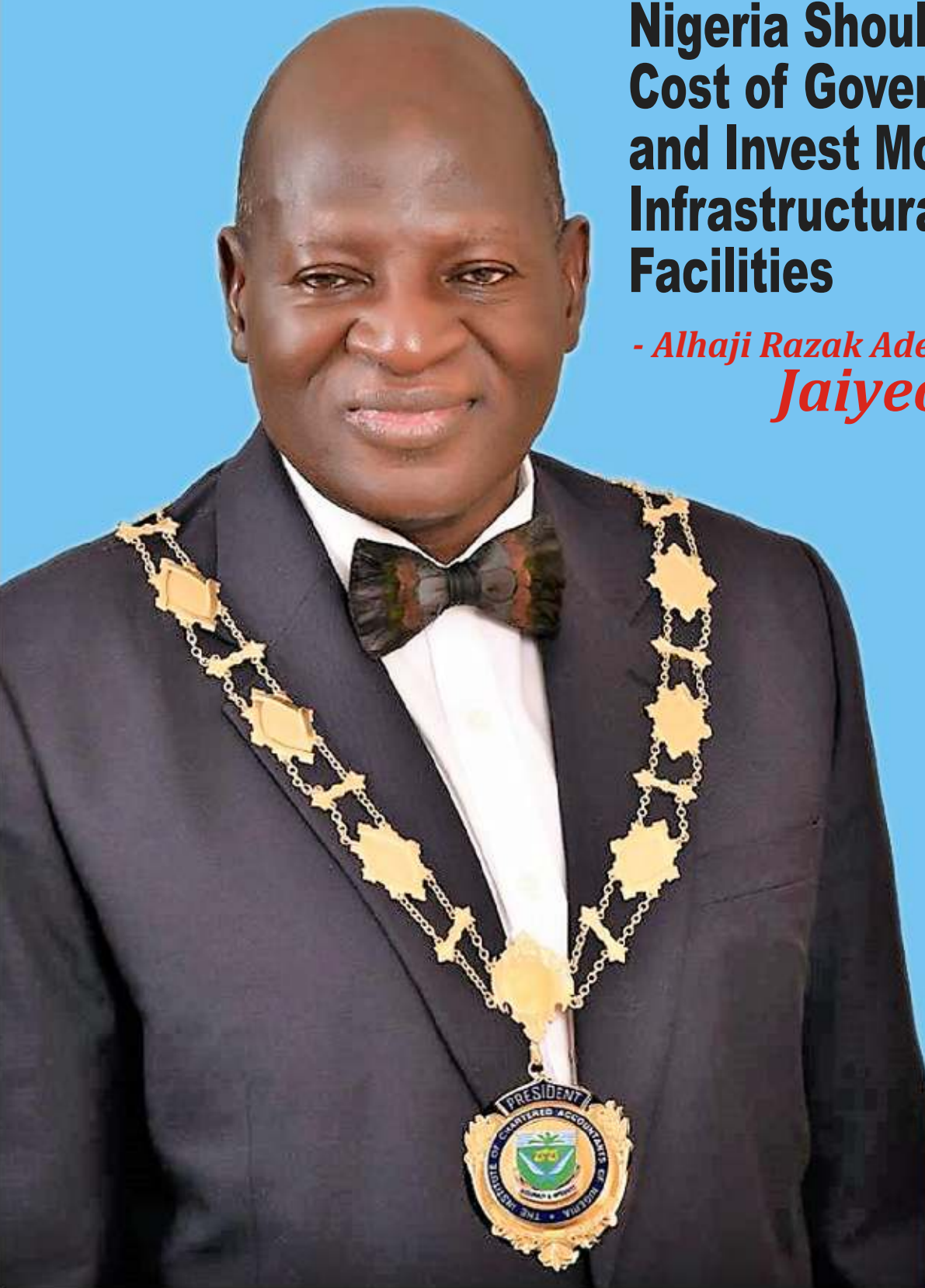




ICANST STUDENTS' JOURNAL

JULY / SEPTEMBER, 2018

VOL.22 ,No. 3



Nigeria Should Reduce Cost of Governance and Invest More in Infrastructural Facilities

- *Alhaji Razak Adeleke
Jaiyeola*

Be in the know anytime, anywhere

THE ICAN LIBRARIES



With ICAN, You Can

ICAN libraries are available in Victoria Island, Ebute Metta and Zone 7 Wuse, Abuja

You can also log on to the ICAN e-libraries at the following addresses:

i. search.ebscohost.com ii. site.ebrary.com/lib/icanlibrary



**THE INSTITUTE OF CHARTERED
ACCOUNTANTS OF NIGERIA (ICAN)**

(Established by Act of Parliament No. 15 of 1965)

Founding Member, International Federation of Accountants (IFAC).



