}{P_a}$
 - D. $\frac{P_a}{MU_b} > \frac{P_b}{MU_a}$

15. An indifference curve is
- A. Concave to the origin
 - B. Convex to the origin
 - C. Horizontal and parallel to the X-axis
 - D. Vertical and parallel to the Y-axis
16. A leftward shift of the demand curve is caused by a
- A. Fall in the price of the good
 - B. Rise in the price of the good
 - C. Rise in the price of substitute good
 - D. Rise in the price of complementary good
17. If a consumer has ₦370 to spend on two goods - Apple and Banana with their prices given as ₦50 and ₦30 respectively, how many units of banana will the consumer buy to maximise his utility after he has bought 5 units of apple?
- A. 4
 - B. 5
 - C. 6
 - D. 7
18. A maximum combination of two goods which a consumer can afford, given his money income and the prices of the two goods is illustrated by a/an
- A. Isocost
 - B. Isoquant
 - C. Budget line
 - D. Production possibilities curve
19. Which of the following is NOT an example of a fixed cost?
- A. An insurance premium of ₦5,000 per year
 - B. A monthly rent of ₦10,000
 - C. A lawyer's retainer fee of ₦500,000 per year
 - D. A worker's wage of ₦5,000 per hour

20. If the short run average variable costs of production for a firm are rising, it indicates that
- A. Average total costs are at maximum
 - B. Average fixed costs are constant
 - C. Average variable costs are below average fixed costs
 - D. Marginal costs are above average variable costs
21. Price elasticity of demand for necessity goods is
- A. Zero
 - B. Perfectly elastic
 - C. Unlimited
 - D. Fairly inelastic
22. If the price of good X falls resulting to an increase in demand for good Y, then the two goods are:
- A. Substitute
 - B. Complementary
 - C. Competitive
 - D. Not related
23. Which of the following statements is TRUE about a monopoly firm?
- A. Average revenue equals market price
 - B. Marginal revenue at all output levels is greater than average revenue
 - C. At maximum profit output level, $MC = AR$
 - D. Downward demand curve equals MR
24. Re-organisation of enterprises owned by the government for self-sustaining and profit-making is
- A. Privatisation
 - B. Commercialisation
 - C. Globalisation
 - D. E-commerce
25. A market structure characterised by interdependence of the firms is
- A. Monopolistic
 - B. Perfectly competitive

- C. Oligopoly
 - D. Monopoly
26. In the long run, the profit maximisation output level of a perfectly competitive firm is where:
- A. $MC = MR = TC$
 - B. $MC = MR = AFC$
 - C. $MR = D = AFC$
 - D. $MC = MR = AC$
27. Given the marginal revenue function of a monopolist firm as $MR = 24 - 4q$ and the marginal cost function as $2q$, where q is the units of output; the profit maximising output level is
- A. 2
 - B. 4
 - C. 6
 - D. 12
28. One of the advantages of a monopoly firm is
- A. Creation of artificial scarcity
 - B. Restriction of consumers' choices
 - C. Exploitation of consumers
 - D. Inventions through research and development
29. Which of the following is NOT an essential component of industrial promotion policy in Nigeria?
- A. Promotion of research and development activities
 - B. Establishment of the Bank of industry
 - C. Abolition of tax reliefs
 - D. Fiscal incentives
30. Which of the following are examples of leakages in an economy?
- A. Investment, government expenditure and exports
 - B. Savings, taxes and imports
 - C. Consumption, taxes and exports
 - D. Government expenditure, taxes and imports

31. Division of labour means that
- A. work is divided into different parts to be completed by each labourer
 - B. production is completed by the different departments of a factory
 - C. labour force in the county is not united
 - D. Labour is divided into different section
32. In a mixed economy, decisions to produce are taken by
- A. Men and women acting in their own best interest
 - B. The government acting in the interest of the country
 - C. The market women, the labour unions and the employers association
 - D. Private individuals, organizations and the government
33. Labour productivity is defined as
- A. output per man/hour
 - B. average output
 - C. the maximum number of hours worked
 - D. total level of output
34. Which ONE of these is not an economic activity?
- A. production
 - B. distribution
 - C. consumption
 - D. burning
35. Term of trade explains the relationship between
- A. prices of goods in the market
 - B. prices of exports and prices of imports
 - C. prices of foreign currencies
 - D. dollar and naira
36. Benefits associated with economic integration include all of the following except:
- A. Access to a wider Market
 - B. Increased possibilities of specialisation
 - C. Sharing of technical information
 - D. Differential economic policies
37. Which of the following shifts the demand curve for a normal good to the right?
- A. an increase in the price of its complements
 - B. a decrease in consumer incomes
 - C. a decrease in the price
 - D. an increase in price of its substitutes
38. If the price of a good is equal to the equilibrium price,
- A. There is a shortage (i.e. an excess demand) and the price will fall.

- B. The quantity demanded is equal to the quantity supplied and the price remains unchanged
 - C. There is a surplus (i.e. an excess supply) and the price will rise.
 - D. There is a shortage (i.e. an excess demand) and the price will rise.
39. If the CBN wishes to reduce the quantity of money in circulation, it should:
- A. buy Treasury securities in the open market
 - B. raise the discount rate
 - C. lower the reserve requirements
 - D. raise marginal tax rates
40. The demand for money will fall if:
- A. Real GDP rises
 - B. the GDP Deflator rises
 - C. real interest rates rise
 - D. people expect deflation soon
41. Increase in money supply in an economy will lead to:
- A. Fall in interest rates, rise in investment spending and aggregate demand
 - B. Rise in interest rates, investment spending and aggregate demand
 - C. Rise in interest rates and fall investment spending and aggregate demand
 - D. Fall in interest rates, investment spending and aggregate demand
42. Leftward shift in the supply for a good will likely result in:
- A. a decrease in equilibrium price and an increase in equilibrium quantity
 - B. a decrease in equilibrium price and quantity
 - C. an increase in equilibrium price and a decrease in equilibrium quantity
 - D. an increase in equilibrium price and quantity
43. Which ONE of these is the likely effect of increase in the demand for a good?
- A. increase in equilibrium price and quantity
 - B. decrease in equilibrium price and an increase in equilibrium quantity
 - C. increase in equilibrium price and a decrease in equilibrium quantity
 - D. decrease in equilibrium price and quantity
44. Increase in the supply for a good will result in:
- A. an increase in equilibrium price and quantity
 - B. a decrease in equilibrium price and an increase in equilibrium quantity
 - C. an increase in equilibrium price and a decrease in equilibrium quantity
 - D. a decrease in equilibrium price and quantity.
45. Which of the following is NOT part of the basic economic problems?
- A. How are goods and services produced?
 - B. Why do incentives affect only marginal costs?

- C. What goods and services are produced?
D. For whom are goods and services produced?
46. The term 'double coincidence' of wants is usually associated with a
A. Bilateral exchange mechanism
B. Monetary exchange mechanism
C. Stock exchange system
D. Barter exchange mechanism
47. Which of the following is NOT a factor of production?
A. The water used to cool a nuclear power plant
B. The wages paid to workers
C. The effort of farmers raising cattle.
D. The management skill of a small business owner.
48. The law of supply states that an increase in the price of a good will
A. Increase the quantity supplied of that good
B. Increase the supply of that good
C. Decrease the demand for that good
D. Decrease the quantity demanded for that good
49. The rate at which money changes hands is known as the
A. Rate of inflation
B. Velocity of transaction
C. Velocity of money
D. Velocity of circulation
50. Which of these will be an issue for consideration in Macroeconomic?
A. The impact of government regulation of markets.
B. Causes of nationwide employment.
C. Factors influencing the price and quantity of automobiles.
D. Determination of wages and production costs in the software industry
51. The basic relationship between the cost of production and the market price of any commodity in the short run is that the market price
A. Always reflect the cost of labour
B. Reflects the variable, but not the fixed cost of production
C. Does not rise above variable costs
D. Is determined by the cost of production and the current rate of inflation
52. At what price will a student purchase 15 notebooks, given the demand as $Q_d = 20 - \frac{1}{2}P$?
A. ₦8
B. ₦10

