



THE CHARTERED INSTITUTE OF TAXATION OF NIGERIA
(Chartered Institute by Act No. 76 of 1992)

STUDENTS' COMPANION

OCTOBER 2011 PROFESSIONAL EXAMINATION

**FOUNDATION
QUESTION AND SUGGESTED SOLUTIONS**

**THE CHARTERED INSTITUTE OF TAXATION OF NIGERIA
OCTOBER 2011 PROFESSIONAL EXAMINATION**

FOUNDATION: ACCOUNTING

INSTRUCTIONS: ATTEMPT ALL QUESTIONS. SHOW ALL WORKINGS TIME: 3 HOURS

- 1 Accounting has information contents useful to various users. Of what use is the information to each of the user groups listed below?
- | | | |
|-------|---|---------|
| (i) | Employees | 4 marks |
| (ii) | Federal Inland Revenue Service (FIRS) | 4 marks |
| (iii) | Potential shareholders | 4 marks |
| (iv) | Lenders (Suppliers & Banks) for short-term and long-term lendings | 4 marks |
| (v) | Customers | 4 marks |
- (Total: 20 marks)

- 2 Mr. Ebele is a sole trader dealing in electronics. He has been in business for quite some years but decided to engage you as his Accountant. He has not been keeping proper accounting records but provides you with the following information in respect of year ended 31st December 2010.

| Summary of Bank Account | | | |
|-------------------------|----------------|----------------------|----------------|
| | N'000 | | N'000 |
| Balance b/d | 13,090 | Salaries | 3,784 |
| Cash banked | 130,438 | Payment to Creditors | 124,278 |
| Additional Capital | 22,000 | Drawings | 6,094 |
| | | General Expenses | 3,808 |
| | | Cash Purchases | 5,830 |
| | | Balance c/d | <u>21,714</u> |
| | <u>165,528</u> | | <u>165,528</u> |

The following were paid out of cash received before they were banked:

- (i) Loan to a friend ~~N~~4,400,000
- (ii) Rent of shop for one of his wives at ~~N~~7,920,000
- (iii) Payment for stationery ~~N~~880,000
- (iv) Electricity bills payment ~~N~~1,474,000

His assets and liabilities were as follows:

| | 31/12/10 | 31/12/09 |
|--------------------------|----------|----------|
| | N'000 | N'000 |
| Stock | 36,960 | 43,120 |
| Debtors | 12,705 | 16,170 |
| Creditors | 14,894 | 12,628 |
| Accrued electricity bill | 550 | 374 |
| Cash in hand | 13,200 | 1,309 |

All sales and receipts were all in cash.

You are required to prepare for Mr. Ebele

- a Trading and profit and loss account for the year ended 31 December, 2010. 8 marks
 - b Balance sheet as at 31 December, 2010 8 marks
 - c Statement of affairs as at 1 January, 2010 4 marks
- (Total: 20 marks)

3 The trial balance of Tokotaya Ltd as at 31 December is as follows:

| | DEBIT ₦ | CREDIT ₦ |
|---|-------------------------|-------------------------|
| Authorised share capital: | | |
| Ordinary shares of 50k each | | 175,000 |
| 10% Preference shares of ₦1 each | | 175,000 |
| Share Premium | | 87,500 |
| 10% Debenture | | 175,000 |
| Profit and Loss A/C | | 87,500 |
| Stocks | 350,000 | |
| Motor vehicle at cost | 175,000 | |
| Plant and machinery at cost | 210,000 | |
| Building at cost | 402,500 | |
| Provision for depreciation on motor vehicle | | 105,000 |
| Provision for depreciation on plant and machinery | | 87,500 |
| Purchases and sales | 612,500 | 1,295,000 |
| Discounts | 5,250 | 1,750 |
| Returns | 5,250 | 1,750 |
| Carriage on Purchases | 3,500 | |
| Debtors and Creditors | 350,000 | 253,750 |
| General expenses | 269,500 | |
| Rates | 42,000 | |
| Insurance | 21,000 | |
| Provision for doubtful debts | | 10,500 |
| Provision for taxation at 1/1/10 | | 61,250 |
| Taxation paid | 52,500 | |
| Advertising | 8,750 | |
| Debenture interest | 17,500 | |
| Bank balance | | <u>8,750</u> |
| | <u>2,525,250</u> | <u>2,525,250</u> |

You are given the following information:

- a Provision should be made for audit expenses of ₦17,500.
- b The rate paid was for 12 months period ending 31st March 2011
- c Insurance of ₦21,000 paid was for twelve months period ending 31/12/10 of which half of the figure was for director's wife shop.
- d A provision of ₦84,000 is to be made for tax on profits for the year ended 31 December 2010.
- e A debtor owing ₦35,000 had gone bankrupt.
- f Provision for doubtful debt is to be made at 5% of debtors balance.
- g Closing stock at 31/12/10 was ₦315,000.
- h Depreciation is to be provided on motor vehicles at 20% and 10% on Plant and machinery at cost.
- i The building is to be reviewed upward by ₦52,500.
- j A dividend of 10 kobo per share is proposed.
- k ₦17,500 is to be transferred to general reserve.

You are required to draw up the Trading, Profit and Loss account of the company for the year ended 31 December, 2010. 20 marks

4 Explain the following terms with examples:

- | | |
|--------------------------|---------|
| (i) Revenue receipt | 4 marks |
| (ii) Revenue expenditure | 4 marks |
| (iii) Joint expenditure | 4 marks |

- (iv) Capital expenditure 4 marks
 - (v) Capital receipt 4 marks
- (Total: 20 marks)

5 Topmost Limited purchased a Pathfinder Jeep on 1 January 2007 from D-Honey Motors Limited on hire purchase terms under which Topmost Limited paid a deposit of ₦2,000,000 to be followed by four equal annual installments payable on 31 December 2007.

The hire purchase charge is to be calculated at 15% on the reducing balance of the liability during each accounting period.

The cash price of the vehicle is ₦7,710,000 while the higher purchase price is ₦10,000,000.

The accounting year of both companies ends on 31 December.