ICAN1965



ICAN_NGR



ican1965

www.icanig.org

IN THIS ISSUE

NEWS

4 - 8

- ICAN Elects New President, Other Officers
- Establishing Institute of Forensic Accountants is Uncalled for - Jaiyeola
- ICAN Inducts 515 AAT Members

INVESTITURE

9 - 10

I Will Live and Lead by ICAN Values and Defend its Ideal Irrespective of Challenges - Jaiyeola

COVER INTERVIEW

11 - 19

Nigeria Should Reduce Cost of Governance and Invest More in Infrastructural Facilities - Jaiyeola

THE EXAMINER

20 - 22

Editorial Board

Chairman

Etofolam F. OSUJI (Dr.), mni, FCA

Deputy Chairmen

Ahmed Modu KUMSHE (Dr.), FCA
Frederick OGUNJUBOUN, FCA

Members

Okechukwu ADAWAISI, ACA
Mojisola ADEWOYIN (Mrs.), ACA
Aisha Uwani ALIYU (Mrs.), ACA
Asukwo Joseph ITA, ACA
Emmanuel NWOKEDIUKO, ACA
Augustine OJEH, ACA
Efe OVRAWAH (Ms.), ACA
Oyefemi Oyelami OYETUNJI, FCA
Mariam Abosede TIAMIYU (Mrs.), ACA
Bichi Sule UMAR, FCA

Editorial Staff

EDITOR

Bunmi Owolabi

DEPUTY EDITOR

Dayo Kowe

ASSISTANT EDITOR

Muyiwa Dare

MANAGER, ADVERTS

Jacob Nkem

ICAN Students' Journal

(ISSN: 1119-9636) is published quarterly by the Institute of Chartered Accountants of Nigeria. Plot 16, Professional Centre Layout, Idowu Taylor Street, Victoria Island, P.O.Box 1580, Lagos.

Tel: 09053847510, 09053847511, E-mail: info.ican@ican.org.ng
corporateaffairs@ican.org.ng; ICAN Website: www.icanig.org

The views expressed by correspondents or contributors in this journal are not necessarily those of the Institute. The Institute reserves the right to refuse, cancel, amend or suspend an advertisement or insertion and no liability can be accepted for loss arising from non-publication or late publication of any advertisement or insertion. All articles are subject to editing. By making submissions to ICAN Students' Journal, the contributors undertake that the contributions are original and have not been accepted or submitted elsewhere for publication.

Correspondence should be addressed to:
The Corporate Communication and Marketing Directorate, ICAN
P.O. Box 1580, Lagos.

Designed by Media Softdigital Solutions ☎ 0802 343 8749

Editor's Note

Just like any other student, the 54th President of the Institute, Alhaji Razak Jaiyeola, BSc, ACFE, CRISC, FCA, was admitted to study Chemistry at University of Ife (now Obafemi Awolowo University) and he graduated in 1974 with a BSc. degree in Chemistry.

After his graduation, he served the nation under the National Youth Service Corps (NYSC) programme and later got a job with the food and drugs administration department under the federal Ministry of Health, but he wasn't too satisfied.

In his quest for a better job, he observed that most of the advertised vacancies were for Accountants, and the positions go with good salary, official car and other emoluments.

At that juncture, the chemistry of his life began to change for the better; he started thinking of how to change his career to Accounting. Fortunately, in 1977, he commenced his professional accountancy training with Coopers and Lybrand, an international accounting firm (now PriceWaterHouseCoopers) as an articled clerk. He later enrolled and passed all the successive stages of the ICAN examinations in 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.

He has 38 years' professional experience spanning all areas of Accounting, Financial Information Technology Consulting, Information Systems Auditing, IFRS/IPSAS Training, Consulting and Implementations, Taxation, Insolvency and Management Practice.

Apart from accounting, Alhaji Jaiyeola is also 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 System Control (CRISC).

In an interview with the ICAN Students' Journal team comprising of Bunmi Owolabi (Editor) and Muyiwa Dare (Assistant Editor), the ICAN President was unequivocal as he spoke passionately on national issues, what ICAN is doing as a professional body to support government's anti-corruption crusade and how to improve the nation's economy. He also spoke on the Institute's "Accountability Index" created to assess the performances of all the three tiers of government and make their financial statements public to encourage transparency and Accountability.

You will also read in this edition some interesting news items and the President's plan for the year.

