



THE CHARTERED INSTITUTE OF TAXATION OF NIGERIA

APRIL 2025: PROFESSIONAL EXAMINATION

FOUNDATION: INTRODUCTION TO TAXATION

TUESDAY, 15TH APRIL, 2025

EXAM NO.....

MULTIPLE CHOICE QUESTIONS (MCQ)

SHOW ALL WORKINGS.

TIME: 3 HOURS

MULTIPLE CHOICE QUESTION

1. The main purpose of taxation is to raise funds to
 - A. Defray the expenses incurred for the common interest
 - B. Share among the political leaders
 - C. Contest election into public offices
 - D. Pay salaries of public office holders

2. Tax is a compulsory levy, imposed on all residents living in, as well as non-residents doing business, within a tax jurisdiction, to finance the following EXCEPT
 - A. Provision of social economic goods
 - B. Infrastructural amenities
 - C. Enhance industrial efficiency
 - D. Support political party goal and aspiration

3. The science and concept of imposing and collecting taxes from taxable persons within a particular jurisdiction is known as
 - A. Levy
 - B. Tax
 - C. Taxation
 - D. Duties

4. A good tax system should be capable of these, EXCEPT
 - A. Creating jobs
 - B. Shaping and directing economic activities
 - C. Stimulating economic activities
 - D. Imposing heavy burden on the tax payers

5. The following are the tripartite aspect of the tax system in Nigeria, EXCEPT.....

- A. Tax policy
 - B. Tax system
 - C. Tax laws
 - D. Tax administration
6. The power to impose tax in Nigeria is within the legislative authority of the Federal Government
- A. Exclusive
 - B. Concurrent
 - C. Residual
 - D. Concomitant
7. Which of these is responsible for taxation of limited liability companies in Nigeria?
- A. Internal revenue service board
 - B. Stamp duties service board
 - C. Joint tax board
 - D. Federal inland revenue service board
8. Under the Personal Income Tax Act, which of these is NOT a condition for an expense to qualify as allowable deduction?
- A. Wholly
 - B. Exclusively
 - C. Adequately
 - D. Reasonably
9. Which of the following is NOT the characteristics of tax?
- A. Tax is levied in return for a specific service rendered by the government to the taxpayer
 - B. Tax is a compulsory levy imposed by the government
 - C. Tax is a levy to defray the cost incurred by the government to provide social amenities for the citizens
 - D. Tax is not levied in return for any specific service rendered by the government to the taxpayer
10. Which of the following is NOT a reason for imposition of tax?
- A. To reduce disposable income in the hand of tax payers
 - B. To generate revenue for the government
 - C. To control inflation through fiscal measures
 - D. To discourage consumption of goods that are considered to be socially undesirable or inimical to health

11. Which of the following was introduced by Lord Lugard in 1904?
 - A. Personal Income Tax
 - B. Companies Income Tax
 - C. Income Tax
 - D. Capital Gain Tax
12. The following are the principles of taxation EXCEPT
 - A. Efficiency
 - B. Convenience
 - C. Economy
 - D. Acceptance
13. The object being taxed is known as
 - A. Tax element
 - B. Tax base
 - C. Tax rate
 - D. Tax yield
14. The following are the purposes of tax imposition in Nigeria, EXCEPT
 - A. Revenue generation to meet the needs of government
 - B. Promotion of fiscal tool for stimulating economic growth and development
 - C. Protection of foreign industrial operations
 - D. Economic stabilization
15. The economic term for the division of a tax burden between buyer and seller is known as
 - A. Tax rate
 - B. Tax base
 - C. Tax incidence
 - D. Tax yield
16. Which tax system allows the amount payable to be structured according to the value of the item taxed or specific when placed on the unit produced?
 - A. Personal Income Tax
 - B. Ad valorem
 - C. Excise Duties
 - D. Value added tax
17. What is the statement of ideas and intension of government that guides the thinking and actions of government towards the realization of fiscal goals set?
 - A. Tax system

- B. Tax law
 - C. Tax policy
 - D. Tax administration
18. The canons of taxation identified by Adam Smith in his book 'the Wealth of Nation include the following EXCEPT
- A. Equity
 - B. Certainty
 - C. Convenience
 - D. Simplicity
19. Which of these is not a direct tax?
- A. Companies Income Tax
 - B. Excise Duties
 - C. Pay-As-You-Earn
 - D. Capital Gains Tax
20. The following are transactions that require the presentation of Tax Clearance Certificate by the taxpayer as required by Section 84(4) of Personal Income Tax Act, 2004 as amended, EXCEPT
- A. Registration of motor vehicle
 - B. Application for firearm licence
 - C. Application for Marriage Certificate
 - D. Application for Certificate of Occupancy
21. What is the rate used for initial capital allowance on plant and machinery in an Agricultural production?
- A. 95%
 - B. 90%
 - C. 85%
 - D. 80%
22. One of the following is NOT advantage of an indirect tax
- A. It is easy to pay
 - B. It is difficult to evade
 - C. It is effective for protecting foreign industry
 - D. It is effective for protecting domestic industry
23. Which of these is the difference between progressive tax and regressive tax?
- A. Progressive tax occurs when the rate increases as income increases while regressive tax occurs where the rate reduces as the income size increases
 - B. Progressive tax occurs when the rate increases as income decreases while regressive tax occurs where the rate reduces as the income size increases

- C. Progressive tax occurs when the rate decreases as income increases while regressive tax occurs where the rate reduces as the income size increases
 - D. Progressive tax occurs when the rate increases as income increases while regressive tax occurs where the rate reduces as the income size decreases
24. The following are the main tripartite activities of tax system EXCEPT
- A. Formulation of Tax Policy
 - B. Translating the tax policy into law
 - C. Tax administration to implement the provision of the tax law
 - D. Implementing the collection of tax
25. Which of these is NOT the major economic effect of taxation?
- A. Effect on production
 - B. Effect on education
 - C. Effect on investment
 - D. Effect on consumption
26. What is the difference between tax evasion and tax avoidance?
- A. Tax evasion is an attempt to escape tax liability wholly or partly while tax avoidance is an attempt to escape tax liability by circumventing the tax law
 - B. Tax evasion is an attempt to exploit the loopholes in tax law while avoidance is an attempt to avoid tax liability
 - C. Tax avoidance is a criminal offence and punishable while tax evasion is not
 - D. Tax avoidance is an attempt to reduce taxpayer liability through tax planning while tax evasion is to escape tax liability
27. Which of these is NOT canon of taxation according to Adam Smith?
- A. Equity
 - B. Accessibility
 - C. Certainty
 - D. Convenience
28. Which of these is the objective of tax administration in Nigeria?
- A. Establish fiscal objectives to pursue
 - B. Design the most appropriate tax law to achieve
 - C. Establish policy efficiently, economically and effectively
 - D. Design and implement tax policy
29. The Local government in Nigeria has jurisdiction for the following, EXCEPT
- A. Permit on closure of major streets
 - B. Road taxes
 - C. Tenement rate
 - D. Market taxes

30. The following are types of taxes in operation during the British Colonialist period in the Western Region EXCEPT
- A. Isakole
 - B. Oworì
 - C. Owo-Abetele
 - D. War Returns
31. How can taxation correct an unfavourable balance of payments?
- A. By lowering tariffs on foreign goods.
 - B. By raising tariffs to discourage imports.
 - C. By increasing the importation of goods.
 - D. By abolishing taxes for exporters.
32. How can government tax policies stimulate growth and development in an economy?
- A. By increasing excise duties on all goods
 - B. By providing tax holidays and tax concessions
 - C. By heavily taxing re-invested profits
 - D. By discouraging industrialization
33. Why is taxation considered the most important source of government revenue?
- A. It is voluntary and flexible.
 - B. It is influenced by other nations.
 - C. It is paid in exchange for specific goods or services.
 - D. It is compulsory and government has greater control over revenue collection.
34. What advantage does taxation have over other sources of revenue?
- A. It can be collected at a low political or economic cost.
 - B. It is influenced by supranational organizations.
 - C. It is voluntary and unregulated.
 - D. It is paid in exchange for specific services.
35. is a significant tool for fiscal and economic policy.
- A. Tax
 - B. Laws.
 - C. Investigation.
 - D. Enforcement.
36.includes the imposition of stamp duties, income tax, and capital gains tax on individuals and corporate bodies.
- A. Exclusive Legislative List
 - B. Residual Legislative List
 - C. Supplementary Legislative List.
 - D. Concurrent Legislative List.

37. Which of the following is NOT a source of Nigerian tax laws?
- A. Case laws
 - B. Customary laws
 - C. International treaties
 - D. Statute laws
38. Which of the following is a tax legislation in Nigeria?
- A. The Islamic Tax Act
 - B. The Companies Income Tax Act
 - C. The Customary Tax Act
 - D. The International Tax Treaty Act
39. provides the framework for tax legislation and administration in Nigeria?
- A. The Constitution
 - B. The Federal Inland Revenue Service Act
 - C. Regulations
 - D. Circulars
40. Which of the following is NOT an objective of the National Tax Policy (NTP) 2017?
- A. Guide the operation and review of the tax system
 - B. Provide the basis for future tax legislation and administration
 - C. Increase the complexity of the tax system
 - D. Provide clarity on the roles and responsibilities of stakeholders in the tax system
41. is one of the guiding principles of the Nigerian tax system as outlined in the NTP 2017.
- A. Orderliness and guidance
 - B. Collaboration and unity
 - C. Equity and fairness
 - D. Discipline and cooperation
42. Why can't a taxpayer sue the government for not spending enough tax money in their community?
- A. Taxpayers have no legal rights
 - B. Taxes are not paid for a specific purpose
 - C. The government does not have sovereign power
 - D. Taxpayers do not pay taxes
43. Mr Azuka an employee of NBX Trust Nigeria Plc has two tenants on the ground floor of his house while he lives on the top floor. He also has a shop in front of

his house where he sells provisions. Which Revenue Authority will he file his annual returns with?