Depreciation on the motor vehicle is at 20% per annum on straight line basis assuming a nil residual value.

All sums due were paid on the due dates.

You are required to show the relevant ledger entries in the books of Topmost Limited- Motor Vehicle Account and Hire Purchase Account. 20 marks

FOUNDATION: BUSINESS LAW

INSTRUCTIONS: ATTEMPT ALL QUESTIONS

TIME: 3 HOURS

- 1
 - a Outline the main sources of Nigerian Law which a Nigerian court may use to settle cases before it. 10 marks
 - b Write short notes on the following concepts :
 - (i) Federalism 2 marks
 - (ii) Presidentialism 2 marks
 - (iii) Separation of powers 2 marks
 - (iv) Rule of Law 2 marks
 - (v) Rigidity of the constitution 2 marks

(Total: 20 marks)

- 2
 - a What is Partnership? 4 marks
 - b Mention four fiduciary duties of partners to each other 6 marks
 - c Mention five ways by which a partnership may be brought to an end without a court order. 10 marks

(Total: 20 marks)

- 3
 - a What is the nature of an insurance contract? 5 marks
 - b Briefly enumerate the essentials of an insurance contract. 5 marks
 - c Write short notes on the following:
 - (i) Premiums and Commissions 2 marks
 - (ii) Insurable Interest 2 marks
 - (iii) Non-disclosure of Materiality 2 marks
 - (iv) Indemnity 2 marks
 - (v) Subrogation and Contribution 2 marks

- 4 a What is negligence in the law of tort? State the three things that must be proved before an action based on negligence can succeed. 8 marks
- b What are the defenses available to an action based on negligence? 6 marks
- c Whilst returning from a birthday party, Mr. Jaiyeola, who was very drunk crashed his car into a breakdown lorry, in the middle of the road at a sharp bend, driven and abandoned there by Mr. Jagua without any warning to oncoming vehicles. Mr. Jaiyeola had severe injuries to both his person and his Mercedes Benz car. He has consulted you of his proposed action against Mr. Jagua. Advise him. 6 marks
- (Total: 20 marks)

- 5 a “Maxims of Equity are guiding philosophies of Equity. They are called into focus and employed when the need arises in the dispensation of justice”.
- Required:**
Mention five maxims of equity. 5 marks
- b “When the legislature use words in enactments, it is almost always difficult to understand the meaning of the words used and the courts in their adjudicative role are bound to interpret the words used in order to discover the meaning to be attached to them”
- Required:**
Briefly discuss five rules of interpretation that the courts have fashioned out in order to properly interpret statutes. 15 marks
- (Total: 20 marks)

FOUNDATION: MANAGERIAL ECONOMICS

INSTRUCTIONS: ATTEMPT ALL QUESTIONS. SHOW WORKINGS. TIME: 3 HOURS

- 1 a What is public debt? 1 mark
- b State and explain the two types of public debt. 4 marks
- c List and briefly explain five major causes of public debt. 10 marks
- d “If taxes are judiciously used, public debt would be reduced”. Discuss. 5 marks
- (Total: 20 marks)
- 2 a The demand function of Federal Inland Revenue Service (FIRS) for its Services is given by: $P = 25,000 - 2Q$
Where P is the price and Q is the quantity.
- (i) Write the marginal revenue equation . 2 marks
- (ii) At what price and quantity will the marginal revenue be zero? 4 marks
- (iii) State the price and quantity when the total revenue will be maximized. 4 marks
- (Note: The price is in Naira and quantity Q is in units)
- b From the demand function given in (a) above, show that the price elasticity of demand is equal to one when the total revenue is maximized. 4 marks
- c State four characteristics of a perfect market. 6 marks
- (Total: 20 marks)

- 3 Industries and industrialization are very important engineering vehicles that fastly develop an economy and hence should be embarked upon by various responsible governments that wish to develop its domain, be it rural or urban.

You are therefore expected to:

- a Distinguish between location and localization of an industry. 5 marks
b State five objectives of industrialization. 5 marks
c Discuss the arguments for and against the location of industries in rural areas 10 marks
(Total: 20 mark)
- 4 a Differentiate between foreign and domestic trade. 10 marks
b What are the challenges faced in international trade and how can they be minimized? 10 marks
(Total: 20 marks)
- 5 “ The Central Bank of Nigeria’s policy statements are the only thrust on which the nation’s economy can grow.” Discuss. 20 marks

FOUNDATION: MANAGEMENT INFORMATION SYSTEM

INSTRUCTION: ATTEMPT ALL QUESTIONS

TIME: 3 HOURS

- 1 Flowcharts and algorithms are used as aids in computer programming.
(i) What is a computer program? 1 mark
(ii) Define and differentiate between a flowchart and an algorithm. 5 marks
(iii) Identify three (3) functions of flowcharts. 6 marks
(iv) Identify two (2) types of flowcharts. 4 marks
(v) Identify the challenges in flowcharting. 4 marks
(Total: 20 marks)
- 2 Write short notes on the following in relation to general system theory
(i) Cybernetics. 4 marks
(ii) Open and Closed Systems. 4 marks
(iii) Deterministic and Stochastic Systems. 4 marks
(iv) Hard and Soft Systems. 4 marks
(v) Challenges of Parallel System. 4 marks
(Total: 20 marks)
- 3 “Computer system has taken over the work of all personnel, thereby, creating large number of the unemployed people. All the computers used in this country were imported, thereby, causing cash outflow. This had, in effect, reduced access to cash by the Nigerian workers. We in the union, therefore call for a ban on importation of all types of computers to this country.....” - President General of the Nigeria Labour Unions.
Required: Justify what you think of the above quotation. 20 marks
- 4 a During the system design stage, certain factors are taken into consideration on which computers to be acquired. Outline five (5) of such factors. 10 marks
b Describe a database administrator, outlining six (6) of his functions. 10 marks

- 5 a Distinguish with examples, between main storage and auxiliary storage in a computer system, 6 marks
- b Outline with examples the differences between impact and non-impact printers. 6 marks
- c List three types of networking. 3 marks
- d Mention five challenges being faced in networking. 5 marks
- (Total: 20 marks)