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 on the various articles, news and other items published in this edition are welcome. Please write to: editor@ican.org.ng or aowolabi@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. **Alhaji Razak Jaiyeola, FCA** emerged as the 54th President. His investiture took place after an election on Friday, June 1, 2018 at the Institute's Secretariat in Victoria Island, Lagos.*

*Also elected are: Vice President, **Mazi Nnamdi Anthony Okwuadigbo, FCA** while **Mrs. Onome Joy Adewuyi, FCA** and **Mrs Comfort Olujumoke Eyitayo, mni, FCA** were elected 1st and 2nd Deputy Vice Presidents respectively. **Chief Oyemolu Olugbenga Akinsulire, FCA** became the Institute's Honorary Treasurer.*

THE 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.

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



Jaiyeola

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.

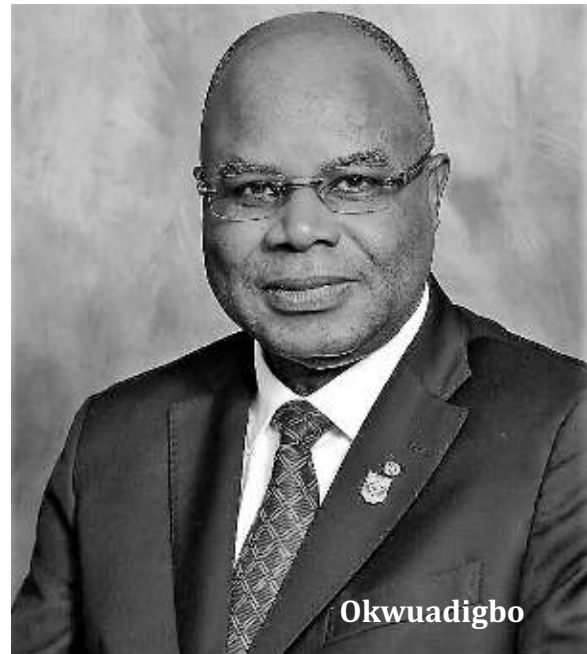
He was a Co-Development and Implementation Consultant for ICAN Technology Competence Initiative (TCI) which was a practical IT training precondition for induction of ICAN qualified students' into the profession. A leader in the training of Certified Information Systems Auditor (CISA) in Nigeria as well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

THE Vice President, **Mazi Nnamdi Anthony 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

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.

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 1st 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 alumna of the



Adewuyi

Havard 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 President 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 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 2nd Deputy Vice President, Mrs. Comfort Olujumoke Eytayo is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and a member of the ICAN Governing Council since 2007. She has served on many ICAN Committees either as Chairman, Deputy Chairman or member at various times. As an Entrepreneur of repute, Eytayo is the CEO of Eden Comfort Place, a high-profile hospitality business in Ikeja, Lagos.

Mrs. Eytayo is a product of the prestigious University of London School of Economics for her Advance Diploma in Economics, from 1980-1981, having obtained her West Africa School Certificate from Lagos City College, Yaba, Lagos, in 1973.

She also attended Hammersmith & West London College from 1978-1980 where she obtained her HND in Accounting. She was also at Sheffield City Polytechnic for her ACCA Level II, PAA Poly. Assc. in



Eytayo

Accountancy (1982); London School of Accountancy (1983) and Students PYE (1987).

Professionally, Mrs. Eyitayo worked with KPMG Peat Marwick and KPMG MCLINTOCK – UK at different times. She was also with the United Bank for Africa Plc.

She is a member of the National Institute for Policy and Strategic Studies (NIPSS) Kuru, Jos having successfully attended the Senior Executive Course in 2009. Mrs. Eyitayo has attended numerous training courses both in Nigeria and overseas.

Apart from her professional career, Mrs. Eyitayo has served public interest in areas such as Member, National Governing Council of Allover Polytechnic; Financial Secretary, Shepherdhill Baptist Church, Obanikoro (2003-2010); Chairman, Finance Committee, Shepherdhill Baptist Church, Obanikoro (2008 – 2013); National Treasurer of Alumni Association of the National Institute (2014 – 2017); General Secretary of Lagos Zone, Alumni Association of the National Institute (2010 – 2014) and many others. She is happily 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, 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 centre by ICAN) and also doubles as the Managing Consultant of Oye Akinsulire & Associates, a firm of Financial, Management and Tax Consultancy advisers.

Establishing Institute of Forensic Accountants is Uncalled for - Jaiyeola

The quest for the establishment of Chartered Institute of Forensic Accountants of Nigeria has been described by the 54th ICAN President, Alhaji Razak Jaiyeola as totally uncalled for.

Jaiyeola made this declaration while addressing the press on the Chartered Institute of Forensic and Investigative Auditors Bill 2018 (SB584) recently passed by the Senate and awaiting the concurrence of House of Representatives.

According to him, the functions and responsibilities in the proposed Bills for Chartered Institute of Forensic and Investigative Auditors in Nigeria and Chartered Institute of Forensic Accountants of Nigeria are already contained in the 1965 Act of Parliament that established ICAN.