- C. ₦12
- D. ₦5

53. Which of the following is NOT strictly included in the study of Economics?

- A. The study of wants
- B. The study of choice
- C. Whether a particular want satisfies a good or bad purpose
- D. The study of scarcity

54. Which ONE of these economic phenomena is not likely during Christmas season in Nigeria?

- A. General rise in price level
- B. Exchange rate depreciation
- C. Depression
- D. Boom

55. A taxation policy that does not consider the tax base of the taxpayer is regarded as

- A. Progressive tax
- B. Regressive tax
- C. Proportional tax
- D. Net tax

56. The bank that functions as lender of last resort is

- A. World Bank
- B. International Monetary Fund
- C. Central Bank
- D. African Development Bank

57. When the average physical product curve is rising, the marginal physical product is

- A. Below it
- B. Above it
- C. Falling
- D. Zero

58. A consumer is said to be in equilibrium when the

- A. marginal utility is equal to marginal cost
- B. ratio of marginal utility equals that of costs
- C. ratio of marginal utility equals ratio of the prices of commodities
- D. quantity demanded is equal to quantity supplied

59. When government intends to generate more than it spends in a fiscal year, the budget is said to be

- A. Balanced

- B. Deficit
- C. Surplus
- D. Efficient

60. One of these is not related to difficulties associated with the calculation of national income

- A. Imputed payment
- B. Inadequate information
- C. Danger of double counting
- D. Migration

SECTION A: MULTIPLE-CHOICE QUESTIONS (MCQ)

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

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

WORKINGS

6.
$$Ed = - \frac{\Delta Q}{\Delta P} \times \frac{P}{Q}$$

$$= - \frac{750-900}{520-450} \times \frac{450}{900}$$

$$= \frac{150}{70} \times \frac{1}{2} = \frac{15}{14} = 1:1$$

$$= \mathbf{e > 1 = \text{perfectly elastic Ans B}}$$

10.
$$AP_L = \frac{TPL}{L}$$

$$TPL = AP_L \times L$$

$$= 35 \times 5$$

$$TPL = \mathbf{175 \text{ Ans D}}$$

- 17.** Budget line equation is $Y = P_aA + P_bB$;
 Where Y = consumer income, P_a = Price commodity A, P_b = Price of commodity B
 $370 = 50(5) + 30B$
 $370 - 250 = 30B$
 $120 = 30B$
 $B = 4$ **Ans A**
- 27.** Given that $MR = 24 - 4q$; and $MC = 2q$
 At profit maximizing output, $MC = MR$
 $2q = 24 - 4q$
 $2q + 4q = 24$
 $6q = 24$
 $q = 4$ **Ans B**

SECTION B: SHORT ESSAY-TYPE QUESTIONS (SEQ)

1. The basic economic problems in socialist economy are resolved by -----
2. The outward shift of the Production Possibilities Curve illustrates -----
3. A table showing the quantities of a particular commodity that would be bought at different prices is called -----
4. The demand for Milo and Bournvita is an example of -----
5. An upward movement along the same supply curve from one point to another point is caused by -----
6. If the demand function for a given commodity is expressed as $Q_d = 200 - 2P$ and its supply functions as $Q_s = 40 + 6P$, where P is price in Naira, Q_d and Q_s the quantity demanded and supplied respectively, the equilibrium market price is -----

7. The difference between the maximum price a buyer would be willing to pay for a commodity and the actual price paid is referred to as -----
8. A curve showing the different combinations of two goods which yields the same level of utility is -----
9. The satisfaction derived from a unit of good decreases as more and more units of it are consumed illustrates -----

10. Extraction of basic products from the land such as farming and mining are examples of -----
11. A technical relationship between the various inputs used and the maximum level of output obtained is referred to as -----
12. Given the average costs and average variable costs of producing 5 units of a particular product as ₦248.00 and ₦120.00 respectively, the average fixed costs is -----
13. The cost saving benefits a firm enjoys by increasing its output or plant size are known as -----
14. The difference between total revenue and explicit costs is called -----
15. Given the short-run total cost function of firm as $C = 80 + 20q$; where C is the cost in ₦ and q the units of the product produced, the total variable cost of producing 15 units is -----
16. A market structure characterised by product homogeneity and price taking is called -----
17. The practice whereby a supplier charges different prices for different units of the same product or service when there are no differences in the costs of supply is called -----
18. A merger between firms that are involved in totally unrelated business activities is known as -----
19. Kinked demand curve is a feature of -----
20. The sum of personal disposable income and personal income tax equals -----
21. World oil market has experienced series of oil glut. What is a glut?
22. The siting of an industry in a particular place is known as.....
23. The process of reorganising a public enterprise to make it self-sustaining and self-accounting instead of depending on government subventions and subsidies for its survival and operation is known as
24. Percentage change in quantity demanded divided by percentage change in income is the measure of.....
25. The advantages or benefits of large-scale production resulting in reduced unit cost of production are known as.....

26. When will a country have a surplus in its balance of visible trade?
27. The practice of charging more than one price for different units of a single product, when the price differences are not justified by difference in the cost of serving different customers is known as
28. Any point outside the production possibility curve shows what type of output level in a country?
29. An objective science, which provides explanations of the working of the economic system; describing and analysing the way things are or the way things will be if certain conditions exist, is referred to as
30. Goods that are needed jointly before a want could be satisfied are referred to as
31. The 3 basic classification of taxes according to their impact on different income groups are.....
32. When the scale of production is increased, the resulting output displays three (3) stages of returns to scale; what are they?
33. When a commodity is needed for many alternative uses, it is said to have what type of demand?
34. The addition of marginal propensity to consume and marginal propensity to save will always be equal to.....
35. Long-term funds are sourced from which Market?
36. Historic cost not relevant to current decision is called what?
37. The process by which a nation improves the economic, political and social well-being of its people is known as.....
38. From this consumption expenditure function $C = 100m + 0.75Y_d$; 100m stands for
39. When a product is needed to produce another commodity, the demand is referred to as
40. Liquidity preference means

SOLUTION TO SECTION B: SHORT ESSAY-TYPE QUESTIONS (SEQ)

1. Government decision
2. Economic growth
3. Demand schedule
4. Competitive demand
5. Changes in the product's price
6. N20.00

Working

At equilibrium, $Q_d = Q_s$

$$200 - 2P = 40 + 6P$$

$$8P = 160$$

$$P = \mathbf{N20 \text{ Ans.}}$$

7. Consumer surplus
8. Indifference curve
9. Law of diminishing marginal utility
10. Primary production
11. Production function
12. ~~N~~128.00

Working

$$AC = AFC + AVC$$

$$AFC = AC - AVC$$

$$= 248 - 120$$

$$AFC = \mathbf{N128 \text{ Ans.}}$$

13. Internal economies of scale
14. Accounting profit
15. ~~N~~300.00

Working

$$TC = TFC + TVC$$

$$TC = 80 + 2q$$

From the given cost function, total variable cost is $2q$ and when $q = 15$;

$$\text{Then } TVC = 20 \times 15$$

$$= \mathbf{N300.00 \text{ Ans}}$$

16. Perfectly competitive market
17. Price discrimination
18. Conglomerate merger

19. Oligopoly

20. Gross Personal income

Working

$$Y_d = Y - T$$

$$Y = Y_d + T$$

21. Excess supply of a commodity / over production in barrel of oil.
22. Location of industry
23. Commercialization
24. Income elasticity of demand
25. Economies of scale
26. When the value of exports exceeds the value of import of goods
27. Price discrimination
28. Unattainable output level.
29. Positive Economics
30. Complementary goods.
31. Progressive, Regressive, and Proportional Taxes
32.
 - i. Increasing returns to scale,
 - ii. constant returns to scale and
 - iii. decreasing returns to scale
33. Composite demand
34. 1, One
35. Capital Market
36. Sunk Cost
37. Economic development
38. Autonomous Consumption
39. Derived demand
40. Demand for money /the desire of people to hold their resources or wealth in the form of cash.