SOLUTIONS

FOUNDATION ACCOUNTING

SOLUTION TO QUESTION 1

- i. EMPLOYEES
Financial statements are used to assess the security of employment.
The staff can also use it as a basis for negotiating for higher wages and fringe benefits
It is used to evaluate the ability of the company to survive on the long run and as a basis for requesting for staff promotion.
- ii. FEDERAL INLAND REVENUE SERVICE (FIRS)
The Federal Inland Revenue Service will use the financial statements to determine the income tax payable by a company to the government.
They will also use it to ascertain the compliance of the company with the relevant laws
- iii. POTENTIAL SHAREHOLDERS
Financial statements are used to assess the viability of the business for investment purposes.
It is used to know their dividend expectations
The information is also used to determine their market price and share value
- iv. LENDER (SUPPLIERS & BANKERS) FOR SHORT-TERM AND LONG-TERM LENDING
Financial Statements are used to assess the credit worthiness of the company.
They will use it to evaluate the length of time it takes to pay suppliers
They will use it to assess the company's going concern status
It will also be used to determine lending term to the company and as a basis for granting loans /overdrafts to the company.
- v. CUSTOMERS
They will use the financial information to ascertain the ability of an organisation to continue to meet its regular supplies.
They will also use it to check if there is favourable credit policy.

SOLUTION TO QUESTION 2

MR EBELE

TRADING, PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31/12/10

| | N'000 | N'000 |
|--------------------------------------|----------------|----------------|
| SALE | | 153, 538 |
| Opening Stock | 43,120 | |
| Add Purchase | <u>132,374</u> | |
| Cost of goods available for for sale | 175,494 | |
| Less: gClosing Stock | <u>36,960</u> | |
| Cost of Sales | | <u>138,534</u> |
| Gross Profit | | <u>15,004</u> |
| Electricity expenses | 1,650 | |
| Salaries | 3,784 | |
| General expenses | 3,828 | |
| Statonary | <u>880</u> | <u>10,142</u> |
| Net Profit | | <u>4,862</u> |

MR EBELE

BALANCE SHEET AS AT 31/12/10

| | | | |
|--------------------------|------------|---------------|-------|
| Stocks | | 36,960 | |
| Debtors | | 12,705 | |
| Cash at Bank | | 21,714 | |
| Cash in hand | | <u>13,200</u> | |
| CURRENT | | 84,579 | |
| CURRENTS LIABILITIES | | | |
| Creditors | 14,894 | | |
| Accrued electricity bill | <u>550</u> | <u>15,444</u> | |
| | | <u>69,135</u> | |
| OWNER EQUITY | | | N'000 |
| Capital | | 82,687 | |
| Net Profit | | <u>4,862</u> | |
| | | 87,549 | |
| Less: Drawing | | <u>18,414</u> | |
| | | <u>69,135</u> | |
| Stock | | 43,120 | |
| Debtors | | 16,170 | |
| Cash at Bank | | 13,090 | |

| | | |
|--------------------------|---------------|---------------|
| Cash in hand | | 1,309 |
| Creditors | 12,628 | |
| Accrued Electricity bill | 374 | |
| Capital at 1/1/10 | <u>60,687</u> | |
| | <u>73,689</u> | <u>73,689</u> |

WORKINGS

DEBTORS ACCOUNT

| | | | |
|-------------|----------------|-------------|----------------|
| Balance b/d | 16,170 | Cash | 157,003 |
| Sales | <u>153,538</u> | Balance c/d | 12,705 |
| | <u>169,708</u> | | <u>169,708</u> |
| Balance c/d | 12,705 | | |

CASH ACCOUNT

| | | | |
|-------------|----------------|----------------------------|----------------|
| Balance b/d | 1,309 | Bank | 130,438 |
| Debtors | 157,003 | Drainings (Loan to friend) | 4,400 |
| | | “ Rent of shop | 7,920 |
| | | Stationary | 880 |
| | | Electricity expenses | 1,474 |
| | | Balance c/d | <u>13,200</u> |
| | <u>158,312</u> | | <u>158,312</u> |
| Balance c/d | 13,200 | | |

CREDITORS ACCOUNT

| | | | |
|-------------|----------------|-------------|----------------|
| Bank | 124,278 | Balance b/d | 12,628 |
| Balance c/d | 14,894 | Purchases | <u>126,544</u> |
| | <u>139,172</u> | | <u>139,172</u> |
| | | Balance b/d | 14,894 |

ELECTRICITY EXPENSES ACCOUNTS

| | | | |
|-------------|--------------|-------------|--------------|
| Cash | 1,474 | Balance b/d | 374 |
| Balance c/d | <u>550</u> | P & L Acc | <u>1,650</u> |
| | <u>2,024</u> | | <u>2,024</u> |
| | | Balance b/d | 550 |

CAPITAL A/C

| | | | |
|-------------|--------|-------------|---------------|
| Balance c/d | 82,687 | Balance b/d | 60,687 |
| | | Bank | <u>22,000</u> |

| | | | | |
|---------------------|----------------|--------------|-----|----------------|
| | <u>82,687</u> | | | <u>82,687</u> |
| | | Balance b/d | | 82,687 |
| | | PURCHASE A/C | | |
| Bank | 5,830 | Trading | A/C | 132,374 |
| Creditors | <u>126,544</u> | | | |
| | <u>132,374</u> | | | <u>132,374</u> |
| | | DRAWING A/C | | |
| Bank | 6,094 | Balance c/d | | 18,414 |
| Cash loan to friend | 4,400 | | | |
| Cash Rent for wife | <u>7,920</u> | | | |
| | <u>18,414</u> | | | <u>18,414</u> |
| Balance b/d | 18,414 | | | |