- A. State Internal Revenue Service
 - B. Lagos State Inland Revenue Service
 - C. Federal Inland Revenue Service
 - D. Inland Revenue Service
44. Which legislation governs the taxation of gains accruing on disposal of chargeable assets?
- A. Companies Income Tax Act
 - B. Petroleum Profits Tax Act
 - C. Personal Income Tax Act
 - D. Capital Gains Tax Act
45. is liable to
- A. Companies profit, Personal Income Tax
 - B. Employment Income, Personal Income Tax
 - C. Trade Income, Stamp Duties
 - D. Pension, Personal Income Tax
46. What is the tax base for Import Duty in Nigeria?
- A. Imported goods into the government territory
 - B. Manufactured goods within Nigeria
 - C. Exported goods outside Nigeria
 - D. Capital gains
47. Which of these is a member of the Joint Tax Board (JTB)?
- A. Legal Adviser of the board
 - B. The Secretary of the board
 - C. The Chairman/Chief Executive of the Federal Inland Revenue Service
 - D. The representative of the Central bank of Nigeria
48. Who appoints the Secretary of the Joint Tax Board (JTB)?
- A. The President of Nigeria
 - B. The Federal Civil Service Commission (FCSC)
 - C. The State Governors
 - D. The Minister of Finance
49. How are the recurrent expenses of the JTB shared?
- A. Equally between the Federal and state House of assembly
 - B. Proportionally to their respective tax revenue or as agreed by Federal and State governments

- C. By the Federal Government alone
 - D. By local government authorities
50. Which of the following is NOT a member of the FIRS Board?
- A. The Governor of the Central Bank of Nigeria or his representative
 - B. The Comptroller-General of the Nigerian Customs Service or his representative
 - C. The Chief Justice of Nigeria or his representative
 - D. The Registrar-General of the Corporate Affairs Commission or his representative
51. Which of the following is NOT a responsibility of the FIRS Board?
- A. Reviewing and approving strategic plans of the FIRS
 - B. Employing and determining terms of service for FIRS employees
 - C. Auditing private companies
 - D. Providing policy guidelines for the FIRS
52. Which of the following is NOT a reason for a member to cease holding office on the Board?
- A. He resigns by notice addressed to the President
 - B. He becomes of unsound mind
 - C. He is convicted of felony
 - D. He is promoted to a higher position
53. One of the specific functions of the Executive Chairman of the FIRS according to the Act is...
- A. To make tax policies for the Federal Government
 - B. To keep proper accounting records of all revenues and expenditure
 - C. To serve as the Secretary to the Board
 - D. To approve tax exemptions for corporations
54. A tax refund is to be made withinafter the FIRS decides to make a refund.
- A. 30 days
 - B. 90 days
 - C. 100 days
 - D. 45 days
55.is responsible for assessing, collecting, and accounting for revenue accruable to the Government of the Federation.
- A. The Auditor-General
 - B. The Central Bank of Nigeria
 - C. The Federal Inland Revenue Service (FIRS)
 - D. The State Internal Revenue Service (SIRS)

56. What is the autonomy of the State Board of Internal Revenue limited to?
- A. Day-to-day running of technical, professional, and administrative matters
 - B. Drafting federal tax laws
 - C. Managing federal tax policies
 - D. Representing the State in international tax treaties
57. Under which section of the Federal Inland Revenue Service (Establishment) Act 2007 was the Tax Appeal Tribunal (TAT) established?
- A. Section 10(1)
 - B. Section 45(3)
 - C. Section 59(1)
 - D. Section 75(2)
58. What is the minimum qualification required for a Chairman of the TAT?
- A. A legal practitioner with at least 10 years of experience in tax matters
 - B. A legal practitioner with at least 15 years of experience in tax matters
 - C. A retired public servant with tax administration experience
 - D. A businessperson with knowledge of tax laws
59. Under what conditions can a Tax Appeal Commissioner be removed from office?
- A. By the Minister without any inquiry
 - B. After a due inquiry for gross misconduct or incapacity
 - C. By a majority vote of the Tribunal members
 - D. By the Revenue Mobilization Allocation and Fiscal Commission
60. What is the role of "Special Purpose Tax Officers"?
- A. To audit government accounts
 - B. To manage non-oil revenue collection
 - C. To investigate and enforce tax laws, with powers similar to police officers
 - D. To audit multinational companies.

SOLUTIONS TO MULTIPLE-CHOICE QUESTIONS

- | | |
|-----|---|
| 1 | A |
| 2 | D |
| 3 | C |
| 4 | D |
| 5 | B |
| 6 | A |
| 7 | D |
| 8 | C |
| 9 | A |
| 10 | A |
| 11 | C |
| 12 | D |
| 13 | B |
| 14 | C |
| 15 | C |
| 16 | B |
| 17 | C |
| 18 | D |
| 19 | B |
| 20 | C |
| 21 | A |
| 22 | C |
| 23 | A |
| 24 | D |
| 25 | B |
| 26 | D |
| 27 | B |
| 28 | A |
| 29 | C |
| 30 | C |
| 31. | B |
| 32. | B |
| 33. | D |
| 34. | D |
| 35. | A |
| 36. | A |
| 37. | C |
| 38. | B |
| 39. | A |
| 40. | C |
| 41. | C |
| 42. | B |
| 43. | A |
| 44. | D |

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

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

ATTEMPT ALL QUESTIONS

1. What is the advantage of withholding taxes?
2. **List Three reasons why FIRS would carry out a back duty assessment?**
3. How does the Federal Inland Revenue Establishment Act, 2007 define the term "Tax"?
4. One of the objectives of Taxation is for economic stability., State how this is used in a nation's economy?
5. Adam Smith propounded the canons of taxation, list 5 of them.
6. The Federal Government of Nigeria has recognised the negative impact of multiple taxation on citizens and businesses. State how the Federal Government is resolving this.
7. One of the primary purposes of taxation is to generate revenue for the Government, state 3 other reasons for taxation.
8. The provisions outlined in Section 120 and Section 163(a) stipulate that the following taxes:,, and, collected by the State Government shall be included in the Consolidated Relief Fund (CRF) for the State.
9. List 3 sources of the Nigerian tax laws.
10. What is the enabling act for the taxation of employee income in Nigeria?

11. Mr Joshua sold his house for ₦20,000,000 on 23rd July 2022, he made a gain of ₦6,325,000 after deducting his incidental cost of ₦1,075,000, which Act enables the State Internal Revenue to tax his gain?
12. A tax system where the tax rate remains constant for all levels of income, irrespective of increases or decreases in the tax base, is referred to as
13. What is the tax base for Tertiary education tax?
14. State Two powers and functions of the Federal Inland Revenue Service Board.
15. List TWO members of Technical Committee of the Federal Inland Revenue Service Board.
16. The FIRS may appoint any government agency to collect tax revenue. TRUE/FALSE
17. Any tax refund is to be made within days of the decision of the FIRS to make refund.
18. List FIVE tax legislation administered by The Federal Inland Revenue Service.
19. List Two members of the Technical Committee of the State Board.
20. State TWO functions of the Local Government Revenue Committee
21. Enumerate your understanding of 'Power to distrain for non-payment of tax' by the relevant tax authority
22. Employment income can be received from present or past employment. With one example giving to each, identify the two type of present and past employment.
23. A person with gross income of less than for a tax year does not have an obligation to pay income tax, but is subject to a presumptive tax on gross income at the rate of
24. State two types of taxes that fall under the administration and jurisdiction of the Federal Inland Revenue Service Board
25. Identify two examples of taxes that fall under the administration and jurisdiction of the State Government of Nigeria
26. Describe Two information contained in the Notice of Assessment to be sent to the taxpayer by the tax authority
27. Every company is required to file its tax returns, audited accounts, income tax and capital allowances computations with the Federal Inland Revenue Service within:
28. Tax is said to be paid 'Quid pro qui' what does this mean?
29. In the evolution and development of taxation in Nigeria, taxation in the East was list developed of all the parts of the country. However, there was a form of tax called Egbu Nkwu. What form of tax was Egbu Nkwu?
30. Infant industries are like crops that need encouragement and protection from external hazard in the environment when they are young. Give two examples of protection that government normally gives to infant industries.
31. What do you understand by Tax Yield?
32. List two advantages of Direct Tax
33. List Two functions of Joint Tax Board

34. Who appoints the Secretary of the Joint Tax Board (JTB) in Nigeria?
35. In preparation for the independence, the Colonial Authority established Raisman Commission in 1958, to examine the jurisdiction and powers of the various tiers of government in Nigeria at independence. Identify two of the Act enacted
36. What is the statement of ideas and intension of government that guides the thinking and actions of government towards the realization of fiscal goals set?
37. There are documented evidences in the records of British Colonialist on the taxation in the southern province consisting of Western and Eastern regions. Identify two of these form of taxes in the Northern Region
38. Which tax system allows the amount payable to be structured according to the value of the item taxed or specific when placed on the unit produced?
39. In any meeting of the Joint Tax Board, what is the acceptable quorum to be able to commence or hold a meeting?
40. List Two canons of taxation identified by Adam Smith in his book 'the Wealth of Nation'

SOLUTIONS TO SHORT ANSWER QUESTIONS

SET 1

1. It is deducted at the source
2. (a) Errors or omissions in the assessment or collection of tax due to deliberate intention of the taxpayers
(b) False or doubtful claim of allowance in respect of current or previous years
(c) Failure to disclose or include in full any income or earnings in the returns made available to the tax office
(d) Reduction in revenue or profit in the returns filed to the tax office
(e) Tax was not charged and assessed or charged and assessed at less than that which ought to have been charged.
3. "Tax" includes any duty, levy or revenue accruable to the government in full or in part under this Act, the laws listed in the First Schedule to this Act or any other enactment or law.
4. a. Taxes are used to reduce high levels of inflation and unemployment in order to promote stability and sustainable growth.
b. Taxation is also important in the planning of savings and investments by harmonizing it with development strategy and changing economic structure.
5. A. Equity
B. Certainty
C. Convenience
D. Economy in collection cost
E. Difficult to evade
F. easy to administer
G. Impartiality
H. Flexibility
I. Simplicity

- J. Political acceptability
 - K. Fiscal instrument
 - L. Productivity
6. The issue of multiplicity of taxes is resolved by amending the Taxes and Levies (Approved list for collection) Act Cap T2 LFN 2004 by the promulgation of Taxes and Levies (Approved List for Collection) Act, (Amendment) Order, 2015. The Federal Government specifies in very clear terms, the types of taxes collectible by each tier of government.
 7.
 - a. To maintain general administration
 - b. To maintain internal law and order
 - c. To redistribute income
 - d. To provide social amenities
 - e. To protect infant industries in the country
 - f. To promote exports
 - g. To discourage the importation of dangerous or harmful goods
 - h. To combat inflation through fiscal measures
 8. Personal income tax, capital gains tax and the stamp duties
 9.
 - a. Case laws
 - b. Customary laws
 - c. Statute laws
 - d. The Constitution
 - e. Opinions of tax experts
 10. The Personal Income Tax Act Cap P8 LFN 2004 (as amended)
 11. Capital Gains Tax Act Cap. C1 LFN 2004 (as amended)
 12. Proportional tax system.
 13. Assessable profit
 14.
 - (i) Provide the general policy guidelines relating to the functions of the Service, that is FIRS
 - (ii) Manage and superintend the policies of the FIRS on matters relating to administration of the revenue assessment, collection and accounting system under the Act or any other enactment or law
 - (iii) Review and approve the strategic plans of FIRS; (iv) Employ and determine, the terms and conditions of Service including disciplinary measures of the employees of the FIRS
 - (v) Stipulate remuneration, allowances, benefits and pensions of staff and employees in consultation with National Salaries, Incomes and Wages Commission
 - (vi) Do such other things which in its opinion are necessary to ensure the efficient performance of the functions of the FIRS under the Act.
 15.
 - (i) The Executive Chairman of the FIRS as Chairman.
 - (ii) All the Directors and Heads of Departments of the FIRS

