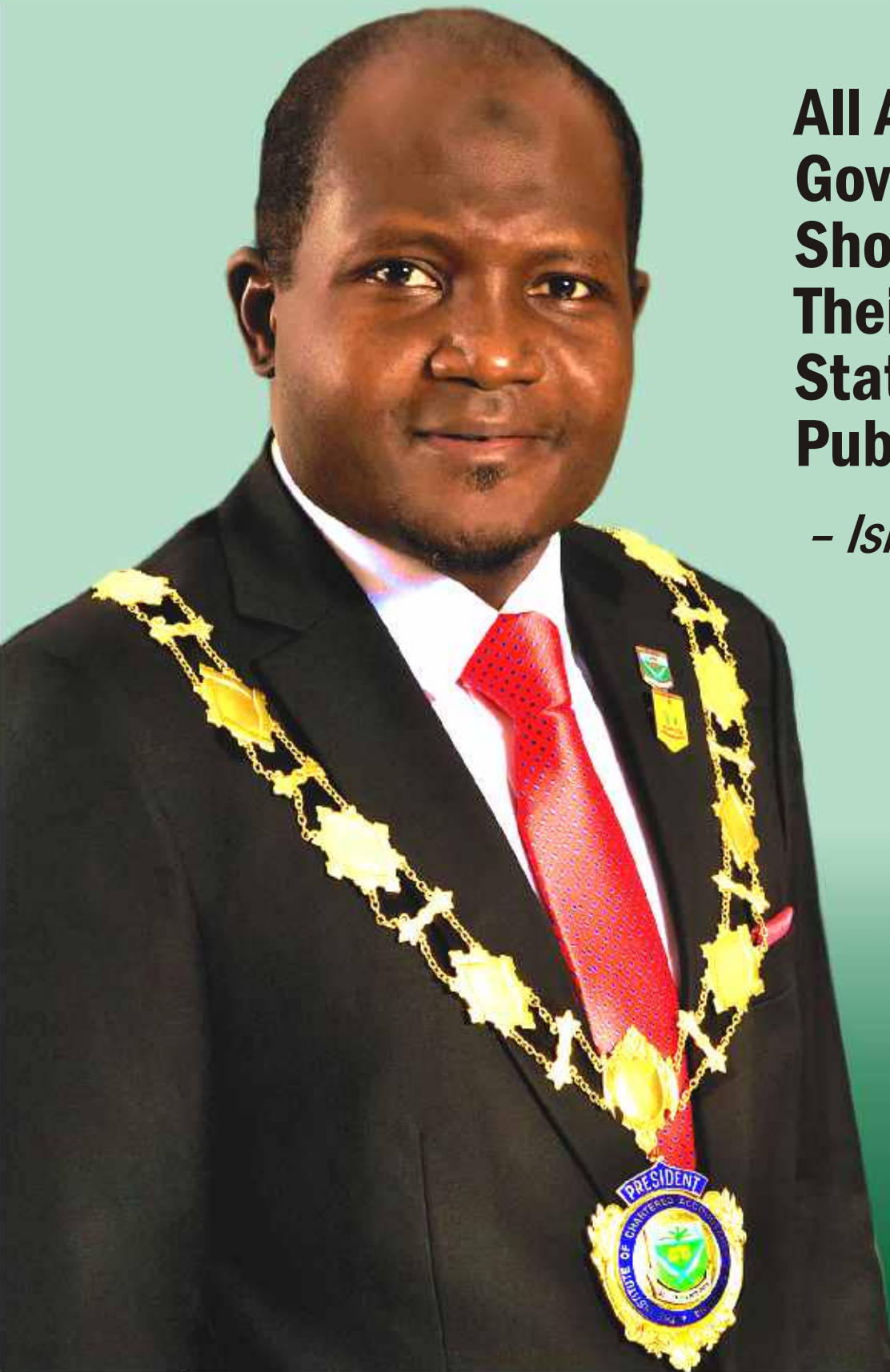




ICAN^{STUDENT} STUDENTS' JOURNAL

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**All Arms of
Government
Should Make
Their Financial
Statements
Public**

– Isma'ila Zakari

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Editor's Note

The baton of leadership of the Institute changed hands on Tuesday, May 30, 2017 with the election of the 53rd President, **Ismaila Muhammadu Zakari, mni, BSc, FBR, FCA** and other officers that will pilot its affairs for the next one year.

In his acceptance speech, Zakari revealed how he made up his mind as a form two student at Kings College, Lagos, to pursue a career in Accounting and become a chartered Accountant.

He stressed further how he was inspired after he met a Fellow of the Institute and former Central Bank Governor, Alhaji Abdulkadir Ahmed, who was appointed to the exalted position by virtue of his being a Chartered Accountant. Zakari never looked back until he qualified as a professional Accountant.

In his interview with the editorial team of this journal, the eloquent Zakari spoke on several issues affecting Nigeria as a country, especially the lack of financial statements by all tiers of government.

He was of the opinion that if government really wants to fight corruption and follow the path of integrity, all financial statements from all tiers of government must be made public.

He also frowned at the inability of government to promote the training and implementation of the International Public Sector Accounting Standards (IPSAS) despite the fact that the Financial Reporting Council (FRC) raised substantial amount of money for such.

* * *

You will also read in this edition, the contribution of the Deputy Registrar, Technical Services, of the Institute, Dr. Ben Ukaegbu on the article entitled **"Capital Asset Pricing Model and Cost of Capital."**

As usual, we publish some past questions and solutions to guide our students on how to tackle examination questions in future. The detailed reports of all these and other regular columns are contained in this edition.

* * *

Your comments and contributions are welcome. Please contact the Editor via: corporateaffairs@ican.org.ng or aoololabi@ican.org.ng

ICAN Elects New President, Other Officers

The Institute of Chartered Accountants of Nigeria (ICAN) has elected new officers to run its affairs for the next one year. Isma'ila Muhammadu Zakari, mni, FBR, FCA emerged as the 53rd President. His investiture took place after an election on Tuesday, May 30, 2017 at the Institute's Secretariat in Victoria Island, Lagos.

Also elected are: Alhaji Razak Jaiyeola, BSc, ACFE, CRISC, FCA as Vice President; while Mazi Nnamdi Okwuadigbo, BSc, FCA and Mrs. Onome Joy Adewuyi, BSc, MSc, FCIB, FCA were elected 1st and 2nd Deputy Vice Presidents respectively. Chief Oyemolu Olugbenga Akinsulire, MSc, MBA, FNIM, FCA became the Institute's Honorary Treasurer.

The President, **Alhaji Isma'ila Muhammadu Zakari**, is the Managing Partner of Ahmed Zakari & Co. (Chartered Accountants), a firm he co-founded in partnership with other professional colleagues in 1998 providing Auditing & Assurance, Tax, Advisory, Insolvency, Business Consulting and Business Valuation services to a wide range of clients in Nigeria.

As Managing Partner, he is responsible for providing leadership and strategic direction to a resourceful team of multi-disciplinary professionals providing high quality client service engagements thereby creating value for numerous clients in the private and public sectors.

Zakari is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and a member of the ICAN Governing Council since 2004. He has served on many ICAN Committees as chairman or

member at different times. He is also a Fellow of the Business Recovery and Insolvency Practitioners Association of Nigeria (BRIPAN) where he also serves as Council Member.

He graduated from the prestigious Ahmadu Bello University Zaria in 1986 and Kings College Lagos in 1982.

He is a member of the National Institute for Policy and Strategic Studies (NIPSS) Kuru Jos having successfully attended the Senior Executive Course No. 33 in 2011.

Zakari has attended numerous training courses in Nigeria and overseas. He is a regular speaker in the fields of Accounting, Auditing, Taxation, Corporate Finance, Insolvency, Leadership and Practice Management.

He is actively involved in serving the public interest and the development of his



Zakari

community. He serves on the Board of Trustees of Jigawa Forum in his home State – Jigawa State, Nigeria. He is happily married with children.

* * *

The Vice President, Alhaji Razak Adeleke Jaiyeola, is a Fellow of the Institute of Chartered Accountants of Nigeria, and Chief Consultant of A.J. Silicon Consult.

He holds a Bachelor of Science Degree in Chemistry from University of Ife (Now Obafemi Awolowo University) in 1974. He enrolled and passed all the successive stages of the Institute of Chartered Accountants of Nigeria examinations in a record time. During his professional examination days, he

won a prize in AUDITING at intermediate level and FIRST MERIT POSITION prize at the final level in 1980 when he qualified.

Alhaji Jaiyeola is very passionate about information technology. He is a member of Information Systems Audit and Control Association (ISACA), Institute of Software Practitioners of Nigeria (ISPON), Association of Certified Fraud Examiners (ACFE) and Certified in Risk and Information Systems Control.



Jaiyeola

He started his accounting career in 1977 at Coopers and Lybrand, an international accounting firm (Now PriceWaterHouseCoopers). To date, he has a total of 38 years' experience spanning all areas of Accounting, Financial Information Technology Consulting, Information Systems Auditing, IFRS/IPSAS Training, Consulting and Implementations, Taxation, Secretarial, Insolvency and Management Practice.

He worked at A.C. Christlieb Group, Ayor Group consisting of Nigeria Distilleries, Sphinx, Philbit, Bems etc and Olusola Adekanola & Co before becoming Chief Executive of Consolidated Management Consultants during which he was the Project Director for Computerized Financial Consulting for Ogun and Niger States Water Agencies under the National Water Rehabilitation Projects funded by the World Bank.

As the Chief Executive of A. J. Silicon, he has handled several Consulting assignments including, design of Financial Management System under the Nigerian Community Development project funded by the World Bank, design of the Accounting System and financial procedures manual for Universal Basic Education project in Nigeria, Computerization of Accounting, Human Resources and Audit of West African Examinations Council as well as world bank funded financial and economic assessment of all irrigation projects in Nigeria under the River Basin Development Authorities among others.

He was a Co-Development and Implementation Consultant for ICAN Technology Competence Initiative (TCI) which was a practical IT training precondition for induction of ICAN qualified students' into the profession. A leader in the training of Certified Information Systems Auditor (CISA) in Nigeria as well as

foremost trainer in Full IFRS, IFRS for SMEs and IPSAS. He also offers IFRS Consulting and Implementation. He has delivered many highly researched and topical papers at different fora including Accountants' conference, ICAN faculty, district societies, regional conferences and ICAN MCPE programs among others.

He also served several committees, subcommittees and adhoc committees of the Institute as Chairman, Deputy Chairman and member such as Information Technology Committee, Students' Affairs, Publication and Image as well as Professional examinations committee among others. He is a pillar of Consulting & IT faculty where he has served as the Vice Chairman since inception. He was Council Coordinator of various district societies such as Port Harcourt, Osun, Ondo, Akure, Ekiti, Benin etc.

Alhaji Jaiyeola is happily married and blessed with five children, of which four are qualified accountants. Two of them are fellows of the Institute. Three of the children are also Certified Information Systems Auditors (CISA) with several IT certifications.

