



# THE CHARTERED INSTITUTE OF TAXATION OF NIGERIA

## OCTOBER 2025: PROFESSIONAL EXAMINATION

### FOUNDATION: CORPORATE, BUSINESS LAWS, PROFESSIONAL ETHICS

WEDNESDAY, 15TH OCTOBER, 2025

EXAM NO.....

#### ATTEMPT ALL THE QUESTIONS

#### SECTION A: MULTIPLE CHOICE QUESTIONS (MCQ)

- 1 Which of the following is a primary legislation governing the registration and operation of companies in Nigeria?
  - A. Nigerian Investment Promotion Council Act
  - B. Companies and Allied Matters Act (CAMA)
  - C. Industrial Development Act
  - D. Capital Markets and Securities Act
- 2 Under CAMA, who is primarily responsible for the management of a company?
  - A. Shareholders
  - B. Board of Directors
  - C. Company Secretary
  - D. External Auditors
- 3 Which of the following is NOT a recognised duty of directors under CAMA?
  - A. Duty of care and skill
  - B. Duty to avoid conflict of interest
  - C. Duty to maximise personal profits
  - D. Duty to act in good faith
- 4 In corporate governance, the principle of accountability primarily requires that:
  - A. Directors are only accountable to themselves
  - B. Companies must disclose financial and non-financial information to stakeholders
  - C. Shareholders are accountable to employees
  - D. Auditors must act as company directors
- 5 Which of the following BEST describes professional ethics in business practice?
  - A. Acting solely for personal gain
  - B. Adherence to laws, codes of conduct, and integrity in professional dealings

- C. Avoiding compliance with corporate governance
  - D. Manipulating accounting records for tax reduction
- 6 Which body regulates the capital market in Nigeria?
- A. Central Bank of Nigeria
  - B. Nigerian Stock Exchange
  - C. Securities and Exchange Commission (SEC)
  - D. Corporate Affairs Commission (CAC)
- 7 A partnership in Nigerian law is generally defined as:
- A. A business carried on by one person only
  - B. An association of 2 to 20 persons carrying on business in common with a view to making profit
  - C. A business that must always be incorporated
  - D. An association formed solely for charitable purposes
- 8 Which of the following is an example of insider trading under business law?
- A. A shareholder attending an AGM
  - B. A director using confidential company information to trade shares
  - C. A customer buying company products at a discount
  - D. A company donating to charity
- 9 Which of the following is considered unethical professional conduct?
- A. Observing confidentiality of client information
  - B. Misrepresentation of facts for personal advantage
  - C. Compliance with statutory reporting obligations
  - D. Upholding fiduciary duty to clients
- 10 In corporate law, which of the following documents defines the relationship between a company and outsiders?
- A. Memorandum of Association
  - B. Articles of Association
  - C. Board Resolution
  - D. Shareholders' Agreement
- 11 Which of the following is a primary source of Nigerian law?
- A. Customary Law
  - B. Received English Law (Common Law, Equity, statutes of general application as of January 1, 1900)
  - C. International treaties not domesticated
  - D. Academic Textbooks
- 12 Which of the following is a secondary source of Nigerian law?
- A. Nigerian legislation
  - B. Judicial precedent
  - C. Customary/Islamic law
  - D. Delegated legislation
- 13 Which of the following bodies is not responsible for the administration of tax laws in Nigeria?
- A. The Joint Tax Revenue Commission
  - B. The Joint Tax Board

- C. The Federal Inland Revenue Service
  - D. A State Internal Revenue Service
- 14 The Joint Tax Board may do the following, except?
- A. Impose its decisions on matters of procedure and interpretation of the FIRS Act on States
  - B. Advise the Minister of Finance on tax matters
  - C. Coordinate taxes payable to states in order to prevent multiplicity of taxes
  - D. Promote uniformity in the application of taxes among the States
- 15 In tax law, the Joint Tax Board's powers are primarily:
- A. Judicial
  - B. Coordinative and advisory across federal and state tax authorities
  - C. Legislative, creating new tax statutes
  - D. Policing taxpayer morality
- 16 A tax circular issued by FIRS is classified as:
- A. Primary legislation
  - B. Bye-Law
  - C. Administrative source of tax law, guiding but not binding as statute
  - D. Judicial precedent
- 17 The Tax Appeal Tribunal has jurisdiction over tax disputes that are:
- A. Civil in nature
  - B. Criminal in nature
  - C. Both civil and criminal in nature
  - D. Neither civil nor criminal in nature
- 18 Which of these courts have exclusive jurisdiction over disputes between the Federal Government and State Governments:
- A. Supreme Court
  - B. FCT High Cour
  - C. Federal High Court
  - D. State High Court
- 19 Personal reliefs granted under PITA exclude:
- A. National Housing Fund contribution
  - B. National Health Insurance Scheme
  - C. Betting and gaming expenses
  - D. Life Assurance Premiums
- 20 Injunction may be prohibitive or mandatory. A mandatory injunction:
- A. Orders a party to take a specific positive action
  - B. Orders a party to refrain from taking any action
  - C. Declares a law void
  - D. Is the same as damages
- 21 In the background history of company law in Nigeria, following the amalgamation of the protectorates of Northern and Southern Nigeria in \_\_\_\_\_, a supreme court ordinance was passed for the whole country.

- A. 1861
  - B. 1906
  - C. 1914
  - D. 1960
- 22 Though no strict legal meaning to the word "Company", it can however, be described as
- A. Two or more persons
  - B. Association of friends
  - C. Association of like minds coming together for academic reasons
  - D. Two or more person coming together to achieve their goals
- 23 All but one of the following is not part of Business Law
- A. Taxation
  - B. Insurance
  - C. Murder
  - D. Copyrights
- 24 These are some classifications of law EXCEPT \_\_\_\_\_
- A. Unwritten Laws
  - B. International Laws
  - C. Civil Laws
  - D. Laws of Traditional Oracle
- 25 Sources of Nigerian Laws are
- A. Primary sources and the Secondary sources
  - B. Primary, secondary and tertiary sources
  - C. Delegated legislation and constitution
  - D. Judicial Precedent and Nigerian Legislation and constitution
- 26 Sources of Nigerian Tax Laws are all ..... EXCEPT
- A. Pronouncements of obas, obis and Emirs
  - B. Opinions of tax experts
  - C. Constitution of the Federal Republic of Nigeria
  - D. Circulars, practices and pronouncements of relevant tax authorities
- 27 Common law is \_\_\_\_\_
- A. Written
  - B. Unwritten
  - C. Easy to enforce
  - D. Has a lot of remedies to choose from
- 28 The constitution of Nigeria is \_\_\_\_\_
- A. Federal Constitution
  - B. Flexible constitution
  - C. A socialist constitution
  - D. Unitary Constitution
- 29 In the Nigerian Constitution for one organ of government not to usurp the powers of another or get extra unnecessary powers over another there is \_\_\_\_\_
- A. Oversight functions by the legislative over others

- B. Checks and balances amongst the organs
  - C. Delegated legislations
  - D. Whistle blowing by each of them
- 30 The three organs of government in Nigeria are \_\_\_\_\_
- A. Federal, State and Local Government
  - B. Legislative, Executives and Judiciary Exclusive,
  - C. Concurrent and Residual
  - D. Senate, House of representatives and house of chiefs
- 31 Section 811 of CAMA, 2020 provides for the establishment
- A. In each state of the federation, a registry of business names
  - B. A registry of business names in the FCT alone
  - C. A registry of business names in each of the six geo political zones of Nigeria
  - D. In each commercial centre of the country, a registry of business names
- 32 Section 868 (1) of CAMA 2020
- A. State the tenure in office of the president of Federal Republic of Nigeria
  - B. State the tenure in office of the registrar of Business Names
  - C. Defines a business name as the name or style under which any business is carried on, whether in partnership or otherwise
  - D. Define the duty and functions of the chairman of the Nigerian Revenue Service
- 33 One of these is not part of the reasons for suitability of business name as an option for an Entrepreneur
- A. Simplicity in Registration
  - B. Registration cost is cheaper
  - C. No need to charge or pay VAT to tax authorities
  - D. Easy management of the business
- 34 The Companies and Allied Matters Act (CAMA) 2020 contains six parts A, B, C, D, E and F, part F deals with
- A. Limited Partnership
  - B. Corporate Affairs Commission
  - C. Incorporated Trustees
  - D. Regulates business names
- 35 CAMA 2020 limits, the limited Partnership (LP) number of partners to maximum of....
- A. Two Partners
  - B. Five Partners
  - C. Twenty Partners
  - D. Fifty Partners
- 36 As a legal consequences for false statements, a person knowingly provides false information in the incorporation document on conviction may face\_\_\_\_
- A. Public Execution through firing squad

- B. Execution by hanging
  - C. Three months imprisonment, a fine or both upon conviction
  - D. Being removed on the direction of the chairman of his Local Government without trial
- 37 The doctrine of "holding out" in laws of partnership means
- A. A person, who lent his name to the business as a partner, though not a partner
  - B. A person who goes out frequently and does not pay sufficient attention to the partnership business
  - C. A person who though a partner but not participate in the partnership not known in the business
  - D. A person who is in the partnership deed, but later withdrew
- 38 One of the functions of Corporate Affairs Commission (CAC) according to the company and Allied Matters Act (CAMA) 2020 is \_\_\_\_\_
- A. Giving approval to the formation of companies
  - B. Registration of voters for election
  - C. Collation of companies that failed to pay tax
  - D. Funding of small and medium scale enterprises
- 39 Formation of Company in Nigeria according to CAMA 2020 requires all of these EXCEPT \_\_\_\_\_
- A. Memorandum and Articles of Association
  - B. Notice of registered office of the Company or head office
  - C. Proof of participation in voting at the general election of the country
  - D. A statement of authorized share capital
- 40 The difference between a memorandum and Articles of Association is \_\_\_\_\_
- A. Memorandum gives the relationship of the Company with outside world, while Articles give the details of the internal workings and arrangement the constitution of the company with its members
  - B. Memorandum is the meeting of minutes of the first set of Directors of the Company, while Articles list the names of the first set of personnel of the company
  - C. Memorandum is the rules and regulations of the company, while Articles is the penalty of offences committed by the Directors while operating the company
  - D. All of the above
- 41 Operation of the agency by estoppels is based on these conditions EXCEPT .....
- A. The representation must not be of fact and law
  - B. The representation must have been made intentionally or negligently
  - C. The aggrieved third party must have relied on and acted upon the representation, thereby altering his position as a consequence.