- (iii) The Legal Adviser of the FIRS
 - (iv) The Secretary to the Board.
16. TRUE
17. 90
18. (i) Companies Income Tax Act Cap C21 LFN 2004 (as amended);
- (ii) Petroleum Profit Tax Act Cap P13 LFN 2004 (as amended);
- (iii) Personal Income Tax Act Cap P8 LFN 2004 (as amended)
- (iv) Capital Gains Tax Act Cap C1 LFN 2004 (as amended)
- (v) Value Added Tax Act Cap V1 LFN 2004 (as amended)
- (vi) Stamp Duties Act Cap S8 LFN 2004
- (vii) Taxes and Levies (Approved List for Collection) Act (Amendment) Order 2015
- (viii) All regulations, proclamation, Government notices or rules issued in terms of these legislations.
19. (i) The Chairman of the State Board as Chairman
- (ii) The Directors within the State Service
- (iii) The Legal Adviser to the Board
- (iv) The Secretary to the Board.
20. (i) Be responsible for the assessment and collection of all taxes, fines and rates under its jurisdiction
- (ii) Account for all amounts so collected in a manner to be prescribed by the Chairman of the local government
- (iii) Be autonomous of the Local Government Treasury Department
- (iv) Be responsible for the day-to-day administration of the department, which forms its operational arm.
21. Without prejudice to any other power conferred on the relevant tax authority, where an assessment has become final and conclusive and the demand notice has, in accordance with the provisions of this Act, been served on the taxable person or on the person in whose name the taxable person is chargeable, then if payment of the tax is not made within the time limited by the demand note, the relevant tax authority in prescribed form (i). distrain the taxpayer of his goods or services or other chattels (ii) distrain upon any land, premises or place in respect of which the taxpayer is the owner (1 mark).
22. One example giving to each of present and past employment are:

- Present employment include Salaries and wages, Bonus and Allowances. Compensation for losing some opportunities as a result of certain occurrence like workplace hazard, perquisites as special benefits (any one for 1/2 mark). Past employment include Gratuity, pension (1/2 mark)
23. Minimum wage is exempted for tax purpose
 24. Two taxes that fall under the Jurisdiction of the Federal Inland Revenue Service Board are:
 - i. Companies income tax
 - ii. Withholding taxes and residents of Federal Capital Territory
 - iii. Petroleum profit tax
 - iv. Value Added Tax
 - v. Education Tax
 - vi. Capital Gain Tax
 - vii. Stamp duties of corporate bodies and non-residents; and
 - viii. Personal Income Tax in respect of members of Armed Forces of the Federation and Police Force
 (Any two for 1 mark)
 25. Two taxes collectible by State Government in Nigeria are:
 - i. Pay-As –You-Earn (PAYE)
 - ii. Direct Taxation (Self-assessment)
 - iii. Withholding taxes (Individuals only)
 - iv. Capital Gain Tax on individuals
 - v. Pool betting and casino taxes
 - vi. Road taxes
 - vii. Development levy for individual only
 - viii. Naming of street registration fee in State capital
 - ix. Right of occupancy on land by State Government in Urban areas
 (Any 2 for 1 mark)
 26. Two pieces of information the Notice of Assessment should contain are:
 - i. Amount of any assessable, total or chargeable income
 - ii. Tax charged
 - iii. Place at which payment should be made
 - iv. Rights of objection (if any) of the taxable person
 (Any Two for 1 mark)
 27. Every company is required to file its tax returns, with the Federal Inland Revenue Service within:
 - i. Six months after the end of the company's accounting year in the case of an old company, or
 - ii. Or in the case of a newly incorporated company, eighteen months from the date of incorporation, or six months after the end of its first accounting period, whichever is earlier
 (Any one for 1 mark)

28. Quid pro qui means, tax is paid by taxpayer without expecting something specific from Government (1 mark)
29. In the Eastern Region, 'Egbu Nkwu' is a form of tax which means tax on farm produce like palm kernel when harvested. Payment is usually made in cash to the village council for the development of the community. (1 mark)
30. Two examples of protection that government normally gives to infant industries are
 - i. Tax holiday
 - ii. Tax reliefs
 - iii. Tax allowance
 - iv. Protection from high taxes on importation of substitutes to the products of local infant industries
 (Any two for 1 mark)
31. What do you understand by Tax Yield? This is the total amount of revenue generated from the tax imposed. It is the product of tax base and tax rate $TY = TB \times TR$
32. Two advantages of Direct Tax are:
 - i. Direct tax is equitable because it is usually progressive
 - ii. It is economical in term of cost and loss in return via intermediaries
 - iii. It is flexible because it is easy to modify
 - iv. It induces sense of belonging and citizens' civil consciousness
 - v. It generates higher revenue for government
 - vi. It aids income redistribution
 (Any two for 1 mark)
33. Two functions of a Joint Tax Board are:
 - i. To exercise the powers or duties conferred on it by PITA
 - ii. To ensure harmonization and uniformity of the Nigerian Tax System
 - iii. To advise the Federal Government on request
 (Any two for 1 marks)
34. Who appoints the Secretary of the Joint Tax Board (JTB) in Nigeria?
Federal Civil Service Commission (FCSC) (1 mark)
35. Two of the Acts enacted are:
 - i. Petroleum Profits Tax Act (PPTA), 1959
 - ii. Income Tax Management Act (ITMA), 1961
 - iii. Companies Income Tax Act (CITA), 1961
 (Any two for 1 mark)
36. The statement of ideas and intension of government that guides the thinking and actions of government towards the realization of fiscal goals set is Tax policy (1 mark)
37. Two form of taxes in the Northern Region are:
 - i. Kudin Kasa
 - ii. Zukat and Jizra
 - iii. Kudi 'n kasa

- iv. Shuka Shuka
(Any two for 1 mark)
- 38. Tax system that allows the amount payable to be structured according to the value of the item taxed or specific when placed on the unit produced is Ad valorem (1 mark)
- 39. The acceptable quorum to be able to commence or hold a meeting of the Joint Tax Board is 5 members (1 mark)
- 40. Two canons of taxation identified by Adam Smith in his book 'the Wealth of Nation' are
 - i. Equity
 - ii. Certainty
 - iii. Convenience
 - iv. Economy



THE CHARTERED INSTITUTE OF TAXATION OF NIGERIA

APRIL 2025: PROFESSIONAL EXAMINATION

FOUNDATION: PRINCIPLES OF ACCOUNTING

TUESDAY, 15TH APRIL, 2025

EXAM NO.....

MULTIPLE CHOICE aQUESTIONS (MCQ)

SHOW ALL WORKINGS.

TIME: 3 HOURS

1. Office rent is an example of.....
 - A. Period cost
 - B. Product cost
 - C. Notional cost
 - D. Relevant cost
2. Abraham is a production worker at Aper Factory Limited. He is paid a salary of ₦65,000 per month, plus an extra ₦35 for each unit produced during the month. This type of cost can best be described as
 - A. Fixed cost
 - B. Variable cost
 - C. Mixed cost
 - D. Step cost
3. A factory produces biscuits. The operating data is:

Opening inventory of raw materials:	₦3,000
Purchases of raw materials:	₦12,000
Closing inventory of raw materials:	₦4,000
Total hours worked:	2,500 hours
Hourly wage rate:	₦10 per hour
Factory overheads:	₦7,000
Depreciation on equipment:	₦2,000

Calculate the cost of goods produced.
 - A. ~~₦45,000~~
 - B. ~~₦46,000~~
 - C. ~~₦47,000~~
 - D. ~~₦48,000~~
4. The following are recorded in the Statement of Profit or Loss EXCEPT
 - A. Debenture interest
 - B. Wages and wages
 - C. Discount allowed

D. Commission received

5. Which of the following can result in the revaluation of the asset of a partnership firm?
- A. When a partner is paid salary
 - B. When a partner earns bonus
 - C. When there is a change in the profit sharing ratio
 - D. When a partner contributed additional capital to the firm
6. Okonota Limited paid ~~N~~850,000 to acquire the assets of a partnership firm valued as follows:

	N
Land and Building	450,000
Equipment	280,000
Inventory	400,000
Accounts payable	195.000

What is the technical term given to the amount of ~~N~~850,000 paid by Okonota Limited?

- A. Market value
 - B. Bought value
 - C. Capital
 - D. Purchase consideration
7. The system of inventory valuation which ensures that issues of inventory are made from the latest receipts is known as.....
- A. Last-in-First-Out
 - B. First-in-First-Out
 - C. Average cost pricing
 - D. Last-in-last-Out
8. The constitution that governs the relationship of partners in a partnership firm is called.....
- A. Articles of Association
 - B. The Regulation
 - C. Memorandum of Association
 - D. Partnership Deed
9. When a debt previously written off is subsequently recovered, the accounting entry to record the transaction in the books is:
- A. Dr Cash A/C Cr Accounts Receivable
 - B. Dr Cash A/C Cr Profit or Loss Account
 - C. Dr Accounts Receivable Cr Bad Debt Recovered
 - D. Dr Accounts Receivable Cr Profit or Loss Account
10. Which of the following is the bedrock of financial accounting?

- A. Accrual Accounting
 - B. Monetary concept
 - C. Business entity concept
 - D. Balance sheet concept
11. Which of the following is NOT a liability?
- A. Rental income received in advance
 - B. Accounts payable
 - C. Rental expense in advance
 - D. Bills payable
12. Which of the following provides an arithmetical check on the postings in the ledger?
- A. The Journal
 - B. The General ledger
 - C. Control Account
 - D. The Trial Balance
13. The features of a sole proprietorship include the following EXCEPT
- A. Ownership and decision making is by an individual
 - B. It is a common type of business
 - C. It is usually of small size
 - D. It is a joint stock business organization
14. Which of the following is NOT a book of prime entry?
- A. Sales ledger
 - B. Returns inward book
 - C. Sales journal
 - D. Purchases journal
15. Which of the following account is debited when furniture and fittings are sold for cash?
- A. Sales Account
 - B. Furniture and fittings Account
 - C. Statement of profit or loss
 - D. Cash Account
16. On January 1 2022, a fairly used machinery was bought at a cost of ₦500,000 and depreciated at 20% per annum using the reducing balance method. On April 1 2024, it was sold for ₦300,000. Calculate the profit or loss on disposal.
- A. ₦44,000 profit
 - B. ₦40,000 loss
 - C. ₦3,500 profit
 - D. ₦4,000 loss
17. On 1 January 2023, Ojota Enterprises that prepares its accounts to December 31, paid rent of ₦202,500 for the period ending March 31, 2024. How much of the rent will be expensed in 2023 Income Statement?

- A. ~~₦~~40,000
- B. ~~₦~~40,500
- C. ~~₦~~50,700
- D. ~~₦~~162,000

Use the following information to answer questions 3 and 4:

The balances extracted from the books of Ketu Enterprises as at December 31, 2024 were: Trade receivables ~~₦~~4,800,000; Allowance for doubtful debts ~~₦~~100,000; Bad debts written off ~~₦~~20,000 and Allowance for doubtful debts is to be increased to 3% of Trade receivables.

18. What will be the allowance for doubtful debts for the year ended December 31, 2023?
- A. ~~₦~~43,200
 - B. ~~₦~~43,400
 - C. ~~₦~~83,400
 - D. ~~₦~~103,400
19. What will be the value of Trade Receivables to be reflected in the Statement of Financial Position as at December 31, 2023?
- A. ~~₦~~4,148,600
 - B. ~~₦~~4,228,000
 - C. ~~₦~~4,236,000
 - D. ~~₦~~4,636,600
20. Pompey and Caesar are in partnership with the following relevant information for the year ended December 31, 2024:

	Pompey	Caesar
Capital	₦150,000	₦250,000
Interest on capital per annum	3%	3%
Drawings for the year	₦30,000	₦40,000
Interest on drawings	4%	4%
Profit or loss sharing ratio	2/5	3/5

The net profit distributable for the year ended December 31, 2024 is ~~₦~~280,000. What is the profit to be shared among partners for the year ended December 31, 2024?