"It is therefore improper for section 18 of the proposed Forensic Accountants Bill to criminalize people who are already practicing Forensic Accounting before the enactment of the Act. It imposes a fine of N50,000 and N100,000 respectively or two years imprisonment against ICAN members who had already been practicing Forensic Accounting before the inception of this Bill," he stressed.

Explaining further, Jaiyeola disclosed that ICAN created seven faculties in 2009, among which Audit,

Investigation and Forensic Accounting was one. He stated that the Faculties provide training to ICAN members in their areas of specialization, as well as provide specialist certification courses and issue certificates to qualified members as evidence of expertise and authority to practice their specialized skills.

"From the foregoing, Forensic Accounting is adequately covered within the scope of the training that ICAN provides and therefore the quest for a separate Institute for just Forensic Accounting is totally uncalled for".

"There is therefore no knowledge or professional gap that the proposed body would fill. Whatever perceived lacuna that this Bill seeks to fill has been adequately covered within the scope of services that

ICAN members render. Consequently the need for the establishment of a Chartered Institute of Forensic and Investigative Auditors in Nigeria does not arise at all," he concluded.

The ICAN President also expatiated that before a person starts practicing audit and other accounting related disciplines, he or she must first qualify as a Chartered

Accountant, and would have followed a detailed curriculum of Forensic and Investigative Audit which is a subset of Advance Audit and Assurance in the Institute's qualifying examination syllabus.

ICAN Inducts 515 AAT Members

The Institute has inducted 515 members into the Association of Accounting Technician West Africa (AATWA).

Performing the 48th induction at ICAN Centre, Amuwo-Odofin in Lagos, the 54th ICAN President, Alhaji Razak Jaiyeola congratulated the new members having passed through the rigorous qualifying examination of the Institute.

"The academic rigour that today's inductees had gone through in the period of writing the qualifying examinations has adequately prepared them for the future," he eulogised.

He urged the members to live above board while upholding the principle of accuracy and integrity that ICAN is noted for. He also implored them to adhere strictly to the ethics and rules of professional standard of AATWA and conduct themselves as noble AATWA members.

The ICAN President also used the occasion to clear some doubts and misconceptions about ICAN qualifying examinations, the ATS and professional.

He explained that though it may be difficult to scale through ICAN's examinations, but candidates who have successfully undergone the examinations would attest that the quality of the examinations no doubt prepared them for the exciting field of accounting.

He also disclosed that the Institute has different relevant and reader-friendly materials that assist students in preparing for the different categories of examinations, adding that students who were able to work hard would realise that the examinations are not insurmountable.



Cross-section of the newly inducted AAT members

I Will Live and Lead by ICAN Values and Defend its Ideal Irrespective of Challenges - Jaiyeola.

THE 54th President of the Institute, Alhaji Razak Jaiyeola, FCA has reiterated his readiness to live and lead by ICAN values and defend the ICAN ideal irrespective of the challenges.

Jaiyeola made the commitment during his investiture on June 1, 2018 in Lagos, adding that ICAN as an institution with twin responsibility of being the premier regulator of the Accountancy profession in Nigeria, as well as an examination body, has the voice of knowledge, expertise, integrity and service for the common good.

“ICAN speaks to leadership at all levels, it cautions against profligacy, it preaches prudence and drives sustainability initiatives. This discerning, eagle-eyed and transparent approach to resource management and



ICAN President being decorated with insignia of office

governance is what ICAN and its members represent,” he declared.

On proliferation of accounting bodies, Jaiyeola explained that those trying to cut corners to obtain legitimacy from the National Assembly should rather explore the legal opportunities to realize their dreams, instead of seeking to build empires that will be a deception, quackery and a drain pipe on the national treasury. He called on all members of the Institute to defend the ICAN Act at all cost.

In order to consolidate its support to government's anti-corruption crusade, the 54th President stated that ICAN would deploy expertise to assist government in the crusade against sharp practices in low and high places.

“The various discoveries and arrests by law enforcement agencies can only



The 54th ICAN President, Alhaji Razak Jaiyeola, taking his oath of Office

translate to judicial convictions with thorough and professional investigations.

Therefore, we should collaborate with security agencies to build forensic capacity through our faculties," he declared.

Speaking further, Alhaji Jaiyeola enthused that in line with the Institute's strategic vision, he would intensify human capacity building initiatives to impact the nation's development agenda. According to him, the Institute would work with government and regulatory agencies to enhance the capacity of public institutions to deliver on their mandate through massive investment in human capital and infrastructural facilities, which hold the key to sustainable development. "As part of our advocacy initiatives as major stakeholder in the Nigerian project, the Institute will engage more with the government's Economic Think Tank, especially the Nigerian Economic Summit Group and the Economic Team headed by the nation's Vice President, to

accelerate the nation's development agenda," he explained.