- D. There must be a representation by the principal or by someone authorised by him to make such a representation
- 42 The elements of valid contract DOES NOT include .....
- Enforceable
- A. Consideration
  - B. Privity
  - C. Offer and Acceptance
- 43 All the following are benefits of professional codes of conduct EXCEPT .....
- A. Provide a common understanding of acceptable practice which builds collegiality and allows for fairer disciplinary procedures
  - B. Provide greater transparency and certainty about how activities will be handled
  - C. Ensure a certain level of trust between consumers and marketer
  - D. Enable the profession to be seen as more reliable and easier to deal with.
- 44 The core reasons for the creation of administrative tribunals include the following EXCEPT .....
- A. Ensuring that specific issues are not dealt with by persons with an intimate knowledge and experience of the problems involved
  - B. Ensuring that specific issues are dealt with by persons with an intimate knowledge and experience of the problems involved
  - C. Ensuring that a speedier and cheaper procedure are provided than the one meant for the ordinary courts
  - D. Ensuring that ordinary courts of law and correctional centres are liberated from congestion
- 45 The validity of any proceeding of the Board or Committees in Nigeria Revenue Service shall be affected by .....
- A. Reason that a person not being a member took part in the proceedings
  - B. Non formation of quorum for a particular proceeding
  - C. Vacancy in the membership of the Board or its committees
  - D. Defect in the appointment of a member
- 46 Which of these letters shall be issued if the board of directors did not make allotment?
- A. Letters of Appreciation
  - B. Letters of Allotment
  - C. Letters of Consent
  - D. Letters of Regret
- 47 The following agency may be created by the principal EXCEPT .....
- A. Agency by auction
  - B. Agency by implication
  - C. Agency by estoppel
  - D. Agency by ratification

- 48 The fiduciary duties that partners owe to each other does NOT include .....
- A. Making a personal profit from partnership opportunities and information
  - B. Avoiding any conflicts of interest
  - C. Accounting for benefits obtained from partnership business
  - D. Providing true accounts and full information
- 49 Which of the following contracts is void at Common Law?
- A. Contract prejudicial to the administration of justice
  - B. Contract the commit a tort or a fraud
  - C. Contract prejudicial to the status of marriage
  - D. Contracts in restraint of trade
- 50 The benefits derived from delegated legislation include all EXCEPT .....
- A. Allowing rapid drafting of emergency power
  - B. Aids in solving problems of governance in a timely way.
  - C. Disallow changes relating to charging of fees for public services, developments in science or government policy
  - D. Allow changes relating to charging of fees for public services, developments in science or government policy.
- 51 The promotion activities of proposed company shall involve the following EXCEPT .....
- A. Raising capital for a proposed company
  - B. Clearing goods for a proposed company
  - C. Preparing prospectus for a proposed company
  - D. Obtaining requisite permits for the proposed company
- 52 The maximum day which the statute approved for award by an Arbitral Tribunal in case of trade dispute is .....
- A. 7 days
  - B. 14 days
  - C. 21 days
  - D. 28 days
- 53 The Securities and Exchange Commission (SEC) introduced a mandatory ..... cooling-off period before a Chief Executive Officer or Executive Director can be appointed as Chairman of the same company or within the same group structure.
- A. Two years
  - B. Three years
  - C. Four years
  - D. Five years
- 54 Which of the following assets are NOT held in trust for charity?
- A. Building of cooperative society
  - B. Plant and machinery of a trade union
  - C. Motor vehicle of cooperator
  - D. Land of a religious institution of a public character,

- 55 The reason for the appropriateness of business names is .....
- Less formality in administration
  - It shows the true identity of those behind its formation
  - Easy management of the business
  - All of the above
- 56 The following are the remedies available to the debenture holder EXCEPT .....
- Petition for winding up
  - Recovery of principal and interest
  - Foreclosure of the security/property
  - Destroying of debenture certificate
- 57 Which of the following obligations is NOT requested from the hirer to the owner by common law?
- Duty to pay the instalments as and when due according to the terms and conditions
  - Duty to take reasonable care of the goods to avoid loss or damage
  - Duty to accept the goods which are not subject matter of the transaction
  - Duty to redeliver the goods upon the expiration of the period agreed upon
- 58 Any person who mounts a roadblock or causes a roadblock to be mounted for the purpose of collecting any tax or levy shall be liable to .....
- A fine of N50,0000
  - Imprisonment for three years
  - Both fine and imprisonment.
  - All of the above
- 59 The primary source of Nigerian law is NOT .....
- Judicial Precedents
  - Customary Law
  - Delegated Legislation
  - Received English Law
- 60 Which of the following is not a characteristic of incorporated trustees?
- Legal personality
  - Receipt of income through grants and levies in order to meet its expenses
  - Application of income received solely to the promotion of its object
  - Carrying on business and distribution of profits

## SOLUTIONS

- B
- B
- C

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

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

### SECTION B: SHORT ANSWER QUESTIONS (SAQ)

1. The organ of government responsible for ensuring the law operates is \_\_\_\_\_
2. An order given by a Magistrate or Judge to the police to ensure arrest is \_\_\_\_\_
3. The interest a person has in a matter over and above others which entitles him to bring an action in respect of that matter \_\_\_\_\_
4. A body with judicial or quasi-judicial functions with special jurisdiction that is specific is \_\_\_\_\_
5. A tax that came out of the abolished sales tax is - \_\_\_\_\_
6. The head of the body of justice at the Supreme Court is \_\_\_\_\_
7. The head of the judiciary in a state is \_\_\_\_\_
8. NORA from the relevant tax authority means \_\_\_\_\_
9. An initial examination of the books and records of company without necessarily carrying out a details study is \_\_\_\_\_
10. The tax office ordinarily has power to carry out back duty audit of \_\_\_\_\_ years
11. The revenue collection office in a state is called \_\_\_\_\_
12. RTA as an acronym used for the revenue office that is to carry out the revenue duty stands for \_\_\_\_\_
13. Duties paid on goods consumed within the country is \_\_\_\_\_
14. Documents presented before the court as evidence normally should carry out a \_\_\_\_\_
15. A method whereby a taxpayer is required to correctly compute own tax liability and complete the tax return and pay the assessment is called \_\_\_\_\_
16. Due dates for filing from the end of the accounting year of old company is \_\_\_\_\_

17. When tax audit is carried out on a company, the consequences of not paying the adequate amount are \_\_\_\_\_
18. An assessment raised by a tax authority when a taxpayer has not filed any return is \_\_\_\_\_
19. The job of administration of taxes at the federal level is on the \_\_\_\_\_
20. A tax used for the funding of our tertiary institutions is \_\_\_\_\_
21. The new name of the FIRS in the tax Reform Acts is:
22. Under the Joint Revenue Board of Nigeria (Establishment) Act, 2025, the Joint Tax Board has been renamed to:
23. The Personal Income Tax Act will cease to exist on:
24. A demand notice issued to a taxpayer for the payment of income tax by a relevant tax authority not disputed within ..... days becomes final and conclusive
25. The rate of Development Levy for applicable companies under the Nigeria Tax Act, 2025, is ..... %
26. PAYE means:
27. Petroleum operations mean:
28. OML means:
29. OPL means:
30. BOJ has been renamed as ...
31. Ad valorem means:
32. The operational arm of a State Board of Internal Revenue is:
33. Who makes an offer between the bidder and the auctioneer in an auction sale?
34. Acceptance is a condition precedent for a valid
35. Advertisement is either an invitation to treat or an offer, which one is correct?
36. Mention one of the ways through which an offer can be terminated.
37. In a contract, that value that is exchanged whereby parties benefit something at the expense of giving something in return is called.....
38. A contract with a minor is absolutely void except where it involves.....
39. The law that protects an illiterate party involved in a contract is known as.....
40. A husband who promises to buy a wig for his wife but subsequently refuses to do so shall not be liable for breach of contract because.....