THE CHARTERED INSTITUTE OF TAXATION OF NIGERIA

OCTOBER 2024: PROFESSIONAL EXAMINATION

FOUNDATION: FINANCIAL ACCOUNTING

TUESDAY 15TH OCTOBER, 2024 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 will reduce the value of the account if carried out?
- I. Debit an asset account;
 - II. Debit an income account;
 - III. Debit a liability account;
 - IV. Debit an expense account.
- A. I and II
B. I and III
C. II and III
D. III and IV
- (2) What is the effect of purchases set-off on control account?
- A. It will require issue of credit note to the creditor
 - B. It will reduce amount receivable from debtors
 - C. It will require to supply goods amounting to the set-off in full settlement
 - D. It will increase the amount receivable from debtors
- (3) The accrual concept in accounts preparation means:
- A. Assets are only included in statement of financial position when they can generate income for the company.
 - B. Income and related expenditure are reported in the same accounting period
 - C. Liabilities are only included in financial statements when they are paid for by the company
 - D. Loans are disclosed as off statement of financial position items.

- (4) Delalu Ltd buys an existing business from Kojo at the price of N40m. The assets of the company are valued at the time of purchase as follows, Office buildings N17.5m, Furniture N2.5m, Motor vehicles N9m and inventory N5.6m. How much did Delalu Ltd paid for goodwill?
- A. Delalu Ltd paid N5.4m for Goodwill
 - B. Delalu Ltd paid N11m for Goodwill
 - C. The assets of the company was revalued at N5.4m
 - D. Delalu paid N34.6m as purchase price of the company
- (5) Bola sold goods worth N100,000 to Ahmed and offers him 2% trade discount and 5% cash discount. If both discounts are claimed by Ahmed, how much is posted to discount allowed by Bola?
- A. N2,000
 - B. N4,900
 - C. N6,900
 - D. N7,000
- (6) The following are the aims of good internal control over cash EXCEPT to
- A. Prevent theft of cash
 - B. Keep optimal level of cash
 - C. Maintain the same level of cash always
 - D. Maintain proper banking system for cash transactions
- (7) When the ordinary shares of a company are oversubscribed, it means that
- A. The share premium of the company's share is very high
 - B. The shares were issued at a bonus
 - C. Number of ordinary shares applied for is more than the number of share placed by the company for sale
 - D. Nominal value of the share is more than the market price
- (8) The effect of items that are recorded on the debit side of a bank statement but are not found on the credit side of the cash book is that:
- A. Bank balance is understated;
 - B. Bank balance is overstated;
 - C. It has no effect on bank balance;
 - D. It resulted in an overdraft.

- (9) A company bought a generator on 1 July 2021 for ₦7,500,000 and sold it on 30 June 2023 for ₦6,150,000. If the company's year-end is 31 December and it is the policy of the organisation to depreciate their equipment at 10% per annum on cost.

What is the accumulated depreciation on the equipment as at 30 June 2023?

- A. N750,000
 - B. N1,350,000
 - C. N1,500,000
 - D. N6,150,000
- (10) The fall in value of intangible assets as a result of passage of time is referred to as?
- A. Depreciation;
 - B. Amortisation;
 - C. Deterioration;
 - D. Revaluation.
- (11) The cash book of a trader shows an overdrawn account. 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. Uncredited cheques.

- (12) The values of working capital items of Danladi Ltd for the year end December 31, 2023 are as follows:

	Receivables	Inventory	Payables
Opening balance	N192,000	N294,000	N102,000
Closing balance	N162,000	N318,000	N66,000

What is the amount by which operating cash-flows will increase or decrease?

- A. N30,000 decrease
 - B. N30,000 increase
 - C. N12,000 decrease
 - D. N12000 increase
- (13) The following are shown in the debit side of the partnership appropriation account EXCEPT
- A. Share of profit
 - B. Transfer to reserve

- C. Salaries
 - D. Interest on loan
- (14) One of the following is NOT an importance of accounting and book keeping
- A. The records are used by the Inland Revenue for tax assessment
 - B. The records can be used to determine the promoters of the organization
 - C. The assets and liabilities of a business are shown
 - D. Book keeping provides permanent records for all financial transactions
- (15) The debit side of company's trial balance totals ₦400,000 more than the credit side. Which one of the following errors would fully account for the difference?
- A. Discount received of ₦200,000 has been debited to discount allowed account
 - B. A receipt of ₦400,000 for commission receivable has been omitted from the records
 - C. ₦200,000 paid for a vehicle has been correctly entered in the cash book and credited to motor vehicles account
 - D. The petty cash balance of ₦400,000 has been omitted from the trial balance
- (16) Which of the following is not a qualitative characteristic of financial statements according to IASB framework?
- A. Materiality;
 - B. Comparability;
 - C. Reliability;
 - D. Relevance.
- (17) Which of the following are the effects of matching concept?
- I. Determination of periodic profits
 - II. Cost of goods sold may be different from purchases
 - III. Unexpired costs are deferred
- A. I and II
 - B. I and II
 - C. II and III
 - D. I, II and III
- (18) Which of the following disclosure is not required under IAS1?
- A. Name of reporting entity;
 - B. Name of major shareholders of the entity;
 - C. The measurement basis used in preparing financial statement;
 - D. A description of the entity's operation and its principal activities.

- (19) Jogor Ltd with an accounting year-end of 30 September 2022 paid Rent and Rates amounting to ₦1,200,000 which covers 3 years up to 30 September 2025. As at 30 Sept 2021, ₦120,000 was outstanding in respect of rent for 2021 which was accrued for.
- Determine the Rent and Rate that would be charged in the company's income statement for the year ended 30 September 2022.-
- A. N280,000
 - B. N400,000
 - C. N520,000
 - D. N1,200,000
- (20) The value of a non-current asset should be recorded in a
- A. Control account
 - B. Nominal account
 - C. Real account
 - D. Personal account
- (21) What is the usefulness of the annual reports and accounts?
- A. To be able to minimize tax payable by a company;
 - B. To boost company's profit;
 - C. For periodic review of company's performance;
 - D. For daily operations of the business by management.
- (22) What is the effect of buying goods worth ₦5,500,000 on credit on Assets and Liabilities of a company?
- I. Inventory is increased by N5,500,000
 - II. Inventory is reduced by N5,500,000
 - III. Payables is increased by N5,500,000
 - IV. Cash is reduced by N5,500,000
- A. I and II
 - B. I and III
 - C. II and III
 - D. III and IV
- (23) Which of the following roles does a debit note serve?
- A. A document that generates a credit note from the seller to the buyer
 - B. A document issued by the seller informing the buyer that his account has been credited for overcharge on the invoice

- C. A document issued by the seller informing the buyer that his invoice was undercharged
 - D. A document by which goods are issued from store to production
- (24) An effective accounting system should provide information
- A. On internal and external reporting for managers and third parties;
 - B. For customer feedback and requirements;
 - C. On new products and methods;
 - D. On customers details.
- (25) The yearly subscription for members of AY Club is ₦30,000. However, Chief Adu paid ₦50,000 on July 10, 2023 as a subscription for 2023 and part of 2024 subscription. If the financial year of the society ends on December 31, 2023, the ₦20,000 subscription will be treated in the statement of financial position as.
- A. Subscription
 - B. Current liability
 - C. Profit
 - D. Current Assets
- (26) A company has business premises worth ₦100m. The company constructed a metal gate worth ₦5m for the building. The cost of the gate should be treated as
- A. Capital receipt;
 - B. Revenue expenditure;
 - C. Capital expenditure;
 - D. Revenue receipt.
- (27) The fact that allowances are made against doubtful debts upholds the concept of
- A. Business entity;
 - B. Consistency;
 - C. Prudence;
 - D. Materiality.
- (28) Which of the following should be credited to partners' capital account?
- A. Share of profits
 - B. Interest on drawings
 - C. Share of revaluation profits
 - D. Interest on loan advanced by a partner