He has attended numerous training courses and is a regular speaker in the fields of Accounting, Auditing, Taxation, Corporate Finance, Insolvency, Leadership and Practice Management.

He is actively involved in serving the public interest and the development of his community. He serves on the Board of Trustees of Jigawa Forum in his home State – Jigawa State, Nigeria.

* * *

The 1st Deputy Vice President, **Mazi Nnamdi Okwuadigbo** attended ZIK Institute of Commerce, Onitsha and passed out in 1971 with Grade 1. He proceeded to the University of Nigeria Nsukka (UNN) where he graduated with second class upper in Accounting in 1977.

He qualified as an Associate of the Institute of Chartered Accountants of Nigeria (ICAN) in 1981 and became a Fellow in 1987. He has been a member of the Institute's Governing Council since 2007 till date. He has served on many ICAN Committees either as Chairman, Vice Chairman or Member and he is currently a member of the AAT Disciplinary Tribunal.

Okwuadigbo is also a Fellow of the Chartered Institute of Taxation of Nigeria (CITN), the Nigerian Institute of Management (NIM) and Associate of Business Recovery and Insolvency Practitioners Association of Nigeria (BRIPAN).

At the District level, Mazi Okwuadigbo was Chairman of Portharcourt & District Society of ICAN from 1989- 1991; Chairman of Council of Past Chairmen, Portharcourt from 2004 till date; Editor, Portharcourt and District Magazine from

2005 - to date; Member/Adviser, Eastern Districts Accountants Conference from 2006-date; and Chairman of session at the 8th Western Zonal District Society in 2014. He has been Coordinator of Jos, Yenagoa, Aba, Ojo Badagry and Agbara at various years.



Okwuadigbo

Mazi was the Chairman of Rotary Internationally District 9140, Polio Plus Eradication 2001-2002. Apart from being an award winning and accomplished journalist, Okwuadigbo has travelled wide. He is married and blessed with children.

The 2nd Deputy Vice President, **Mrs. Onome Joy Adewuyi** graduated with a B.Sc degree with second class honours (Upper Division) in Accounting from the University of Benin in 1982 and M.Sc degree in Banking & Finance from the University of Lagos in 1993. She is an alumnus of the Harvard Business School, Boston Massachusetts USA; the Wharton Business School of Pennsylvania, USA and the Kellogg Business School, Chicago USA. She is also an alumnus of the International Banking Summer School, USA and the Lagos Business School.

She began her career with Texaco Nigeria Plc. as the Treasury and Investment Accountant. She later joined the Nigerian Intercontinental Merchant Bank Limited where she started her banking career. She worked in Fidelity Bank Plc. for close to two decades where she rose to the position of the Executive Director, Risk Management. She has over 3 decades of experience in banking and financial management.

Mrs Adewuyi, in conjunction with Deloitte of South Africa, was responsible for the implementation of Fidelity Bank Plc. Enterprise Risk Management System in 2008. This

culminated in the setup of distinct Credit Risk, Market Risk and Operational Risk Division of the Bank which is still in use at Fidelity Bank Plc. She is a faculty of the Financial Institution Training Centre and other private training institutions on Risk Management (Credit and Operational Risks).

She is a Fellow of both the Institute of Chartered Accountants of Nigeria (ICAN) and the Chartered Institute of Bankers of Nigeria (CIBN). She is also a member of the Governing Council of ICAN and represents ICAN on the Governing Council of the Financial Reporting Council of Nigeria (FRCN). She has been Honorary Treasurer of ICAN for three times consecutively: (2011-2012; 2013-2014 and 2014-2015). She was a past Chairperson of the Society for Women Accountants in Nigeria (SWAN). She is a member of the Institute of Directors and currently serves on the Boards of Law Union & Rock Insurance Plc. and Dominion Trust Limited as Non-Executive Director.

Mrs. Adewuyi is currently the Executive Director, Finance & Admin of Cynergy



Adewuyi

Platforms Limited. She has passion for charity works and development of the indigent girl child and she runs a scholarship scheme for Anglican priests and indigent children attending Nigerian universities. She is married and blessed with children.



The Honorary Treasurer, **Chief Oyemolu Olugbenga Akinsulire** is a graduate of Accountancy & Finance from Yaba College of Technology where he obtained his Higher National Diploma and BSc. (Hons.) in Accounting from Olabisi Onabanjo University Ago-Iwoye. Additionally, Chief Akinsulire holds MBA from Kensington University Glendale, California USA.

Chief Akinsulire is a Fellow of The Institute of Chartered Accountants of Nigeria (ICAN); a Fellow of the Chartered Institute of Taxation of Nigeria (CITN) and a Fellow of The Nigerian Institute of Management (Chartered) (NIM). He had extensive banking experience at Union Bank of Nigeria Plc and First Bank of Nigeria Plc.

In the service to the Institute, Chief Akinsulire had served the Institute in various capacities as following:

- Resource person in Strategic Financial Management for the Institute since 2000 till date.
- Member of the syllabus review committee for the Institute in 2000, 2004 and 2008
- Co-author of the maiden edition of the

Institute's study pack on Strategic Financial Management

- Deputy Chairman of the Annual Accountants Conference in 2014 as well as a member of various other committees.
- Chief Akinsulire is a member of the governing Council of ICAN since 2013.
- Presently, he is the Treasurer of the Association of Professional Bodies of Nigeria (APBN)

At the home front, Chief Akinsulire is a former National Chairman - Ekimogun Day planning committee (1997 - 1999) and was honoured with the chieftaincy title of Ogbodu of Okesare in Ondo City (Ondo State) in 1999 by the Osemawe of Ondo kingdom after earlier being bestowed with the Liiken Yemoja chieftaincy title in 1998.

He is an author of repute, who authored the textbook on Financial Management which is widely used by professional accountancy/banking as well as University /Polytechnic students nationwide.

Presently Oye is the Managing Director of Safe Associates Limited (an accredited tuition



Akinsulire

centre by ICAN) and also doubles as the Managing Consultant of Oye Akinsulire & Associates, a firm of Financial, Management and Tax Consultancy advisers.

ICAN tasks AATWA Members to be Good Ambassadors

The newly inducted members of the Association of Accounting Technicians West Africa (AATWA) among whom was the best qualifying candidate, Miss Suliat Temidayo Raji have been urged to be good ambassadors of the Institute as well as the accounting profession irrespective of the sector of the economy they are employed or engaged as an entrepreneur.

The charge was given by the 53rd President of the Institute, Mallam Isma'ila Zakari at the 46th AATWA induction ceremony held on Thursday, June 22.

In his address, the President passionately congratulated Miss Raji on the great feat amidst her peers adding that she is a special ambassador of the Institute and should do everything to keep the integrity of the Institute and

that of the Profession.

Addressing the 495 newly inducted members of the association, Mallam Zakari observed that their admission marks the beginning of an honourable professional career path that offers them self-fulfillment, social respect as well as unrestricted prestige.

He said, "it is therefore important for you to guard your achievements jealously by displaying objective, sound technical knowledge and exemplary character in your work and elsewhere at all times. The Accounting Technician is trained to function effectively in both the public and private sectors of the economy. The competence you exhibit will convince the public and the organizations you serve, that you are truly a professional in your own right."

According to the Chairman, AATWA, Alhaji Razak Jaiyeola, the Accounting Technicians' Scheme (ATS) was established by the Institute in 1989 with the primary objective of providing competent and technical middle level accounting personnel for the Accounting Profession and to meet the needs of the Nigerian economy. The Scheme provides a recognised qualification for competent middle level staff to support practising Accountants, Auditors, Management Consultants, Financial Institutions, Industries, Commerce and the Public Service. Indeed, the Accounting Technicians' Scheme provides a range of opportunities for numerate persons who wish to develop worthwhile careers in Accountancy and related fields in all sectors of the economy.

* * *

ICAN Donates Lecture Theatres to UNIPORT

The President of the Institute, Ismaila Muhammadu Zakari was in Port Harcourt, Rivers State, recently to lay the foundation of the Lecture Theatre donated to the Accounting department of University of Port Harcourt by the Institute.

Speaking at the occasion, the President reiterated that the gesture was part of the Institute's resolve to contribute to the growth and development of the accountancy education and profession in Nigeria.

Mallam Zakari assured the University authority that ICAN's gesture to the

university will further strengthen the relationship which started since 1988 between the two organizations.

The management of the institutions was full of gratitude to ICAN for the uncommon gesture and promised that both the staff and students will offer their support over the project, as the building would be judiciously put into use.



President, Ismaila Muhammadu Zakari performing the foundation laying ceremony at University of Port Harcourt while other dignitaries watch

Examination Malpractice: ATSWA Student Blacklisted

In line with its discipline and zero tolerance for examination malpractices, the Institute has blacklisted a student caught cheating during the March 2017 diet of ATSWA examination.

The student, **Igwe Mildred Obumneke**

was caught Tuesday March 14, 2017 at Abakaliki Centre, with pre-written materials related to "Principle of Auditing" paper he was writing.

After a thorough investigation, the Council of the Institute approved that the student be blacklisted and banned

from all the Institute's examinations. He was subsequently deregistered as a candidate of the Institute and have all the papers taken during the March 2017 diet ATSWA examination cancelled.

Strengthening Accountancy Through Professional Development and Advocacy is my Focus - *Zakari*

The President of the Institute, **Isma'ila Muhammadu Zakari** has reiterated that the Institute's goal during the 2017/2018 Presidential year is to enhance accountancy profession through professional development and advocacy.

Speaking at his investiture on May 30, 2017 in Lagos, Zakari disclosed that he intends to take the ICAN brand to new heights and fulfil its vision to be a leading global professional accountancy body that creates value for its stakeholders.

"As we enter our next phase of growth, it is crucial for ICAN to enhance its focus and relevance. In this regard, our goal during this Presidential year is to enhance the profession and help strengthen the infrastructure of the accountancy sector while supporting our members in various ways," he declared.

He observed that the Nigerian nation is currently going through very difficult times, caused by large scale corruption and sharp practices by leaders both in low and high places. He therefore promised that during his tenure, the Institute shall make sustained efforts towards building a good and harmonious working relationship with the National Assembly.

"The role of the National Assembly in law making is of utmost importance and we shall deepen our relationship and explore ways of

partnering towards law reforms that are in the best interest of Nigerians. We shall make our inputs into matters of national importance, especially in the areas of financial reporting and good governance towards a better Nigeria".

"To achieve this objective, we shall among other objectives take a lead role in influencing public policy, standards and regulations; demonstrate leadership of the profession; engage sabbatical participants for periodical studies and contributions to national and international debates; be a vital commentator and reliable source of trusted information for our members and the society," he declared.

Speaking further, Zakari maintained that ICAN as a leading global body of accountancy profession would actively involve in evolving various indices for accountability measurement.