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



ICAN President with Council Members



The 54th ICAN President with some Past Presidents after his investiture

Nigeria Should Reduce Cost of Governance and Invest More in Infrastructural Facilities - Jaiyeola



The 54th ICAN President, Alhaji Razak Adeleke Jaiyeola, BSc, ACFE, CRISC, FCA has never minced his words in telling people that he graduated with a Bachelor's degree in Chemistry before he enrolled and passed all the successive stages of the ICAN examinations and eventually dabbled into Accounting, a profession he has practised for 38 years.

As a Fellow of the Institute and Chief Consultant at AJ Silicon Consult Lagos, 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 System Control (CRISC).

His experience spanned all areas of Accounting, Financial Information Technology Consulting, Information Systems Auditing, IFRS/IPSAS Training, Consulting and Implementations, Taxation, Secretarial, Insolvency and Management Practice.

*In this interview with **The Nigerian Accountant** team led by the Editor, **Bunmi Owolabi** and the Assistant Editor, **Muyiwa Dare**, Alhaji Jaiyeola opened up on many issues ranging from accounting profession, the nation's economy, government, the Institute's support of the anti-corruption crusade etc. Excerpts:*

As the new President of the Institute of Chartered Accountants, what do you want to do differently from the other Presidents?

ICAN is a members' institute and it operates through the Committee system. Given the diversities of its membership, it will be foolhardy to expect that the few members of committee and Council will adequately represent all shades of opinion. Therefore, the governing Council's activities under my leadership will be driven by the views of a larger segment of members beyond those in the various committees. More stakeholders' sessions will be held on critical issues before decisions are taken. We intend to run a more inclusive governance and give voice to the voiceless within and outside the profession. The interest of most members, within the public interest mandate of the Institute, will enjoy greater premium. We were elected to serve; so will keep faith with members.

Assess the current anti-corruption fight of the government and what ICAN will do to support the government.

Corruption is the bane of our development. It should therefore not be a fight by the government alone. All citizens should be involved; Nigerians should own and prosecute the war against corruption because of its negative impact on everyone. The successes recorded by the anti-corruption agencies like EFCC, ICPC, Police, etc, are commendable.

I believe that in the area of investigation of cases, a lot needs to be done to achieve more convictions in court. Therefore, there is need to enhance the skills of law enforcement officers in forensic investigation techniques. ICAN is willing to partner with them in this respect.

Secondly, special courts should be designated to handle these cases to ensure quick dispensation of justice. Above all, the whistle-blowing initiative has to be publicized more; Nigerians must be part of the crusade for more results to be achieved. The whistle-blowing policy should be backed by law to make it more effectual.

Let me add that ICAN has revised and updated its Code of Ethics for members and in line with its enabling Act, it would monitor and enforce compliance. Any proven non-compliance will be sanctioned in line with the provisions of the law.

Also, the Institute recently created a Whistle-

blower's Fund in the sum of N50m to protect and defend members that may be victimized for living the ideals of the Institute and profession, the Council also developed an Accountability Index against which performance of MDAs and public officials will be benchmarked. The global regulatory body for the accountancy profession, IFAC, recently launched the Non-Compliance with Laws and Regulations (NOCLAR) for professional accountants worldwide. ICAN has adopted this standard and Council is monitoring and enforcing compliance.

What advice do you have for the government on how to attain economic growth, create employment and secure lives and property?

Over the years, the budget has always been dominated by recurrent expenditure. In 2018, the capital budget was about 31% while the recurrent was 69%. The figures in previous years are much worse. No nation can develop when it budgets for consumption as we do in Nigeria. If we are going to grow the nation's gross domestic product (GDP) which is the meaning of economic growth, we must invest more in infrastructural facilities and create the enabling environment for businesses to create wealth.

Second, we must reduce the cost of governance. The cost of governance under the presidential system that we run as a nation is astronomical. Since 1999 when the nation transited to democratic governance, there has been a lot of hue and cry over the huge and rising cost of governance. Many wonder, and rightly so, why the nation should have 36 Ministers as provided in the Constitution, why the number of full time legislators at the Federal level is as high as three Senators and an average of ten legislators in the Federal House of Representatives per state.

In spite of the privatization of many public sector enterprises and the resultant laying off of their staff as well as the monetisation of benefits of the remaining civil servants, the recurrent expenditure has not been less than 70% of annual budget in the last ten years. This has made it difficult for the nation to record any meaningful development. We therefore recommend that the constitutional provisions for ministerial appointments should be revisited and amended to reduce the number of Ministers and Aides that office bearers can have. Secondly, the number of representatives in National Assembly can be reduced by increasing the

population size of constituencies.