- (35) Creditors use accounting information for the purpose of
- A. Controlling a company's affairs
 - B. Investing in a company
 - C. Assessing strength of the company
 - D. Assessing a company's liquidity
- (36) The document that is used to acknowledge the acceptance of goods return by a seller from the buyer is:
- A. Goods received note
 - B. Debit note
 - C. Credit note
 - D. Invoice
- (37) A business has net assets of ₦700,000 at the beginning of the year and ₦850,000 at the end of the year. Drawings were ₦32,000 and the proprietor's dividend received of ₦15,000 was paid into the business during the year. What was the profit or loss of the business for the year?
- A. N103,000 loss
 - B. N103,000 profit
 - C. N167,000 profit
 - D. N197,000 profit
- (38) A "statement of affairs" is similar to a/an
- A. Statement of financial position
 - B. Trading account
 - C. Trial balance
 - D. Income and expenditure account
- (39) Taiwo, a sole trader operates a block making business. On January 1, 2022 the net assets of the business was ₦4,500,000. During the year end December 31, 2023, the business made a profit of ₦1,500,000 and Taiwo withdrew ₦750,000. During the year he also injected additional capital of ₦760,000. What is the closing equity of the business as at December 31, 2023?
- A. ₦6,010,000
 - B. ₦5,990,000
 - C. ₦4,570,000
 - D. ₦1,490,000

- (40) Which of the following is NOT an example of preliminary expenses?
- Stamp duty paid on the issue of share capital
 - Repairs and maintenance of plant and machinery
 - Sitting allowance paid to promoters of a company
 - Registration fee paid at Corporate Affairs Commission
- (41) The accountant of Kato Ltd recorded some capital expenditure as revenue expenditure in the company's records in the year ended December 31, 2023. What is the effect of this on the company's profit for the end December 31, 2023 and the net assets at that date?
- | | Profit | Net assets |
|----|---------------|-------------------|
| A. | Overstated | Overstated |
| B. | Understated | Understated |
| C. | Overstated | Understated |
| D. | Understated | Overstated |
- (42) Making an allowance for receivables is an example of which concept?
- Prudence
 - Accruals
 - Going concern
 - Materiality
- (43) How should dividends received by company from another entity be treated in its statement of cash flow?
- Working capital adjustment
 - Financing activities
 - Operating activities
 - Cash and cash equivalent
- (44) Ade Nig. Ltd had the following transactions in its records for the financial year end December 31, 2022:
- Inventory which had cost ₦150,000 were sold for ₦225,000
- A credit customer whose ₦75,000 debt had been written off paid the amount in full
- The company paid credit suppliers ₦150,000
- What will be the combined effect of these transactions on Ade Ltd's total net assets?
- Increase of ₦150,000
 - Net assets remain unchanged

- C. Increase of ₦300,000
 - D. Increase of ₦450,000.
- (45) Which of the following can be derived from statement of changes in equity of a company?
- A. Total equity
 - B. Current assets
 - C. Non-current assets
 - D. Net assets
- (46) Which of the following is NOT an advantage of partnership?
- A. Additional capital can be raised because more people are investing in the business
 - B. Less stringent reporting obligations
 - C. There are costs associated with setting up partnership agreement
 - D. Division of roles and responsibilities and an increased skill set
- (47) Which of the following elements is directly related to the measurement of an entity's financial position?
- A. Assets, Liabilities and Equity
 - B. Performance, Income and Expenses
 - C. Income, Expenses and Equity
 - D. Performance, Income and Equity
- (48) Which of the following is the correct formula for cost of sales?
- A. Opening inventory + closing inventory – purchases
 - B. Opening inventory – purchases + closing inventory
 - C. Opening inventory – closing inventory + purchases
 - D. Purchases – closing inventory + revenue
- (49) A company issues 1,000,000 ₦1 shares at a price of ₦1.40 per share. How much should be posted to the share premium account?
- A. ₦400,000
 - B. ₦600,000
 - C. ₦1,000,000
 - D. ₦1,400,000

- (50) How is a bank overdraft classified in the statement of financial position?
- A. Current asset
 - B. Current liability
 - C. Non-current asset
 - D. Non-current liability
- (51) A business is owned by Ben, Julius and Elizabeth
What type of business is this?
- A. Limited liability company
 - B. Sole trader
 - C. Partnership
 - D. Company limited by guarantee
- (52) Which of the following should **NOT** be disclosed in the statement of changes in equity?
- A. Current year profit or loss
 - B. Increase in share capital
 - C. Distribution cost
 - D. The share premium Account
- (53) A partnership stands dissolved in any of the following event EXCEPT on
- A. The lunacy of a partner
 - B. The admission of a new partner
 - C. The bankruptcy of a partner
 - D. The death of a partner
- (54) Which of these statements can be defined as expense?
- A. Decrease in economic benefit during the accounting period.
 - B. Decrease in liabilities
 - C. Increase in economic benefit during the accounting period
 - D. Activities that enhance the net assets
- (55) A building with initial cost ₦400m and accumulated depreciation of N340m was sold for N50m and the cost of disposal was N3m. What is the gain or loss on disposal of the building?
- A. ₦10m Loss
 - B. ₦13m Loss
 - C. ₦50m Gain
 - D. ₦60m Gain

- (56) Which of the following CANNOT be used for the measurement of elements of financial statements?
- A. Historical Cost
 - B. Fair value
 - C. Sunk cost
 - D. Value in use
- (57) Ajaero Ltd has a carrying amount of ₦1,356,000 in its asset register while the non-current asset account in the nominal ledger shows a carrying amount of ₦1,256,000.
- Which of the following disposals, if not deducted from the asset register, could account for the difference?
- A. Asset A with disposal proceeds of ₦150,000 and a carrying amount of ₦50,000
 - B. Asset B with disposal proceeds of ₦150,000 and a loss on disposal of ₦50,000
 - C. Asset C with disposal proceeds of ₦150,000 and a profit on disposal of ₦50,000
 - D. Asset D with disposal proceeds of ₦50,000 and a carrying amount of ₦50,000
- (58) Which of the following is not an example of business entity?
- A. Club or Association
 - B. Partnership
 - C. Sole trader
 - D. Limited liability company
- (59) Which of the following is an example of revenue expenditure?
- A. Formation expenses before accompany commenced business
 - B. Expenditure on non-current assets bought by the company
 - C. Expenditure on the repairs of building
 - D. Tax paid to the Internal Revenue Service
- (60) A debtor owing ₦550,000 was allowed to pay ₦500,000 in full settlement of his indebtedness. This will result in a
- A. Decrease in asset, increase in asset and decrease in capital
 - B. Decrease in liability, increase in asset and increase in capital
 - C. Decrease in capital, decrease in asset and increase in liability
 - D. Decrease in asset, decrease in capital and decrease in liability

SOLUTIONS TO FA SET 3

MCQ

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

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

Workings

- 5 $(100,000 - 2,000) = 98,000 \times 5\% = \text{N}4,900$
- 9 $375,000 + 750,000 + 375,000 = \text{N}1,500,000$
- 12 $(192,000 + 294,000 - 102,000) - (162,000 + 318,000 - 66,000) = (\text{N}30,000)$
- 29 $\text{N}3,000,000/125 \times 100 = \text{N}2,400,000$
- 37 $\text{N}(850,000 - 700,000) - 15,000 + 32,000 = \text{N}167,000$
- 39 $\text{N}4,500,000 + \text{N}1,500,000 - \text{N}750,000 + \text{N}760,000 = \text{N}6,010,000$
- 55 $\text{N}(400,000,000 - 340,000,000) = (60,000,000 - 50,000,000) + 3,000,000$
 $= (\text{N}13,000,000)$