## **SOLUTIONS**

1. Executive arm
2. Warrant of arrest
3. Locus Stand
4. A tribunal
5. VAT
6. Chief Justice of Nigeria

7. The chief Judge
8. Notice of refusal to amend
9. A desk review
10. Six years
11. Internal revenue service
12. Revenue tax authority
13. Excise Duties
14. Stamp duty
15. Self assessment
16. Six months
17. Penalty and interest payment
18. Administrative assessment
19. Federal inland revenue services
20. Tertiary education tax
21. Nigeria Revenue System
22. Joint Revenue Board of Nigeria
23. 1st January 2026
24. 30 days
25. 4%
26. Pay-As-You-Earn
27. Petroleum drilling and exploration activities of companies operating in the midstream and upstream
28. Oil Mining Lease
29. Oil Prospecting Lease
30. Administrative Assessment
31. Assessment of stamp duty based on value on the instrument
32. State Internal Revenue Service
33. The bidder
34. Contract
35. An invitation to treat
36. Revocation/Rejection/Counteroffer/Lapse of time/Death of one or both parties
37. Consideration
38. Necessaries
39. Illiterates Protection Act
40. There was no intention to create legal relations



# **THE CHARTERED INSTITUTE OF TAXATION OF NIGERIA**

## **OCTOBER 2025: PROFESSIONAL EXAMINATION**

### **FOUNDATION: ECONOMICS**

**WEDNESDAY, 15TH OCTOBER, 2025**

**EXAM NO.....**

**ATTEMPT ALL THE QUESTIONS**

**SECTION A: MULTIPLE CHOICE QUESTIONS (MCQ)**

**SHOW ALL WORKINGS.**

**TIME: 3 HOURS**

1. Production in economics refers to:
  - a) The creation of money
  - b) The process of converting inputs into outputs
  - c) The selling of goods in the market
  - d) The storage of finished goods
  
2. The short-run production period is characterised by:
  - a) All inputs being variable
  - b) At least one fixed input
  - c) No fixed costs
  - d) Constant returns to scale
  
3. When a firm increases production and the average cost of each unit decreases, this is due to:
  - a) Increasing marginal cost
  - b) Economies of scale
  - c) Diseconomies of scale
  - d) The law of diminishing returns
  
4. The total cost of production is the sum of:
  - a) Fixed costs and marginal costs

- b) Fixed costs and variable costs
  - c) Marginal cost and variable cost
  - d) Implicit and explicit costs
5. Which of the following is an example of an implicit cost?
- a) Wages paid to workers
  - b) Rent paid for a factory
  - c) The owner's forgone salary from running another business
  - d) The cost of raw materials
6. Marginal cost is defined as:
- a) The total cost of producing goods
  - b) The additional cost incurred when producing one more unit of output
  - c) The fixed cost per unit of output
  - d) The cost incurred when no production occurs
7. The long-run average cost curve is typically:
- a) Upward-sloping due to increasing costs
  - b) U-shaped due to economies and diseconomies of scale
  - c) A straight line because costs remain constant
  - d) A horizontal line
8. A firm experiencing constant returns to scale means that:
- a) Output increases by a smaller proportion than inputs
  - b) Output increases by a larger proportion than inputs
  - c) Output increases in the same proportion as inputs
  - d) Output remains unchanged as inputs increase
9. If the price of a firm's product falls below its average variable cost, the firm should:
- a) Continue producing at a loss
  - b) Shut down production
  - c) Increase production to cover losses
  - d) Hire more workers
10. The main objective of most firms in a competitive market is to:
- a) Maximise revenue

- b) Maximise profit
- c) Minimise total cost
- d) Increase employment

11. In a perfectly competitive market, individual firms:

- a) Have full control over the price of their product
- b) Are price takers
- c) Can restrict market entry for new firms
- d) Earn long-run economic profits

12. Which of the following is a characteristic of a monopoly?

- a) Many firms competing in the market
- b) No barriers to entry
- c) A single seller with significant market power
- d) Price determined by supply and demand forces alone

13. Oligopoly is best characterised by:

- a) A market with only one seller
- b) A few large firms that dominate the market
- c) A large number of small firms competing equally
- d) Firms that set their prices based only on production costs

14. The kinked demand curve model is used to explain price rigidity in which market structure?

- a) Perfect competition
- b) Monopoly
- c) Oligopoly
- d) Monopolistic competition

15. A monopolistic competitor differentiates its product through:

- a) Price fixing
- b) Product branding, advertising, and service quality
- c) Exclusive government contracts
- d) Controlling all factors of production

16. Which of the following is an example of price discrimination?

- a) Charging different prices for different products

- b) Selling the same product at different prices to different consumer groups
- c) Increasing price due to increased production cost
- d) Offering discounts during sales seasons

17. A natural monopoly arises when:

- a) Government grants exclusive rights to a single firm
- b) The market is too small for multiple firms to operate efficiently
- c) Consumers prefer only one supplier
- d) A firm differentiates its product

18. Macroeconomics primarily focuses on:

- a) The decision-making of individual consumers and firms
- b) The study of aggregate economic variables such as GDP and inflation
- c) The pricing strategies of monopolistic firms
- d) The production process within a firm

19. Gross Domestic Product (GDP) measures:

- a) The total value of goods and services produced within a country in a given period
- b) The value of all transactions in an economy
- c) The income earned by a country's citizens worldwide
- d) The level of personal savings in an economy

20. The circular flow of income model illustrates:

- a) The movement of goods in international trade
- b) How money flows between households and firms in an economy
- c) The impact of government intervention in markets
- d) The relationship between imports and exports

21. Which of the following is NOT included in the calculation of GDP?

- a) Household purchases of new goods
- b) Government spending on infrastructure
- c) The sale of used goods
- d) Investment by firms in new machinery

22. National income can be measured using:

- a) The income, expenditure, and output approaches

- b) The supply, demand, and equilibrium approaches
- c) The financial, taxation, and debt approaches
- d) The consumer, producer, and investor approaches

23. Net National Product (NNP) is calculated as:

- a) GDP minus depreciation
- b) Gross National Product (GNP) minus depreciation
- c) GDP plus net income from abroad
- d) National income minus personal income taxes

24. Which of the following statements is true about Aggregate Demand (AD)?

- a) It refers to the total supply of goods and services in an economy
- b) It consists of consumption, investment, government spending, and net exports
- c) It only includes consumer spending
- d) It is determined only by government policies

25. The multiplier effect in national income analysis refers to:

- a) The effect of tax cuts on government revenue
- b) The process where an initial increase in spending leads to a larger increase in GDP
- c) The impact of government regulations on economic growth
- d) The role of international trade in national income calculation

26. If the marginal propensity to consume (MPC) is 0.8, what is the value of the multiplier?

- a) 1.25
- b) 2.5
- c) 5
- d) 10

27. A trade surplus occurs when:

- a) A country exports more than it imports
- b) A country imports more than it exports
- c) Government spending exceeds tax revenue
- d) Domestic investment is greater than foreign investment

28. Money serves all of the following functions EXCEPT:
- a) Medium of exchange
  - b) Unit of account
  - c) Store of value
  - d) Means of production
29. The main difference between money and near money is that:
- a) Money earns interest while near money does not
  - b) Money is highly liquid, while near money requires conversion before use
  - c) Near money is accepted everywhere, while money is not
  - d) Money can be stored indefinitely without losing value
30. ....studies how decisions made by individuals and businesses affect the prices of goods and services.
- a) Price Theory
  - b) Econometrics
  - c) Economic theory
  - d) Consumer behaviour
31. Which of the following is NOT studied in macroeconomics?
- a) National income and output
  - b) Inflation and unemployment rates
  - c) Pricing decisions of individual businesses
  - d) Monetary and fiscal policies
32. The problem of ..... leaves us in a situation in which we must constantly choose which of our wants we will seek to satisfy
- a) Alternative forgone
  - b) Scarcity
  - c) Inflation
  - d) Price Control
33. The Following are key features of the Mixed Economy except
- a) Coexistence of Private and Government Enterprises.
  - b) Price Mechanism operates but is regulated in critical areas
  - c) Stability is valued over economic growth
  - d) Government intervenes to correct market failures and provide public goods.

34. Which is the role of Government in resource allocation?
- a) Coexistence of Private and Government Enterprises.
  - b) Aggravating of Externalities
  - c) Establishment of Public goods
  - d) Provision of Private goods.
35. Resources are allocated in the Market Economy through the....
- a) Supply and demand, price mechanism
  - b) Market forces with state regulation
  - c) Customs and traditions
  - d) Centralized planning by the state
36. Inefficiencies arise in resource allocation due to lack of competition and limited consumer choice is a feature of
- a) Centrally Controlled Economy
  - b) Traditional Economy
  - c) Mixed Economy
  - d) Free Market Economy

Use the following to answer question 8 and 9

If the price of Good B increases from ₦10 to ₦12 and the demand for Good A decreases from 50 units to 45 units

37. Find the Cross Elasticity of Demand

- a) -0.5
- b) 0.5
- c) -5
- d) 5

38. Interpret your answer

- a) Good A & B are substitute goods
- b) Good A & B are Complementary goods
- c) Good A & B are durable goods
- d) Good A & B are giffen goods

39. The following are types of demand except

- a) Individual Demand

- b) Devised demand
- c) Joint demand
- d) Derived demand

40. The basic properties of slope are as follows except

- a) It can be measured numerically.
- b) The slope of a straight line remains unchanged through-out the curve.
- c) For a linear curve, the slope changes through-out the curve
- d) Slope as a vital tool in economic analysis can help in explaining the type of relationship (positive or negative) that exists between two variables

41. Which is an exception to the Law of Demand

- a) Agricultural Goods
- b) Fixed Supply Goods
- c) Income of Consumers
- d) Articles of Ostentation