- A. ~~₦~~268,000
- B. ~~₦~~270,800
- C. ~~₦~~276,200
- D. ~~₦~~277,200

Use the information to answer questions 6 and 7.

Ibom Elite Social Club has subscription account balances in its books for the year ended December 31, 2024:

1 January, 2023: in advance ~~₦~~6,400 and in arrears ~~₦~~10,000.

31 December, 2023: in advance ~~₦~~2,800 and in arrears ~~₦~~2,000

Subscriptions received during the year:

2022 - ~~₦~~8,000
2023 - ~~₦~~62,000
2024 - ~~₦~~800

21. Calculate the amount of members' subscription to be recognised in the Income and Expenditure Account of the club for 2023.
- A. ~~₦~~62,000
 - B. ~~₦~~62,800
 - C. ~~₦~~66,400
 - D. ~~₦~~75,600
22. In the books of Ilah Elite Social Club, the balance carried down on the debit side of the Subscriptions Account reveal members.....
- A. Who have paid their subscriptions
 - B. Who have paid life membership subscription
 - C. Who are financiers of the club
 - D. Whose subscriptions have fallen due and are yet to pay
23.method of valuing inventory yields higher taxable income during periods of inflation.
- A. First In First Out (FIFO)
 - B. Last In First Out (LIFO)
 - C. Weighted Average Method
 - D. Periodic Simple Average Method
24. The authorised share capital of Barisi Plc is ~~₦~~12,000,000 of 50k ordinary shares. 10,000,000 ordinary shares were issued at ~~₦~~120,000 per share fully paid. The company declared and paid 5% dividend as at the end of December 31, 2024. Calculate the amount of dividend declared and paid.
- A. ~~₦~~250,000
 - B. ~~₦~~300,000
 - C. ~~₦~~325,000
 - D. ~~₦~~500,000
25. Mr. Peter who is in partnership with Mr. Audu withdrew ~~₦~~50,000 from the partnership account for his personal use. The amount should be:
- A. Credited into his Capital Account
 - B. Debited into his Current Account
 - C. Credited into his Current Account
 - D. Debited into his Capital Account
26. Which of the following describes the prudence concept?
- A. Accountant should not recognise income until it is earned
 - B. Accountant should recognise profit before it is earned
 - C. Accountant should recognise only cash income
 - D. Accountant needs not recognise net realisable value of inventories

27. Which of the following does not describe a public sector entity?

- A. They have multiple objectives
- B. Budget is very important
- C. Profit maximisation is not a major objective
- D. There is equity ownership

28. The following two accounts show the application of the double entry for presentation on a particular date in the books of Appah Ventures:

Vehicle Account			
	N		N
Koko Ventures	150,000		
Koko Ventures A/c			
	N		N
Cash	30,000	Vehicle	150,000
Balance c/d	<u>120,000</u>		-
	<u>150,000</u>		<u>150,000</u>

What does the entry on the debit side of the Vehicle Account represent?

- A. A vehicle of ~~N~~150,000 brought forward by Koko Ventures
- B. A vehicle of ~~N~~150,000 acquired from Koko Ventures on credit
- C. A vehicle of ~~N~~150,000 carried forward by Koko Ventures
- D. A vehicle of ~~N~~150,000 purchased by Koko Ventures

29. What are the accounting entries to record an increase in provision for bad debts with an amount of ~~N~~65,000?

Dr	Cr
A. Statement of Profit or Loss	Provision for Bad Debt Account
B. Provision for Bad Debt Account	Statement of Profit or Loss
C. Trade Receivables Account	Provision for Bad Debt Account
D. Provision for Bad Debt Account	Trade Receivables Account

30. What are the accounting entries for an outstanding debt of ~~N~~40,000 confirmed to be bad out of the provision for bad debt balance?

Dr	Cr
A. Trade Receivables	Provision for Bad Debt Account
B. Provision for Bad debt Account	Trade Receivables Account
C. Statement of Profit or Loss	Provision for Bad Debt Account
D. Provision for Bad Debt Account	Statement of Profit or Loss Account

31. Which of the following statements is not true about the accounts of not-for-profit entities?

- A. The excess of total assets over liabilities represents accumulated fund.
- B. A deficit on income and expenditure account reduces accumulated fund
- C. The closing balance of receipt and payments account is transferred to statement of financial position.

- D. Income and expenditure account does not contain capital receipts and expenditure

32. Which of the following is correct?

- a) $\text{Capital} = \text{Non-Current Assets} + \text{Non-Current liabilities}$
- b) $\text{Capital} = \text{Total Assets} + \text{Total Liabilities}$
- c) $\text{Capital} = \text{Total Liabilities} - \text{Total Assets}$
- d) $\text{Capital} = \text{Total Assets} - \text{Total Liabilities}$

33. Revenue receipts of a not-for-profit making organisation are recorded in the

- (a) Bar purchases account
- (b) Profit or loss account
- (c) Income and expenditure account
- (d) Accumulated fund

34. Which of the following accounting entries is required for the recording of Goodwill in the books of a partnership on the retirement of a Partner?

- | | DR | CR |
|-----|---------------------------|---------------------------|
| (a) | Goodwill Account | Partners' Capital Account |
| (b) | Goodwill Account | Realisation Account |
| (c) | Partners' Capital Account | Goodwill Account |
| (d) | Realisation Account | Goodwill Account |

35. Which of the following should NOT be included in cost of inventory?

- (a) Administrative overhead
- (b) Import duties
- (c) Purchase price
- (d) Variable production overhead

36. Which of the following will be the correct implication of accrued rent of ₦750,000 due to Chike & Co for October to December 2024 omitted and not included in the financial statements prepared for the year ended 31 December, 2024?

- (a) Capital of the company would be over stated by ₦750,000
- (b) Liabilities of the company would be over stated by ₦750,000
- (c) Assets of the company would be under-stated by ₦750,000
- (d) Net profit of the company would be over-stated by ₦750,000

37. Which of the following errors affect agreement of a trial balance?

- (a) Compensating error
- (b) Error of original entry
- (c) Arithmetic error
- (d) Error of principle

38. Ganusi Ltd operates on the basis of a mark-up on cost of 40%. From the following information for the month of December, 2024, determine the revenue of the month.

Opening inventory ~~₦~~235,000
Closing inventory ~~₦~~70,000
Purchases ~~₦~~375,000
(a) ~~₦~~756,000
(b) ~~₦~~610,000
(c) ~~₦~~540,000
(d) ~~₦~~272,000

39. One of the following is NOT a form of business entity

- (a) Limited Liability companies
- (b) Partnership
- (c) Quasi-Companies
- (d) Sole Proprietorship

40. The minimum authorised capital of a public limited liability company is:

- (a) ~~₦~~1,000,000
- (b) ~~₦~~2,000,000
- (c) ~~₦~~3,000,000
- (d) ~~₦~~5,000,000

41. Which of the following assets will not be shown on the statement of financial position of a business entity?

- (a) Tangible asset such as motor vehicle
- (b) Intangible asset such as management services
- (c) Intangible asset such as Goodwill
- (d) Tangible assets such as buildings

42. Every asset should have at least

- (a) Monetary cost and future benefit
- (b) Tangible and intangible qualities
- (c) An adequate monetary value
- (d) Durable qualities

43. Which of the following elements is directly related to the measurement of an entity's financial position?

- (a) Income, expenses and equity
- (b) Performance, income and equity
- (c) Assets, liabilities and equity
- (d) Performance, income and expenses

44. Which of the following should NOT be included in the cost of an item of plant?

- (a) Cost of site preparation
- (b) Interest charges paid to supplier
- (c) Cost of delivery and handling cost
- (d) cost of plant per suppliers invoice

45. With regard to a not-for-profit organisation, a debit balance on the subscription account is reported on
- Accumulated fund
 - Statement of financial position
 - Receipts and payments account
 - Income and expenditure account
46. Which of these statements can be defined as Expense?
- Decrease in economic benefit during the accounting period.
 - Decrease in liabilities
 - Gains as arising on disposal of non-current assets
 - Increase in economic benefit during the accounting period
47. The opening inventory of Ajayi Ltd at 1/1/24 was ₦45,000 and the closing inventory was ₦30,000 at 31/12/24. The purchases figure during the year was ₦375,000 and sales was ₦525,000.
Calculate the Gross profit or loss of the company
- ₦150,000 Profit
 - ₦135,000 Profit
 - ₦75,000 Profit
 - ₦150,000 Loss
48. Details of subscription account of Frengo club are as follows:
- | | ₦'000 |
|-------------------------------|---------|
| Subscription owing 1/1/2024 | 52,500 |
| Subscription received in 2024 | 560,000 |
- Subscription received in 2024 included ₦70,000 in respect of 2025 financial year.
- What is the subscription to be charged to income and expenditure account for 2024?
- ~~₦437,500~~
 - ~~₦490,000~~
 - ~~₦560,000~~
 - ~~₦612,500~~
49. Adeniyi, Jaybee, and Tina are in partnership. Their capital accounts had the following balances as at 1st January, 2024 respectively: ₦840,000, ₦1,050,000 and ₦1,470,000. The partners agree to admit Danladi as a new partner with a one-fifth interest in the partnership capital in exchange for ₦1,050,000 cash. What is Danladi's equity in the new partnership?
- ₦1,050,000
 - ₦1,103,000

- (c) ₦2,310,000
 - (d) ₦4,410,000
50. What is the usefulness of the Annual reports and accounts?
- (a) For daily operations of the business by management
 - (b) To boost the company's profit
 - (c) For periodic review of company's performance
 - (d) To be able to minimize tax payable by the company
51. At the end of the first year of trading, a trader's receivables amounted to ₦100,000. This excludes ₦3,600 debts found to be irrecoverable. At the same date, it was estimated that ₦1,400 of the ₦100,000 would still turn out to be irrecoverable debts. Determine the net realisable value of receivables at the end of the first year of trading.
- (a) ₦100,000
 - (b) ₦98,600
 - (c) ₦96,400
 - (d) ₦95,000
52. A financial statement which is prepared to meet the expectations of users not opportuned to demand for the reports in a particular order of their needs is called
- (a) Management report
 - (b) Audited financial statements
 - (c) General purpose financial statements
 - (d) Financial statements
53. Depreciation of an asset with fixed period of legal life is often referred to as?
- (a) Depletion
 - (b) Amortisation
 - (c) Deterioration
 - (d) Obsolescence
54. Which of the following valuation methods should be used when an entity is faced with liquidation?
- (a) Realisable value
 - (b) Current cost
 - (c) Historical cost
 - (d) Fair value
55. The cash basis of accounting requires the recognition of revenue only when they are
- (a) Received
 - (b) Budgeted
 - (c) Earned
 - (d) Due