"This will culminate in the rating and assessment of public sector organizations with a view to rating their compliance best practices in public financial management and international public sector accounting standards. We shall endeavour, on an annual basis to extend the level of analysis to all levels of governance, that is, the federal, state and local government".

On members and students' development, the ICAN President harped on improved

communication with members to sustain the enriched benefits of being a member of a global professional body, while syllabus and learning outcomes shall be aligned with the need of industry and commerce in order to make ICAN graduates relevant to the market place.

"We shall continue to improve the quality of our learning resources by constantly updating them while supporting tuition houses and tertiary institutions. The professional syllabus will be due for a review during this presidential year, to this end we shall proactively put all machinery in place to ensure that the new scheme is comparable to international standards," he added.

Declaring the theme of the Presidential year as "**ICAN: On the Rise**" the ICAN. President described attaining leadership of great multi-skilled professional Institute as a great challenge but promised to forge ahead with the support of all members.

Also elected to serve with Mallam Isma'ila Muhammadu Zakari, in the next one year. were: Alhaji Razak Jaiyeola as Vice President; Mazi Nnamdi Okwuadigbo as 1st Deputy Vice President; Mrs. Onome Joy Adewuyi as 2nd Deputy Vice President and Chief Oye Akinsulire as the Honorary Treasurer of the Institute.



53rd ICAN President with ICAN Past Presidents at the investiture ceremony.

LIST OF RECOGNISED TUITION CENTRES

S/N	RECOGNISED TUITION CENTRES	ADDRESSES	E-MAIL	TELEPHONE
1	Able God Professional Tutors	47, Ikotun/Egan Road, Market B/stop, Igando, Lagos	agpcentres@yahoo.com	08028430567
2	Accountancy Training Centre, Makurdi	Uni-Agric Road, Opposite First Gate, Makurdi, Benue State	gealfred@yahoo.com	07038068866, 08053559666,
3	Accuracy Tutors, Aba	No 76, St Michael's Road, Aba, Abia State	ijiomao@yahoo.co.uk	8068548135
4	Alphamarshall Professional Limited	72, Mbanjo Street, Phase 3, Kubua, Abuja	muge@alphamarshall.org	08068798944
5	Atlas Professionals Limited, Ota, Ogun	BELLS University of Technology, Ota Ogun State	atlasprofessions@gmail.com	08033195330, 08053947907
6	Best Option Tuition Centre, Makurdi	9, kashim Ibrahim Road, Makurdi, Benue State	terencegoddy@yahoo.com	8034932068
7	Bratim Training Centre Limited	Ground Floor, National Library Building, Adjacent Reiz Continental Hotel, Central Area, Abuja	tejan@bratim.com	08059125288, 08030408384
8	Career Intelligent Professionals	New Capital School, 17/30 Kwame Nkrumah Crescent, Asokoro Abuja	careerip@yahoo.com	08077303645
9	Crest Professional Tutors	Plot 238/240, Apapa Oshodi Expressway, Odo-Olowu Bus stop, Ijeshatedo, Lagos	crestprofessionals@gmail.com	08056243941, 07025289695,
10	Deo-Gratia Professional Tutors, Oshogbo	25, Oyedokun Street, Ago-Wande, Oke -Onitea Road, Oshogbo, Osun State	deogratiasp.t.edu@gmail.com	08033721559
11	Edge Educational Services & Logistics	47, Athur Eze Avenue (Emmaus House), Awka, Anambra State	edgelogistics15@gmail.com	08060053496
12	Edo Wyse School of Professional	75/98, Arthur Eze Avenue, by Unizik Temp-Site Junction, Awka, Anambra state	edo-wyse@hotmail.com,	08033036184
13	Excel Professional Centre	11, Queen Elizabeth Road, Mokola, Ibadan, Oyo State	fidelisabahu@yahoo.com,	07038584227, 08065303399
14	Excellent Associates Tutors	African Church Model College, College Road, Ifako-Ijaiye, Ogbia Lagos	excelprofessionalcentreng@yahoo.com,	07081488611
15	Excellent Tutors, Abakaliki	7, Water Works Road, Abakaliki	moolaoluwa@yahoo.co.uk	08025112972, 07060616956
16	Foresight Professional Institute	24 Road Opposite H Close, Festac Town, Lagos	excellentsociates@yahoo.co.uk	08037805177
17	Galaxy Professional Tutor & Consultant	L.E.A Primary School, by Mopol Junction, Opposite Diamond Bank Plc, Nyanya, Abuja	emmakwakwa2009@gmail.com	08033164620
18	Global Focus Initiative Consulting Co.	Junior Secondary School, Apo Legislative/National Assembly Quarters, Zone B,Apo, Abuja	foresight_professional@yahoo.com	08063513106, 08056922440
19	Integrity Professional Academy, Warri	253 Warri Sapele Road, Warri	galaxytutors11@yahoo.com	081505496912, 09091591598
20	IQ Bryte, Ipaja Lagos	Towergate Private School, Falola Street, Off Church B/Stop Ipaja, Lagos	gfcproftutors@gmail.com	08028808182 08060008880, 08028808182
21	JK Consulting Co. Ltd, Abuja	4th Floor, Wing B, City Plaza; Plot 596, Ahmadu Bello way, Garki II, Abuja	pintegrity@yahoo.com 08028808182	08062933469, 08171890482
22	Knight Business School, Oyingbo	80, Murtal Mohammed Way, Ebute-Metta	iqbryteprofessionals@yahoo.co	08056247230
23	Maximum Professional Associate	27, Duduyemi Street(Salvation House) off Olugbede Market, Egbeda	eagle@jkconsulting-ng.com	08034034195, 08084369290
24	Legacy Associate Limited	Olatunji HSE/Legacy HSE, 299/295, Ikorodu Rd, Idiroko B/stop, Maryland, Lagos	braingro@yahoo.com	08171978351, 08132787287
25	MSL, School of Accountancy & Mgt. Studies	L8, Ahmadu Bello Way, Katsina Round-about, same building with Studio 24, Kaduna, Kaduna State	kingsleyodion@gmail.com	08028719480, 08063330748
26	Networth Professional Tutors, V/I	1 Bishop Aboyade Cole Street, Opposite ExxonMobil House, Off Ozumba Mbadiwe, V/I	legacyassociates@ymail.com	08038492871
27	Onitsha Business School, Onitsha	19A Lady Regina Nwankwu Avenue, GRA, Onitsha, Anambra State	mucomail@yahoo.com	08182429689, 07015688772
28	Password Professional Tutors, Akoka	Oluwole Pry School Complex, Beside Unilag Main gate, Akoka	info@networthacademy.com	09080331374
29	PLUM Academy Limited	336, Lagos Abeokuta Expressway, Super B/stop, Abule-Egba, Lagos	www.networthacademy.com	08037060685, 08059271049
30	Portarcourt School of MGT & Economics	6B, Abeokuta Street, D/Line Port Harcourt, Rivers State	info@onitshabusinessschool.com	08097526579
31	POSSE Associates Tutors, Enugu	WTC Primary School Compound, Off WTC B/Stop, Near University of Nigeria, Enugu Campus (UNEC)	pwplimited@yahoo.com	08083687713, 08078635086,
32	Potec Training Centre, Port-Harcourt	1 Chinda Street, Off Stadium Road, Opposite BEKO Port-Harcourt	plumacademytld@yahoo.com	08061382365
33	Precept with Passion	164, Iju Road,Opposite Fagba grammar school, Station Bus -Stop, Agege	info@phsme.com.ng	08056425355, 08169998886
34	Professional Tutor for Success	PTS Building, Opposite NUJ Secretariat, Iwo/Ibadan Road, Dada Estate, Oshogbo, Osun State	posseassociates@yahoo.com,	08038036940
35	Protrac Associates Limited	1, Lagos Road, Ikorodu, Lagos	sesan.sosanolu@yahoo.com	8033403848
36	Real Professional Tutors	Wuse Zone 6, School Compound, behinde Oando filling Station, Abuja	potectrainingcentre@yahoo.com	08053642805
37	Risk Free Standards Associates Limited	5, Olusoji Idowu Street, Off Association Avenue, Ilupeju, Obanikoro B/Stop, Lagos	ptotsogbo@gmail.com,	08023526689, 07031927805
38	Safe Associate Limited	31, Ore-Ofa Street, Gbaja, Off Barracks B/Stop, Onitolo, Opposite Laspotech Surulere Campus, Lagos	ayojayioibe@yahoo.com	08033050586, 08033827712
39	Salvage Professional School, Ibadan	9, Kabiawu Street, Opp. Veterinary, Mokola Ibadan	protract@protraconline.org	08136111191, 036184645
40	Sapati International School	Off Ajase-Ipo Road, Sapati-Ile Road, Ilorin, Kwara State	realtutorsltd@hotmail.com	08023050654, 08039475507
41	Sky Associates Nigeria Limited	LEA Primary School, Wuse Zone 3, Abuja	riskfreestandards@yahoo.com,	013423986
42	Starry gold Academy	Suit D2 Alhaja Humani Shopping Mall, 82 Kudirat Abiola Way, Oregun, Lagos	seyiolanrewaju@yahoo.com	safeican@yahoo.com, oyemolu@yahoo
43	Students SWOT Associate, Enugu	3, Independent Layout, PRODA office, Opposite Hotel Presidential, Enugu	sabammeke@yahoo.com,	08033304599, 08023210622
44	Students PYE Nigeria Limited	14, Owheh Street, Jibowu Lagos	salvageconsultants@yahoo.com	08057411108
45	Superiorpoints Associates Limited	148 Olojo Drive, FCMB Building, Opposite Ojo Local Govt Secretariat, Ojo	yomimajor@yahoo.co.uk,	08067923014, 08034661929
46	Sure Success Better Consult, Lokoja	Ule Close, GRA, Lokoja, Kogi State	principalsapati@yahoo.com	08033176283, 08033144671
47	SQUAD Associates	Ojodu Junior Grammar School, Grammar School B/S Berger	skyassociatetutors@yahoo.com,	07038174484
48	Synergy Professionals,	2, Afric Road, Off Funsho Williams Avenue, Iponri, Surulere, Lagos State	sundayadeniyiogunmuyiwa@yahoo	08023428420, 08123189141
49	Taraba Business School, Jalingo	Opposite Civil Service Commission, 183 Hammaruwa Way, Jalingo	starry.gold3@yahoo.com	08060844790, 08034924565
50	Top Professional Solutions,Port Harcourt	5B, Omerelu Street, GRA Pahse 1, Port Harcourt	chineduokolo15399@yahoo.com	08055776374
51	TopTalented Tutors, Lekki	Al-Akeedat College Beside Mega Chiken, Ikota, Lekki, Lagos	08060844790, 08034924565	08055776374
52	Topnotch Learning Centre Ltd, Abuja	Suite 23, 2nd Floor, O'neal Centre, Plot 360 Obafemi Awolowo Way, Jabi, Abuja	gomoregbee@yahoo.com	07064963490, 07044913730
53	Trace Professional Associates Limited	Answer-ul-Islam Girls High School, Km 27, Lagos/Abeokuta Exp. Ahmadiyya B/S Ijaye Ojokoro	suresuccess4real@gmail.com	08027870760, 08077175165,
54	Treasurerhall Training, Festac, Lagos	Waterfront Plaza, 1st Avenue, Near 1st Gate Festac Town, Lagos	idrisalabi@yahoo.co.uk	08053956630
55	Triumph Dynamics Professional Limited	UMC Demonstration School, Molete, Ibadan, Oyo State	synerprofs@yahoo.com	08028635966, '08038314631
56	WYSE Associates Limited	C/O Immaculate College Compound, Maryland, Lagos	gayinka2006@yahoo.com	07050571587

Capital Asset PRICING MODEL and Cost of Capital

By Dr. Ben Ukaegbu

This article look at Capital Asset Pricing Model (CAPM) and its components and assesses how it can be used to estimate the cost of capital and apply the asset beta equation.