There is no reason why each state cannot have only two senators and an average of five representatives. These legislators need not be full time legislators. The nation can evolve a part-time legislative scheme such that legislators are paid sitting allowances. This will significantly help to reduce cost of governance and release funds for development which entail employment generation.

Also, there is no reason why many of the regulatory agencies performing similar functions cannot be merged for efficiency, cost reduction and increased productivity as recommended by the Oronsaye Committee. The laws setting up these bodies should be collapsed while their capacity building initiatives should be reinvigorated to ensure their effectiveness. With strong, effective and efficient regulatory agencies, the much maligned oversight functions of the National Assembly will gradually be reduced and eventually stopped. The time to act on that strategic report is now.

Furthermore, the private or real sector is the engine of economic growth and development. Therefore, it is imperative for an enabling environment to be created for them to thrive. One of the issues that need to be addressed is the interest rate. Every quarter, the CBN fixes the minimum rediscount rate (MRR) which defines the rate at which banks can borrow from or lend to the CBN. In the last 6 months, the MRR has been fixed by CBN at 14% as part of its strategies to fight inflation and stabilize the economy. Unfortunately, banks have failed to adhere to the window of 200-300 plus/minus above or below the 14%. They excuse their actions by referring to the huge operational costs in terms of generating electricity and investing in infrastructure.

Furthermore, with the huge budget deficit of N1.95 trillion, debt servicing of N2.01 trillion in 2018 and the desire by government to borrow from the financial system, pressure is put on the financial institutions to lend to the more secured and risk-free



If we are going to grow the nation's gross domestic product (GDP) which is the meaning of economic growth, we must invest more in infrastructural facilities and create the enabling environment for businesses to create wealth.

sector, the government. The real sector is crowded out of the market and are inevitably, borrowing at a higher interest rate. The solution lies in the government reducing its deficit financing and step up its inflation fighting measures so that the cost of funds will decline. Unfortunately, this will not happen in the short term.

Above all, the government's Economic Recovery and Growth Programme (ERGP) 2017-2020 was designed to

address economic diversification, increase employment opportunities for Nigerian youths and achieve sustainable and inclusive growth. I must say that, the nation has made significant progress in its diversification strategies. Prior to now, the structure of the economy was highly import dependent, consumption driven and undiversified with oil accounting for 95% of exports and foreign exchange earnings while the manufacturing sector accounted for less than 1% of total exports. The narrative has started to change.

Agriculture has received a new focus while investment in infrastructure, which has been the bane of the private sector, has increased considerably. The power generation has increased. The contribution of manufacturing and other sectors are growing appreciably. Indeed, in implementing the ERGP, the Government should

collaborate more with the organised private sector to deepen their investments in the agriculture, power, manufacturing, solid minerals and services sectors as well as support the private sector to become the engine of national growth and development.

Nigeria's debt profile is rising, is this a good development for the economy? What solution would you proffer?

When compared with the GDP, the debt profile of the nation is tolerable. However, that relationship is merely an economic statistic. If the debt servicing amount is related to the revenue earned by the government, the picture will be clearer. For instance, if you earn N100 and spend about N63 to service your debt, you only have N37 to meet recurrent and capital needs. Here lies the challenge. The rising huge debt is not healthy for the nation. Given our huge resource endowment, it is inexcusable.

As noted earlier, with the huge budget deficit and the desire by government to borrow from the financial system, pressure is put on the financial institutions to lend to the more secured and risk-free sector, the government. The real sector is therefore crowded out of the market and is inevitably, borrowing at a higher interest rate. I therefore urge the government to reduce its deficit financing and step up its inflation fighting measures so that the cost of funds will decline. Secondly, if the cost of governance is reduced as suggested, there will be a lot of resources for development. There is a lot of wastes in the public sector. The procurement processes need to be revisited such that the nation gets value for money.

In the latest National Bureau of Statistics (NBS) report, it was reported that the nation's population is growing by 3% while the GDP is declining. What are the implications of this?

A high population growth is a concern, not just in Nigeria, but globally because of the challenges it presents to the countries. The population growth in Nigeria is a phenomenon that is likely to continue unabated especially in the short run. With a population growth only in the short term, then no serious problems are envisaged. But the trend is of a continuous nature, then there is cause for worry. For instance, according to www.populationpyramid.net, in 1960, the population of the UK was 52 million while that of Nigeria was 46 million, by 2015 the UK was 62 million while Nigeria was 185 million and by 2070, Nigeria will be 550 million while the UK will be only 80 million! This means that over a period of 110

years, Nigeria will add over 500 million to her population whilst the UK would add only 30 million and the UK was coming from a higher base.