42. These are determinants of demand but

- a) Taste and Preference
- b) Expectations of Future Prices
- c) Population and Demographics
- d) Cost of Production

43. Assume that the equations for supply and demand curves in a particular market are as follows:  $Q_s = C + np$  and  $Q_d = a - mp$

What is the equilibrium price

- a)  $P_e = a-n/C-m$
- b)  $P_e = a-C/n+m$
- c)  $P_e = a+C/n-m$
- d)  $P_e = C-a/m+n$

44. ".....is a vital tool of economic analysis that indicates the magnitude or amount of change in one variable due to a change in other variable"

- a) Curve
- b) Slope
- c) Equations & Identities
- d) Graphs

45. The Key Players of Microeconomics include all except
- Individuals
  - Business firms
  - Entrepreneurs
  - Government
46. The government applies suitable microeconomics policy via the following except
- Price Control
  - Subsidies and Taxes
  - Job creation
  - Market Structure
47. The coefficient of elasticity is
- The ratio of the proportionate (percentage) change in the dependant variable to proportionate (percentage) change in the independent variable
  - The proportional change in quantity demanded of a commodity to the proportional change in the price of the commodity
  - The degree of responsiveness of a consumer's demand for goods to the percentage change in the consumer's taste.
  - measure of the responsiveness of demand (or supply) to a change in one of the determinants
48. Assuming an increase in price from N10 to N15 led to a decrease in the quantity demanded from 20 to 12. Calculate the elasticity of demand.
- 0.8 inelastic
  - 0.8 inelastic
  - 0.8 elastic
  - 0.8 elastic
49. The Axioms of utility are all but
- Continuity
  - Satiation
  - Completeness
  - Non-Satiation

50. All but one of the following are criticisms of diminishing marginal utility
- The law assumes that all commodities are divisible into small units. This assumption is not always realistic
  - It is the fundamental law that governs consumption, the law of demand and the concept of consumer surplus.
  - There are some commodities that the more one consumes them, the more one needs them
  - Habits and impulses of individuals make it difficult to weigh or measure the marginal utility derivable from consuming an item before the consumption
51. One assumption of the indifference curve is that
- the consumer is a rational being. He aims at utility maximisation
  - there are some commodities that the more one consumes them, the more one needs them.
  - the curve assumes that all commodities are divisible into small units.
  - the curve influences the principles of progression in taxation
52. Which is the correct expression of the total utility function?
- $TU = 1/Q \times MU$
  - $TU_x = \sum MU_x$
  - $TU = MU + Q$
  - $TU = Q \times MU$
53. The effects of Price Control with respect to price ceiling except
- Leads to shortages.
  - Creates black markets.
  - Government intervention may be needed to buy excess supply.
  - Reduces supply.
54. Consumer surplus is
- The difference between the total cost of producing a good and the total revenue from selling it.
  - the monetary gain obtained by consumers to purchase a product for a price less than the highest price they are willing to pay
  - The total amount of money a consumer spends on a good or service.

d) The total profit made by producers in the market after deducting production costs.

55.i. Each indifference curve shows different combinations of the two goods that give the consumer the same level of utility or satisfaction

ii. The curves are typically convex to the origin.

iii. The further out the indifference curve is from the origin, the higher the level of utility it represents.

iv. Indifference curves never intersect, as this would imply inconsistent preferences.

The above are the characteristics of

a) Demand curve

b) Supply Curve

c) Indifference curve

d) Marginal Utility curve

56. The total satisfaction derived from a commodity divided by the number of units of the commodity

a) Total utility

b) Average utility

c) Marginal utility

d) Quantity utility

i. Perfectly inelastic demand

ii. Inelastic demand

iii. Elastic demand

iv. Perfectly elastic demand

57. The above are types of

a) Cross elasticity of demand

b) Income elasticity of demand

c) Price elasticity of demand

d) Time elasticity of demand

58. We can enumerate the microeconomic models as follows except for

a) Models of consumer behaviour

b) Models of the production behaviour

- c) Simple theoretical models
- d) The market equilibrium models

59. A five-year plan is an example of:

- a) Short-term economic planning
- b) Medium-term economic planning
- c) Long-term economic planning
- d) Crisis management strategy

60. The difference between economic growth and economic development is that:

- a) Growth is about quantity, while development focuses on quality of life
- b) Development only occurs in developed countries
- c) Growth always leads to development
- d) Growth is measured by inflation rate

### **Solutions**

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

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

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

58.B  
59.B  
60.A

## SECTION B: SHORT ANSWER QUESTION

1. A financial instrument that represents ownership in a company is called .....
2. Treasury bills are commonly issued by the government to manage .....
3. The main objectives of public finance include raising revenue, allocating resources efficiently, and maintaining .....
4. Direct taxes are levied on individuals and businesses, whereas indirect taxes are applied to .....
5. The difference between government revenue and expenditure is called the.....
6. Fiscal policy involves the use of government spending and taxation to influence .....
7. Recurrent expenditure refers to government spending on day-to-day operations, while capital expenditure involves spending on .....
8. A tax system in which the tax rate increases as income increases is known as a ..... tax system.
9. A situation where inflation is extremely high and out of control is known as .....
10. One of the major effects of inflation is that it reduces the.....power of money.

11. Unemployment that results from changes in consumer demand and business cycles is called ..... unemployment.
12. If a worker loses their job due to automation and lacks the necessary skills for new positions, they experience .....unemployment.
13. A key factor in long-term economic growth is ..... which involves improvements in technology and infrastructure.
14. Government strategies that outline national economic objectives over a set period are known as .....
15. Tariffs and quotas are examples of ..... used to control international trade.
16. The foreign exchange rate is the price of one country's currency in terms of .....
17. The balance of payments (BOP) records a country's international trade and ..... transactions.
18. A floating exchange rate system allows currency values to be determined by ..... and .....
19. Price elasticity of demand measures how responsive the quantity demanded is to a change in .....
20. The ..... show how all the market participants interact in the production and distribution of goods and services in an economy
21. National Income serves as a measure of the overall ..... and living standards in an economy
22. The ..... shows the continuous movement of money, resources, and goods and services between different sectors of an economy.

23. ....is the total monetary value of all goods and services produced by the residents of a country in a given time period, both domestically and abroad
24. The formula for national income under the expenditure approach is
25. National income is in equilibrium when injections equal .....
26. Marginal Propensity to Save (MPS) is calculated as the change in saving divided by the change in \_\_\_\_\_
27. Consumption function is represented as \_\_\_\_\_, where a is autonomous consumption and b is MPC.
28. The..... states that an increase in demand or output in an economy leads to a proportionally larger increase in investment
29. Variables adjusted for inflation to reflect purchasing power are known as..... variables.
30. ....developed the Input-Output Model to analyse interdependencies between sectors in the economy.
31. The DSGE model is widely used to analyse..... fluctuations and policy impacts.
32. The Central Bank of Nigeria (CBN) plays a critical role in managing .....and interest rates.

Use the following to answer question 33 and 34

Given the simple demand and supply function  $Q_d = 6 - 0.5p$  (1)  $Q_s = -4 + 1.5p$  (2).

33. Find the equilibrium price.
34. Find the equilibrium quantity
35. A ..... is an economic unit that uses inputs such as labor, capital, and raw materials to produce goods or services for sale in the market

36. Industries are categorised based on the type of products they produce and the .....
37. The buyers or sellers in perfect competitive market are .....
38. The equation of a firm in a perfect market faces a perfectly-elastic demand curve or price line is written as:
39. When firms prioritise increasing their sales volume over immediate profit to achieve economies of scale, or to establish a stronger market presence. It is called .....
40. .... approves new securities and financial products.

## **SOLUTIONS**

1. Stock
2. Short-term liquidity
3. Economic stability
4. Goods and services
5. Budget balance
6. The economy
7. Infrastructure and development projects
8. Progressive
9. Hyperinflation
10. Purchasing
11. Cyclical
12. Structural
13. Investment
14. Economic plans
15. Trade restrictions
16. Another currency
17. Financial
18. Supply; Demand
19. Price
20. Circular flow of economic activities

21. economic performance
22. circular flow of income
23. Gross National Product
24.  $Y=C+I+G+(X-M)$
25. Withdrawals
26. Income
27.  $C=a+bY$
28. Accelerator principle
29. Real
30. Wassily Leontief
31. Macroeconomic
32. Inflation
33. 5
34. 3.5
35. Firm
36. Market structure (e.g monopoly, oligopoly)
37. Price-takers
38.  $(P = AR = MR)$
39. Sales Maximization
40. Securities and Exchange Commission (SEC)



# THE CHARTERED INSTITUTE OF TAXATION OF NIGERIA

## OCTOBER 2025: PROFESSIONAL EXAMINATION

### FOUNDATION: PRINCIPLES OF ACCOUNTING

TUESDAY, 14TH OCTOBER, 2025

EXAM NO.....