SOLUTION TO QUESTION 3

TOKOTAYA LIMITED

TRADING , PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31/12/10

| | N | N | N |
|--------------------------------|--------------|----------------|----------------|
| Sales | | | 1,295,000 |
| Less: Sales Return | | | <u>5,250</u> |
| | | | 1,289,750 |
| Opening Stock | | 350,000 | |
| Purchases | 612,500 | | |
| Less: Returns | <u>1,750</u> | | |
| | 610,750 | | |
| Plus: Carriage loads | <u>3,500</u> | <u>614,250</u> | |
| | | 964,250 | |
| Closing Stocks | | <u>315,000</u> | <u>649,250</u> |
| Gross Profits | | | 640,500 |
| Add: Discount Received | | | <u>1,750</u> |
| | | | 642,250 |
| Less: Expenses | | | |
| Discount allowed | | 5,250 | |
| General expenses | | 269,500 | |
| Debenture Interest(% of 17500) | | 17,500 | |
| Bad debts | | 35,000 | |

| | | |
|---|--------|----------------|
| Advertising | 8,750 | |
| Increase in prov for bad debt 350,000 -350,000 | 5,250 | |
| (5% of 315.000)-10,500 | | |
| Audit fees | 17,500 | |
| Depreciation on motorvehicle | 35,000 | |
| Depreciation on Plant & Machinery | 21,000 | |
| Rates (4200÷12 x 9) | 56,000 | |
| Insurance | 10,500 | <u>481,250</u> |
| Profit before taxation | | 161,000 |
| Less: Taxation provision (Note) | | 75,250 |
| Profit After Taxation | | <u>85,750</u> |

Note

TAXATION ACCOUNT

| | ₦ | | ₦ |
|---------------|----------------|------------------------------|----------------|
| Taxation paid | 52,500 | Balance b/d | 61,250 |
| Balance c/d | <u>84,000</u> | P & L A/C (balancing figure) | <u>75,250</u> |
| | <u>136,500</u> | | <u>136,500</u> |
| | | Balance b/d | 84,000 |

SOLUTION TO QUESTION 4

I. REVENUE RECEIPT

This is income generated by a company from sales of goods, services or other revenue items e.g. Rent received , commission received or income from ordinary business of the company

II. REVENUE EXPENDITURE

This is the amount spent which does not increase the value of fixed assets but is for running the business on a day to day basis . Examples include salaries and wages of operating staff, insurance, etc.

III. JOINT EXPENDITURE

Sometime one item of expenditure constitutes both capital and revenue expenditure e.g. amount expended on improvement to building and repair work on it

IV CAPITAL EXPENDITURE

This is the amount spent to either buy a fixed Asset or add to the value of an existing fixed asset, for example, purchase of machinery and cost of transporting the asset to the firm, if borne by the purchasing company

V CAPITAL RECEIPT

When an item of capital expenditure is sold, the receipt is called a capital receipt e.g proceeds from disposal of motor vehicle machinery or other fixed asset.

SOLUTION TO QUESTION 5

TOPMOST LIMITED

MOTOR VEHICLE ACCOUNT

| | <u>₦</u> | | <u>₦</u> |
|------------------------|------------------|----------------------|------------------|
| 1/1/07 HP D- Honey A/C | <u>7,710,000</u> | 31/12/07 Balance c/d | <u>7,710,000</u> |
| 1/1/08 Balance b/d | <u>7,710,000</u> | 31/12/08 Balance c/d | <u>7,710,000</u> |
| 1/1/09 Balance b/d | <u>7,710,000</u> | 31/12/09 Balance c/d | <u>7,710,000</u> |
| 1/1/10 Balance b/d | <u>7,710,000</u> | 31/12/10 Balance c/d | <u>7,710,000</u> |

HIRE PURCHASE D HONEY LTD ACCOUNT

| | <u>₦</u> | | <u>₦</u> |
|------------------------------|------------------|--------------------------|------------------|
| 1/1/07 Bank- Deposit | 2,000,000 | 1/1/07 Motor vehicle A/C | 7,710,000 |
| 31/12/07 1st Instalment | <u>2,000,000</u> | 31/12/07 H P Interest | <u>856,000</u> |
| Balance c/d | <u>4,566,000</u> | | |
| | <u>8,566,000</u> | | <u>8,566,000</u> |
| 31/12/08-2nd Instalment | 2,000,000 | 1/1/ 08 Balance | 4,566,000 |
| Balance c/d | <u>3,251,000</u> | 31/12/08 HP Interest | <u>685,000</u> |
| | <u>5,251,000</u> | | <u>5,251,000</u> |
| 31/12/09 Bank 3rd Instalment | 2,000,000 | 1/1/09 Balance b/d | 3,251,000 |
| Balance c/d | <u>1,739,000</u> | 31/12/09 HP 1 interest | <u>488,000</u> |
| | <u>3,739,000</u> | | <u>3,739,000</u> |
| 31/12/10 Bank 4th Instalment | 2,000,000 | 1/1/10 balance b/d | 1,739,000 |
| | | 31/12/09 HP Interest | <u>261,000</u> |
| | <u>2,000,000</u> | | <u>2,000,000</u> |

FOUNDATION BUSINESS LAW

SOLUTION TO QUESTION 1

- a. The two broad sources of Nigerian law are:
- (i) The Received Law comprising of
 1. The English Common Law
 2. Doctrine of Equity and
 3. Certain British statute and legislation by virtue of Statutes of General Application.
 - (ii) Indigenous Nigerian sources of law consisting of
 1. Nigeria Statutes
 2. Customary Law
 3. Islamic Law
 4. Nigerian Case Law or Judicial Precedents.

- b.
- (i) A Federal Constitution is one in which final governmental powers are shared between two levels of government which are not constitutionally subordinate to one another. Rather, they are regarded as equal and co-ordinate in exercising the powers assigned to them by law.
 - (ii) The 1979 constitution first introduced Presidentialism into Nigerian Constitutions by providing for an Executive President who was both the Head of State as well as the Head of Government.
 - (iii) The doctrine of separation of powers which is based on the proposition that the organs of government may be classified into Executive, Legislative, and Judicial organs and that none of these organs should exercise the powers and functions of the other wholly is given full force by the constitution.
 - (iv) The Rule of Law is another democratic concept which the present Nigerian constitution especially emphasizes. It emphasizes:
 - 1. Equality before the law
 - 2. Government Powers should not be exercised arbitrarily
 - 3. Respect for fundamental human rights.
 - (v) To describe a constitution as rigid means that it can only be amended by following special rules prescribed for its amendments.