The implications of a declining GDP and a rising population are so clear to be a closed book to anybody. The implications are simply misery and hunger of a level that can only be likened to what obtains in a war situation. There will be unemployment at a level much more serious than it is now, infrastructure will dilapidate due to over-stressing and all other normal services that government ought to provide would be greatly and negatively affected and in short supply. The situation would be as described because the growth is due to birth and not immigration. Consequently, until the new additions attain 18 years of age or thereabout, they would not be in a position to contribute to GDP growth.

Recently, you raised alarm over a parallel association calling for registration of members, can you throw more light on this?

I did not raise any alarm but only raised the consciousness of the people to the ill-advisedness of having multiple professional accounting bodies purporting to be rendering services for which they do not have the required training or competence. The issue of the forensic and investigation bill has become a household matter and the stance of the Institute on it has been laid bare at different fora. The summary of the matter is that the bill is not auspicious for a number of reasons. Forensic and investigative audit is a special area of practice of accountancy that describes engagements resulting from actual or anticipated disputes. The promoters of the bill have not got what it takes to render the service. Besides, there is no skill gap they hope to fill. Over the years, qualified ICAN members have been practising forensic and investigative accounting and auditing creditably. More importantly, the functions and responsibilities in the proposed Bills for Chartered Institute of Forensic and Investigative Auditors in Nigeria and Chartered Institute of Forensic Accountants of Nigeria are already contained in the 1965 Act that established ICAN. It is also to be noted that since 2009, ICAN established 7 Faculties which are specialist knowledge areas in response to global best practices and business dynamics and Audit, Investigation and Forensic Accounting is one of the faculties. The Audit, Investigation and Forensic Accounting Faculty provides specialist certification courses and issue

certificates to qualified members as evidence of expertise and authority to practise their specialized skills. Forensic Accountants trained by ICAN are awarded Certified Forensic Accountants of Nigeria (CFAN) certificates. Holders of CFAN certificate are rendering value-adding services to their diverse clienteles. The Forensic Accounting curriculum is carefully drawn to ensure that, to be a forensic accountant, one must necessarily be a qualified chartered accountant, be certain of technical competence and preserved professional integrity.

From the foregoing, Forensic accounting is adequately covered within the scope of the training that ICAN provides and therefore, the quest for a separate Institute for just Forensic accounting is totally uncalled for. There is therefore no knowledge or professional gap that the proposed body would fill. Whatever perceived lacuna that this Bill seeks to fill has been adequately covered within the scope of services that ICAN members render. Consequently, the need for the establishment of a Chartered Institute of Forensic and Investigative Auditors in Nigeria does not arise at all.

It is also laughable that the Bill is secretly criminalizing anybody practising Forensic accounting without being a member of the proposed Institute. As I noted earlier, ICAN members have been practising Forensic accounting for several years.

Now 2019 general election is nearby, do you foresee economic stability in the process?

Elections in Nigeria are not precisely what they are like in other settings. In Nigeria, elections are volatile and odious, largely

because ideological issues do not form the foundation of the political parties. That means election periods in Nigeria are as uncertain as the waves of the sea. If that is the case, and realizing that economic issues derive strength from political atmosphere, it would then be difficult to suggest that there could be economic stability in 2019. There would certainly be more money in circulation but not to the right sectors that have the potential and capacity to create value and wealth for the nation. A high volume of cash in a system irresponsibly deployed cannot give rise to any economic stability. So, I do not foresee any economic stability during the 2019 election year. This is going to be tough except the politicians behave responsibly and allow our institutions to work as effective as they should be.

What is your opinion about the implementation of IFRS 9?

The implementation of IFRS 9 is on course in Nigeria. To ensure smooth implementation, the CBN provided Guidance Notes to Banks and Discount

The implications of a declining GDP and a rising population are so clear to be a closed book to anybody. The implications are simply misery and hunger of a level that can only be likened to what obtains in a war situation.

Houses on expectations of implementation of the new standard. The CBN also set up a Project team from which banks could seek clarifications on grey areas of the implementation process. The banks have keyed into the implementation process and are developing and fine tuning strategies to ensure smooth take off in

compliance with the deadline for conversion which is January 1st, 2018. For instance, Diamond Bank had as of December 31st 2017 complied with the deadline. Generally, the implementation process is satisfactory as a number of the processes (trainings, model designs, impact analysis, accounting policies among others) have been completed, especially by the banks. For insurance companies, it would appear they desire to wait for the takeoff of IFRS 17 in 2021 by electing to exercise the Temporary Exemption approach instead of applying IFRS 9. To enjoy the exemption, they will have to pass the "predominance test"

With the implementation of IFRS 9, it is hoped that the Non-performing Loans portfolio of banks would drop significantly.

What is the role of Accountants in fraud matters in Nigeria?



In all modesty, ICAN has been at the forefront of supporting various governments' and agencies initiatives at fighting the hydra-headed monster of corruption and other forms of fraud in the polity.