**ATTEMPT ALL THE QUESTIONS**

**SECTION A: MULTIPLE CHOICE QUESTIONS (MCQ)**

**SHOW ALL WORKINGS.**

**TIME: 3 HOURS**

1. Which of the following is a method of calculating depreciation?
  - A. Exponential growth method
  - B. Simultaneous equation
  - C. Capital expenditure equation
  - D. Sum-of-the-year digit method
2. Which of the following are not internal users of financial information?
  - A. Employees
  - B. Shareholders
  - C. Customers
  - D. Managers
3. A production machine that was acquired in 2022 at a cost of ₦630,000 with a useful life of 6 years. What will be the depreciation charge for the 2nd year using sum-of-the-years method?
  - A. ₦150,000
  - B. ₦180,000
  - C. ₦190,000
  - D. ₦210,000
4. A situation of doubtful debt may arise EXCEPT when...
  - A. A payment becomes excessively delayed
  - B. The debtor has a poor track record of payment
  - C. The debtor is a newcomer in the business
  - D. There is an unresolved issue on the amount
5. Which of the following best describes uncredited lodgement in bank reconciliation?

- A. Deposit not recorded in the DR side of cashbook
  - B. Deposit not in the bank statement
  - C. Deposit not recorded in the CR side of the cashbook
  - D. Deposit omitted in the cashbook
6. Which of the following statement is NOT correct?
- A. Holders of Ordinary share capital elects Directors of the company
  - B. Holders of Ordinary share capital have fixed dividend at the end of the year
  - C. Holders of Ordinary share capital will be the last to be paid at winding up
  - D. Holders of Ordinary share capital are also called Equity
7. The following could be classified as current assets EXCEPT:
- A. Account Receivables
  - B. Account Payables
  - C. Prepayments
  - D. Inventory
8. The following are classified as current liabilities EXCEPT:
- A. Trade Receivable
  - B. Trade Payable
  - C. Provisions
  - D. Overdraft
9. Which of the following is NOT a characteristic of non-current assets
- A. Assets bought for resale
  - B. Assets that could be amortised
  - C. Assets used to produce goods and services
  - D. Assets whose usefulness extend beyond current year
10. The following could be classified as part of the capital account of an entity EXCEPT:
- A. Initial amount that is used to start the business
  - B. Additional amount that is invested in the business
  - C. The net profit at the end of the period
  - D. Incomes from revenues
11. Key purposes of explanatory notes to financial statements includes the following EXCEPT:
- A. To provide explanation of the accounting methods used
  - B. Outline any changes in accounting policies from previous periods
  - C. To provide breakdown of figures in the main financial statement
  - D. To provide explanation on the corporate information
12. Joylads Ltd has ordinary share capital of ₦300,000 at 60kobo each. The company made a rights issue of 1 for 5 at 180kobo each. What is the value of the right issue?
- A. ₦60,000
  - B. ₦100,000

- C. ₦180,000
  - D. ₦400000
13. A company has an authorised ordinary share capital of ₦1,000,000 and issued share capital of ₦300,000 of ₦1 each. The company made a net profit of ₦400,000 at the end of the year. What is the profit per share?
- A. 40kobo per share
  - B. 57kobo per share
  - C. 40kobo per share
  - D. 133kobo per share
14. A company with Ordinary shares of ₦1 each, issued shares at ₦1.10 per share. What is the share discount/premium on the issue?
- A. Premium of 10kobo per share
  - B. Discount of 90kobo per share
  - C. Premium of ₦1 per share
  - D. Discount of 10kobo per share
15. The following are elements classified as assets in the statement of financial position EXCEPT:
- A. Prepayments
  - B. Receivables
  - C. Directors current account
  - D. Copyrights
16. Which of the following should be debited in the cashbook of an enterprise?
- A. Cash recovered from customers
  - B. Payment for goods purchased
  - C. Procurement of office furniture
  - D. Bank charges
17. Debentures holders have one of the following characteristics:
- A. They share from the profit of the company
  - B. They are members of the decision makers of the company
  - C. They are the last to be paid at the winding up of the company
  - D. They are secured with the assets of the company
18. Which of the following accounting equation is NOT correct:
- A. Liabilities = Assets - Equity
  - B. Assets = Equity - liabilities
  - C. Equity = Assets- liabilities
  - D. Assets = Equity + liabilities
19. Calculate the net sales if the gross profit is N500,000 and gross profit percentage is 40%?
- A. ₦700,000
  - B. ₦850,000
  - C. ₦1,250,000
  - D. ₦1,450,000
20. Which of the following could NOT cause a reduction in the gross profit?

- A. Higher production cost
  - B. Higher distribution cost
  - C. Reduction in selling price
  - D. Increase in wages
21. IAS 1 recognises the following components except
- A. Income statement
  - B. Statement of financial position
  - C. Statement of cash flow.
  - D. Extended Trial Balance
22. Where opening inventory is ₦2,000,000, purchases during the year is ₦125,000,000, return outward is ₦50,000 and closing inventory is ₦1,850,000. what is the value of sales during the year?
- A. ₦125,000,000
  - B. ₦125,100,000
  - C. ₦125,150,000
  - D. ₦125,001,000
23. Sources of income for not-for-profit organisation include
- A. Trading
  - B. Sales
  - C. Subscriptions
  - D. Equity
24. Single entry form of record keeping is the opposite of
- A. Double Entry
  - B. Incomplete Records
  - C. Trading Account
  - D. Profit or Loss
25. This error does not affect the trial balance
- A. Error of principle
  - B. Casting error
  - C. Error of transposition
  - D. Partial reversal of entry
26. The suspense account balance if debit will be shown as .....in the statement of financial position
- A. Non-current Assets
  - B. Current Liabilities
  - C. Current Assets
  - D. Net Assets
27. The suspense account balance if credit will be shown as .....in the statement of financial position
- A. Non-current Assets
  - B. Current Liabilities
  - C. Current Assets
  - D. Net Assets

28. Good returned by clients is called
- A. Return Outward
  - B. Carriage inwards
  - C. Carriage outwards
  - D. Return inwards
29. .... Is a schedule prepared periodically to make the cashbook and bank statement agree
- A. Bank reconciliation
  - B. Bank Agreement
  - C. Journals
  - D. Two-column cashbook
30. Debits in the Bank statement that are not in the cash book include
- A. Interest on loans
  - B. Payment by customers
  - C. Interest on deposits
  - D. Dividend received
31. Cash book items not in bank statement will be
- A. Bank charges
  - B. Uncredited Lodgements
  - C. Interest on deposits
  - D. Interest on Loans
32. The following are common with partnership except
- A. Capital contribution ratio
  - B. Profit sharing ratio
  - C. Interest on partners' loan
  - D. Business Advisory
33. If Mr. Ake in a partnership earns 5% interest on his capital of ₦5,000,000, receives salary of ₦180,000 and is charged 2% on drawing of ₦250,000. How much is his total earnings?
- A. ₦413,000
  - B. ₦450,000
  - C. ₦425,000
  - D. ₦430,000
34. Factors affecting goodwill positively include the following except
- A. Quality of the product or services
  - B. Monopoly power of the business
  - C. Brand Visibility
  - D. Inefficient customer care procedures
35. Which one of the following is an external user of financial information?
- A. Accountants
  - B. Employees
  - C. Investors
  - D. Management

36. A supplier needs financial information to determine the .....of a company
- A. Financial stability
  - B. Credit worthiness
  - C. Profitability
  - D. Compliance
37. Cash basis of accounting will not take .....into consideration in bookkeeping and record preparation.
- A. Cash
  - B. Adjustments
  - C. Budgets
  - D. Credit sales
38. The income statement must contain all items of ---- and ----- for the period
- A. Assets and Liabilities
  - B. Accrual and Prepayment
  - C. Profit and Loss
  - D. Income and Expenses
39. All the following are addition to the information contained in the statement of comprehensive income except
- A. Disposal of an item of Property, Plant and Equipment
  - B. Disposal of Investment
  - C. Cost valuation of finished goods
  - D. Write down of PPE
40. An invoice is a document which evidence
- A. Contra Transactions
  - B. Cash Transactions
  - C. Credit Transactions
  - D. None of the above
41. The implication of the entity concept to a sole trader is that the:
- A. Business can sue and be sued separately
  - B. Owner cannot own private assets
  - C. Private use of business assets reduces owner's capital
  - D. Liability of the owner is limited
42. Which of the following best defines accounting?
- A. The art of preparing vouchers only
  - B. The process of identifying, recording, and communicating financial information
  - C. The act of storing cash in the bank
  - D. The calculation of taxes payable
43. Assets are classified as current when they:
- A. Are expected to generate income for more than 10 years
  - B. Are intended for resale within the normal operating cycle
  - C. Cannot be converted into cash
  - D. Are financed by long-term liabilities

44. Which of the following is a non-current asset?
- A. Cash at bank
  - B. Inventory
  - C. Motor vehicle
  - D. Trade receivables
45. Liabilities are best described as:
- A. The residual interest of owners in the business
  - B. Present obligations of the business arising from past events
  - C. Profits earned by the business
  - D. Reserves and retained earnings
46. Which of the following is an example of a current liability?
- A. Bank loan repayable in 10 years
  - B. Trade creditors
  - C. Motor vehicle
  - D. Leasehold property
47. The accounting equation can be expressed as:
- A.  $\text{Assets} = \text{Liabilities} + \text{Income}$
  - B.  $\text{Assets} = \text{Capital} - \text{Liabilities}$
  - C.  $\text{Assets} = \text{Liabilities} + \text{Capital}$
  - D.  $\text{Assets} = \text{Expenses} + \text{Capital}$
48. Furniture, buildings, and machinery are classified in accounting as:
- A. Current assets
  - B. Non-current assets
  - C. Current liabilities
  - D. Owner's equity
49. Which of the following correctly shows the effect of a business paying off a creditor?
- A. Assets increase, liabilities increase
  - B. Assets decrease, liabilities decrease
  - C. Assets increase, capital decreases
  - D. Liabilities increase, capital increases
50. The main purpose of charging depreciation on assets is to:
- A. Increase the profit of the business
  - B. Provide funds for expansion
  - C. Allocate the cost of the asset over its useful life
  - D. Show the current market value of the asset
51. Which of the following methods of depreciation charges the same amount every year?
- A. Straight-line method
  - B. Reducing balance method
  - C. Revaluation method
  - D. Sum-of-the-years digits method
52. If an asset is sold for more than its net book value, the difference is treated as:

- A. Depreciation expense
  - B. Loss on disposal
  - C. Gain on disposal
  - D. Capital reserve
53. Which of the following is NOT a cause of depreciation?
- A. Wear and tear
  - B. Passage of time
  - C. Obsolescence
  - D. Increase in market demand
54. The amount to be depreciated is usually calculated as:
- A. Cost price + residual value
  - B. Cost price – residual value
  - C. Market price – residual value
  - D. Cost price ÷ residual value
55. When an asset is disposed off, its accumulated depreciation account is:
- A. Debited with the total depreciation charged
  - B. Credited with the cost of the asset
  - C. Debited with the disposal value
  - D. Credited with the gain on disposal
56. Which of the following is an example of an error of omission?
- A. Recording sales in the wrong account
  - B. Failure to record a credit purchase
  - C. Posting the wrong amount in the ledger
  - D. Recording cash received twice
57. Which type of error does NOT affect the trial balance totals?
- A. Error of principle
  - B. Error of commission
  - C. Error of complete omission
  - D. All of the above
58. If depreciation is not recorded at year-end, this will lead to:
- A. Overstatement of assets and profit
  - B. Overstatement of liabilities and expenses
  - C. Understatement of profit and assets
  - D. No effect on profit or assets
59. An error where purchases of furniture are recorded in the purchases account is called:
- A. Error of omission
  - B. Error of principle
  - C. Error of original entry
  - D. Error of commission
60. Which of the following adjustments is necessary to match income and expenses for the year?
- A. Closing stock
  - B. Prepaid expenses

- C. Accrued expenses
- D. All of the above

## **SOLUTIONS**

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

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

**SECTION B: SHORT ANSWER QUESTIONS (SAQ)**

1. An accounting basis that recognises expenses incurred during the year whether it has been paid for or not is called -----
2. The equivalent of the cashbook in the accounts of Not-for-profit organisation is called -----
3. The accounting convention that treat business transactions according to their economic realities rather than their legal form is -----
4. The mark-up of Wiseman Enterprises for their Products A and B are  $\frac{1}{4}$  and  $\frac{1}{5}$  respectively, what are the profit margins of these products ----- and -----
5. The Share Capital in the Memorandum and Article of Association of a company that can legally be raised by issue of shares is called -----
6. What is the other name for a BONUS issue in the offering of shares -----
7. The accounting treatment by journal when a partner withdraws cash for personal use are ----- and -----
8. The preliminary bill of sale that a vendor sends to a prospective customer before a sale is called -----

9. The value of goods returned to a creditor for defective or not according to specification is recorded in -----
10. The methods developed for determining the amount of which material items should be stated in the statement of financial position is called -- -----
11. The specific accounting bases selected and consistently followed by an organisation is called -----
12. TWO elements of financial performance in any organisation are ----- -- and -----
13. The concept that does not recognise revenue until they are earned is called -----
14. The cashflow arising from the regular business operation in an organisation is called ----- activities
15. The alternative name for the accrual concept is -----
16. The threat that occurs where a professional accountant prepares the annual financial statements for a client and later appointed as external auditors is called -----
17. A document which serves as a form of supplementary Invoice to increase the indebtedness of the recipient is called -----
18. A company buys a machine for ₦500,000 and it is expected to depreciate at the rate of 20% reducing balance method. What will be the carrying amount at the end of the 2nd year.-----
19. Inventories are measured at the year end in the financial statements at the lower of cost or -----
20. A company paid rent of ₦1,200,000 per annum on 1st July 2023. It writes it books up to 31st December every year. Write the journal entries for the amount to be charged in the year ----- and -----
21. Given opening account receivables of ₦2,300,000, revenue of ₦9,600,000 and receipts from customers of ₦9,000,000, the closing accounts receivables balance should be.....
22. If net sales is ₦800,000 and gross profit is ₦240,000, what is the cost of goods sold?
23. "Yohanna maintains incomplete records for his business. The following information are available:
 

Particulars	Beginning of the Year	End of the Year
Assets	₦50,000	₦80,000
Liabilities	₦20,000	₦30,000
Additional Capital	₦10,000	-
Drawings	₦5,000	-
What is his closing capital?	-	-

24. The process of determining the monetary amount at which elements of financial statements are included in the financial statements is called.....
25. " FAME Ltd bought a plant for ₦2,500,000 on January 1,2021 . The asset's useful life is 10 years with no residual value and to be depreciated using Straight-line method. On December 31, 2024, the useful life of the plant was reviewed to 3 more years. The adjustment require under IAS 8 is referred to as a change in accounting.....
26. ABC Ltd with ordinary share of ₦1.00 each issued at a price of ₦0.90 per share. What is the share premium or discount?
27. "Okon Nigeria Ltd has the following Trial Balance extract as at 30th June, 2025.

	DR (₦'000)	CR (₦'000)
Trade receivables	500	-
Allowances for doubtful debts for the year -		50
Trade payable	-	100
Gross profit	-	150
Capital		200

If the rate of allowances for discount allowed is 5% of trade receivables, what is the amount if trade receivables to the shown in the Statement of Financial Position?

28. An item of property, plant and equipment with economic useful life of 10 years was bought on 31st March, 2024 at the cost of ₦100,000 and yearly depreciation accrues evenly during the year ended 31st December,2024. Determine the carrying amount of item of property, plant and equipment (PPE) to be recognized in the statement of financial position at 31st December, 2024.
29. IFRS 18, issued by the International Accounting Standards Board (IASB) in April 2024, introduces significant changes to the presentation and disclosure of financial statements, replacing IAS 1. Effective from January 1, 2027, with retrospective application. Under this IFRS 18, entities must classify income and expenses into five categories: operating, investing, financing, income taxes, and .....
30. One purpose of explanatory notes to the accounts is explanation of risks and uncertainties. These risks and uncertainties are classified into environmental liabilities, credit risks and .....risks.
31. The statement that shows the net worth of an entity is called.....
32. The accounting entries to record the value of the goods returned by customers are .....and .....
33. IAS 2: Inventories requires inventories to be categorised into merchandise, materials, work-in-progress and.....
34. "IAS 1 requires that material items might be disclosed separately. This disclosure includes a write-down of inventories from cost to net realisable value, the cost of a restructuring of activities, and.....

35. "ABE Plc issued 70,000 ordinary shares of 50k each at 70k per share, payable by instalment on application 1 April, 2024 10k; on allotment 3 May 2024 30k and on first and final call on 1 Sept. 2024 30k. Show the journal entries to record the receipts on the application for shares, if 70,000 shares were applied for.
36. Raynold Plc issue of 60,000 ordinary shares at ₦1 each. The whole issue price of ₦1.20 was paid on application. Applications were received and shares were subsequently allotted. Show the journal entries to record the share premium on the issue.
37. A debenture that can be converted into shares is called.....
38. Amounts received on behalf of the business directly by the bank are known as.....
39. Bank charges of ₦5,000 were not recorded in the cash book. What adjustment is required?
40. A payment of ₦10,000 was incorrectly recorded as ₦1,000, what is the entry to correct this?

## SOLUTIONS

1. Accrual basis
2. Receipt and payment account
3. Substance over form
4. 20% and 16 2/3%
5. Authorised share capital
6. Script issue / capitalisation issue
7. Dr: Partner's current a/c, Cr: Cash
8. Pro forma invoice
9. Returns outward journal, purchases return book/journal
10. Accounting bases
11. Accounting policies
12. Revenue, expenses, profit, loss
13. Prudence
14. Operating
15. Matching concept
16. Self-review threat
17. Debit note
18. ₦320,000
19. Net realisable value
20. DR: Rents A/C - ₦600,000, CR: Prepayment A/C - ₦600,000
21. ₦2,900,000: (₦2,300,000 + ₦9,600,000) - ₦9,000,000 = ₦2,900,000)
22. ₦560,000: (₦800,000 - ₦240,000 = ₦560,000) ₦50,000:  
(Closing Capital = Assets - Liabilities: ₦80,000 - ₦30,000 = ₦50,000)

- 23. Measurement
- 24. Estimate
- 25. Discount of 10k per share
- 26. ₦427,000:

	₦'000
a. Trade receivable	500
b. Allowances for doubtful debts	(50)
c. Amount of good trade receivable	450
i. Allowance for discount	
ii. allowed (5% X ₦450)	(22.5)
iii. Trade receivable to be shown in The Statement of Financial Position	427.50

27. ₦1,395,000: (₦1,500,000 - ₦105,000 = ₦1,395,000)

28. Discontinued operations

29. Currency risks.

30. Statement of financial position.

31. DR. Returns inwards account

32. CR. Accounts receivable account

33. Finished goods

34. Disposals of items of property, plant and equipment

35. Dr Bank/Cash Account ₦7,000,

Cr Application for Shares Account ₦7,000

Being cash received from application for 70,000 shares at 10k per share

36. Dr Application & Allotment A/c - ₦72,000

Cr Share capital account                    - ₦60,000

Cr Share premium account                - ₦12,000

37. Convertible debenture

38. Direct credits

39. Subtract ₦5,000 from the cashbook balance

40. Debit the expense account ₦9,000



# **THE CHARTERED INSTITUTE OF TAXATION OF NIGERIA**

## **OCTOBER 2025: PROFESSIONAL EXAMINATION**

### **FOUNDATION: INTRODUCTION TO TAXATION**

**TUESDAY, 14TH OCTOBER, 2025**

**EXAM NO.....**

**ATTEMPT ALL THE QUESTIONS**

**SECTION A: MULTIPLE CHOICE QUESTIONS (MCQ)**

**SHOW ALL WORKINGS.**

**TIME: 3 HOURS**

1. When was the Nigerian Income Tax Ordinance (NITO) enacted?
  - A. 1930
  - B. 1923
  - C. 1943
  - D. 1940
2. The following were major challenges to the colonial taxation in Nigeria EXCEPT .....