SOLUTION TO QUESTION 2

- a. Section 1(1) of the Partnership Act 1890 defines a partnership as the relationship which subsists between persons carrying on business in common with a view of profit.

A partnership is regarded as a fiduciary relationship. It is a contract which is based on confidence, good faith and trust between the parties. There is therefore a general duty on all partners to act honestly in all transactions involving the firm.

The specific illustrations of what duty demands are as follows:

- (i) Partners must render true accounts of all the receipts and payment made or received on behalf of the firm.
- (ii) Partners must give full information to each other on all matters affecting the firm. It is a breach of this duty to conceal material information, it must be volunteered.
- (iii) No secret profits must be made from transactions made on behalf of the firm, or from using its properties, name, or confidential information. This must be disclosed, and cannot be disclosed, and cannot be kept without the consent of the other partners.
- (iv) A partner is not allowed to engage in a competing business (to that of the partnership's) without the consent of his colleagues.

- b A partnership is dissolved without a court order in the following circumstances:
- I. Expiration of Time
If the agreement is entered into for a fixed term, and that term expires, the partnership is dissolved.
 - II. Completion of Undertaking
If a partnership is formed to undertake a specific assignment or adventure, once it is completed, the relationship ceases.
 - III. On Notice by Partner
Where a partnership is entered into for an undefined term, it becomes dissolved when notice to terminate it is given properly by a partner in accordance with the partnership agreement.
 - IV. By Death or bankruptcy
The death or bankruptcy of a partner dissolves the firm unless the agreement provides otherwise. If the partnership provides for the continued existence of the firm, and the admission of a specified person (for example, the deceased's children) to replace the dead or bankrupt partner, that person cannot be compelled to join.
 - V. By Charging a Partner's Share
If a partner allows his share of the partnership, property to be charged for his private debts, where such is a fixed sum by partnership agreement, the other partners are free to dissolve the partnership.
 - VI. By Illegality
If a partnership agreement subsequently becomes illegal, for example, through new legislation by the government, the partnership becomes automatically dissolved.

SOLUTION TO QUESTION 3

- a. Contract of insurance is essentially an agreement between two parties, that is the insurer and the insured by which in return for payment of premium, the insurer indemnifies the insured against a particularly stated loss or upon the occurrence of a stated event. The loss or event may never occur such as an accident in the case of motor insurance whereas the event may be one which is bound to occur but the date in the case of life insurance.

Payment of premium is a condition precedent to the assumption of risk by the insurer. Section 15 of the Insurance Act 2003 provides that the policy evidencing the contract of insurance must be delivered to the insured not later than sixty days after payment of the first premium and contravention of this provision is an offence which attracts a fine of N5,000.00 on conviction.

- b. The principle of utmost good faith is otherwise known as principle of uberrimae fidei. By this we mean that the insured and the insurer are under a strict duty to disclose all material facts and not to misrepresent the material facts disclosed. It imposes a duty of honesty of the highest degree on both parties to the insurance contract concerning the insurer, the purpose of disclosure is to enable him to assess the risk to be covered and to decide whether or not to accept the risk and subsequently provide insurance cover to the insured.
- c. The following material facts need not be disclosed by the insured:
- I. Facts unknown to the insured

- II. Facts which diminish the risk
- III. Facts known to the insurer
- IV. Facts of which the insurer waives disclosure.

SOLUTION TO QUESTION 4

- a. Negligence is an omission to do what a reasonable person would do on exercise of reasonable care. It committed by a person who omits to exercise reasonable care in his conduct towards others. The tort may simply be called 'Failure to exercise a duty of care.

To succeed in an action based on negligence, the plaintiff is required to prove the following satisfactorily:

- I. That the defendant owed him a duty of care
- II. That the defendant had failed to exercise the standard required in the circumstances and
- III. That the plaintiff had suffered damage foreseeable as a result of the unreasonable conduct of the defendant.

Once these ingredients are proved, the plaintiff is entitled to compensation by way of damages.

- b. The defendant can raise the following defenses to an action based on negligence:

- I. That the injury was caused by an inevitable accident
- II. That the plaintiff willingly assumed the risk of injury (*volenti non fit injuria*)
- III. That the plaintiff contributed to the injury he had suffered. This defense is known as contributory negligence.

- c. To succeed in a negligent action, the plaintiff must prove that the defendant owed him a duty of care, he broke it and the resulting damage was foreseeable. In deciding if a duty of care exists, the court must follow a precedent if it exists, This road users owe a duty to other road users. The omission of Mr. Jagua to give warnings to Mr. Jaiyeola as an ultimate user (the neighbor test).

But Mr. Jagua can raise the defense of contributory negligence because Mr. Jaiyeola was very drunk without which he would have been able to control himself. Contributory negligence is the plaintiff failure to take reasonable care for his own safety because he was drunk.

Therefore contributory negligence will assist Mr. Jagua by reducing the amount of damages he will pay to Mr. Jaiyeola.

SOLUTION TO QUESTION 5

a. MAXIMS OF EQUITY

- I. Equity is equality, equality is equity
- II. He who comes to equity must come with clean hand
- III. He who seeks equity must do equity
- IV. Equity follows the law
- V. When equities are equal, the law presents
- VI. Equity aids the vigilant, not the indolent
- VII. Delay defeats equity
- VIII. Equity will not suffer a wrong without a remedy
- IX. Equity looks at interest rather than form
- X. Equity takes as done that which ought to have been done
- XI. Equity will impute an intention to fulfill an obligation
- XII. Equity acts in “per sonam”, the law acts in “rem”.

b. RULES OF INTERPRETATION OF STATUTES

There are three basic rules of interpretation of statutes:- the literal rule, the golden rule, and the mischief rule. There are also some subsidiary rules which the courts equally apply in deciding cases:- “Noscitur a sociis”, “expressio unis est exclusio alterius” and “ejusdem generis rule”.