56. A club received the following life membership fees in each of its first two years:
 Year 2023 ₦600,000
 Year 2024 ₦850,000
 The club's policy is to take credit for life membership fees in equal amounts over 10 years. Determine the amount to be transferred to income and expenditure in year 2024.
 (a) ₦60,000
 (b) ₦85,000
 (c) ₦145,000
 (d) ₦850,000
57. A sole trader paid his personal Income Tax by withdrawing cash for the payment from his business. What is the double entry posting in the ledger for the transaction?
- | DR | CR |
|----------------------|------------------|
| (a) Cash account | Drawings account |
| (b) Cash account | Taxation account |
| (c) Taxation account | Cash account |
| (d) Drawings account | Cash account |
58. Which of the following is NOT required to be disclosed under IAS 2, Inventory?
 (a) Physical count of inventory at the end of the period
 (b) Carrying amount of inventories carried at fair value less cost of sell
 (c) Accounting policies adopted for measurement of inventory
 (d) Amount of inventories recognised as expense during the period
59. Which of the following cash transactions will result in cash outflow?
 (a) Increase in trade payables
 (b) Proceed from issue of debenture
 (c) Receipts from customers
 (d) Increase in trade receivables
60. Given a selling price of ₦700,000 and a gross profit mark up of 40%, what is the cost price?
 (a) ₦980,000
 (b) ₦500,000
 (c) ₦420,000
 (d) ₦280,000

SOLUTIONS TO MULTIPLE-CHOICE QUESTIONS

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

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

TUTORIAL/WORKINGS

3. Cost of goods produced=Raw materials cost +Direct labour cost + manufacturing overheads

$$= \text{N}(3,000 + 12,000 - 4,000) + (2,500 \text{ hours} \times \text{N}10 \text{ per hour}) + \text{N}(7,000 + 2,000)$$

$$= \text{N}11,000 + \text{N}25,000 + \text{N}9,000 = \text{N}45,000$$

16.	N
Cost	500,000
2022-Dep-20% x N 500,000 =	<u>100,000</u>
Carrying amount 31/12/22	400,000
2023-Dep-20% x N 400,000 =	<u>80,000</u>
Carrying amount	320,000
2024-Dep-3/12 x 20% x N 320,000=	<u>16,000</u>
Carrying amount	304,000
Proceeds	<u>300,000</u>
Loss	<u>4,000</u>

17. $12/15 \times \text{N}202,500 = \text{N}162,000$

18. N

Trade receivable balance b/d 4,800,000

Less bad debts 20,000

4,780,000

$3\% \text{ of } \text{N}4,780,000 = \text{N}143,400 - \text{N}100,000 \text{ (balance b/f)} = \text{N}43,400$

19. $\text{N}4,780,000 - \text{N}143,400 = \text{N}4,636,600$

20. $\text{N}280,000 + (\text{N}4,500 - \text{N}1,200) - (\text{N}75,000 - \text{N}1,600) = \text{N}270,800$

21. Subscription Account

	N		N
Balance b/d	10,000	Balance b/d	6,400
Income & Exp.	66,400	Bank-2022	800
Balance c/d	2,800	-2023	62,000
		-2024	800
		Balance c/d	<u>2,000</u>
	<u>79,200</u>		<u>79,200</u>
Balance b/d	2,000	Balance b/d	2,800

24. Dividend declared and paid:

$10,000,000 \text{ shares} \times \text{N}0.50 = \text{N}5,000,000$

$5\% \times \text{N}5,000,000 = \text{N}250,000$

38. $(\text{Opening inventory} + \text{purchases} - \text{closing inventory}) \times 40\%$
 $\text{N}(235,000 + 375,000 - 70,000) = \text{N}540,000$ $\text{N}(40\% \times 540,000)$
 $= \text{N}756,000$

47. Sales – cost of sales = Gross Profit
 $\text{N}(525,000 - \text{N}(45,000 + 375,000 - 30,000)) = \text{Gross Profit}$
 $\text{N}(525,000 - 390,000) = \text{Gross Profit}$
 $\text{N}135,000$

48. $\text{N}(560,000 - 52,500 - 70,000) = \text{N}437,500$

56. $(\text{N}600,000/10) + \text{N}850,000(10)$
 $\text{N}60,000 + \text{N}85,00$
 $\text{N}145,000$

60. $\text{N}700,000 - \text{N}(700,000 \times 40/140)$
 $\text{N}700,000 - \text{N}200,000$
 $\text{N}500,000$

EXAMINER'S REPORT:

The questions tested candidates' knowledge of the principles of Accounting. It also covers all areas of the syllabus.

Candidates' performance was above average as over 60% of them scored more than 50%

SHORT ANSWER QUESTIONS (SAQ)

1. What effect does losses have on the capital of a business?
2. The difference between total assets and liabilities is referred to as.....
3. The excess of the cash received over the nominal value of preferred shares issued is called.....
4. The amount by which the net asset of a business exceeds its purchase consideration is called.....
5. An agent is paid commission of 50% of net profit after charging such commission. If the profit of a business is $\text{N}150,000$ before commission, calculate the commission payable to the agent.
6. The depreciation method that applies a percentage to the outstanding value of an asset each year until it is reduced to zero is called.....
7. The expenditure that has occurred but cannot be calculated with substantial accuracy is called...
8. The maximum number of shares that a company's regulations or Memorandum of Association allows it to issue to the public is known as.....
9. What is the effect on profit if a company overstates its opening inventory figure?
10. Error ofoccurs where the wrong class of account is used.
11. The type of cost which remain fixed per unit and varies in direct proportion to the volume of production is called.....
12. Going concern concept assumes that an entity will operate in perpetuity. This assumption is used for the preparation of.....
13. The value of defective goods returned by a debtor is recorded in.....
14. The annual depreciation charge of a non-current account is debited to.....
15. The necessary accounting entries to record the adjustments arising from the loss on the assets taken over by the partners at the termination of the business are and
16. The method of issuing inventory based on the assumption that items in store are used or sold in strict chronological order is called.....
17. The excess of expenditure over income in the not-for-profit organisation is called....

18. What are the necessary accounting entries required to write off excess provisions for realisation expenses in the partnership books at termination of business?
19. The net difference in trial balance totals is recorded in the account pending the location and correction of the errors causing the difference.
20. A cost in which its earning potential is exhausted within one accounting period is called.....
21. Error of principle is ONE of the errors that will not be disclosed with agreement of a trial balance. State TWO other errors of this nature.
22. State which accounting concept that justify the depreciation of non-current assets.....
23. The minimum authorised capital of a public limited liability company is:
24. The issue of shares to existing shareholders at a price which is lower than the market price is called
25. The price that would be received from two knowledgeable parties as an arm's length transaction to sell an item of property, plant and equipment at a measurement date is called
26. The accounting concept that requires business transactions to be recognised in the financial statement in accordance with their economic realities other than their legal realities is.....
27. The type of shares that carry voting rights in a company is
28. A company that has no share capital is described as
29. The nominal value paid by the shareholders and the maximum amount he has agreed to pay in future is described as
30. A list of balances from various books of account is called
31. The depreciation method that ensures that the depreciation charged against income reduces as the year of usage of the non-current assets increases is called
32. Bamgboye & Sons has a gross profit of 15% and its sales are ₦1,600,000. What is the cost of sales?
33. The convention that emphasises presenting financial information free from personal bias is:
34. The loss in value of an intangible non-current asset as a result of passage of time is known as.....
35. The accounting concept which prescribes those financial statements should not be prepared to influence users of the statement is called
36. The sales day book is used to record
37. What is the source document for cash sales?
38. The major disadvantage of a public enterprise is
39. An accounting concept which requires that an accountant should not recognise income until the income is earned and adequate allowances made for all known losses is known as
40. What type of error is committed by the Accountant if cost of motor vehicle purchased was debited into purchases account and credited into cash account?.....

SOLUTIONS TO SHORT ANSWER QUESTIONS**(SET A)**

1. It decreases capital
2. Capital employed or shareholders' fund
3. Premium on preference shares
4. Goodwill
5. ₦50,000
6. Reducing balance method
7. Provision
8. Authorised share capital
9. The profit figure will decrease
10. Principles
11. Variable cost per unit
12. Financial statements
13. Returns Inwards day Book/Returns inward Journal/Sales Return Book
14. Statement of profit or loss/Income Statement Account
15. Dr Realisation Account; Cr Assets Account
16. FIFO – First In First Out method
17. Deficit
18. Dr Realisation Account; Cr Expenses Account
19. Suspense Account
20. Revenue Expenditure
21. Error of commission, error of omission, error of original entry, error of complete reversal or compensating error
22. Matching and Accrual
23. ₦2,000,000
24. Right issue
25. Fair value
26. Substance over form
27. Ordinary shares
28. Limited by guarantee
29. Called-up share capital
30. Trial balance
31. Reducing balance method
32. ₦1,360,000 i.e. ₦1,600,000 – (15% of ₦16,000,000)
33. Objectivity concept
34. Amortisation
35. Fairness
36. Credit note issued to customers
37. Duplicate of the cash receipt issued by the seller
38. Political influence
39. Prudence
40. Error of principle



THE CHARTERED INSTITUTE OF TAXATION OF NIGERIA

APRIL 2025: PROFESSIONAL EXAMINATION

FOUNDATION: CORPORATE BUSINESS LAW AND PROFESSIONAL ETHICS

WEDNESDAY 16TH APRIL, 2025

EXAM NO.....

MULTIPLE CHOICE QUESTIONS (MCQ)

TIME: 3 HOURS

ATTEMPT ALL QUESTIONS.

1. Which of the following best defines "Sole Proprietorship"?
 - a) A business owned by two or more people, where partners share liability
 - b) A business entity that is formed by one individual and is not incorporated
 - c) A limited liability business entity with more than one shareholder
 - d) A business that must be registered with the Corporate Affairs Commission

2. Which of the following is an attribute of a Limited Liability Partnership (LLP)?
 - a) Partners are not liable for any debts incurred by the business
 - b) The partnership is not legally distinct from its owners
 - c) It combines features of a partnership and a company
 - d) It requires at least two partners to operate

3. Which of the following types of businesses must register with the Corporate Affairs Commission?
 - a) Sole Proprietorship
 - b) Limited Liability Company
 - c) Partnership business
 - d) Family-run business

4. What is the minimum notice period required for a General meeting according to the company law
 - a) 3 days
 - b) 7 days
 - c) 14 days
 - d) 21 days

5. What does the term "Lifting the veil of incorporation" mean?
 - a) Ignoring the company's status as a separate entity
 - b) Closing the company for non-compliance with regulations

- c) Looking beyond the company's structure to identify individual liability
 - d) Merging a company with a subsidiary
6. What is the role of the Corporate Affairs Commission (CAC) in Nigeria?
- a) To regulate financial markets
 - b) To establish tax rates for businesses
 - c) To oversee the registration and regulation of companies
 - d) To arbitrate corporate disputes
7. Which of the following is a feature of a Public Limited Company in Nigeria?
- a) Shares cannot be transferred or traded
 - b) It is not required to disclose financial information to the public
 - c) It can sell shares to the general public and is listed on the stock exchange
 - d) It is only permitted to have one shareholder
8. Which of the following types of company is characterized by limited liability and can be incorporated with a single shareholder?
- a) Private Limited Company
 - b) Public Limited Company
 - c) Single Shareholder Company
 - d) Limited Liability Partnership
9. What is the minimum number of director required for a private company in Nigeria?
- a) One
 - b) Two
 - c) Three
 - d) Four
10. What is the primary document required to form a company in Nigeria?
- a) Business Name Registration Certificate
 - b) Memorandum and Articles of Association
 - c) Tax Compliance Certificate
 - d) Shareholder's Agreement
11. Which of the following is an essential element of a valid contract?
- a) Price agreement
 - b) Offer, acceptance, consideration, and intention to create legal relations
 - c) Financial ability
 - d) Written form
12. What is the definition of "capacity to contract" in business law?
- a) The ability to enter into any contract, regardless of age or mental status
 - b) A legal requirement for persons to be mentally competent and of the legal age to form contracts