  - A. Lack of representation
  - B. Excessive tax burden on natives
  - C. Political and social unrest
  - D. Voluntary compliance by the natives

3. Which Act laid the foundation for a more efficient tax system in Nigeria?
  - A. Income Tax Management Act 1960
  - B. Income Tax Management Act 1961
  - C. Income Tax Management Act 1962
  - D. Income Tax Management Act 1963
4. The Finance Act 2019 lowered the corporate income tax rate for small businesses earning less than?
  - A. ₦35 million annually
  - B. ₦25 million annually
  - C. ₦50 million annually
  - D. None of the above
5. Value Added Tax was introduced to replace?
  - A. Capital Transfer Tax

- B. Sales Tax
  - C. Ad Valorem Tax
  - D. None of the above
6. The following are taxes collected by Federal Inland Revenue Services EXCEPT .....
- A. Value Added Tax
  - B. Tertiary Education Tax
  - C. Petroleum Profit Tax
  - D. Cattle Tax
7. One of the impacts of tax digitisation in Nigeria is.....
- A. Streamlined tax collection
  - B. Reduced tax burden on low income earners
  - C. Expanded tax incentive
  - D. None of the above
8. Petroleum Profit Tax Act (PPTA) was enacted in.....
- A. 1959
  - B. 1958
  - C. 1956
  - D. 1957
9. Key legislations enacted based on the Raisman Commission includes the following except? PPTA CITA VAT Act ITMA
10. One key achievement of the Dina Committee on Taxation was.....
- A. Provision of a legal framework for income tax administration
  - B. Establishment of the Joint Tax Board
  - C. Regulation of the assessment and collection of duties on legal instruments Establishment of a uniform corporate tax structure across Nigeria
11. One key achievement of the Study Group on the Review of the Nigerian Tax System (1991) was .....
- A. Enhanced taxpayer education and voluntary compliance
  - B. Introduction of Value Added Tax
  - C. Introduction of Withholding Tax
  - D. All of the above
12. Who is the Chairman of the Presidential Tax and Fiscal Policy Reform Committee?
- A. Taiwo Akindele
  - B. Taiwo Oyedele
  - C. Taiwo Oladele
  - D. Taiwo Oludele
13. The following are sources of Tax laws in Nigeria EXCEPT .....
- A. Constitution of the Federal Republic of Nigeria
  - B. Case laws
  - C. Judicial Precedents
  - D. Revenue Services

14. Which of these sets out the guidelines, the principles and the objectives to be accomplished through the mechanism of taxation?
- A. Tax authority
  - B. Tax policy
  - C. Tax administration
  - D. None of the above
15. The National Tax Policy seeks to achieve the following objectives EXCEPT .....
- A. Guide the operation and review of the tax system
  - B. Coordinate tax matters among the three tiers of government
  - C. Serve as a point of reference for all stakeholders on taxation
  - D. Provide the basis for future tax legislations and administration
16. The key stakeholders of the National Tax Policy are all of the following EXCEPT.....
- A. The government
  - B. The taxpayer
  - C. Tax consultants
  - D. Revenue agencies
17. Revenue agencies have the following responsibilities EXCEPT .....
- A. Facilitate inter-agency co-operation and exchange of information
  - B. Undertake timely audits and investigations
  - C. Undertake tax awareness and taxpayers' education
  - D. Provide information on all revenue collected on a quarterly basis
18. Personal Income Tax in respect of members of the Armed Forces of the Federation and the Nigerian Police Force is collected by....
- A. Joint Tax Board
  - B. Federal Inland Revenue Service
  - C. FCT Internal Revenue Service
  - D. Internal Revenue Service of state of residence
19. Technical Committee of FIRSB comprises the following EXCEPT .....
- A. The Executive Chairman of the Board as Chairman
  - B. The Consultant to the Board
  - C. All the Directors and Head of Departments of FIRS
  - D. The Secretary to the Board
20. The functions of the Joint State Revenue Committee include the following except.....
- A. Implement decisions of the Joint Tax Board
  - B. To consider and approve pension scheme
  - C. Harmonise tax administration in the State
  - D. Advise the JTB, the states and Local Governments on revenue matters
21. In pre-colonial Nigeria, the Isakole system represented:
- A. A land tax paid by tenant farmers
  - B. A Cattle tax paid

- C. A community levy
  - D. A tribute paid in the Benin Kingdom
22. The Aba Women's Riot of 1929 was triggered by:
- A. Introduction of Companies Income Tax.
  - B. Extension of direct taxation to women in Eastern Region of Nigeria.
  - C. Introduction of Petroleum Profit Tax.
  - D. Failure to harmonise tax laws.
23. Which tax legislation introduced the first formal taxation in Northern Nigeria?
- A. Income Tax Management Act, 1961.
  - B. Community Tax Ordinance, 1904.
  - C. Native Revenue Ordinance, 1918.
  - D. Companies Income Tax Ordinance, 1939.
24. The Raisman Fiscal Commission of 1958 was primarily set up to.....
- A. Collect taxes across all the Regions in the Country.
  - B. Harmonise tax administration and ensure fairness in revenue sharing
  - C. Abolish Personal Income Tax.
  - D. Establish the Regional Revenue Service with power to collect regional taxes
25. The Nigerian tax system is described as tripartite because it consists of:
- A. Tax laws, tax administration, and tax clearance certificate
  - B. Tax policy, tax laws, and tax administration.
  - C. Tax audit, tax policy, administration and tax collection
  - D. Tax laws, tax administration, and tax planning.
26. Which of the following is a major focus of the 2025 tax reform in Nigeria?
- A. Expansion of multiple levies at local government level
  - B. Abolition of Value Added and Consumption Taxes.
  - C. Harmonisation of taxes and simplification of compliance.
  - D. Introduction of poll tax for all citizens
27. Under the reform, Voluntary Assets and Income Declaration Scheme (VAIDS) is aligned with which global principle of.....
- A. Encouraging voluntary compliance and broadening tax net
  - B. Eliminating all taxes for expatriates
  - C. Abolishing corporate taxes Small and Medium Size Companies
  - D. Granting indefinite tax holidays to start-ups
28. The 2025 tax reform introduced a central body for.....
- A. Allocation of VAT to Local Governments
  - B. The Tax Appeal Tribunal for judicial settlement of foreign tax disputes
  - C. Payment of voluntary contributions to government
  - D. Tax policy Coordination and Monitoring
29. Under the 2025 reform, which new principle of taxation gained more emphasis?
- A. Voluntariness and informality
  - B. Exemption of all small businesses

- C. Flexibility and digitalisation
  - D. Elimination of progressive taxation
30. Which of the following correctly distinguishes between taxes and levies?
- A. Taxes provide direct benefits; levies do not
  - B. Taxes are compulsory for revenue; levies are for specific purposes
  - C. Levies are broader in scope; taxes are narrower
  - D. Both are based strictly on taxable profits and are collected at the Federal and State level of the Federation
31. The 2025 reform emphasises expanding Nigeria's tax base by increasing .....
- A. Petroleum Profits Tax rates
  - B. Reducing CIT rates for all companies
  - C. Bringing the informal sector and digital economy into the tax net
  - D. All of the above
32. A tax instrument that raises government revenue while deliberately protecting local industries is called:
- A. Progressive tax.
  - B. Excise duty
  - C. Protective tariff.
  - D. Regulatory levy
33. The principle of certainty in taxation implies that...
- A. Tax officers must be certain when to collect tax
  - B. The taxpayer should know what, when, and how to pay.
  - C. Taxes must always be certain and progressive
  - D. Government revenue must be predictable.
34. The canons of taxation by Adam Smith are applied in the 2025 reform through.....
- A. Complexity and rigidity
  - B. Exemption of all digital companies from taxation
  - C. Voluntary tax contributions by citizens
  - D. Equity, certainty, convenience, and economy
35. A taxpayer insists on deferring filing of returns until a tribunal rules on his objection. Which principle of taxation is being violated?
- A. Certainty
  - B. Convenience
  - C. Economy
  - D. Simplicity
36. In the context of taxation, forestalling refers to.....
- A. Delaying payment of tax beyond due date
  - B. Paying tax in advance to avoid future liability
  - C. Avoiding tax through legal loopholes
  - D. Withholding tax illegally.
37. The excess burden of taxation is also referred to as....
- A. Deadweight loss