I. LITERAL RULE

This rule enjoins the courts to interpret statutes in accordance with their ordinary or literal meanings without taking into account any extraneous fact or information. Under the rule, the courts do not consider the real intention of the law makers, not the consequences likely to flow from a strict application of the law.

According to Lord Esher in *R V. Judge of the City of London court(1892)*: “if the words of an act are clear you must follow them even though they lead to a manifest absurdity”.

Literal rule, therefore, means that once the words of an Act are clear as to their meaning, the court must follow their meaning even if by so doing injustice or absurdity may result.

II. GOLDEN RULE

The golden rule, also called the purposive rule, which is formulated in the case of *Beck v. Smith* is resorted to, where a literal interpretation would result to manifest absurdity and unreasonableness, which could naturally not have been intended by the intention of the legislation, and consequently avoids unjust results.

III. MISCHIEF RULE

This rule also called the rule in *Heydon’s case*, presupposes that behind every law that is made there is a mischief intended to be eradicated. The rule, therefore, requires the court to consider the antecedents, history, or the background to the statutes in order to ascertain the mischief intended to be remedied and to endeavour as much as possible to apply the law or interpret the statutes so as to suppress the mischief and enhance the remedy.

IV. “NOSCITUR A SOCIIS”

This rule states that the meaning to give a particular word is dictated by the context in which it is used. A word should not be construed in isolation but judged from the company it keeps.

- V. ‘EJUSDEM GENERIS’
This rule restricts the meaning of general words to things or matters of the same family as the preceding particular words. This rule is only appropriate where the particular words form a class or category, for example where the law allows the keeping of goats, cats, dogs, etc, lion and tigers cannot be included in the group. While those mentioned are domestic animals, lions and tigers are not.
- VI. “EXPREESIO UNIS EST EXCLUSSIO ULTERIUS”
This rule states that the express mention of one thing signifies the exclusion of all others not so mentioned. For example, where it is provided that the Principal and the Vice-Principal of this school shall not be absent without permission, class teachers are not caught under the provision.

FOUNDATION MANAGERIAL ECONOMICS

SOLUTION TO QUESTION 1

- a) Public Debt is the money owed by government to its citizens, and overseas resident.
- b) The two types of public debts are:
- 1 Domestic or Internal debt
They are debts owed to the citizens. It comprises the debt owed to local contractors
 - i. Owed by loans by ways of debt instruments e.g, treasury bill, treasury certificate, bond or debt loan stock.
 - ii. By ways or means of advances – overdraft facilities extended to the Federal Government by CBN
 - 2 Foreign or External Debt
They are debt owed to overseas banks or bodies by government or any debt granted to state government by Federal Government. They are debts owed to
 - Multinationals e.g, World Bank, Africa Development Bank, IMF.
 - Bilateral official creditors e.g London Club, Paris Club.
- c) Causes of Public Debt
- 1) High Budget Deficit - persistent deficits that were marred over the years led to continuous growth of the debt stock in Nigeria.
 - 2) Neglect of Non –oil sector - Government had in particular neglected agricultural sector which has indirectly contributed to Nigeria debt crisis.
 - 3) Rising Interest Rate on Commercial Loan – Accumulating high interest rate on loan have worsened the burden faced in servicing loans
 - 4) Short Term Loans being used to finance Long term Project
 - 5) Misappropriation/Mismanagement of Loans – corruption, political factors and personal gains of government officials who negotiated such contracts seemed to be the major factors in obtaining certain loans
 - 6) Reckless Contraction of Loans
 - 7) Extravagant expenditure profile
 - 8) Unrealistic Exchange Rate
 - 9) Poor Debt Management policies

SOLUTION TO QUESTION 2

a) 1 $TR = PXQ = (25000 - 2Q) Q$
 The first derivative of $TR = MR$
 Where δ is change between two points
 $\therefore MR = \frac{\delta TR}{\delta Q}$
 $= 25000 - 4Q$

$\therefore MR = 25,000 - 4Q$

2 $MR = 0$, WHEN $25,000 - 4Q = 0$

$\therefore 4Q = 25,000$

$Q = 6,250$

\therefore Since $P = 25,000 - 2Q$

$P = 25,000 - 2(6,250) = 25,000 - 12,500$
 $= 12,500$

\therefore At $MR = 0$, $P = \text{N}12,500$ $Q = 6250$

3. At maximum $\frac{\delta TR}{\delta Q}$ is negative
 ie if $TR = 25,000Q - 2Q^2 = 0$

$\frac{\delta TR}{\delta Q} = 25,000 - 4Q$

and $\frac{\delta^2 TR}{\delta Q^2} = -4$ (negative)

$\therefore TR$ is maximum

\therefore Equate $\frac{\delta TR}{\delta Q} = 0$, ie. $25,000 - 4Q = 0$

Implies that $Q = 6,250$

Also at $Q = 6,250$ unit $P = 25,000 - 2(6,250)$

$= 25,000 - 12,500$

$= 12,500$

$= \text{N}12,500$

b $e_p = -\frac{\delta q}{\delta p} \times \frac{P}{Q}$

Given the δd function, $p = 25,000 - 2Q$

To obtain $\frac{\delta q}{\delta p}$ we have to make Q the subject of the formula

ie $2Q = 25,000 - P$

and $Q = 12,500 - \frac{1}{2}P$

$\therefore \frac{\delta Q}{\delta P} = -\frac{1}{2}$

Also from above , we know that $\delta = 6,250$ and $P = 12,500$

$$\therefore \epsilon_p = \frac{-\delta Q \times P}{\delta P \times Q} = -(-\frac{1}{2}) \times \frac{12,500}{6,250}$$

$$\epsilon_p = \frac{-\delta Q \times P}{\delta P \times Q} = 1 = \frac{1 \times 2}{2} = 1$$

\therefore We find out that quality and price level at what TR in max price elasticity of $\delta D (\epsilon_p) = 1$

c. Characteristic of Perfect Market

1. Large number of buyers and sellers
2. Homogenous Market
3. Perfect Knowledge of resources
4. Perfect knowledge of all relevant information above the market