Under examination scenario, candidates are often required to apply CAPM equations to determine a discount rate to calculate the Net Present Value (NPV). In discursive elements of the question, candidates may be expected to differentiate between systematic and unsystematic risk and the assumptions on which the capital asset pricing model is based.

Risk and CAPM

CAPM can be used to establish the proxy equilibrium market value of a company's shares. It can also be used to establish the cost of a company's equity and the company's average cost of capital (WACC), taking into consideration the risk characteristics of a company's investments, both business and financial risk. CAPM therefore provides an approach to establish a cost of equity capital which is an alternative to the dividend valuation model which relates risk to returns.

Component of CAPM

CAPM segments risk into two components. Systematic (market) risk and unsystematic (unique or peculiar) risk. Systematic risks are market wide factors, such as the state of the economy, risks that



cannot be diversified away moment. For example, at the moment, the Nigeria economy is undergoing economic recession pressures and the impact of the recession affects all companies. The implication of systematic risk is that firms operating in this economic environment cannot diversity away such risks. In other words, firms operating in the Nigerian environment at this moment may not be able to diversity systematic risk unless they invest outside the country.

Unsystematic Risk on the other hand is risk peculiar to a sector and therefore can be diversified away. If an investor holds shares in just a few companies there will be some unsystematic risks as well as systematic risk in the portfolio, because the investor would not have spread the risk enough to diversity away the unsystematic risk. To eliminate unsystematic risk, the investor must hold up a well-

diversified portfolio of investments. If an investor holds a balanced portfolio of all the stocks and shares on the stock market, the investor will incur systematic risk which is exactly equal to the average systematic risk in the stock market as a whole.

Systematic Risk and CAPM

CAPM is mainly concerned with how systematic risk is measured (using beta factors) and with how systematic risk affects

required returns and share prices.

CAPM'S Propositions

The theory of CAPM includes some of the following propositions: investors in shares require a return in excess of the risk-free rate to compensate them for systematic risk. Investors do not require a premium for unsystematic risk because of their ability to hold a diversified portfolio. CAPM also proposes that investors would require a higher return from shares in those companies where their systematic risk is greater because risk varies between companies.

CAPM and Capital Investments by Companies

The foregoing propositions can be applied to capital investments by companies. A company will want a return on a project to exceed the risk-free rate, to compensate it for systematic risk. As unsystematic risk can be diversified away, so a premium for this risk should not be

Features

required and companies would expect a higher return on projects where systematic risk is greater.

The formula for CAPM is mostly included in the examination formula sheet and is as follows:

$$E(r_i) = R_f + \beta_i(E(r_m) - R_f)$$

$E(r_i)$ = return required on financial asset, i ,

R_f = risk-free rate of return

β_i = beta value for financial asset, i

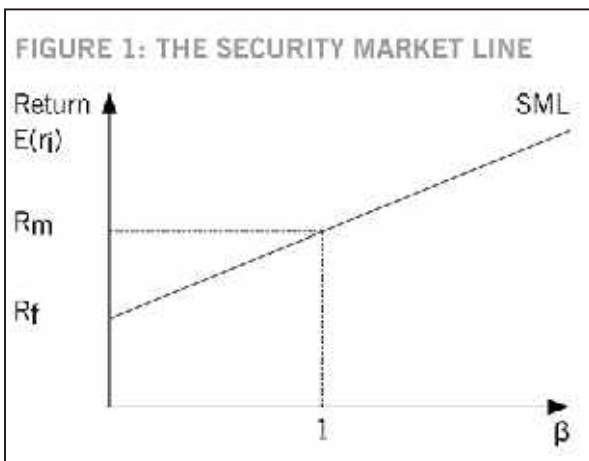
$E(r_m)$ = average return on the capital market.

The formula expresses the required return on a financial asset as the sum of the risk-free rate of return and a risk premium – $\beta_i(E(r_m) - R_f)$ – which compensates the investor for the systematic risk of the financial asset. If shares are being considered, $E(r_m)$ is the required return of equity investors, usually referred to as the 'cost of equity'. The formula is that of a straight line, $y = a + bx$, with β_i as the independent variable, R_f as the intercept with the y axis, $(E(r_m) - R_f)$ as the slope of the line, and $E(r_i)$ as the values being plotted on the straight line. The line itself is called the security market line (SML), as shown in Figure 1.

In the real world, there is no such thing as a risk-free asset. Short-term government debt is a relatively safe investment, however, and in practice, it can be used as an acceptable substitute for the risk-free asset. In order to have consistency of data, the yield on government treasury bills is used as a substitute for the risk-free rate of return when applying CAPM to shares that are traded on the working capital market. Note that it is the yield on treasury bills which is used here, rather than the interest

research has concentrated on finding an appropriate value for $(E(r_m) - R_f)$, which is the difference between the average return on the capital market and the risk-free rate of return. This difference is called the equity risk premium, since it represents the extra return required for investing in equity (shares on the capital market as a whole) rather than investing in risk-free assets.

In the short term, share prices can fall as well as increase, so the



In order to use the CAPM, investors need to have values for the variables contained in the model.

THE RISK-FREE RATE OF RETURN

rate. The yield on treasury bills (sometimes called the yield to maturity) is the cost of debt of the treasury bills. CAPM is only applicable within a given financial system, so the risk-free rate of return (the yield on short-term government debt) will change depending on which country's capital market is being considered.

The risk-free rate of return is also not fixed, but will change with changing economic circumstances.

THE EQUITY RISK PREMIUM

Instead of finding the average return on the capital market, $E(r_m)$,

average return on a capital market can be negative as well as positive. To smooth out short-term changes in the equity risk premium, a time-smoothed moving average analysis can be carried out over longer periods of time, often several decades.

BETA

Beta is an indirect measure which compares the systematic risk associated with a company's shares with the systematic risk of the capital market as a whole. If the beta value of a company's shares is 1, the systematic risk associated with the shares is the same as the systematic risk of the capital market as a whole.

Beta can also be described as 'an index of responsiveness of the returns on a company's shares compared to the returns on the market as a whole'. For example, if

a share has a beta value of 1, the return on the share will increase by 10% if the return on the capital market as a whole increases by 10%. If a share has a beta value of 0.5, the return on the share will increase by 5% if the return on the capital market increases by 10%, and so on. Beta values are found by using regression analysis to compare the returns on a share with the returns on the capital market.

Illustration 1

Calculating the cost of equity using the CAPM

Although the concepts of the CAPM can appear complex, the application of the model is straightforward. Consider the following information:

Risk-free rate of return = 4%
Equity risk premium = 5%
Beta value of Ahmed plc = 1.2

Using the CAPM:

$$E(r_i) = R_f + \beta_i (E(r_m) - R_f) = 4 + (1.2 \times 5) = 10\%$$

The CAPM predicts that the cost of equity of Ahmed plc is 10%. The same answer would have been found if the information had given the return on the market as 9%, rather than giving the equity risk premium as 5%.

ASSET BETAS, EQUITY BETAS, AND DEBT BETAS

If a company has no debt, it has no financial risk and its beta value reflects business risk alone. The beta value of a company's business operations as a whole is called the 'asset beta'. As long as a company's business operations, and hence its business risk, do not change, its asset beta remains constant.

When a company takes on debt, its gearing increases and financial risk is added to its business risk. The ordinary shareholders of the company face an increasing level of risk as gearing increases and the return they require from the

company increases to compensate for the increasing risk. This means that the beta of the company's shares, called the equity beta, increases as gearing increases (Watson & Head, p250). However, if a company has no debt, its equity beta is the same as its asset beta. As a company gears up, the asset beta remains constant, even though the equity beta is increasing, because the asset beta is the weighted average of the equity beta and the beta of the company's debt. The asset beta formula, which is included in most examination formulae sheet, is as follows:

$$\beta_a = \left[\frac{V_e}{(V_e + V_d(1-T))} \beta_e \right] + \left[\frac{V_d(1-T)}{(V_e + V_d(1-T))} \beta_d \right]$$

β_a = asset beta

β_e = equity beta

β_d = debt beta

V_e = market value of company's shares

V_d = market value of company's debt

$((V_e + V_d(1 - T)))$ = after tax market value of company

T = company profit tax rate

Note from the formula that if V_d is zero because a company has no debt, then $\beta_a = \beta_e$, as stated earlier.

EXAMPLE 2

Calculating the asset beta of a company

You have the following information relating to Ahmed plc: Equity beta of Ahmed plc = 1.2 Debt beta of Ahmed plc = 0.1 Market value of shares of Ahmed plc = N6m Market value of debt of Ahmed plc = N1.5m After tax market value of company = $6 + (1.5 \times 0.75) = \text{N}7.125\text{m}$ Company profit tax rate = 25% per year $\beta_a = [(1.2 \times 6)/7.125] + [(0.1 \times 1.5 \times 0.75)/7.125] = 1.024$.

In our next article, we shall look at how the asset beta formula allows the CAPM to be applied when calculating a project-specific discount rate that can be used in investment appraisal.

When a company takes on debt, its gearing increases and financial risk is added to its business risk. The ordinary shareholders of the company face an increasing level of risk as gearing increases and the return they require from the company increases to compensate for the increasing risk.

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All Arms of Government Should Make Their Financial Statements Public – Isma'ila Zakari

The 53rd President of the Institute of Chartered Accountants of Nigeria (ICAN), Mallam Isma'ila Muhammadu Zakari, mni, BSc, FBR, FCA discovered his strength and penchant for Accounting early in life. When he was in form two at Kings College, Lagos, he first developed interest in becoming a Chartered Accountant, having met by providence, a distinguished Chartered Accountant and former Governor of Central Bank of Nigeria, late Alhaji Abdulkadir Ahmed, FCA, who he later adopted as his role model. Ever since, he had pursued the ambition till he climbed to the Zenith of the profession.