SHORT ANSWER QUESTION

1. An accounting concept which assumes that an entity has a perpetual succession is known as
2. The accounting concept which justifies the charging of an item with small amount to the Statement of profit or loss is referred to as.....concept
3. In bank reconciliation statements, a cheque presented after six months is called.....
4. A cheque credited into the cash book but not yet debited in the bank statement is called.....
5. The two principles relied upon by an accountant at the year end in adjusting expenses and income areand
6. The adjusted trial balance after all identified errors have been located, corrected and updated in a newly prepared trial balance is known as.....
7. Depreciation on property, plant and equipment commences when the asset is.....
8. Torke and Samu are in partnership sharing profits equally. They admitted Peter for 1/5 share of profits. The new profit-sharing ratio for the partners is.....
9. Owners' equity is made up of ordinary share capital and.....
10. The process of determining the monetary amount at which elements of financial statements are included in the financial statement is called.....
11. According to IASB conceptual framework for financial reporting, the two main attributes of relevance are.....value and.....value.
12. Koko bought 300 pairs of trousers at ₦2000 per pair for cash and paid transport fare of ₦15,000 to bring them to his shop. During the period, Koko sold 220 pairs of the trousers for ₦1,282,000. The accounting basis used to calculate the cost of goods sold is.....
13. Repairs and maintenance costs are to be disclosed in the Statement.....
14. The accounting concept followed when an entity records the cost of a non-current asset in its books even though it does not legally own the asset is called.....
15. The net asset of a not-for-profit-organisation is known as.....
16. The difference between the par value of a company's shares and the total amount a company receives for shares recently issued is.....
17. The account used for recording cash transactions of a not-for-profit entity is called.....
18. The two models specified for subsequent measurement of an item of property, plant and equipment are..... and.....
19. The difference in a trial balance as a result of an omission is temporarily transferred to aaccount.
20. The cost of an asset at the beginning of the year plus additions during the year less depreciation is known as.....

21. The increase in the inflow of economic benefit during an accounting year is referred to as
22. Assets held for sale in the ordinary course of business are called.....
23. The other name for bonus issue is.....
24. The shares issued to ordinary shareholders at a price which is lower than the market price of the share is called.....
25. The "true and fair view" of a financial statement of an entity is to be reported by the.....
26. A ledger which summarises all transactions to prepare a trial balance is called.....
27. The process of recording basic financial transactions from various source documents is known as
28. Using the data below for Jake Ltd, calculate the company's non-current liability:

	₦
Carrying amount of property, plant and equipment	1,000,000
Current assets	520,000
Current Liabilities	320,000
Total Equity	800,000

29. Given the data below for XYZ Ltd:

	<u>31/12/2022</u>	<u>31/12/2023</u>
	₦	₦
Non-current assets (cost)	320,000	286,000
Current assets	750,000	920,000
Current Liabilities	150,000	130,000
Provision for depreciation	70,000	74,000

Calculate the value of the net profit or loss of the business for the year ended 31 December, 2023.

30. The assets that are convertible to cash or near cash within one year and are readily available to discharge the liabilities of the company are known as.....

31. The total trade receivables account balance of a business concern is ₦650,000. Out of this, 2% is irrecoverable, 5% of the balance is unlikely to be collected. What is the amount of bad debts?
32. The amount set aside from profit before tax for specific uses in business operation is called.....
33. The partner whose liability is limited to the amount he has agreed to contribute to the business is called.....
34. A payment made in advance for services or benefits that has not been received or enjoyed is known as
35. In a partnership business, which class of partners may be entitled to partnership salary?
36. Goods originally costing ₦10,000 were valued for the statement of financial position at ₦8000. This is an application of the concept of.....
37. Subscription in arrears is treated in the statement of financial position of a club as.....
38. An asset costing ₦100,000 was purchased on 1 January 2018. Depreciation was provided for on monthly basis at the rate of 10% per annum using straight-line method. It was disposed of on 30 June 2023 for ₦30,000. What is the accumulated depreciation at the time of disposal?
39. The accounting entries to record allowance for doubtful debts are.....
40. A vehicle was purchased on January 2021 at a cost of ₦2,000,000 and was depreciated at 25% on cost. It was sold on 31 December 2023 for ₦1,400,000. Full-year depreciation was charged in the years of purchase and disposal. Determine the profit or loss on the disposal.
 - A. ₦500,000 profit
 - B. ₦500,000 loss
 - C. ₦900,000 profit
 - D. ₦900,000 loss

SOLUTIONS TO SAQ

1. Going Concern
2. Materiality
3. Stale Cheque
4. Unpresented Cheque
5. Matching and Accrual Principles
6. Extended Trial Balance/Final Trial Balance
7. Available for use
8. Ratio 2:2:1

9. Retained Earnings or Reserves
10. Measurement
11. Predictive, Confirmatory
12. Accrual Basis
13. Statement of Profit or Loss
14. Substance over form or reality or legality
15. Accumulated Fund
16. Share Premium or Share Discount
17. Receipts and Payments Account
18. Cost model and Revaluation model
19. Suspense Account
20. Carrying Amount
21. Assets
22. Inventories
23. Script/Capitalised Issue
24. Rights Issue
25. Auditor/External Auditor/Statutory Auditor
26. Control Account
27. Book-Keeping
28. N400,000
29. N152,000
30. Current assets/Liquid assets
31. ₦13,000
32. Provision/Reserve
33. Limited Partner
34. Prepayments
35. General/Active Partner
36. Prudence
37. Current Assets
38. N55,000
39. Dr Profit or Loss Account; Cr allowance for Doubtful Debts Account.
40. C

Workings

28.	Calculation of Company's Non-current Liability	
		₦
	Carrying amount of PPE	1,000,000
	Current Assets	<u>520,000</u>

				1,520,000
Less: Total Equity	800,000			
Current Liabilities	<u>320,000</u>			(1,120,000)
Non-current Liability				<u>400,000</u>
29. Computation of Profit				
				₦
	Closing Capital			1,002,000
	Opening Capital			<u>(850,000)</u>
	Profit			<u>152,000</u>
31. 2% of ₦650,000 = ₦13,000				
38. Depreciation for 2018 to 2022 (10% X ₦100,000) X 5 = ₦50,000				
	Depreciation for 2023 (6 months) = ₦10,000/2			= <u>₦5,000</u>
				<u>₦55,000</u>
40. Motor Vehicle Disposal Account				
		₦'000		₦'000
	Vehicle	2000	Dep. b/f	1500
	Profit	<u>900</u>	Sales proceeds	<u>1400</u>
		<u>2900</u>		<u>2900</u>



THE CHARTERED INSTITUTE OF TAXATION OF NIGERIA

OCTOBER 2024: PROFESSIONAL EXAMINATION

FOUNDATION: PRINCIPLES OF TAXATION

TUESDAY 15TH OCTOBER, 2024 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. Consistent with the provisions of the Federal Inland Revenue Service (Establishment) Act 2007, which one of the under listed is not part of the powers and functions of the Federal Inland Revenue Service?
 - (a) Assess persons including partners in partnership to tax
 - (b) Assess, collect, account and enforce payment of taxes as may be due to the Federal Government or any of its agencies
 - (c) Adopt measures to identify, trace, freeze, confiscate or seize proceeds derived from tax fraud or tax evasion
 - (d) Collaborate and facilitate rapid exchange of information with relevant national or international agencies or bodies on tax matters

2. Which one of the following is NOT a member of the Management Board of the Federal Inland Revenue Service?
 - (a) The Chairman/Chief Executive of the Federal Inland Revenue Service
 - (b) A representative of the Attorney-General of the Federation
 - (c) The Comptroller-General of the Nigerian Customs Service
 - (d) The Directors and Heads of Department within the Federal Inland Revenue Service

3. The relevant tax laws make provisions for the Federal Inland Revenue Service (FIRS) to refund to taxpayers any amount of tax that is overpaid. What is the time within which the refund is to be made by the FIRS?
- (a) 15 days
 - (b) 30 days
 - (c) 60 days
 - (d) 90 days
4. The tax based on an assumed income of a taxpayer is _____
- (a) Preliminary Tax
 - (b) Presumptive Tax
 - (c) Poll Tax.
 - (d) Property Tax
5. An outright dishonest action whereby the taxpayer seeks to minimise his tax liabilities through illegal act is known as tax
- (a) Dodging.
 - (b) Evasion
 - (c) Chargeable.
 - (d) Reducing.
6. What minimum number of members of the Tax Appeal Tribunal that must sit at an appeal hearing for judgement given to be valid?
- (a) 7.
 - (b) 3.
 - (c) 6.
 - (d) 5.
7. Which of the qualities listed below is NOT required of a good tax system?
- (a) Certainty.
 - (b) Humility.
 - (c) Fairness.
 - (d) Convenience.