SOLUTION TO QUESTION 3

a. Location of an industry refers to the citing of an industry in a particular place due to the existence of certain favourable factor e.g, WAPCO located at Ewekoro because of the limestone found there , on the other hand , localisation refers to the concentration of many firms of an industry in a particular place . for example, the concentration of many firms producing leather product in Kano.

b. Objective of industrialisation

1. To provide more employment opportunities
2. To raise the standard of living by making possible the consumption of a wider variety of goods and services at relatively lower price.
3. To reduce the level of import thereby saving scarce foreign exchange.
4. To increase export earnings through the exportation of industrial goods.
5. To diversify the economy and reduce dependence on agriculture.
6. To provide ready market for agriculture products thereby encouraging agricultural productivity.
7. To increase amount of revenue available to government in order to further increase investment accelerate development.
8. To provide nucleus for the training of indigenous manpower and transfer of technology.

c. Argument for Location of Industries in Rural Areas

- 1) It will allow even development due to fairer distribution of industrial activities,
- 2) There will be increase in employment opportunities for rural dwellers thereby reducing rural-urban drift
- 3) It will lead to improvement in the social and economic infrastructure in rural areas that will enhance production in the industries
- 4) There will be increased income and standard of living for the rural people.
- 5) The general economic life of rural areas will be stimulated and enhanced
- 6) Many rural areas provide the needed raw material especially for agro-based industries making for easy tapping of the resources of the countryside
- 7) Suitable humid weather condition are sometimes found in rural areas

Argument Against Location Of Industries In Rural Areas

- 1) Poor transportation facilities in rural areas will lead to high cost of transportation of inputs and finished goods
- 2) Infrastructural facilities such as banks, means of communication, hospital etc which assist production are not well developed in rural areas
- 3) There is shortage of skilled manpower suitable for industry in rural areas
- 4) There is limited market for industrial goods due to the general low level of income in rural areas .
- 5) There is inadequate power and water supply in rural areas

- 6) There is absence of external economies of scale.

SOLUTION TO QUESTION 4

- (a) Foreign Trade is the trade two more countries of the world . It is otherwise called the international trade. It is a trade across the borders of country.
Domestic Trade is the trade within the country. I t is a trade within the borders of the country
- (b) Challenges of International Trade
- 1 The rise in foreign exchange or currency
Foreign Trade involve the use of forex or currencies . If Nigerian wishes to trade with another , Nigeria has to change her currencies for that of the country she is trading with. The problem of conversion of currency does not arise in domestic trade.
 - 2 Trade Restriction
There are a lot of trade rstriction like duties, tarriffs, quotas that are applied to foreign trade and make it difficult but domestic is free from such restriction
 - 3 Transport Cost
Foreign trade involves the transportation of good and services across the border and is more highly weighted as to prices of transportation in domestic trade.
 - 4 Mobility of factors of production
Mobilisation of factors of production especially labour, capital entrepreneurship is fair, i.e move more easily within a country in the case of domestic trade than between countries i.e foreign trade
 - 5 Language
Different languages spoken all over the world. This may hinder foreign trade. But language problem does not hinder as much in the case of domestic trade and does not disturb trade as much
 - 6 Differences in political, economic and legal system
These have much impact on foreign trade and they may hinder foreign trade and create problems. But they have less impact on problem on the domestic trade.

To minimize these challenges:

- i. Policies on foreign exchange should be relaxed to make it more accessible to business men and investors
- ii. Trade restrictive instruments like custom duties tariffs and quota usually applied to foreign trade should be made more workable with by investors.
- iii. Political policies about domestic trade should be made more business friendly
- iv. To reduce business expenses on transport costs on business across borders, domestic trade should be more encouraged.
- v. Reduce the stress involved in the mobility of factors of production on international business, domestic trade should be enhanced.
- vi. Avoid problems involved in differences in language, political, economic and legal system, government should encourage investors to get more involved in domestic trades

SOLUTION TO QUESTION 5

The central Bank of Nigeria is responsible for formulating and implementing the monetary policy of the government. The effective thrust of the policy goes a long way to stabilizing the economy. The policy statements the CBN issued for the financial system enable it to cntrol the supply of money and credit creation of Commercial Banks through quantitative and qualitative methods for the purpose of achieving macroeconomic goals in an economy. The methods are discussed below:

- a. Reserve Requirements
- b. Open market operation
- c. Discount Rate
- d. Credit ceilings
- e. Special Deposits

- f. Selective Credit Control
- g. Moral suasion

Reserve Requirement: This refers to the proportion of total deposit liabilities which the commercial banks are expected to keep as reserves. It is of two types: Cash Reserve Ratio and liquidity Ratio

- a Cash Reserve Ratio: is the ratio of commercial bank cash deposits with CBN to total demands, savings and time deposit liabilities whereas liquidity Ratio is the proportion of total deposits to be kept in specified liquid assets
- b Open Market Operation: This is the sale or purchase of securities and bills in the financial market by the CBN. This afford the CBN to influence the volume of liquid assets and levels of interest rate which will ultimately affect the money supply. These securities and bills traded by the CBN are not usually limited to government issues.
- c Discount Rate: The Central Bank may increase discount rate in order to check credit expansion. This action forces commercial banks and discount houses to increase their lending rate, hence, making borrowing to become less attractive. If , however, this aim is to encourage lending and thus investment, the CBN will lower the discount rate
- d Credit Ceilings: These involve the fixation of the commercial banks total credit to the domestic economy by the central Bank. If the Central Bank raises the ceilings, the increased lending operations will be undertaken and the money supply will increase. A lowering of the ceiling have opposite effects.
- e Special Deposits: In order to influence bank liquidity the CBN may call for special deposits. In order to raise such deposits , the commercial banks have to call in some of their loans, especially call money which are invested on a day to day basis
- f Selective Credit Control: This involves issuance of directives to the commercial banks on the proportions of total credit to be allocated to various sectors of the national economy.
- g Moral Suasion: This is simply a process by which the intentions and motivations of the Central Bank are clarified to the commercial as agents for monetary policy execution.