In this interview with the Editorial team of The ICAN Students' Journal led by the Editor, Bunmi Owolabi and Muyiwa Dare (Assistant Editor), Zakari spoke extensively on how he intends to take ICAN and Accountancy profession to the next level. He also spoke on the state of Nigeria's economy and what to do to revamp it; Small and Medium Practices; IFRS, IPSAS and the latest pronouncement on accounting practice – the Non-Compliance with Laws and Regulations (NOCLAR). Excerpt:

CONGRATULATIONS on your election as the 53rd ICAN President. No doubt, it has been a long journey to the zenith of your career as a Chartered Accountant. Since your assumption of office, how has the experience been?

Thank you very much for making out time to arrange this interview and it is my pleasure to welcome you. You asked how it has been. I would say so far so good, it is challenging because ICAN President has a

lot of demands on him especially from a lot of stakeholders. Firstly, we have to look at our own work as Council of the Institute. We need to focus the Institute to the direction we are trying to drive it. Secondly, because we are stakeholders in the larger society, there are lots of demands on the time of the President because he's involved in many activities both professional as well as on issues that concern the nation, even the welfare of our members. I have visited the Minister of education who is our supervising

Minister and I have also attended to education programmes and participated in national workshops of the Chartered Institute of Stockbrokers (CIS). I have equally attended events organized by our members like launch of books written by our members on accountancy; the 20th anniversary of one of the leading accountancy tuition providers, the Wyse Associates and a lot of other activities in my capacity as ICAN President. So, I would tell you it is quite a challenge but it is also something we as an Institute have

responsibility to do and we are determined to deliver this responsibility.

What should members and students look forward to this presidential year?

What members and students should look forward to is that their Institute would be a responsive one to issues that concern them. Their Institute would be responsive and be an advocate for the profession of Accountancy and every member, so that we shall improve the ICAN brand in all its ramifications. What members should be looking forward to is an improvement in the efficiency and services they receive and improvement in the status, standing and prestige of the Institute in Nigeria and globally. They should look forward to improvement in the quality of our professional development so that our membership will be the best they have been. We keep on improving. What students should look forward to is improvement in the customer service. Students are like our customers and definitely we are putting steps in motion to improve in the services that our students receive. What they should also be looking towards in the quality in the support they receive to get qualified as professional accountants. They should be looking forward to receiving new syllabus before the end of this presidential year. The new syllabus that will take effect from 2019 will be in place. It will afford the students opportunity to see what the curriculum is as well as how to start preparing for the examination based on the new syllabus.

You also mentioned something about the new provisions on Global Whistle Blowing Standard recently issued by the International Ethics Standards Board for Accountants (IESBA), to guide accountants and auditors in dealing with any actual or suspected non-compliance with laws and regulations. What is in the new provision for our members?

It is not a new standard so to say. It is a pronouncement and it is a revision of part of the professional code of conduct or ethics for members. It is an amendment to a section of it. Hitherto, we have a strong concept of confidentiality. It is one of our principles and one of our concepts that Accountants should not breach the

confidentiality of the information available to them. They cannot speak about the information they come across in the course of working for their employers or their clients, to persons who not have a reason to know. However, the profession itself has come around to say that there are new concepts around the issue of confidentiality particularly as it concerns the non-compliance with laws and regulations. That is what NOCLAR means and what the new code of ethics is saying is that where an accountant, in the course of his work, either as an accountant in practice, that is when he's doing an audit or an accountant in employment or business, he comes across a situation of non-compliance with laws and regulations of our land, he is duty bound to address the matter. So, he can no longer hide and say because I have a duty of confidentiality, I am not going to speak about this. But there are steps he needs to take. If he's an accountant in practice and he comes across in the course of his duty, a situation of non-compliance with a regulation by his client, the standard now requires him to approach the management and discuss the matter with them including coming up with recommendations as to how to remedy the situation. However, he can also escalate it to the audit committee because he's also going to report to audit committee and audit committee is an independent body that looks at issues that come out from the audit situation. So, he should also escalate that matter to the audit committee. Lastly, where no action is taken or his recommendations are not implemented, he's now duty-bound by the pronouncement, by the provision of the ethical code to report to the regulator or the law enforcement agents. You now see that we can no longer hide. The same thing applies to an accountant in employment. If an accountant now comes across, in the course of his work, as an employee of his company, a situation where the company is not complying with a section of the regulation, for example, the company is not complying with the provision of the tax law, like deducting withholding taxes as appropriate according to law and to remit it in time, or any law of the land at all, he's then duty-bound to go to the management and discuss the matter. Where the matter is not considered, he can go to the Board of the company and

where they do not remedy the situation; he can also go to the regulators and report the matter. He's duty bound to do it, not that he has a choice. If he wants to remain an accountant who complies with the ethical code of the profession, then he has to do it.

How do we carry ICAN members along on this matter?

The Council of the Institute in its last meeting considered the new pronouncement on NOCLAR which is supposed to be effective from July 15, 2017. And the Council has adopted it for inclusion as part of our code. So, immediately, as a responsive Institute, we need to publicise it to members. Not only to publicise it, but also to prepare our documents and send to our members so that they know this change has happened because it's a major change to the principles under which we have been working in the past. There are serious implications to the issue of the NOCLAR. We have decided also to develop MCPE training around NOCLAR to enlighten our members on the requirements of the pronouncement as well as the implications and the steps they need to take to be able to implement it and carry out the pronouncement in their work places. We also have technical help desk where members can call to seek guidance and support of the Institute in the course of this matter. Of course we will treat all this matter under the help desk situation professionally. Ours is to guide the members and we are also going to publicise the issue to the general public, to the regulators. Everybody is going to know about it and accountants must comply with it. And where there are signs of non compliance, there are implications too, professionally whenever there is no compliance with the code of ethics of the profession, that is professional misconduct.

Over the years, successive presidential team in ICAN had emphasised on strengthening the Small Medium Practices (SMPs), to the extent that they can even collaborate for better performances. Are you satisfied with the level of SMP's development so far and if not, what will be your steps to further strengthen them?

The truth is that the SMPs are the bedrock of the profession, especially those of us in practice. This is because they are more in number as well as client help available. The companies available are mostly Small and Medium Enterprise (SMEs) and therefore, they are the ones out there doing a lot of the work even though they get the smallest share of the reward from the practice, because those clients are not the ones that pay relatively good fees. So, the truth is that our SMPs are struggling to work hard in the market but what they get out of it is not so much. So, I think we need to improve on what our SMPs are doing both in the standard and quality of work they are providing as well as ensuring that they have sufficiently good market to operate. If they improve the standard and the quality and they collaborate, the market will be better. I belong to this group and this year, we are going to improve the lot. That is improving the business of the small practitioners, improving the quality of the services they deliver and the standard of the practice. That is what we are determined to do. We have already set up Small and Medium Practices Committee. The mandate of the committee is to support the SMPs especially with technical accounting issues like accounting, audit, and professional matters. They will support them with materials, lots of training and how to manage their practices. In that way, we will see that there will be significant improvement in the quality of work that we do and our clients will be happy about us and I'm sure the clients will be able to pay a little more for the value they are getting.

Partnering with government to ensure better financial reporting and good governance has always been one of ICAN's contributions to national economic development. What will you do this presidential year to improve on the existing relationship between ICAN and the government?

First of all, it is the legislature of the country that deemed it appropriate in 1965 to create the Institute of Chartered Accountant of Nigeria, that is, establish it



by law to regulate the accountancy profession and set standard for anybody that has an ambition to become a chartered accountant and also to regulate the practice of accountancy in Nigeria. So, the government actually created ICAN to provide that service since 1965 and ICAN has been responsive to its responsibilities and doing that for which it is set up. We have been at the top of it. We have been setting examinations for the past 43 years and our examinations are of high quality. Products of ICAN are comparable to any product from other professional bodies around the world. Coming back to your question, the role we are going to play is that we have government agencies we need to collaborate with, the first of which is the Financial Reporting Council of Nigeria (FRCN). We as an Institute are always ready to collaborate and work with the Financial Reporting Council of Nigeria to deliver on our mandate because their mandate and our mandate are altogether working in tandem towards strengthening the standard and quality of financial reporting in the country, strengthening accountability, producing chartered accountants who comply with the ethics of the profession. So, working together with them is not a choice. We already have two seats on the Board of Financial Reporting Council and we have mutual responsibility to ensure that our clients in Nigeria are in tandem with whatever we do as accountants in line with the global best practices with global standard. ICAN is always improving and improving on its standard and quality and always

complying with the international standard to ensure we deliver the best. If we do not do that, then we will not be able to attract investors from outside Nigeria to come and invest in our country, and our local investors here will not be able to reap the benefit of their investment and that would be very disastrous to the Nigerian economy.

Nigeria has adopted the global financial reporting standards like IFRS and IPSAS. Are you satisfied with the level of compliance with these standards so far?

Well, with regards to the International Financial Reporting Standard (IFRS), that has since been done. The Financial Reporting Council of Nigeria came up with a road map for implementation in the year 2010 and the federal government of Nigeria adopted the IFRS and we have since concluded the implementation. Anyone now that is not on the IFRS agenda must be a new company. All existing companies have converted. What we call the significant public interest entities and public interest entities, their mandate was to comply by 2012 and they have done that. All the others, their mandate is to comply by 2014 and that has happened. So, between 2012, 2013 and 2014 all the entities have complied, including even micro companies are required to adopt the micro standards of UNCTAD. So, generally speaking with regards to the implementation, especially the significant public interest entities and public interest entities, they have adopted IFRS. Other companies have adopted the IFRS for SMEs known as Small and Medium Enterprises. They are larger in number. There is no data or research that has been done. They should tell us to or they should let us know about the conversion for those companies because there is large number of companies really under the IFRS or SMEs. I think it will be good for our Technical Research and Public Policy Committee to consider looking or conducting a research and getting a feedback from auditors, from companies with regards to, especially with the level of compliance with the adoption IFRS. Coming back to the issue of IPSAS, I would say that I am not satisfied with the progress being made so far by public

sector entities in Nigeria coming on board accrual IPSAS because what they have adopted now is IPSAS cash basis. The cash basis IPSAS is that they migrate from their cash basis accounting system to IPSAS cash basis. That is not a big move, so to say. The ultimate move, when the standard will really impact on accountability as a nation, is to convert to accrual IPSAS. Converting to accrual IPSAS means that the statement of financial position of government will contain all the assets of the government including their roads, their hospitals, their buildings and all the assets the government has invested in over the years, will have to be valued and brought into the books of government. And then government will begin to operate on accrual basis which is the same basis businesses operate on. If they have incurred a cost without paying it, or enjoying a service without paying for it, they will bring it into their books as a liability which is supposed to be paid at a later date. But now what happens is that people who serve government, supply goods to government and have not been paid, if you come at the end of the year, you may not see that number, those amount in the statement of financial position of government. So that means that government liabilities are not fully captured. In the same way, government does a lot of capital expenditure and that capital expenditure is significant amount, a very material amount. But you will not see all those values of those expenditures in the statement of financial position of the government, which is the balance sheet of the government, because it is treated as memorandum entry because they trade it as cash. So, anything that is said to be capital expenditure, they will just say they have spent it under capital without any breakdown and you will not see it in the next year again. You will just see it as a comparative figure like what did they spend on capital last year and what will they spend this year. But if you are doing it on accrual, if they bought computers, they will categorise it that they bought computers. If they bought cars, they have to categorise it and say we bought cars and somebody can come next year and ask where these cars are. Or we did a road, where is that road. What is the status and quality of the road, and so on. If they say we have one hundred hospitals, you will see that they actually have hundred hospitals in the statement of

financial position. That's the difference. And we look forward to working with government and advocating for this move to happen. It is a costly move that requires a lot of work to be done, but if other countries have done it, I think Nigeria should at least be in the lead of doing it because it will improve on our accountability and compliance with international standard.