8. Which of the following is not tax exempt in the Personal Income Tax Act?
- (a) Interest paid
 - (b) Life assurance premium paid
 - (c) Contribution to National Housing Fund
 - (d) Contribution to National Pension Scheme
9. Which tier of Government is responsible for the collection of Fire Service Charge and Hotel Restaurant or Event Center Consumption tax (where applicable).
- (a) Federal and Local Governments.
 - (b) State Government.
 - (c) Federal and State Governments.
 - (d) Local Government.
10. The objectives of taxation are as listed below EXCEPT
- (a) to pursue fairness and equity.
 - (b) to provide economic stabilisation.
 - (c) to impose tax for the three tiers of Government.
 - (d) to facilitate economic growth and development.
11. The objectives of modern tax system EXCLUDES:
- (a) Redistribution of income and wealth.
 - (b) Economic regulation.
 - (c) Payment of salaries.
 - (d) Revenue generation.
12. Road taxes EXCLUDE one of the payments listed below.
- (a) Registration of Motor vehicles.
 - (b) Hydrocarbon Levy.
 - (c) Learner's Permit.
 - (d) Hackney Permit.

13. The Personal Income Tax (Amendment) Act, 2011 states that Consolidated Relief Allowance (CRA) shall be
- (a) ₦200,000 or 1% of the gross income whichever is higher.
 - (b) ₦200,000 or 1% of the gross income whichever is lower.
 - (c) ₦200,000 or 1% of the gross income (whichever is higher) plus 20% of the gross income
 - (d) ₦200,000 or 1% of the gross income whichever is higher plus 30% of the gross income.
14. Who is the person appointed by the court to administer the estate of an intestate?
- (a) Accountant.
 - (b) Administrator.
 - (c) Trustee.
 - (d) Beneficiary.
15. Income derived from employment, business, profession or vocation is known as
- (a) Legitimate income
 - (b) Unearned income
 - (c) Statutory Total Income
 - (d) Earned Income
16. Under the Partnership Agreement, the income accruing to Partners is being administered by the _____.
- (a) State Board of Internal Revenue
 - (b) Federal Inland Revenue Service
 - (c) Local Government Revenue Service
 - (d) Joint Tax Board.

17. Which tier of government collects Motor Park fees and Domestic animal licence fee?
- (a) Federal Government
 - (b) State Government.
 - (c) Local Government.
 - (d) Private Government.
18. Which of the method below is used to collect tax due on employment income including pension?
- (a) Pioneer tax.
 - (b) Poll Tax.
 - (c) Withholding Tax.
 - (d) Pay As You Earn (PAYE).
19. Taxes or levies collectible by the local governments do not include
- (a) Customary burial ground permit fees.
 - (b) Development levy not more than ₦100 per annum on all taxable individuals.
 - (c) Marriage, birth and death registration fees.
 - (d) Signboard and Advertisement permit fees.
20. Which tier of government collects Road closure fees and Religious places establishment permit fees?
- (a) Local Government.
 - (b) Federal Government.
 - (c) Provincial Government.
 - (d) State Government.
21. Research and Development have been defined as listed below EXCEPT
- (a) Equipment, rates, licenses secret formula or process
 - (b) Intellectual property
 - (c) Accomplished results of a permanent nature which may be capitalised
 - (d) information concerning industrial, commercial or scientific process

22. Pay As You Earn (PAYE) is an example of _____ tax system in Nigeria.
(a) Proportional
(b) Progressive
(c) Regressive
(d) Multiple
23. Which of the following is the time limit for filing a Notice of Objection to an assessment raised by the Federal Inland Revenue Service?
(a) 60 days from the date on the assessment notice
(b) 90 days from the date on the assessment notice
(c) 30 days from the date of the service of assessment notice
(d) 30 days from the date on the assessment notice
24. Letters written by Tax officials requesting for more information on certain issues after reviewing tax returns is known as _____
(a) Tax Query
(b) Tax Checking
(c) Tax Audit
(d) Tax Investigation
25. The aggregate of a person's properties either during his life time or on his death is known as _____.
(a) Portfolio
(b) Assets
(c) Estate
(d) Trust
26. The time limit allowed for payment of undisputed tax liabilities from the date of notice of assessment is _____ days.
(a) 360
(b) 90

- (c) 30
- (d) 60

- 27 Transactions between related persons or group of persons is known as _____
- (a) Family transactions
 - (b) Artificial transactions
 - (c) Acceptable
 - (d) Deferred transaction
- 28 How is income from dividend, rent or royalty categorised?
- (a) Benefit-In-Kind
 - (b) Personal Income
 - (c) Unearned Income
 - (d) Earned Income
- 29 Incentives available to potential investors in the agricultural business are:
- (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) Companies carrying on agricultural trade or businesses are allowed to carry forward losses indefinitely.
 - (d) 10% of net profit as hazard allowance.
- 30 Which of the following is NOT a condition for an expense to qualify as an allowable deduction under the Personal Income Tax Act 2004 (as amended)?
- (a) Wholly
 - (b) Reasonably
 - (c) Exclusively
 - (d) Certainly

- 31 Tax is payable by a resident individual on the incomes from sources
- (a) Outside Nigeria only.
 - (b) Inside and Outside Nigeria.
 - (c) Outside Nigeria only.
 - (d) Inside or Outside Nigeria
- 32 Examples of revenue expenditures does not include:
- (a) Repairs and maintenance
 - (b) Selling expenses
 - (c) General and administrative expenses
 - (d) Amount spent to improve assets
- 33 The Tax Appeal Tribunal shall, for the purposes of discharging its functions have power to exercise the following EXCEPT:
- (a) to issue Tax Clearance Certificate;
 - (b) call for the examination of witnesses or documents;
 - (c) receive evidence of affidavits;
 - (d) review its decision;
- 34 The "principal place of residence" of an individual whose only source of income is Pension is:
- (a) His place of petty trading.
 - (b) That place nearest to his place of work.
 - (c) His state of origin.
 - (d) That place he usually resides.
- 35 In which of these years was Federal Inland Revenue Service (Establishment) Act promulgated?
- (a) 2006.
 - (b) 2007.

- (c) 2005.
- (d) 2007.

36. Which of the statements below is not a merit of Withholding Tax?

- (a) Withholding tax helps to bring obscure transactions into the tax net.
- (b) Withholding tax increases the incidence of tax evasion.
- (c) Withholding tax does enhance voluntary compliance.
- (d) Withholding tax helps to bring unknown taxpayer into the tax net.

37. Advantages of payment of tax liability by Instalments are as stated below EXCEPT

- (a) Taxpayers can pay tax whenever they wish
- (b) It is a kind of interest free loan from government
- (c) It helps to improve taxpayers' liquidity position
- (d) It provides the government with steady inflow of funds.

38. In line with the Constitution of the Federal Republic of Nigeria 1999 (as amended), which of the tiers of government has taxing powers that are specified as residual?