- c) The necessity for a contract to be signed by two witnesses
- d) The ability of a company to negotiate favorable contract terms

13. Which of the following is true about privity of contract?

- a) Only the parties directly involved in the contract can sue or be sued
- b) Any third party can demand performance of the contract
- c) A contract must be witnessed by a third party to be valid
- d) The contract can be enforced only if notarized

14. What does the term "vitiating a contract" mean?

- a) To amend the contract terms without the consent of both parties
- b) To invalidate a contract due to fraud, duress, or misrepresentation
- c) To increase the penalty clause in the contract
- d) To transfer contract rights to a third party

15. Which of the following describes the process of termination or discharge of a contract?

- a) A contract is automatically terminated after one year
- b) The contract ends due to fulfillment of its terms or mutual agreement
- c) A contract can only be terminated through court order
- d) A contract cannot be terminated once signed

16. In a sale of goods transaction, when does the risk of goods pass from seller to buyer?

- a) When the goods leave the premises of the seller
- b) When the contract is signed
- c) When the goods are delivered to the buyer's premises
- d) When the ownership of goods is transferred

17. Which of the following is true regarding consumer credit transactions under Nigerian law?

- a) Credit sales do not require written agreements
- b) The hire purchase agreement must specify the price and payment terms
- c) Leasing agreements are illegal
- d) Consumer credit laws do not provide remedies for defaults

18. Which of the following is NOT an economic tort?

- a) Passing off
- b) Negligence
- c) Product liability
- d) Breach of contract

19. What is an example of "negligence" in business law?
- a) A company providing a faulty product without warning
 - b) A business owner ensuring only one customer visits at a time
 - c) A contract signed under duress
 - d) A company ignoring tax filing deadlines
20. What is the definition of "passing off" in business law?
- a) Using false or misleading representation to imply that goods or services are those of another business
 - b) The illegal transfer of ownership of a product
 - c) Creating false financial reports
 - d) Failing to deliver the goods as per the contract terms
21. Which of the following best describes a "shareholder" in a company?
- a) An individual who holds a managerial position in the company
 - b) An individual who holds a financial interest in the company by subscribing to its shares
 - c) An individual who is legally responsible for the debts of the company
 - d) A government-appointed representative overseeing company operations
22. Who is responsible for sending notice of Annual General Meeting?
- a) The Managing Director
 - b) The Company Secretary
 - c) The Shareholder
 - d) The External Auditor
23. A director's fiduciary duty means:
- a) The director can personally benefit from opportunities that arise within the company
 - b) The director is required to act in the best interests of the company and its shareholders
 - c) The director has to keep company profits confidential
 - d) The director can delegate all responsibilities to other employees
24. What is the purpose of the "Memorandum of Association" in a company formation?
- a) To define the roles and responsibilities of company employees
 - b) To outline the company's objectives and scope of operations
 - c) To serve as a code of ethics for company employees
 - d) To register the company's tax obligations
25. What does the term "Corporate Governance" refer to?
- a) Government regulation of corporate tax laws
 - b) The rules, practices, and processes used to direct and control a company
 - c) The financial accounting practices within a company
 - d) The marketing strategies implemented by a company

26. Which of the following is an example of a breach of contract?
- a) Both parties agree to amend the terms of the contract
 - b) One party fails to deliver the goods as specified in the contract
 - c) The contract is signed by both parties in good faith
 - d) Both parties agree to terminate the contract
27. Which of the following is considered "capacity to contract" for a minor?
- a) A minor can always enter into any contract without limitations
 - b) A minor cannot enter into any contract, regardless of the circumstances
 - c) A minor's contract is voidable, except for contracts for necessities
 - d) A minor's contract is automatically voidable even for necessities
28. What is the effect of fraud on a contract?
- a) The contract becomes voidable at the discretion of the innocent party
 - b) The contract automatically becomes invalid and void
 - c) The fraudster must pay a fine, but the contract stands
 - d) Fraud has no impact on the validity of the contract
29. Which of the following best describes "liquidation" in the context of company law?
- a) The distribution of profits to shareholders
 - b) The process of winding down a company's operations and selling off its assets to pay creditors
 - c) The transfer of ownership of a business to another party
 - d) The increase in company share value
30. Which of the following is true about a "contract of adhesion"?
- a) It involves an equal bargaining power between both parties
 - b) It is a contract where one party has significantly more power and sets the terms unilaterally
 - c) It is always enforceable in court
 - d) It requires both parties to provide mutual consideration
31. Which of the following is NOT a potential remedy for a third party if a promoter breaches their duty in a pre-incorporation contracts
- a) Compensation for the promoters losses
 - b) Specific performance
 - c) Rescission of contract
 - d) Damages.
32. Under what circumstances can the Veil of incorporation be lifted
- a) When shareholders demand it in the article of association
 - b) When the company reaches a certain size
 - c) When the company actions are fraudulent or involve wrongdoing
 - d) When the company fails to distribute dividends to its shareholders.

33. Which of the following treaties governs international sales contracts and is widely adopted by countries around the world
- a) Geneva Convention
 - b) United Nations Convention on contracts for the International sale of Goods
 - c) Genevieve Convention
 - d) Party Autonomy
34. Under the Tertiary Education Tax Act, what percentage of a company assessable profits is levied as the tertiary education tax?
- a) 3%
 - b) 5%
 - c) 1%
 - d) 2%
35. Which of the following is a key requirement for registering a business name in Nigeria with the Corporate Affairs Commission (CAC)
- a) The business must have a registered office in Nigeria
 - b) The business must be a limited liability company
 - c) The business must be owned by at least three shareholders
 - d) The business name must be similar to an existing registered name.
36. What is required for a business name to be approved by the Corporate Affairs Commission (CAC) in Nigeria?
- a) The business name must be unique and not similar to any existing registered business name.
 - b) The business must provide a detailed business plan
 - c) The business must have a foreign investor involved
 - d) The business must submit a memorandum of association
37. Which of the following documents is required when registering a business name with the Corporate Affairs Commission (CAC)
- a) Certificate of incorporation
 - b) Approved Business name reservation
 - c) Memorandum of Association
 - d) Tax clearance Certificate
38. In an operating lease, who is typically responsible for the maintenance of the asset?
- a) Third Party insurance company
 - b) Government
 - c) Lessee
 - d) Lessor
39. Which of the following is a primary obligation of the lessee in any lease agreement
- a) To maintain the asset in good condition
 - b) To pay for the assets depreciation
 - c) To insure the asset on behalf of the lessor

d) To assume ownership of the asset immediately.

40. What happens if the hire purchaser decides to return the goods before full payment?

- a) The seller must refund all payments made
- b) The seller will take the goods back but the hire purchase can continue paying installments
- c) They are required to pay the remaining balance in full
- d) The hire purchaser loses all right in the goods and any payment made.

41..... Winding up occurs where the company has filed no declaration of solvency with the CAC.

- a) Creditors
- b) Voluntary
- c) Court
- d) Directors

42. Which of the following is the role of the judiciary in a democratic system

- a) To make laws
- b.) To execute and implement laws
- c.) To interpret and apply laws
- d.) To oversee elections

43. Under the Companies Income Tax Act (CITA) which of the following is a deductible expense for Tax purposes?

- a.) Gifts given to government officials
- b.) Salaries and wages paid to employees
- c.) Personal expenses of company directors
- d.) Political donations

44. Which of the following is NOT true about a sole proprietorship

- a.) It is the simplest form of business ownership
- b.) The owner is entitled to all profits made by the business
- c.) The business is required to file separate tax returns from the owner
- d.) The business may cease to exist if the owner dies or becomes incapacitated.

45. What is the purpose of a partnership deed?

- a.) To establish the legal identity of the partnership
- b.) To outline the duties, rights and responsibilities of the partners
- c.) To limit the number of partners in the business
- d.) To register the partnership with government.

46. In the absence of a partnership agreement, how are profits divided in a partnership?

- a.) Based on the capital each party invested
- b.) Equally among the partners
- c.) Based on the amount of work done by each partner

d.) Based on the number of years each partner has been in business.

47. What is the maximum number of partners allowed in a partnership under Nigerian Law?

- a.) 10 Partners
- b.) 3 Partners
- c.) 100 Partners
- d.) 50 Partners.

48. Which of the following partners in a Limited Partnership is typically responsible for managing the business?

- a.) The limited Partners
- b.) Both general and Limited Partners
- c.) The government appointed manager
- d.) The general Partner.

49. The Attorney General of the Federation will not be involved in which of the following actions?

- a.) Prosecution of an individual for embezzlement of government funds
- b.) Issuing a legal opinion on the interpretation of law
- c.) Giving advice on contract disputes between private companies
- d.) Appearing as a defendant in a lawsuit involving a public office holder.

50. Which of the following is not an equitable remedy?

- a. Rectification
- b.) Restitution
- c.) Injunction
- d.) Specific Performance

51. Which of the following is required to commence the winding up under the Partnership Act?

- a.) A court order
- b.) A written notice to the tax authorities
- c.) A resolution by the Partners
- d.) A notification to the Registrar of companies

52. Another name for Apparent Authority in Agency is:

- a.) Implied authority
- b.) Ostensible authority
- c.) Express authority
- d.) Actual authority

53. Which of the following is the service provided by CAC to businesses?

- a.) Issuing loans to business
- b.) Providing funding for corporate social responsibility project
- c.) Offering online registration and filling services

d.) Regulating the stock market.

54. Vitiating elements includes all EXCEPT:

- a.) Mistake
- b.) Misrepresentation
- c.) Duress
- d.) Misinformation

55. Which of the following best defines insolvency in a corporate context?

- a.) When a company has no liabilities
- b.) When a company is unable to generate profit
- c.) When a company is unable to issue more shares
- d.) When a company cannot pay its debts as they fall due

56. In a Public Limited Company, who is responsible for running the company?

- a.) The Board of Directors
- b.) The Shareholders
- c.) The Company Secretary
- d.) The General Public

57. A Sole Proprietorship is characterized by

- a.) Limited Liability for the business owner
- b.) Multiple shareholders with the ability to issue shares
- c.) The business being owned and operated by a single individual
- d.) A separate legal entity from its owner

58. Ratification is equal to in law of Agency

- a.) Exterior Authority
- b.) Antecedent Authority
- c.) Ex post facto Authority
- d.) Posterior Authority

59. Which of the following is a type of charge a company can create on its assets

- a.) Fixed Charge
- b.) Floating Charge
- c.) Non- registered Charge
- d.) Both fixed and floating charge.