We have many of our members working with government and I know that a lot of organizations and Consultants have done a lot of training on IPSAS and IFRS. But are our members well equipped to carry out their duties on IPSAS and IFRS?

To start with, those consultants you mentioned are our members. I know that ICAN has done significantly well in terms of bringing our members up to speed with regards to IFRS and IPSAS. We have done that through our MCPE and also through our various faculties. We have done significant amount of training from 2009 to date. Nigeria couldn't have come on board and implemented the IFRS without the impact of the training carried out by ICAN and ICAN members. Don't forget that there are ICAN members in the private sectors who are everyday providing training on these topics or subject. So, our members have come on board. If our members have not come on board, the implementation would not have been successful. Who will now then implement? Consultants came in but who are the consultants? They are ICAN members. There's no doubt it is an international subject and we cannot avoid the fact that some people knowledgeable have to come. It is a very distinct departure from the accounting system and standard of the past. The knowledge just came out and it is global, so, in implementing it, you can't avoid foreigners coming. But I want to say that the level of foreigners coming to the country for the implementation from 2012 till now had dropped. No way, because Nigerians have come on board and there are people who sleep and wake up with IFRS now and it is at their finger tips. We have young Accountants who are on top of the subject matter now. What we are even doing now is that we have people that are contributing to the IFRS, to the International Accounting Standard

Board debates and exposure drafts. We are now in a position to even contribute to the development of the standards by the standard setters. We engage the standard setters on certain things that they have put in the standards which do not really help us in Nigeria as a developing country, as an African country. There are certain things in the standard that when we look at it, we said we are going to engage the standard setters. How do we do that if we don't have the knowledge?

That means you are satisfied with what has been done.

I am satisfied with what has been done in Nigeria by ICAN and other stakeholders in terms of training on IFRS. But I'm not satisfied with what the Financial Reporting Council had done, because the Financial Reporting Council went to the market to solicit for fund and raised substantial amount of money which should have been used to support the training of all Accountants in Nigeria on the IFRS. However, we were not aware that was done. What we know is that ICAN and its members and the practitioners and everybody had to come together to develop training and train ourselves. Now that we have trained ourselves, I suggest that the money collected by the Financial Reporting Council can be used to fund a lot of the IPSAS training because the IPSAS also now has to cascade not only at the federal government with the office of Accountant-General of the Federation but also to all state governments and even local governments. They are all going to produce public sector accounts and many of those in the government service are not members of ICAN. There are even some of them who are not Accountants. So, they now need the kind of training and rigour that ICAN has used in the last five or six years to make IFRS to bear in Nigeria, so that we can get IPSAS to take off effectively and efficiently.

Nigeria's economy recently drifted into recession and this has really negatively affected average Nigerians. We hear every day that we shall get out of it today, tomorrow and so on. What do you suggest government should do to wriggle out of the recession?

There is no issue of debate whether we

are still in recession or not. My own take is that so far, we are out of the woods and I must commend the federal government of Nigeria and the work the Minister of Finance has been doing, including other stakeholders like the Central Bank of Nigeria to get us out of this, because they have worked hard on policies and at least now, we are getting out of the woods. We have even gotten out of the woods actually and we are on the course to full recovery. And as a result of that, the government also came up with economic reshuffle towards recovery and gross plan, the ERGP which are policies which are not only aimed at helping Nigeria out of the woods but also to immediately take up growth trajectory. I'm very happy with that document on economic recovery and growth plan and ICAN is available to support the government. What government should do, I think, is what they are doing. We do not have control as a nation on the trend of the oil price. What are then the alternatives? The first alternative is taxation. Even though people don't have money in their pocket, but I'm a strong believer that people must pay their taxes if tax is due from them. My personal perspective is that the level of tax compliance in Nigeria is very low. It is not everybody that is expected to pay tax or is in the tax net that is captured. So, essentially, what we need to be doing is to be enlightening the people and also reaching out to them and encourage them to come into the tax net. I just came to office this morning and met a letter with some pamphlets from the Chairman of the Federal Inland Revenue Service intimating us (ICAN) as to what new changes and development that have taken place recently in the Federal Inland Revenue with regards to ensuring compliance with the tax laws and also making it easy for Nigerians to pay their tax. I think that is a very good development. That is a very proactive way of reaching out to people and members of ICAN will key into the programmes of federal government to ensure compliance. And even under NOCLAR we discussed, we have a duty to ensure that if we come across anybody who is not complying with the tax law, it is our duty is to advise him first to comply with the tax law and where he does not come into the

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form required by the
government.
”**

tax law, the next step is to go to the regulators and tell them that we have seen this information and we are going to do that. Our members are going to do that as much as possible. The aggressiveness with which the Federal Inland Revenue and other tax authorities are chasing those that are in the tax net would reduce. The issue is that only a few percentage of the population are in the tax net and are paying. And federal government now wants to increase that tax. So, it is either they go to those people and get them to pay more or they bring in some other people who have some money to pay and have not been paying in the past. Just last week there was a VAID policy that federal government came up with and there is an executive order signed by the acting President. I am very happy about that executive order because that executive order is within the ambit of the law. The content of it is within the ambit of the law, because the Executive of the government as well as the Federal Inland Revenue have certain discretion within the tax laws to take certain decisions. The decision they now took is that they want to encourage people who have not been paying proper taxes in the past or people who are not in the tax net, to have a sort soft landing. They want to ease their coming into the tax net by themselves and they are giving them a time frame - I think till November this year to come clean and say I have earned income in the past that I have not declared. I'm now here to declare it. And what they are saying is that

they are going to give them certain waivers. Ordinarily, what the law says is that those who didn't pay should be penalized, even to the extent of going to jail. The provisions are there, it is just that the implementation of those provisions has not been very wide spread. Not many people are going to jail for not complying with the tax laws. So what the government is now saying is please come forward. If after this time that we are giving you, we come and find out that you have not come on board, you have not declare your full income, you have not come clean, then anything that happens to you is your own lookout. Our advice as an Institute is that each and every Nigerian should come on board and pay his tax. The country will be better for it. The duty of payment of tax is in

the constitution. Every one of us is complaining about the poor services like no power, no infrastructure, nothing. There is no way you can get those infrastructures if you are not paying the right taxes. So, we are advising the whole of Nigeria, whether they are companies or individuals, as long as they are due to pay taxes, let them come on board and pay these taxes. If we pay the taxes, what will remain is for us to look at is who is receiving this tax and how judiciously he's using the tax. That is accountability. Once we pay our taxes, we will focus on ensuring that our money is properly and judiciously spent in the interest of the country.

The federal government in its anti-corruption crusade introduced whistle blower compensation into the issue. That is, anybody that blows whistle on any corrupt individual or organization that leads to recovery of looted funds would be compensated with certain percentage of the recovered fund. What's your opinion on this?

My opinion about it is that it is achieving results. A whistle blower is not a criminal. A whistle blower is somebody who is passionate about Nigeria and who has some information. So, anybody who has information should come forward to give the information. The onus is on those who receive the information to make use of it. The information need not be true.

Sometimes it may not be correct. For example, if you see me now with money in my bag and you go and say you saw me with money in my bag and you think I did not earn that money. You have played your part. It is left for those who have received that information to approach me and find out from me how I got that money. So, the onus is on two people - the receiver of that information and the person who has been reported. So, if I am reported and I have evidence to prove to show that I got the money through a genuine source, either I inherit it or pick it by the road, or bar beach or somewhere, I would explain how I got that money. And if I explain and my explanation is genuine, then the government has no problem with it. It is only when I cannot explain that there would be problem because we read in the newspaper that they got some money in bags at the airport and up till now, nobody has come forward that he's the owner. So, if somebody genuinely got the money and he has evidence to show that it is his money and how he got that money, I know he will come forward, not that they would arrest him. But if government is not doing that and just harassing people, I don't think that is the best approach. People can get money through their businesses and whatever and it is not a crime to get money. I think what is important is to see whether the person has documentation or evidence to show how and when you get the money. I think government also needs to educate the public especially about the issue of money laundering and the requirements of the law regarding the amount of money, that is, the threshold on which people can be questioned regarding money laundering. Those amounts used to be big before but now it is just what people use to do business everyday and we have not been able to implement cashless policy effectively because our economy is informal. Informal sector is still very active and it is a large percentage of the business done in Nigeria. A lot of people still prefer to use cash to do business. We need to educate and enlighten those using cash before people don't know but Lawyers say ignorance of the law is not an excuse in court. So, it is good for the government to let people know and not keep it in their



drawers, so that people will not say you brought a law they don't know about. It is the duty of the government to publicise it so much and probably the legislature should take a second look at those threshold whether that amount is reasonable or not or does it have an alternative. Are there other ways we can do it. Let us not just set rules that will sort of look like government just want to criminalise everybody.

Huge amount of looted funds have been recovered by the government through the whistle blower's approach and various suggestions have been offered to government on what to do with the money. Some suggested it should be used to service part of 2017 budget while some said it should be shared among all the states. As a professional Accountant and financial expert, what do you advise government to do with the recovered funds?

The questions to be asked first are: whose money is it? What kind of money is it? Is it government revenue? You know that money was recovered through EFCC onslaught against money laundering. EFCC now went to court to ask for the forfeiture of the money and court now declared that within certain period of time, if nobody comes out to make a claim that he's the true owner or convince the court about how he got the money, it should therefore be forfeited to the federal government. But, Federal government is different from federal republic of Nigeria. That is the federation.

Do you understand? So, there is that debate. My personal understanding is that if they say it is to be forfeited to the federal government, it is to be forfeited to Abuja. The money is not federation account money. On whether it should be shared or not, my own understanding is that there should be no sharing with the states, because it is federation money that is shared among the arms of the federation and these are federal, state and local government and there is a sharing formular. And what comes to the federal is also shared among the Executive, Legislative and the Judiciary.