- (a) Federal
- (b) State
- (c) Local
- (d) Community

39. The following are the major reason for taxation in any country Except

- (a) Provision of social infrastructure
- (b) Redistribution of income
- (c) Tacking of inflation and other macroeconomic challenges
- (d) Generation of revenue

40. Which of the following is NOT a source of Nigerian tax laws?

- (a) Statute laws
- (b) Common laws

- (c) Budget and pronouncement of relevant Ministries
- (d) Circulars issued by and practices of the Federal Inland Revenue Service

41 Which of the following is NOT an example of "public goods"?

- (a) Defense
- (b) Education
- (c) Provision of street lights
- (d) Roads

42 What is the tax legislation that governs gains accruing on disposal of chargeable assets in Nigeria?

- (a) Capital Gains Tax Act Cap C1 LFN 2004
- (b) Commodity Gains Tax Act Cap C2 LFN 2004
- (c) Asset Disposal Gains Tax Act Cap A1 LFN 2004
- (d) Companies Income Tax Act Cap C21 LFN 2004

43 Which one of the following is NOT a way of distinguishing between tax and other payments, such as levies and fees?

- (a) Payment of tax is compulsory, while that of levy is voluntary
- (b) An individual cannot request for any special benefit from the government in return for the tax paid, but he has such right if it involves levies or fees
- (c) A taxpayer can sue the government for not spending enough tax money in his community, but he cannot sue if it involves levies
- (d) Tax is generally assessed in accordance with some ascertainable rules of apportionment on persons or property within the tax jurisdiction, unlike levies

44 All points stated below are to encourage voluntary compliance by taxpayer EXCEPT

- (a) Using Law Enforcement Agent to collect taxes.
- (b) Simplification and writing of tax laws in simple language.

- (c) Issuance of Regulations, Circulars and Public notices.
- (d) Waivers of Penalty and Interest.

45 What tax concept can be used to describe the imposition of Value Added Tax (VAT) at Federal level and consumption tax by some State governments on the same goods and services?

- (a) Double taxation
- (b) Similar taxation
- (c) Special taxation
- (d) Multiple taxation

46 The States Internal Revenue Service collects one of the following.

- (a) Value Added Tax (VAT).
- (b) Education Tax.
- (c) Pools betting and lotteries gaming and casino taxes.
- (d) Stamp duties in respect of transactions that involve corporate bodies.

47 An action whereby the taxpayer seeks to reduce to the lowest minimum his tax liability by taking advantage of the loopholes in the tax laws is known as

- (a) Tax Shifting.
- (b) Tax Incidence.
- (c) Tax Avoidance.
- (d) Tax Allowance.

48 Value Added Tax (VAT) is a type of _____.

- (a) Regressive tax
- (b) Indirect

tax

- (c) Capital Gains Tax
- (d) Direct tax

- 49 A person who is in full time employment with The Nigerian Army is deemed to be resident for tax purposes in
- (a) His or her hometown.
 - (b) Lagos.
 - (c) The State where he or she is presently serving.
 - (d) Federal Capital Territory.
- 50 Tax evasion involves the following except
- (a) Rendering tax returns as and when due
 - (b) outright and deceit falsification of account and other documents
 - (c) Documenting fictitious transactions
 - (d) making false claim for allowances and reliefs.
- 51 Which tier of government collects Road closure fees and Religious places establishment permit fees?
- (a) Local Government.
 - (b) Federal Government.
 - (c) Provincial Government.
 - (d) State Government
- 52 The following are transactions for which Tax Clearance Certificate (TCC) must be produced EXCEPT.
- (a) Application for government loan for industry or business.
 - (b) Application for membership of professional bodies.
 - (c) Application for Certificate of Occupancy.
 - (d) Registration of Motor Vehicles.
- 53 Levies collectible by State Government are listed below EXCEPT
- (a) Naming of street registration fee in a State capital.
 - (b) Market taxes and levies where State finance is involved.
 - (c) Collection of radio and television license

(e) Land use charge

54 Documents required to be submitted to the Relevant Tax Authority in order to open a tax file exclude:

- (a) Copy of Certificate of Incorporation
- (b) Certified true copy of Memorandum and Articles of Association
- (c) Management Account of the taxpayer
- (d) Certified true copies of CAC Forms A3 and 7

55 Withholding tax deducted from a dollar (USD) denominated transaction should be remitted to an appropriate authority in ____.

- (a) Deutsche mark
- (b) Euro
- (c) Dollars
- (d) Pound sterling

56 Which agency of government is responsible for the collection of Tertiary Education Tax in Nigeria?

- (a) Federal Inland Revenue Service
- (b) State Internal Revenue Service
- (c) Education Tax Fund Office
- (d) Joint Tax Office

57 What is the amount of income, property or consumption tax levied on an individual or business?

- (a) Tax impact
- (b) Tax incidence
- (c) Tax burden
- (d) Tax rate

- 58 What is Adam Smith canon of taxation that states that taxpayers should know the exact amount they are expected to pay, when and how to pay it?
- (a) Equity
 - (b) Convenience
 - (c) Administration
 - (d) Certainty
- 59 What is the name of the Management Board of the Federal Inland Revenue Service?
- (a) Federal Internal Revenue Service Board
 - (b) Federal Inland Revenue Service Board
 - (c) Federal Board of Internal Revenue
 - (d) Federal Board of Inland Revenue Service
60. Tax incentive does not include
- (a) high tax rate
 - (b) loss relief
 - (c) tax holidays
 - (d) capital allowances

SOLUTIONS TO MCQ

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

14.C
15.D
16.A
17.C
18.D
19.B
20.A
21.C
22.B
23.C
24.A
25.C
26.C
27.B
28.C
29.C
30.D
31.B
32.D
33.A
34.D
35.B
36.B
37.A
38.C
39.C
40.C
41.C
42.A
43.C
44.A
45.D
46.C
47.C
48.B
49.D
50.A
51.A
52.D
53.C
54.C
55.C

- 56.A
- 57.B
- 58.D
- 59.B
- 60.A

SHORT ANSWER QUESTIONS (SAQ)

1. The meaning of tax incidence is -----.
2. Two types of taxes are ----- and -----.
3. A proportion of tax base, paid as tax is -----.
4. A tax which increases as the income increases is known as -----.
5. A levy imposed to ensure adherence to law is -----.
6. The product of tax base and tax rate is -----.
7. ----- occurs when the taxpayer finds a means of reducing his or her tax liability by taking advantages of the specific provisions of the tax laws.
8. Overstating of expenses to reduce taxable profit is an example of -----.
9. An advance payment of tax deducted at source on certain transactions is-----.
10. A form of tax regime designed to bring taxpayers operating in the informal sector into the tax net is known as -----.
11. Where is the deemed residence of an individual who works in more than one place in Nigeria?
12. The "Principal place of Residence" in relation to an individual, with no source of income other than pension in Nigeria -----.
13. The expenses relating to the provision of meals in any staff canteen are ----- for tax purposes.
14. A term that best describes the situation when the tax authority refuses to accept a taxpayer's return but raises its own assessment notice is known as -----.
15. A change in taxation that eliminates or reduces one or several taxes and establishes or increases others, while keeping the overall revenue the same is known as -----.
16. The amount of income, property and consumption tax levied on an individual or business is called -----.

17. Deliberate understatement of income and overstatement of expenses are examples of _____.
18. Withholding tax rate on fees for Technical services rendered by a limited liability company is -----.
19. For a resident person in Nigeria, withholding tax deducted from rent and royalty is not a -----.
20. Where an application has not been filed for extension, a pioneer relief for a company shall be for a period of ____ years.
21. A tax return is a statement of income and expenditure of a taxpayer made in respect of his income sources for a year of assessment to the tax authority. You are required to identify two contents of a tax return.
22. A country's economic, political and social circumstances always determine its tax structure. What are the TWO structures of the Nigerian tax system?
23. Tax administration is the responsibility of certain tax authorities. Identify the THREE major tax authorities in Nigeria
24. The Federal Inland Revenue Service Board is responsible for the overall supervision of the federally collected taxes. According to section 7 of FIRSE, 2007, List two functions of the Board.
25. A member of the Federal Inland Revenue Service Board shall cease to hold offices as a member of the Board. State two conditions under which a member can cease to hold office.
26. The State Board of Internal Revenue (SBIR) is established for each State and has an operational arm called 'the Technical Committee'. List two functions of the Technical Committee of the Board.
27. For the post of a Tax Appeal Commissioner, what qualifications must be possessed by a person to be appointed as Tax Appeal commissioner?
28. What are the three major tripartite of a good tax system?
29. The schedule of the taxes and levies (Approved List for Collection) Act, Cap T2 LFN, 2004 was amended by schedule to the taxes and levies (Approved List for Collection)

Act (amended) Order 15 accommodated more taxes and levies for each tier of Government. You are required to identify two types of Personal Income Taxes that are collectible by the Federal Government of Nigeria.