FOUNDATION MANAGEMENT INFORMATION SYSTEM

SOLUTION TO QUESTION 1

1.
 - i) A Computer Program is a sequence of instructions given to a computer to perform a specific task or tasks or solve a problem. They are also referred to as software.
 - ii) Algorithm and flow chart
An Algorithm is a sequence of clear instructions for solving a particular problem or task in known and finite number of steps or operations while a flow chart gives visual picture as well as flow of controls.
 - Flow chart is a diagrammatic representation of Algorithm
 - Flow chart is a visual guide while an algorithm is a list of sequence or steps
 - There are different types of flow charts that can use algorithm principles
 - iii) Functions of flow charts
 - Aids in communicating program flow
 - Show the diagrammatic steps involved in task
 - Present logical sequence of program flow

- Provides comprehensive overview of the entire system
- iv) Two types of flow charts
 - Program flow charts
 - System flow chart
 - Block flow chart
 - Procedure flow chart
- v) Challenges of Flowcharting
 - Misrepresentation of symbols
 - Inability to understand symbols
 - Linking loops and pages
 - Difficulty in understanding the problem.

SOLUTION TO QUESTION 2

2. (i) Cybernetics is the study of the science of communication and control in man and machine system.

A Cybernetic system is an adaptive system that continually adapts to changes in the environment by altering its structure (and or parts and or behaviour). A human being is a successful cybernetic system.

- (ii) An Open System is a system which interacts with its environments, receives inputs and influence from the environment and in turn passes back output and influences to the environment. For instance, a Social System.

A Closed system on the other hand is isolated from its environment. It is self-contained and does not influence/is not influenced by its external environment.

It applies to mechanical and physical system.

- (iii) Deterministic System is a perfectly predictable system. Outputs of the system can be predicted from the inputs. Examples are computer system, production system, etc.

A Stochastic System, however, is a probabilistic system where some states can be predicted from a previous state. Outputs can only be predicted as possible outcomes with a degree of probability. Examples could be predicting average stock level in a stock control system which is only a probability of the actual resources.

- (iv) Hard and Soft System

In a hard system, aims, objectives and goals are easily defined. There is a standardized way of making decisions. A good example of hard system is a centralized or bureaucratic system.

Soft systems are characterized by uncertainties and irregular mode of doing things. Here, it is difficult to define the aims and objectives because they are subjects to modifications and frequent amendment to suit a particular circumstance. Example is a decentralized system.

- (v) Challenges in Parallel System

- Time duplication
- Duplication of human efforts
- Duplication of stationery

- Delay in generating final or one report
- Confusion as to which report to adopt
- Sabotage by Staff/Personnel

SOLUTION TO QUESTION 3

Justification of the call to ban the importation of computers to this Country:

| S/N | MERITS | DEMERITS |
|-----|--|--|
| 1. | Will enable Local skill development | Lack of local skills power |
| 2. | Provide employment | Lack of Personnel |
| 3. | Country will not be made dumping ground | Political Barrenness |
| 4. | Generate Revenue for government | Lack of Raw materials |
| 5. | Enhance Technology base | Not enough local manufacturers |
| 6. | Enable development of Standards | Globalization |
| 7. | Reduce Proliferation/duplication of machines | Used as aid in many sectors of the economy |
| 8. | Reduce cash outflow, create export potential | Socially acceptable advantages of Computers – speed, accuracy, efficiency, reliability, handling large volumes |
| 9. | Enable policy on importation | Policy on importation |
| 10. | Expensive | |
| 11. | Result in capital flight | |
| 12. | Import causing inflation | |
| 13. | Local Content Initiative | |
| 14. | Prevent labour strike | |

SOLUTION TO QUESTION 4

- a Five factors to be considered in a choice of Computer to be acquired
- Nature and size of the business
 - Volume of data or transactions to be processed
 - Types of operating System
 - Compatibility of the operating system with the hardware system
 - Processing technique required like Batch processing or real time processing
 - Characteristic of the Processors including storage space
 - Wide range of options of the Computer whether it is of specific or general usage
 - Maintainability of the Computer
 - Cost consideration including acquisition, installation and maintenance.
- b A data base administrator is a computer specialist in charge of data base of an organisation.
- The Functions of a database Administrator includes:
- Co-ordination of the activities of programmers, Analysts and technicians dedicated to the service of database
 - He is the custodian of the data base
 - He determines the structure of the data base
 - Monitors the overall performance of database
 - Monitors the need of other users in the organization
 - Ensures the security of the whole data base
 - Designs the corporate data model of the organization
 - Implements the running of the data base
 - Co-ordinates the integration of data base applications

SOLUTION TO QUESTION 5

- a The following are the differences between Main storage and Auxiliary Storage
- (i) Main memory provide temporary storage facility within the Computer while Auxiliary Storage provides permanent storage outside the main system
 - (ii) Main storage cannot be used to generate output with system breakdown unlike Auxiliary storage.
 - (iii) Main memory provide Primary access to data in the Computer while Auxiliary storage provide Secondary access
 - (iv) Main memory holds data inputs before and after processing while Auxiliary memory are basically used for storing processed data.
- b The following include the differences between impact printers and non-impact printers
- (I) Impact Printer prints in character or line while non-impact prints a page at a time
 - (II) Impact printer makes noise while printing unlike non-impact printer that exhibits quiet printing
 - (iii) Impact printer costs less to obtain than non-impact printers
 - (v) Impact printer operates on low speed while non-impact printer operates on high speed
 - (vi) Non-impact printer generates high quality of text, and graphic print and colour than impact printer.
- c
- i. LAN – Local Area Network
 - ii. MAN – Metropolitan Area Network
 - iii. WAN – Wide Area Network
 - iv. PAN - Personal Area Network
 - v. CAN – Campus Area Network
- d Challenges of Networking
- i. Breakdown of central server
 - ii. Installation cost
 - iii. Maintenance cost
 - iv. Skill (Manpower requirement)
 - v. Control issues
 - vi. Power failure
 - vii. Virus infection
 - viii. Human factors