So, my take is that since that money is forfeited to the federal government, it should only go to the federal. What should now be asked is what should be done with the money. If that money has been forfeited and has been received and nobody has come forward to challenge the decision in court, I think the government should give a threshold within which the matter should be appealed but once the appeal window closes, it means the owner has let it go and the federal government should create infrastructure Fund, set up a governance system around it to ensure transparency of the usage of that money. A kind of professionalism should also be built around it in a way to achieve value for money on it. They have to bring professional expertise to bear and ensure that whatever that money is going to be spent on is the best value that could be given, but it should be on infrastructure such as roads, hospitals, schools etc. I think we should do that. I think we should focus more on power, road, railways and most importantly our health sector. That is what I personally think we should do about it but there must be transparency and accountability.

What is your general advice to government?

My advice to them is on accountability. I think that government should remind themselves of why they are in position of leadership. And to be in leadership is to provide services to the country. And they should be able to execute the

responsibilities set out in the constitution of Nigeria 1999 as amended. They should be revisiting the constitution regularly so that they are aware and they have already got budget and they should ensure they execute the budget to the letter and also deliver accountability by presenting their financial statements. Right now, we are in the month of July, the constitution requires that all governments should have filed their audited financial reports, by the 30th of June and delivers them to the Public Accounts Committee of the National Assembly. The Auditors-General of the states of the federation should have done that. We are interested in seeing that done. I can tell you that personally I have seen only about four audited account of government between January and now, published in the newspapers. But for accountability, we need more than publication in newspapers. We need them to hoist audited account on their websites so that Nigerians can look at them and ask questions. We need those audited accounts to be there, not only for the federal government but for all state governments and local governments. They are duty bound to give account and the requirement of the constitution is that by 30th of June, this should have happened. So, we need government to focus on that. The President, state governors and local government Chairmen should be responsive to that requirement because you spend a lot of time doing the budget and spending the money and have an indefinite time to account for it. That is not the requirement of the constitution. And if they also want to abide by the constitution, then, by 30th of June latest, everybody should have filed his account and make it open. So, we as an institute is working towards all we are interested in ensuring that there is accountability in the nation. And if there is accountability in the nation, the first part of it is to give us a document that you have spent money and you are accounting for it. There are further stages that we will take but it is only when we have seen the document audited by the auditor-general. Having gotten the document, we can now ask questions about the content of the document. But how can we ask questions now when we don't have the document? That is my general advice. ICAN as a professional body is interested in having government audit their accounts and publish them and also publicise them and

these accounts should be prepared in a standard form required by the government. Now, the government has adopted IPSAS and a lot of money has been used to train public sector accountants and auditors on IPSAS. So, we believe that these accounts should be in compliance with IPSAS standard on cash basis and we also look forward to the migration to IPSAS accrual basis soon by all public entities in Nigeria.

The theme for this Presidential year is "ICAN: On the Rise". How do you intend to achieve this?

ICAN on the rise means the Institute is going to move up higher this Presidential year, in terms of its deliverables, in terms of professionalism, in terms of quality of service to members, in terms of quality of our examination, in terms of achieving the objectives for which we were set up. We are going to take ICAN brand high up so that ICAN will be more respected, ICAN will deliver better, ICAN will engage and advocate for accountancy profession, ICAN will ensure the quality of the practitioners and ICAN will ensure that we are in compliance with the best global standards under which any accountant does his work. That is what we mean by ICAN on the rise. In all ramifications, ICAN will move higher and ICAN brand will be improved.

What should staff of the Institute expect from the 53rd President?

Staff should expect that it will be an interesting year. We are going to improve on their training and their ability to deliver. We will do a lot of training and bring them up to speed with the purpose of which we exist as ICAN, so that everybody will fit in to the requirements of their responsibility as employee of the Institute. We are going to ensure that we maintain industrial harmony and good environment in the office so that people can come and work efficiently and go back home satisfied. There would be job satisfaction. We will try and raise opportunity for better environment. We are in a recession; we shall see how we can improve on the welfare within the challenges in terms of financing. But definitely, we intend to create a very good environment and make ICAN like the best employer or the best place to work in

Nigeria, not only as a professional body but as an Institution. That is what the staff should look at. But the staff should also be ready to work hard and work with integrity. They should also be innovative because without that we are not going to achieve our objectives. One of the ways I'm thinking is that if I go to international workshops or events, I see that a lot of times Managers come up to make presentations where Presidents of bodies high calibre people, members of Council and professional accountants are there, to speak about their Institutes. This is the kind of thing I envisage that we can scale the power down. Managers have to be ready to do the work and leave their most senior people like Directors, Deputy Registrar and Registrar to focus more on strategy. Right now, I am not happy about the level and quality of work being delivered by Senior Managers and Managers. They should be ready to do more. They should be ready to be challenged so that we can progress and move forward.

Lastly, how do you relax?

Hmmm. When I'm not working, I read but not accounting stuff. I read other subject matters. I love to read about entrepreneurship because I mentor young people. I read about business strategy and business development because as a Managing Partner of my firm, I also have duties to manage the business that we run. I read a lot of books ranging from business books to leadership books and innovations, information technology etc. I read them because I learn a lot from them and I try to use them to impact on what I do every day. I like to follow the trend of where technology is going. I also read about energy issue, sustainability issues, solar energy and development. I like to read what's happening around solar technology. I'm also interested in those people who want to go to mass. In the next few years they are planning to go, so I go to where their site is. I don't only read, I also surf the net to find areas I am interested in, including practice development. I relax with those things and of course I sleep. As ICAN President, you hardly have time to sleep because you are reading and attending to a lot of things. I try to find one day in a week or two weeks to sleep and relax.

Our goal is to ensure success in ICAN exams. We have, therefore, provided solutions to some past questions to guide candidates in future exams. Although these suggested solutions have been published under the Institute's name, they do not represent the views of the Council of the Institute. ICAN will, therefore, not enter into any correspondence about them.

FOUNDATION LEVEL EXAMINATIONS FINANCIAL ACCOUNTING

SECTION B: ATTEMPT ANY FOUR OUT OF SIX QUESTIONS (80 Marks)

QUESTION 1

Wazobia sets up a trading business on October 1, 2014 buying and selling goods. The following transactions took place in 2015.

January 1, 2015 The following balances are brought forward from the previous period:

N Cash at bank - 210,000
Inventory - 75,000
Trade receivables - 65,000
Capital - 350,000

February 3, 2015 Wazobia introduced an additional capital of ₦ 150,000 into the business and paid the money into the business account.

March 7, 2015 The business purchased an item of furniture and fittings for ₦ 55,000 and paid by cheque.

April 8, 2015 Purchased inventory for ₦ 45,000, paid ₦ 30,000 by cheque and the balance outstanding.

May 11, 2015 Sold inventory for ₦ 95,000. Received ₦ 60,000 through cheque and the balance yet to be paid for.

June 14, 2015 Wazobia drew ₦ 12,500 from the business bank account for his personal use.

July 15, 2015 Purchased additional inventory for ₦ 150,000, ₦ 100,000 was paid through cheque and the balance is outstanding.

August 18, 2015 Brought forward trade receivable were collected through the bank account.

September 21, 2015 Sales were made for ₦ 120,000 and full payment received.

October 24, 2015 Purchased printing and stationery amounting to ₦ 22,500 and paid by cheque.

November 27, 2015 Ovia, a friend of Wazobia sold a motor vehicle worth ₦ 200,000 on credit to him for his business use. Payment to be made in 2 years time.

December 31, 2015 Closing inventory is ₦ 125,000.

Required: a. Post all transactions to the appropriate ledger accounts. (14 Marks)

b. Close off each account and extract a trial balance. (6 Marks)
(Total 20 Marks)

QUESTION 2

There are different methods through which a business might make payments to suppliers and receive payments from customers. a. State SIX different methods by which a business can make payment to suppliers or receive payment from customers. (6 Marks)

b. Explain the following:

- i. Receivables control account (3 Marks)
- ii. Payables control account (3 Marks)

c. The following information are extracts from the records of Ojie Limited for the period ended September 30, 2016.

- (i) The balance on the receivables control account was ₦ 1,134,400 and the total of the balances extracted from the receivables ledgers amounted to ₦ 1,020,800.
- (ii) The balance on the payables control account was ₦ 570,500 and the total of the balances extracted from the payables ledger amounted to ₦ 455,380.
- (iii) A cash account total of ₦ 65,760 was posted to the payables control account as ₦ 56,760.
- (iv) No entry had been made in the receivables control account in respect of the transfer of a debit of ₦ 112,000 from a customer's account in the receivables ledger to his account in the payables ledger.
- (v) An item of goods worth ₦ 115,000 was sold to a customer, had been entered once in the sales day book but posted to his account twice.
- (vi) A supplier's ledger account has not been adjusted for ₦ 11,000 for cash discount granted to Ojie Ltd.
- (vii) A credit balance of ₦ 62,320 had been omitted from the list of balances in the payables ledger.
- (viii) Sales returns by a customer totaling ₦ 73,400 have not been recorded in the receivables control account, but are included in the customer's account balance.
- (ix) Credit sale of ₦ 43,200 to a customer has not been recorded in the customer's account in the receivables ledger, but is included in the control account balance.
- (x) The purchases day book was overcast by ₦ 54,800.

Required: Reconcile the control accounts with the total balances extracted from the customers' and suppliers' ledgers. (8 Marks)
(Total 20 Marks)

SOLUTIONS

SOLUTION 1

WAZOBIA

Capital Account

Date	N	Date	N
31-12-15	Balance c/d <u>500,000</u>	01-01-15	Balance b/f 350,000
	<u>500,000</u>	03-02-15	Bank <u>150,000</u>
			<u>500,000</u>
		01-01-16	Balance b/d 500,000

Cash Book

Date	N	Date	N
01-01-15	Balance b/f 210,000	07-03-15	Furniture & Fittings 55,000
03-02-15	Capital 150,000	08-04-15	Purchases 30,000
11-05-15	Sales 60,000	14-06-15	Drawings 12,500
18-08-15	Trade Receivables 65,000	15-07-15	Purchases 100,000
21-09-15	Sales 120,000	24-10-15	Printing & Stationery 22,500
	<u>605,000</u>	31-12-15	Balance c/d <u>385,000</u>
01-01-16	Balance b/d 385,000		<u>605,000</u>

Furniture & Fittings Account

Date	N	Date	N
07-03-15	Bank <u>55,000</u>	31-12-15	Balance c/d <u>55,000</u>
01-01-16	Balance b/d 55,000		

Other Payables - Ovia's Account

Date	N	Date	N
31-12-15	Balance c/d <u>200,000</u>	27-11-15	Motor Vehicle <u>200,000</u>
		01-01-16	Balance b/d 200,000

Printing and Stationery Account

Date	N	Date	N
24-10-15	Bank <u>22,500</u>	31-12-15	Balance c/d <u>22,500</u>
01-01-16	Balance b/d 22,500		

Purchases Account

Date	N	Date	N
08-04-15	Bank 30,000		
08-04-15	Trade Payables 15,000		
15-07-15	Bank 100,000		
15-07-15	Trade Payables <u>50,000</u>	31-12-15	Balance c/d <u>195,000</u>
	<u>195,000</u>		<u>195,000</u>
01-01-16	Balance b/d 195,000		