60. What is the minimum qualification required to become a company auditor

- a.) A licensed member of any professional accounting bodies recognized by Nigerian Government
- b.) A minimum of 10 years of experience in corporate governance
- c.) A degree in business administrator
- d.) A degree in law

MCQ SOLUTION

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

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

SHORT ANSWER QUESTION

- 1. ----- is imposed on locally manufactured goods within the country.
- 2. Which of the tiers of government is responsible for the collection of Tax on Naming of street registration fees in the state capital?
- 3. What is the primary purpose of a code of ethics for tax practitioners?
- 4. Which body is responsible for ensuring tax practitioners adhere to ethical standard in each state?
- 5. A CITN member who publicly engages in unethical behavior such as conflict of interest may be liable for?
- 6. Tax standards help to reduce?
- 7. What happens if a buyer defaults on a credit sale agreement?
- 8. ----- is typically levied on the ownership of property.
- 9. In the Nigeria constitution, which body has the power to enact tax law?
- 10. What is a Limited Partnership?
- 11. What happens if a business name is found to be identical to an existing registered name?
- 12. Who is the Chairman of the Administrative Committee of the Corporate Affairs Commission?
- 13. The verdict in a criminal action is guilty or not guilty while that of civil action is?
- 14. A prima facie evidence of the title of a member to the shares of a company is the---

15. Under hire purchase contract, the relationship between parties is that of?
16. Which company requires at least two members at its formation?
17. Who appoints a Company Secretary?
18. The contract which is yet to be performed either wholly or partially or one or both of the parties have yet to perform their obligations is called -----
19. Which law in Nigeria gave statutory recognition to the Chartered Institute of Taxation of Nigeria?
20. What is the primary purpose of the Annual General Meeting of a company?
21. An instrument in writing, containing an unconditional order signed by the maker directing a certain sum of money only to the bearer of the instrument is called -----
22. An evidence of a formal partnership agreement is known as -----
23. ----- give words their ordinary and plain meaning.
24. The highest court next to the Supreme Court is?
25. The standard of proof in a criminal matters is -----
26. An agent entrusted with possession of goods or of the documents of title is known as -----
27. A situation whereby an honest statement is made with an honest belief in its truth is known as -----
28. Any person appointed by a member of a company to attend and vote on his behalf at a company meeting is known as a -----.
29. ----- contracts have no legal effect on an infant.
30. A receiver of any undertaking of a company appointed by the court is an officer of the -----.
31. A newly incorporated company may not make and deliver Annual returns to the CAC in the year of ----.
32. The CAC shall be informed within ----- days about the removal of a company auditor?
33. An equitable relief where the court orders the offending party to do or refrain from doing of a certain act is called -----
34. Agency relationship can be terminated in two ways namely, express acts of the parties or ---
35. For a plaintiff to succeed in tort actions, the plaintiff must prove -----
36. What entitles an aggrieved party to claim damages on contract of sales of goods is - -----
37. The first tax that was introduced in Nigeria is -----.
38. ----- are different instruments by which a company raises its capital.
39. Goods which are sold usually by description but not identified or agreed upon at the time contract of sale is concluded is known as -----
40. Which body is responsible for issuing guidelines on tax matters in Nigerian?

SHORT ANSWER SOLUTION

1. Excise Duty
2. State Government
3. To ensure that tax practitioners act with integrity and professionalism.

4. Internal Revenue Service.
5. Suspension or delisting
6. Possibility of tax evasion and fraud
7. The seller may take legal action or repossess the goods.
8. Property Tax
9. The National Assembly
10. A partnership when one or more partners have limited liability
11. The business is required to change the name
12. The Director General of the Corporate Affairs Commission.
13. Liable or not liable.
14. Share Certificate
15. Bailor and Bailee
16. Limited Liability Partnership.
17. Board of Directors
18. Executory Contract.
19. Chartered Institute of Taxation of Nigerian Act
20. To approve the company annual accounts and dividend distribution.
21. Bill of exchange
22. Partnership deed
23. Literal rule
24. Court of Appeal
25. Proof beyond reasonable doubt.
26. Factor
27. Innocent misrepresentation.
28. Proxy
29. Void
30. Court.
31. Incorporation
32. 14 days.
33. Injunction.
34. by operation of law.
35. The injury suffered.
36. Warranty.
37. Personal Income Tax.
38. Company Securities.
39. Unascertained Good.
40. The Federal Inland Revenue Service



THE CHARTERED INSTITUTE OF TAXATION OF NIGERIA

APRIL 2025: PROFESSIONAL EXAMINATION

FOUNDATION: ECONOMICS

WEDNESDAY, 16TH APRIL, 2025

EXAM NO.....

MULTIPLE CHOICE 1QUESTIONS (MCQ)

SHOW ALL WORKINGS.

TIME: 3 HOURS

1. Which of the following best describes the primary focus of economics?
 - a) Maximizing government revenue
 - b) Allocating of scarce resources to satisfy unlimited wants
 - c) Predicting stock market trends
 - d) Studying the history of trade routes
2. The central problem of economics arises mainly due to:
 - a) Unlimited resources and limited wants
 - b) The existence of government intervention
 - c) Scarcity of resources and unlimited human wants
 - d) The use of traditional production methods
3. In a mixed economy, economic decisions are made by:
 - a) Only private individuals
 - b) Only the government
 - c) Both government and private individuals
 - d) Foreign investors
4. The opportunity cost of a decision is:
 - a) The total cost of production
 - b) The financial cost of a choice
 - c) The next best alternative forgone
 - d) The total revenue generated
5. Which of the following best defines positive economics?
 - a) It involves personal opinions and value judgments

- b) It focuses on what ought to be
 - c) It deals with objective analysis and factual statements
 - d) It is concerned with moral aspects of economic decisions
6. What does the Production Possibility Curve (PPC) illustrate?
- a) Unlimited production potential of an economy
 - b) The combination of goods and services that can be produced given limited resources
 - c) The income distribution in an economy
 - d) The total demand for a single product in the market
7. If a country operates inside its production possibility curve, it means that:
- a) It has fully utilized all available resources
 - b) It is experiencing inefficiency or underutilization of resources
 - c) It has achieved optimal economic growth
 - d) It has expanded beyond its resource capabilities
8. Which of the following is an example of a centrally planned economy?
- a) The United States
 - b) Canada
 - c) North Korea
 - d) Germany
9. A key feature of a free-market economy is:
- a) Government ownership of all resources
 - b) Centralized decision-making
 - c) Price determination by supply and demand forces
 - d) Equal distribution of wealth
10. What happens when a country moves from one point to another along its PPC?
- a) Resources are wasted
 - b) The country produces more of one good while giving up some of another
 - c) The economy collapses
 - d) New resources are created
11. The price system functions primarily to:
- a) Allocate resources efficiently based on market forces
 - b) Ensure government controls all prices
 - c) Eliminate competition between producers
 - d) Set fixed prices for all goods and services

12. The law of demand states that, all else being equal:
- a) As price increases, quantity demanded increases
 - b) As price decreases, quantity demanded increases
 - c) Demand remains constant at all price levels
 - d) The relationship between price and demand is unpredictable
13. Which of the following is NOT a determinant of demand?
- a) Consumer income
 - b) Price of related goods
 - c) Production technology
 - d) Consumer preferences
14. If an increase in the price of tea causes an increase in the demand for coffee, then tea and coffee are:
- a) Complementary goods
 - b) Inferior goods
 - c) Substitute goods
 - d) Giffen goods
15. A shift in the demand curve to the right may be caused by:
- a) A decrease in consumer income for a normal good
 - b) An increase in the price of a complementary good
 - c) An increase in consumer income for a normal good
 - d) A decrease in the population
16. The law of supply states that, ceteris paribus:
- a) As price increases, quantity supplied decreases
 - b) As price decreases, quantity supplied increases
 - c) As price increases, quantity supplied increases
 - d) Price has no effect on supply
17. Which of the following is an example of a Giffen good?
- a) Luxury cars
 - b) Diamonds
 - c) Staple foods such as rice or bread for low-income consumers
 - d) Designer handbags
18. If the price elasticity of demand for a product is greater than 1, the demand for that product is:
- a) Perfectly inelastic

- b) Unitary elastic
- c) Elastic
- d) Inelastic

19. A price floor is:

- a) The highest price that can be legally charged for a good
- b) The lowest price that can be legally charged for a good
- c) A price set below the equilibrium price
- d) A situation where demand exceeds supply

20. If a government imposes a price ceiling below the market equilibrium price, what is the likely result?

- a) A surplus of the good
- b) A shortage of the good
- c) No effect on supply or demand
- d) An increase in the production of the good

21. Consumer behavior focuses on:

- a) How businesses set prices
- b) How individuals make choices to maximize satisfaction
- c) Government regulations on consumption
- d) The role of producers in an economy

22. The law of diminishing marginal utility states that:

- a) Consumers derive increasing satisfaction from each additional unit consumed
- b) Total utility decreases with consumption
- c) The additional satisfaction from consuming one more unit of a good decreases
- d) Consumers will always want more of a product

23. What is meant by consumer surplus?

- a) The extra revenue a firm makes from charging higher prices
- b) The difference between the total amount a consumer is willing to pay and the actual price paid
- c) The money a consumer saves by avoiding unnecessary purchases
- d) The surplus income a consumer has after taxes

24. Which of the following best describes total utility?

- a) The extra satisfaction gained from consuming one more unit of a good
- b) The overall satisfaction obtained from consuming all units of a good
- c) The cost of purchasing a good
- d) The market value of a good

25. If a consumer's income increases and they buy more of a good, that good is considered:
- a) An inferior good
 - b) A Giffen good
 - c) A normal good
 - d) A public good
26. The indifference curve represents:
- a) The different levels of income a consumer can earn
 - b) The different combinations of two goods that give the same level of satisfaction
 - c) The choices between saving and spending money
 - d) The law of diminishing returns
27. When the price of a good falls and a consumer buys more of it because their real income has increased, this is known as the:
- a) Substitution effect
 - b) Income effect
 - c) Demand effect
 - d) Supply effect
28. Which of the following is NOT an assumption of consumer theory?
- a) Consumers aim to maximize utility
 - b) Consumers always have perfect information
 - c) Consumers face budget constraints
 - d) Preferences remain stable over time
29. If two goods have a Marginal Rate of Substitution (MRS) of zero, they are considered:
- a) Perfect complements
 - b) Perfect substitutes
 - c) Inferior goods
 - d) Giffen goods
30. The budget line shows:
- a) All the goods and services a consumer can buy with an unlimited budget
 - b) All the different ways to save money
 - c) The different combinations of two goods a consumer can afford given their income and prices
 - d) The price elasticity of demand

31. Public debt is
- a) a the total amount of money borrowed by the government to finance budget deficits
 - b) the spending by the government on goods, services, and public projects.
 - c) the process by which the government imposes charges on individuals and businesses to finance its activities
 - d) the study of how the government collects and manages revenue, expenditures, and debt to influence the economy and provide public goods and services.
32. Identify which is not an instrument of monetary policy.
- a) Open market operations
 - b) Discount rates
 - c) Reserve requirements
 - d) Transfer payments
33. Which is a limitation of Fiscal Policy?
- a) Crowding-out effect
 - b) Time lag in policy effects
 - c) Ineffective during a liquidity trap
 - d) Limited control over external factors
34. Which of the following is NOT an effect of deflation?
- a) Increased purchasing power
 - b) Delayed consumer spending
 - c) Economic recession
 - d) Lower real debt burden
35. What distinguishes cost-push inflation from demand-pull inflation?
- a) Demand-pull inflation arises due to lower supply, while cost-push inflation results from rising demand.
 - b) Cost-push inflation is due to rising production costs, while demand-pull inflation stems from excess aggregate demand.
 - c) Demand-pull inflation only affects luxury goods, while cost-push inflation affects all goods.
 - d) Cost-push inflation occurs only during economic recessions.
36. A possible remedy for unemployment is
- a) Strict labor market regulations
 - b) Increasing interest rates
 - c) Encouraging entrepreneurship
 - d) Reducing government public works projects
37. The type of deflation that arises from technological advancements is
- a) Monetary Deflation