30. Identify the FOUR determinants of an allowable expense for tax purposes
31. Mention three main members in the composition of Local Government Revenue Committee?
32. The Joint State Revenue Committee (JSRC) is a replica of the Joint Tax Board established by Section 85F, PITA 2004 as amended. List TWO major functions of JSRC
33. It is mandatory for any taxpayer to pay tax once imposed by the tax authority. Identify FOUR major characteristics of tax that distinguish it from other levies.
34. The concept of tax and taxation means almost the same thing to everybody be it a layman or professional, the only difference is the definition. Differentiate between the concept of tax and taxation using the definition.
35. Employment income is the income earned from contract of service, that is, in return for work done in service to the person that engaged the taxpayer usually on periodic basis. The two types of income source can come from present or past employment. Give TWO examples each of present and past employments.
36. There are many other possible sources of income that may attract tax imposition aside from employment incomes. List FOUR other sources of income, aside from employment incomes, that may attract tax in the hand of a recipient of such income.
37. List FOUR conditions for granting a pioneer status to a person or company by the National Council of Ministers?
38. The application for a pioneer status can be made by a company incorporated in Nigeria or by a group of persons. State FOUR of such grounds to be included in the application.
39. What is the difference between tax audit and tax investigation?
40. Remade Ltd commenced business on October 1, 2018 and maintains account to June 30th every year. He declared the following profits:

	₦
Period to June 2019	320,000
Year ended June 30, 2020	430,000
Year ended June 30, 2021	456,000
Year ended June 30, 2022	462,000

Determine the assessable profit for the 1st three years of assessments assuming the tax payer made no effort to write for election.

SOLUTIONS TO SAQ

1. The person who bears the burden of tax.
2. Direct tax and Indirect Tax,
3. Tax Rate
4. Proportional tax
5. Fine
6. Tax Yield or Tax Revenue
7. Tax Avoidance
8. Tax Evasion
9. Withholding Tax
10. Presumptive Tax
11. The place where he or she is usually resident
12. The place where he or she usually resides
13. Allowed for tax purposes
14. Best of Judgement
15. Tax Shift
16. Tax Burden
17. Tax Evasion
18. 10%
19. Final Tax
20. 3 years
21. Two contents of a tax return are:
 - i. Sources of income received in the year of assessment
 - ii. Amount of income from each source for the year of assessment
 - iii. Information relating to expenditure, reliefs, allowances, deductions, capital allowances
 - iv. Declaration that the information contained therein is true and correct
22. TWO structures of the Nigerian tax system are:
 - i. A very narrow tax base
 - ii. The very few types of taxes that are being administered
 - iii. The total revenue from taxes does not represent a huge percentage or proportion of the national income

23. The THREE major tax authorities in Nigeria are:
- i. Federal Inland Revenue Service Board (FIRS)
 - ii. State Board of Internal Revenue (SBIR)
 - iii. Local Government Revenue Committee (LGRC)
24. Two functions of Federal Inland Revenue Service Board are:
- i. Provide the policy guidelines relating to the functions of the service
 - ii. Manage and superintend the policies of the FIRS on matters relating to administration of the revenue assessment, collection and accounting
 - iii. Review and approve the strategic plans of FIRS
 - iv. Stipulate remuneration, allowances, benefits and pensions of staff and employees in consultation with National Salaries
25. Two conditions under which a member can cease to hold office are:
- i. If he/she resign his/her appointment as a member of the board by notice
 - ii. He/she becomes of unsound mind
 - iii. He/she becomes bankrupt
 - iv. He/she is convicted of felony
26. Two functions of the Technical Committee of the Board are:
- i. Has power to co-opt additional staff with the service in the discharge of its duties
 - ii. Consider all matters that require professional and technical expertise
 - iii. Advise the state board
 - iv. Attend to such other matters as may from time to time be referred to its by the board
27. Qualifications to be possessed by a person to be appointed as Tax Appeal commissioner include:
- i. Must be knowledgeable in the tax laws, regulations, norms and practices
 - ii. He must show capacity for management of trade or business
28. The three major tripartites of a good tax system are:
- i. Tax policy
 - ii. Tax laws
 - iii. Tax administration
29. Two types of Personal Income Taxes that are collectible by the Federal Government of Nigeria are:
- i. Members of the Armed Forces of the Federation
 - ii. Members of the Nigerian Police Force

- iii. Residents of the Federal Capital Territory, Abuja
- iv. Staff of the foreign Affairs and Non-Resident individuals
- v. National Information Technology Development Levy

30. FOUR determinants of an allowable expense for tax purposes are:

- i. Wholly
- ii. Exclusively
- iii. Necessarily
- iv. Reasonably

31. The three main members are:

- i. Supervisory Councilor for Finance as Chairman
- ii. Three Local Government Councilors as members
- iii. Two other persons experienced in revenue matters nominated by the Local Government Chairman on their personal merits

32. TWO major functions of JSRC are:

- i. It implements the decision of SBIR
- ii. It advises the JTB and the State and Local Government on Revenue matters
- iii. It harmonises tax administration in the State
- iv. It enlightens members of the public generally on State and Local Government revenue matters
- v. It undertakes other functions as may be assigned to it by the JTB

33. The FOUR major characteristics of tax are:

- i. Tax is a compulsory level
- ii. Non-payment of an assessed tax is a criminal offence
- iii. Tax is imposed by government authority
- iv. Tax is backed up by law
- v. Tax is paid without expecting anything specific in return (*quid proqui*)

34. Tax is a compulsory levy imposed by the Government Authority through its agent on its subjects or property to achieve some goals and a payer of such levy does not expect something specific in return. While taxation on the other hand is the process of imposing, assessing and collecting and accounting for taxes collected

35. TWO examples each of present and past employments are:

Present employment includes Salaries and wages, Bonus and Allowances, Fee paid to employees by virtue of their membership of certain profession, Compensation for losing

some opportunities as a result of certain occurrence like workplace hazard, perquisites as special benefits. Past employment includes Gratuity, pension

36. FOUR other sources of income, aside from employment incomes, that may attract tax in the hand of a recipient of such income are: Rent, Dividend, Interest, Royalty, Income from Trust, Settlement or estate.
37. FOUR conditions for granting a pioneer status to a person or company by the National Council of Ministers are:
 - i. There are favourable prospects of further development in Nigeria
 - ii. It is expedient in the public interest to encourage the development or establishment of any industry in Nigeria
 - iii. The applicant must be engaged in an activity listed as a pioneer industry or pioneer product
 - iv. An applicant must provide evidence of all required legal and regulatory compliance document
 - v. An applicant must demonstrate the tangible impact its activity will have on Nigeria economic diversity and growth
 - vi. An applicant must make full payment of fees promptly
 - vii. Each application shall be accompanied by a non-refundable fee of N200,000
 - viii. N100,000,000 in case of an indigenous controlled company
 - ix. N100,000,000 in case of any other company
 - x. The National Council of Ministers must make a declaration of approval.
38. FOUR of such grounds to be included in the application are:
 - i. State whether the company is or the proposed company when incorporated, shall be an indigenous controlled company
 - ii. Give particulars of the assets on which qualifying capital expenditure will be incurred by the company
 - iii. Specify the place where the assets are to be situated
 - iv. State the probable production day
 - v. Specify any product and by-product
 - vi. Give particulars of the loan and share capital
 - vii. In case of incorporated company, give name, and address nationality of each director and the numbers of shares held by each of them.
 - viii. In case of proposed company, give the name, address and nationality of each promoter of the company
39. Tax investigation is put in place to discover fraud no matter how long to secure evidence for possible prosecution of tax defaulter in the law court. While, tax audit

focuses mainly on checking the compliance of taxpayers with relevant provisions of tax laws.

40. Solution

YOA	Basis Period	Profit
		₹
1 st Year, 2018	1/10/2018 31/12/2018	- 106,667
2 nd Year, 2019	1/10/2018- 30/09/2019	427,500
3 rd Year, 2020	1/10/2018 30/09/2019	- 427,500