Trade Payables Account

Date	N	Date	N
31-12-15	Balance c/d <u>65,000</u>	08-04-15	Purchases 15,000
	<u>65,000</u>	15-07-15	Purchases <u>50,000</u>
			<u>65,000</u>
		01-01-16	Balance b/d 65,000

Motor Vehicles Account

Date	N	Date	N
27-11-15	Other payables - Ovia <u>200,000</u>	31-12-15	Balance c/d <u>200,000</u>
01-01-16	Balance b/d 200,000		

Drawings Account

Date	N	Date	N
14-06-15	Bank <u>12,500</u>	31-12-15	Balance c/d <u>12,500</u>
01-01-16	Balance b/d 12,500		

Revenue Account

Date	N	Date	N
		11-05-15	Bank 60,000
		11-05-15	Trade Receivables 35,000
31-12-15	Balance c/d <u>215,000</u>	21-09-15	Bank <u>120,000</u>
	<u>215,000</u>		<u>215,000</u>
		01-01-16	Balance b/d 215,000

Trade Receivables Account

Date	N	Date	N
01-01-15	Balance b/f 65,000	18-08-15	Bank 65,000
11-05-15	Sales <u>35,000</u>	31-12-15	Balance c/d <u>35,000</u>
	<u>100,000</u>		<u>100,000</u>
01-01-16	Balance b/d 35,000		

Inventory Account

Date	N	Date	N
01-01-15	Balance b/f <u>75,000</u>	31-12-15	Balance c/d <u>75,000</u>
01-01-16	Balance b/d 75,000		

WAZOBIA

TRIAL BALANCE AS AT DECEMBER 31, 2015

	DR	CR
	N	N
Trade Receivables and Payables	35,000	65,000
Inventory at January 1, 2015	75,000	
Cash at Bank	385,000	
Capital		500,000
Furniture and Fittings	55,000	
Printing and Stationery	22,500	
Purchases and Revenue	195,000	215,000
Drawings	12,500	
Motor Vehicles	200,000	
Other Payables - Ovia		200,000
	980,000	980,000

Tutorial Notes:

Inventory at December 31, 2015 valued at N125,000 was not to be included in the trial balance.

MARKING GUIDE

	Mark	Mark
Capital account – 3 correct entries at 1/3 per tick	1	
Cash book – 11 ticks at 1/3 per tick	3 ² / ₃	
Furniture & fittings account – 2 correct entries at 1/3 per tick	2/3	
Other payables account – 2 correct entries at 1/3 per tick	2/3	
Printing and stationery account – 2 correct entries at 1/3 per tick	2/3	
Purchases account – 5 correct entries at 1/3 per tick	12/3	
Trade payables account – 3 correct entries at 1/3 per tick	1	
Motor vehicles account – 2 correct entries at 1/3 per ticks	2/3	
Drawings account – 2 correct entries at 1/3per tick	2/3	
Revenue account – 4 correct entries at 1/3per tick	11/3	
Trade receivables account – 4 correct entries at 1/3per tick	11/3	
Inventory account – 2 correct entries at 1/3per tick	2/3	14
Trial balance – available entries 13		
- Obtainable 12 correct entries at ½ mark per tick		6
Total		20

EXAMINER'S REPORT

The question examines candidates' ability to apply the double entry principle

and prepare the trial balance. Over 90% of the candidates attempted the question and their performance was average. However, some candidates committed these errors:

- i. Posting transactions to the wrong side of the ledger.
- ii. Posting transactions to wrong ledgers.

The double entry principle is fundamental to book keeping; hence, candidates are advised to spend ample time to learn this principle and work through many examples.

SOLUTION 2

- a) Methods by which a business can make payment to suppliers or receive payment from customers are:
1. Cash
 2. Cheques
 3. Bank Transfers
 4. Mobile Payments
 5. Electronic Fund Transfer, e.g POS
 6. Standing Order
 7. Direct Debits
 8. Bankers Draft
 9. Debit Card
 10. Credit Card

b)

i. **Receivables Control Account:** The receivables control account is used to record the value of transactions in total with credit customers. The balance on the receivables control account; a debit balance, is the amount owed the business by all customers. Receivables control account is double entry system that is used to prove that transactions have been recorded correctly in the accounts. At the end of the accounting period the total balance on the receivables control account is compared with all the receivables ledger balances. The balances in the two sets of accounts must be equal but if they differ, the reasons for the differences must be investigated and corrections made. This process is referred to as receivables control account reconciliation.

ii. **Payables Control Account:** The payables control account is used to record the value of transactions in total for credit purchases. The balances on the payables control account; a credit balance, is the amount owed by a business to trade suppliers at the end of the period. The payables control account balances are compared with the balances in the payables ledgers. The balance in the payables control account might differ from the total of the accounts in the payables ledgers. In this case, the business must look for the differences between them and effect corrections.

c. i. Receivables Control Account			
	N		N
Balance b/d	1,134,400	Contra transfer	
		from Payable account	112,000
		Sales return	73,400
		Bal c/d	949,000
	<u>1,134,400</u>		<u>1,134,400</u>
Balance b/d	949,000		

Reconciliation of Receivables Control Account and Receivables Ledger Balance

	N
Receivables ledger balance (debit)	1,020,800
Sales to customer wrongly posted twice	(115,000)
Credit sales omitted	43,200
Balance as per receivable control account	949,000

ii. Payable Control Account

	N		N
Cash error (65760-56760)	9,000	Balance c/d	570,500
Purchases day book overcast	54,800		
Corrected balance c/d	506,700		570,500
570,500		Corrected balance b/d	506,700

Reconciliation of Payables Control Account and Payable Ledger Balance N
Payables ledger balances (credit) 455,380 Adjust for: Cash discount granted to Ojie Ltd (11,000) Omitted credit balance 62,320 Balance per payable ledger control account 506,700

MARKING GUIDE

	Marks	Marks
a. Methods for making payments – 6 points at 1 mark		6
b. Receivables control account:		
- Definition	1	
- Purpose	1	
- Need for reconciliation	1	3
Payables control account		
- Definition	1	
- Purpose	1	
- Need for reconciliation	1	3
c. Preparation of receivable control account		
– 3 correct entries at ½ mark	1½	
Preparation of payable control account		
– 4 correct entries at ½ mark	2	
Reconciliation with payable ledgers		
– 4 correct entries at ½ mark	2	8

EXAMINER'S REPORT

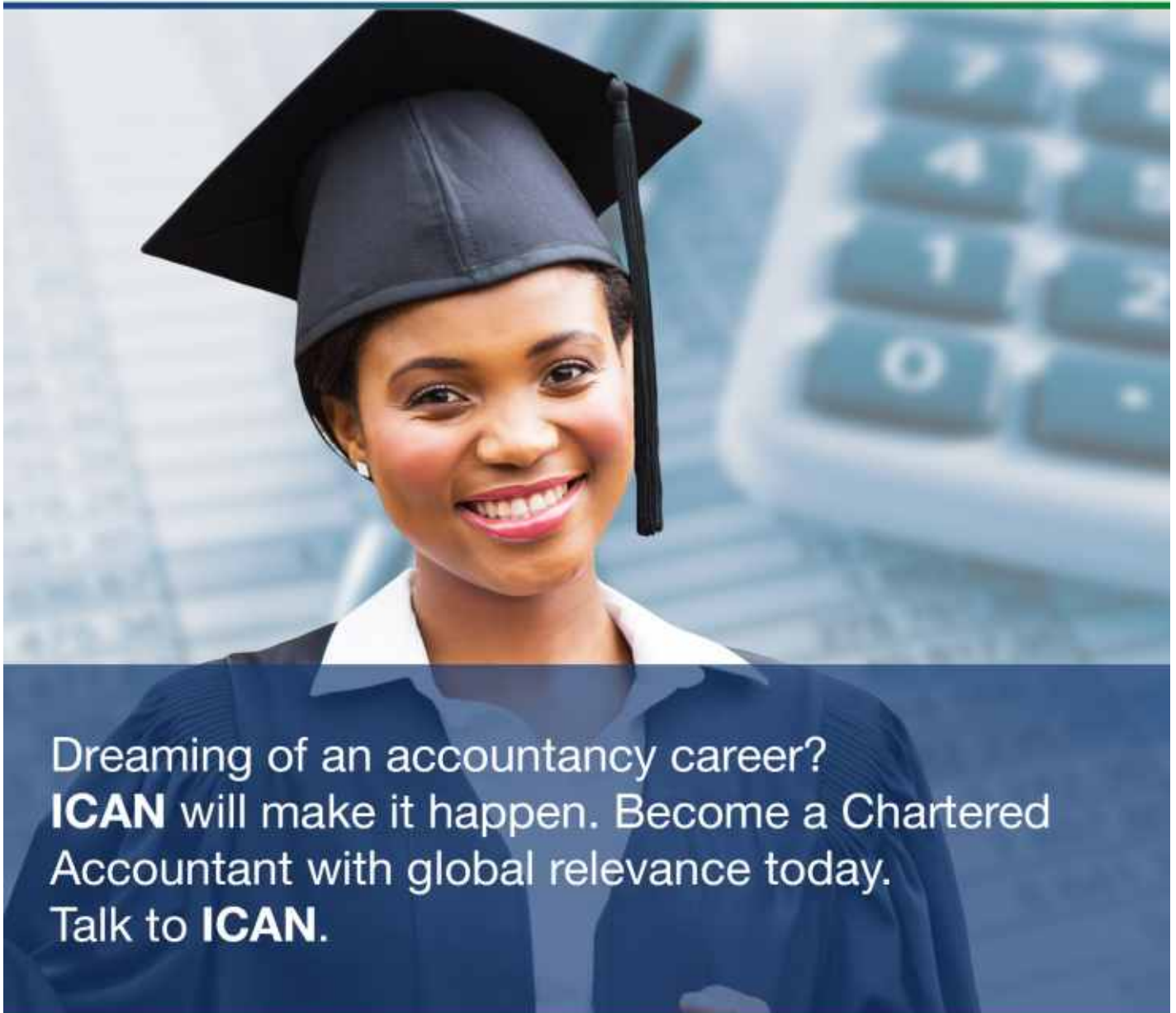
The question requires candidates to list the means of payments for transactions and it also tests candidates' knowledge on the receivables and payables control accounts and reconciliation with their respective ledger account balances. Over 70% of the candidates attempted the question but their performance was below average, though they did well in Part (a) of the question. The candidates' pitfalls include:

- i. Inability to define and state the features of receivables and payables control accounts.
- ii. Not being able to distinguish between transactions to be adjusted in control accounts and those to be adjusted in their respective reconciliation accounts.
- iii. Posting transactions to the wrong side of control accounts.

Candidates are advised to study the basic principles on this subject matter in the ICAN Study Text and practise past examinations questions on the topic.



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