- b) Supply-Side Deflation
 - c) Demand-Side Deflation
 - d) Credit Deflation
38. Recommended a monetary policy to control deflation from below
- a) Increasing taxes
 - b) Raising interest rates
 - c) Lowering interest rates
 - d) Reducing government spending
39. Classical growth theory of economic growth and development
- a) Focus on capital accumulation and free markets.
 - b) Argues that underdevelopment results from exploitation by developed nations
 - c) Emphasises savings and investment as key drivers of growth.
 - d) Highlights the role of human capital and innovation in growth
40. Which is a characteristic of developed nations?
- a) Low per capita income
 - b) Limited industrialisation
 - c) Low unemployment rates
 - d) Low literacy and healthcare standards
41. Economic growth is best defined as
- a) An increase in government spending to stimulate the economy.
 - b) A significant improvement in living standards and social well-being.
 - c) A quantitative increase in a nation's output of goods and services over time.
 - d) The reduction of poverty and inequality in an economy.
42. Development planning is best described as
- a) The allocation of funds exclusively for government infrastructure projects.
 - b) A process where government sets objectives, allocates resources, and implements strategies for long-term economic growth and development.
 - c) The short-term analysis of market trends to improve private sector investments.
 - d) A strategy for reducing international trade barriers to enhance exports.
43. Which of the following is NOT an argument for development planning?
- a) Resource optimization and efficient utilization of scarce resources
 - b) Mitigation of market failures and economic inefficiencies
 - c) Reducing government involvement in economic activities
 - d) Poverty reduction through targeted strategies
44. International finance deals with
- a) Exchange of goods and services between two or more countries.
 - b) Monetary interactions between countries, including foreign exchange markets, international investments, and financial agreements

- c) Trade within the borders of a single country.
 - d) Comprehensive record of all economic transactions between a country and the rest of the world, including trade, investments, and financial transfers
45. Identify the statement that best explains the theory of comparative cost advantage.
- a) A country has a cost advantage if it produces goods using fewer resources than other countries.
 - b) A country should specialise in producing goods that require the least amount of capital investment.
 - c) A country has a comparative advantage if it produces goods at a lower absolute cost than other countries.
 - d) A country should specialise in producing goods for which it has the lowest opportunity cost compared to other countries.
46. Which of the following is NOT used to correct to balance of payment disequilibrium?
- a) Exchange rate adjustments
 - b) Trade policy reforms
 - c) Increased import dependence
 - d) Monetary and fiscal policies
47. All the following are roles of public debt except
- a) Financing budget deficits
 - b) Foreign lending
 - c) Stimulating economic growth
 - d) Supporting infrastructure development
48. One of the following is not an argument for trade barriers
- a) Generate government revenue
 - b) Higher consumer prices
 - c) Retaliation from trading partners
 - d) Slower economic growth
49. Identify which is not a function of foreign exchange market
- a) Currency conversion
 - b) Hedging against foreign exchange risks
 - c) Speculation and arbitrage opportunities
 - d) Monetary and fiscal policies
50. Devaluation is
- a) A deliberate reduction in the value of a country's currency by its government relative to other currencies
 - b) A decrease in currency value due to market forces
 - c) A permanent decrease the asset's fair market value or the value it can generate in future cash flows

- d) The fall in the fair market value of shares falls below their book value or cost.
51. Which of the following is a correct implication of currency appreciation?
- a) Export competitiveness decreases as local goods become more expensive in foreign markets.
 - b) Import costs increase, leading to higher domestic prices.
 - c) Inflationary pressures rise due to expensive imported goods.
 - d) Foreign investors are discouraged due to a weaker currency.
52. The following are reasons for international trade and finance except
- a) Resource endowments
 - b) Exposure to global economic fluctuations
 - c) Differences in technology and production efficiency
 - d) Risk diversification through international investments
53. Identify one of the following which is not a type of foreign exchange market.
- a) Immediate currency transactions
 - b) Future currency transactions
 - c) Futures and options market
 - d) Moving currency transactions
54. Customs Union, a type of trade bloc
- a) Builds upon the FTA by not only removing trade barriers between member countries but also adopting a common external tariff on imports from non-member countries
 - b) Goes beyond the customs union by allowing the free movement of not just goods, but also labor, capital, and services between member countries
 - c) Is the highest form of economic integration, where countries not only remove trade barriers and adopt common external tariffs but also harmonize their economic policies, currency, and regulations.
 - d) Agree to eliminate tariffs and other barriers to trade between themselves but maintain their own individual external trade policies and tariffs toward non-member countries.
55. Financial integration is best described as
- a) The removal or reduction of barriers to trade (such as tariffs, quotas, and import restrictions) between countries or region
 - b) The process of harmonising and linking national financial markets, institutions, and systems
 - c) The adoption of a single currency among member countries in a trade bloc
 - d) The establishment of free trade agreements between countries without involving financial markets.
56.is when countries agree to eliminate tariffs and other barriers to trade between themselves but maintain their own individual external trade policies and tariffs toward non-member countries.

- a) Free Trade Area
 - b) Customs Union
 - c) Common Market
 - d) Economic Union
57. The following are the roles of
- i. Trade Negotiation and Agreements
 - ii. Dispute Resolution
 - iii. Trade Policy Monitoring
 - iv. Capacity Building and Technical Assistance
 - a) European Union
 - b) African Union
 - c) World Trade Organization
 - d) European Free Trade Association
58. Which of the following is a correct function of the African Union (AU)?
- a) Promotes political and economic integration among African countries to foster sustainable development and unity.
 - b) Acts as the primary regulator of international financial markets.
 - c) Formulates trade policies for the entire African continent without national government input.
 - d) Provides military defense for African countries against international threats.
- 59. Which of the following is a common obstacle to economic development in developing countries?**
- a) High savings and investment rates
 - b) Low levels of human capital development
 - c) Advanced technological infrastructure
 - d) Surplus of skilled labor
- 60. What is the primary objective of economic planning?**
- a) To completely eliminate inflation
 - b) To allocate resources efficiently and promote long-term development
 - c) To control private businesses
 - d) To reduce government spending

MCQ

SOLUTION

- 1. B
- 2. C
- 3. C
- 4. C
- 5. C

6. B
7. B
8. C
9. C
10. B
11. A
12. B
13. C
14. C
15. C
16. C
17. C
18. C
19. B
20. B
21. B
22. C
23. B
24. B
25. C
26. B
27. B
28. B
29. A
30. C
31. A
32. D
33. A
34. D
35. B
36. C
37. B
38. C
39. A
40. C
41. C
42. B
43. C
44. B
45. D
46. C
47. B
48. B

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

SHORT ANSWER QUESTION

1. The fundamental economic problem of forces individuals and societies to make choices.
2. Goods that are consumed together, such as cars and gasoline, are known as goods.
3. The responsiveness of quantity demanded to changes in price is measured by
4. The point where quantity supplied equals quantity demanded in a market is called
5. The satisfaction a consumer derives from consuming a good or service is known as
6. When two goods are perfect substitutes, the indifference curve is.....
7. The concept that consumers will substitute cheaper goods for more expensive ones when prices change is known as the effect.
8. An indifference curve is downward-sloping because of the assumption of
9. The law of diminishing returns states that as more units of a variable input are added to a fixed input, marginal output will eventually.....
10. Costs that do not change with the level of output are known ascosts.
11. The revenue a firm earns from selling one additional unit of a product is called
12. When a firm's output increases by a larger percentage than the increase in inputs it is experiencing
13. The **barriers to entry** in an oligopoly are typically.....

14. The model that explains why prices in an oligopoly tend to remain stable is called the.....
15. The government often **regulates monopolies** to prevent..... pricing and ensure consumer protection.
16. The **difference between GDP and GNP** is that GNP includes earned abroad by a country's residents.
17. The **marginal propensity to consume (MPC)** is the fraction of additional income that is spent on
18. **Money must possess the following characteristics:** durability, divisibility, portability, and.....
19. The **money market** is a financial market where.....term financial instruments are traded.
20. The **capital market** deals with the issuance and trading of term securities.
21. consists of all firms producing similar or closely related products or services within an economy
22. Markets are defined by their and price mechanisms.
23. involves maximising the difference between total revenue and total cost.
24. refers to the concentration of industrial activities within a specific geographical area or region
25. encompasses a range of strategies and initiatives aimed at fostering industrial growth, diversifying the economy, and enhancing competitiveness
26. The satisfaction or pleasure derived by an individual from the consumption of goods and services is.....
27. assumes that the consumer is a rational being who makes appropriate economic decisions.
28. Cardinal Utility concept assumes that utility is
29. The ability of a consumer to derive the highest level of satisfaction from consuming a given commodity or service is referred to as
30. states that as a person consumes more units of a good or service, the additional satisfaction (or utility) gained from each successive unit decreases, assuming all other factors remain constant.
31. The study of how individuals and groups make decisions about what to buy, how much to buy, and at what prices, in order to maximize their satisfaction or utility, given their income and the prices of goods and services."
32. The Indifference Curve Analysis is a tool used in microeconomics to measure and represent
33. refers to the rate at which a consumer is willing to give up some amount of one good to obtain more of another good while keeping utility constant
34. economics sets about to discover what is true about the economy, while economics evaluates whether the facts found are good or bad.
35. The Production Possibility Curve illustrates the concepts of Scarcity, Opportunity Cost and

36.consists of individual, government and their interaction in the process of answering basic economic problems
37. The concave shape of the production possibility curve represents
38. Points inside the curve indicate while points outside are with current resources
39. The refers to the framework in a market economy where prices, determined by the forces of supply and demand, allocate resources and goods.
40. The price mechanism determines balancing the quantity supplied with the quantity demanded.

SHORT ANSWER QUESTION

1. Scarcity
2. Complementary
3. Price elasticity of demand
4. Equilibrium
5. Utility
6. A straight line
7. Substitution
8. Diminishing marginal rate of substitution
9. Decrease
10. Fixed
11. Marginal revenue
12. Variable
13. High
14. Kinked demand curve
15. Exploitative
16. Income
17. Consumption
18. Acceptability
19. Short
20. Long
21. An Industry
22. level of competition (e.g. perfect competition, duopoly)
23. Profit maximization
24. Localisation of industry
25. Nigeria's industrial promotion policy
26. Utility
27. Rationality
28. Measurable and additive
29. Utility maximization
30. The Law of Diminishing Marginal Utility

- 31. Consumer behaviour
- 32. Consumer Preferences
- 33. Marginal Rate of Substitution
- 34. Positive, Normative
- 35. Choice
- 36. An economic system
- 37. Increasing opportunity costs
- 38. Underutilisation , unattainable
- 39. Price System
- 40. Market Equilibrium