- B. Shifting of incidence
  - C. Tax leakage
  - D. All of the above
38. Which of the following is a horizontal equity principle?
- A. Individuals with equal ability to pay should be taxed equally
  - B. Higher income earners should pay more.
  - C. Poorer households should pay a lower percentage
  - D. Taxes should be imposed only on companies
39. Under the new tax reform, gains from property disposal of ₦100m by individual are taxed at....
- A. Flat 10% CGT
  - B. PIT rates of 0–25%.
  - C. 15% flat
  - D. Exempt
40. Failure to remit VAT attracts penalty of.....
- A. ₦50,000 for first month, ₦25,000 for subsequent months
  - B. ₦100,000 for first month, ₦50,000 for subsequent months
  - C. 10% of unpaid VAT
  - D. 20% of unpaid VAT
41. Large companies with (turnover > ₦100m) pay CIT at....
- A. 15%
  - B. 20%
  - C. 25%
  - D. 30%.
42. Which of the following represents the first PIT band after reliefs under the tax reform?
- A. ₦0 – ₦800,000 @ 0%.
  - B. ₦0 – ₦2,200,000 @ 10%.
  - C. ₦0 – ₦9,000,000 @ 18%.
  - D. ₦0 – ₦13,000,000 @ 21%.
43. Under the New Tax Reform, an individual who owns and lives in his own house can claim rent relief of....
- A. 20% of notional rental value
  - B. 10% of notional value
  - C. Zero, no relief available
  - D. ₦500,000 flat deduction
44. A Tax Practitioner who deliberately conceals material facts during a tax audit violates which ethical principle?
- A. Confidentiality
  - B. Integrity.
  - C. Professional competence
  - D. Objectivity
45. Which of the following best describes conflict of interest in tax practice?
- A. Representing two clients with opposing tax interests.

- B. Late filing of a client's return
  - C. Decline to handle tax audit cases
  - D. Working in more than one tax firm.
46. The most direct justification for compulsory taxation in public finance theory is....
- A. To reduce unemployment
  - B. To fund provision of non-excludable public goods
  - C. To equalise all incomes
  - D. To punish consumption of luxuries
47. A regressive tax can be identified where \_\_\_\_
- A. Tax incidence is higher on low-income groups relative to their earnings
  - B. Tax rate rises with income.
  - C. High-income groups pay more in absolute terms
  - D. Tax burden is shifted backward.
48. The doctrine of "no taxation without representation" primarily ensures...
- A. Fairness in tax collection
  - B. Executive discretion in tax imposition
  - C. Taxes are fundamentally connected to the legislative process, as taxes can only be legitimately established through law
  - D. Public voting on each tax bill
49. Which of the following best reflects the excess burden of taxation?
- A. Delay in tax collection
  - B. Compliance cost to taxpayer
  - C. Welfare loss from distorted choices in consumption or investment.
  - D. Government corruption in use of revenue.
50. In Nigeria, VAT is generally considered regressive because....
- A. It exempts basic food items.
  - B. It applies the same rate regardless of income
  - C. It is only paid by the wealthy and small companies.
  - D. Its rates change according to tax bands
51. The main reason a progressive tax rate promote equity is that:
- A. High income earners pay more in absolute terms.
  - B. High income earners contribute a larger proportion of income
  - C. Low income earners avoid taxes entirely.
  - D. Everyone pays the same nominal amount
52. A tax that raises revenue while also discouraging alcohol consumption performs what dual role?
- A. Fiscal and equity
  - B. Neutral and equitable
  - C. Elastic and certain
  - D. Revenue and regulatory.
53. Which canon of taxation is directly violated by multiple taxation across tiers of government?

- A. Certainty.
  - B. Equity.
  - C. Economy
  - D. Convenience
54. If a tax is structured so that the legal payer and actual bearer differ, this reflects.....
- A. Impact and incidence distinction
  - B. Money vs. real burden
  - C. Neutral taxation
  - D. Tax elasticity
55. Which of the following is an example of backward shifting?
- A. Excise duty passed on to consumer.
  - B. VAT charged to customers at retail point.
  - C. Importer negotiating a lower price from the foreign supplier to offset an imposed tariff.
  - D. PIT deducted from employees' salaries
56. Which of the following is a limitation of taxation as a tool of economic stabilisation?
- A. It discourages harmful consumption.
  - B. It is often politically unpopular to raise taxes.
  - C. It mobilises resources for government
  - D. It redistributes income effectively.
57. A taxpayer argues that taxation should only fund government expenditure, not redistribute income. This view rejects which function of taxation?
- A. Revenue function
  - B. Stabilisation function
  - C. Regulatory function
  - D. Equity/redistribution function
58. The power to impose tax in Nigeria is derived from.....
- A. Executive orders.
  - B. The Constitution
  - C. Ministerial directives.
  - D. Administrative circulars
59. A key constitutional challenge in Nigeria's tax system is:
- A. Overlapping taxing powers across tiers of government
  - B. Too many international treaties and taxes
  - C. Absence of withholding tax
  - D. Lack of petroleum profit taxation
60. Under The New Tax Reform 2025, which tax relief was abolished for Personal Income Tax purposes?
- A. Pension contribution relief
  - B. Rent relief
  - C. Consolidated Relief Allowance
  - D. Children allowance

## SOLUTIONS

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

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

## **SECTION B: SHORT ANSWER QUESTIONS (SAQ)**

1. ---- is the process through which a government imposes taxes and administers their collection?
2. ----- are specific charges imposed on individuals, businesses, or goods for a particular purpose or service
3. ----- is a payment in lieu of imprisonment
4. To seize goods by a government agency for contravening the law is known as -----
5. ---- refers to the object being taxed?
6. ....tax charge higher rates for higher income levels
7. Who bears the burden of indirect tax?
8. ....first introduced the cannon of taxation
9. Simplified tax returns for small businesses under the Nigeria's Finance Act 2020 aim to enhance .....
10. An agricultural tax imposed on land owners and farmers is known as ---
11. The Income Tax Management Act was enacted in the year .....
12. The 7.5% VAT rate came into effect in the year...
13. An appeal from the Value Added Tax Tribunal shall be made to the .....
14. What is Withholding tax rate in respect of individuals on consultancy fees?
15. Under the change of accounting date rules, ..... assessment years are considered relevant.

16. CITA (as amended) provides that .....is required to be tendered by an applicant for the registration of motor vehicles
17. Two commonly used types of capital allowances available to businesses are:
18. How long can capital allowance be carried forward?
19. Who is the chairman of the Local Government Revenue Committee?
20. The time limit for objecting to a tax assessment raised on a taxpayer by the tax authority is .....
21. What is the name given to the management board of the FIRS?
22. The tier of government responsible for the collection of tenement rate is .....
23. A compulsory financial contribution levied by a government authority on individuals, businesses, or goods to fund public expenditures and services is called .....
24. .... provide the legal framework for taxation in Nigeria
25. The Joint State Revenue Committee is a creation of section ---- of the Personal Income Tax Act 1993 (as amended)
26. Where a company is engaged in research and development for commercial purpose, the incentive is ----- per cent investment tax credit of the qualifying expenditure for that purpose.
27. Business income is subject to tax on ----- basis
28. All forms of employment, trade or business income are referred to as -----
29. Individual taxpayers are required to file their annual income tax returns with the State Internal Revenue Service in their state of residence by ----- of the year following the assessment year.
30. The relevant tax authority for the collection of Petroleum Profit Tax is -----
31. .... determines the timing and manner in which income is taxed.
32. Under the Pay As You Earn scheme, the employers act as ----- to the tax authority
33. .... refers to criteria used to determine whether an activity qualifies as a trade for tax purposes.
34. .... arises when the tax written down value of a qualifying asset exceeds the sales proceed.
35. .... are expenses incurred wholly, exclusively, necessarily and reasonably for generating taxable income.
36. Where no financial records or returns are submitted by the tax payer to the relevant tax authority, the tax inspectors can raise..... assessment
37. A company that is yet to commence operation after six months of incorporation will pay.....
38. The relevant tax authority in charge of Education Tax in Nigeria is.....
39. Unutilized capital allowance of a business on cessation is carried backward for..... ..years before cessation
40. The tax imposed and paid on instruments executed by individuals or corporate entities in Nigeria is called .....

## **SOLUTIONS**

1. Taxation
2. Levies
3. Fine
4. Confiscate
5. Tax Base
6. Progressive Tax
7. Final Consumer
8. Adam Smith
9. Revenue collection
10. Land Tax or Agricultural Tax
11. 1961
12. 2020
13. Federal High Court
14. 5%
15. Three (3)
16. Tax clearance certificate
17. The Initial Allowance (IA) and Annual Allowance..
18. Any unabsorbed capital allowances can be carried forward indefinitely to be utilized against income from the same business source.
19. Supervisor of Finance.
20. 30 days
21. Federal Inland Revenue Service Board.
22. Local Government
23. Tax
24. Tax laws
25. Section 92
26. 20%
27. Preceding Year Basis
28. Earned Income
29. March 31st
30. Federal Inland Revenue Service
31. Basis of Assessment
32. Unpaid Agent
33. Test of Trade
34. Balancing charge
35. Allowable deductions /Expenses
36. Best of Judgment (BOJ)
37. Preoperational levy
38. Federal Inland Revenue Service (FIRS)
39. Five (5)
40. Stamp duty