We are not resting on our oars. In 2015, we launched a N50 million Whistle-Blower's Fund to protect and compensate our members who report any form of financial misdemeanor in the country. We were therefore, and as expected, elated when the Nigerian Senate passed the Whistle-Blower Protection Bill of the Federal Government in June 2017 and you can see the level of success achieved by the federal government from the whistleblowers initiative.

ICAN keyed into Non-Compliance with Laws And Regulations, or (NOCLAR) in 2017.

NOCLAR was issued by the International Ethics Standards Board for Accountants (IESBA) as a whistle blowing initiative which mandates professional accountants and auditors to expose any act of non-compliance to laws and regulations by their employers or clients to relevant authorities.

Similarly, the ICAN Accountability Index (ICAN-AI) being developed by the Institute is gathering momentum. This Index aims at improving the process for assessing public finance management and public governance practices across the three tiers of the Nigerian public sector including the Federal, State and Local Governments.

Some of the specific objectives of the Index are to:

- Encourage greater accountability and transparency in fiscal and Public Financial Management (PFM) practices in Nigeria.
- Improve quality of governance and compliance with Fiscal Responsibility Act 2007.
- Tackle corruption by engaging quality professionals in public sector.

In fact we made a presentation to the Federation Account Allocation Committee (FAAC) on the Index and we have the support of various government officials and political office holders in the development of the Index.

Are you satisfied with the way the nation's budget is being handled?

It would be difficult for anyone to confess that he is satisfied with the way the nation's budget is being handled. A lot of improvements are needed to bring the budgeting process in line with global leading practices by eliminating all fundamental challenges currently being experienced. For instance, the budget preparation and scrutiny are always late. This makes it difficult for stakeholders to plan appropriately. There is also the issue of assumptions underlying the budget estimates which are often over ambitious. We need to begin to learn from previous budget in preparing current ones. We do not have to impress anybody with high sounding but unrealistic assumption, especially in

the area of crude oil production. The budget is also usually skewed in favour of recurrent expenditure. This is a disservice to the nation and an aberration. We equate budget performance in Nigeria with the release of funds such that nobody actually critically examines whether the budget is performing based on the parameters set in the budget or not. This is even compounded by the erratic release of budgeted funds to the respective agencies and units that need funds to execute projects and programmes. Unless

and until all these fundamental challenges are dealt with sincerely and timely, the budgeting process in Nigeria would continue to be a challenge.

What is the profession doing to improve proper book keeping amongst SMEs?

Bookkeeping is a major issue among the Small and Medium Scale Enterprises, not just in Nigeria, but also in other economies. The Institute recognizes this situation and has always put measures in place to mitigate it. For instance, the syllabus of the Accounting Technicians Scheme as well as the foundation levels of the Institute's examinations are designed to ensure that anyone who successfully completes the examination is well equipped to handle issues concerning book keeping, no matter how complex.

... the functions and responsibilities in the proposed Bills for Chartered Institute of Forensic and Investigative Auditors in Nigeria and Chartered Institute of Forensic Accountants of Nigeria are already contained in the 1965 Act that established ICAN



practices of IFAC in their jurisdiction. Over the years, our training curricula and syllabi are benchmarked on these global standards and best practices. Thus, the quality of our members is not in doubt. This explains why our members are occupying strategic positions in various sectors of the local and international economy. Although we are pacesetters, the point must be made that knowledge is not static and so, we give serious consideration to mandatory continuing professional education programme. This initiative has helped our members to be abreast of current development.

The acquisition of relevant skills should be a life-long matter especially because of the increasingly dynamic nature of the work environment. The continuous development of skills should, therefore be of interest, not just to professional organizations, but also to employers of labour. In Nigeria, the

accountancy profession especially the Institute of chartered Accountants of Nigeria (ICAN) compares favourably with other well developed Professional Accounting Organizations (PAOs) around the world in terms of skills development. A number of skills are required in the accounting profession- professional ethical and research skills.

A number of our MCPE programmes are also designed to take account of the need to equip participants of the required knowledge of strong bookkeeping. Given that most bookkeeping aspects have been taken over by ICT, members are also encouraged to be computer literate in a number of accounting packages. The Institute is not just setting the pace in producing accountants who are brilliant and ethically sensitive, but also ICT geek at heart and head. This is imperative since ethics and ICT are two main throttles of successful professional life.

SMEs are the backbone of any economy. Indeed, they constitute the engine of growth. In view of the importance of these entities, the Council has set up small and medium-sized practices (SMPs) committee to support our members that provide services to SMEs.

SMEs are the backbone of any economy. Indeed, they constitute the engine of growth. In view of the importance of these entities, the Council has set up small and medium-sized practices (SMPs) committee to support our members that provide services to SMEs. Part of the initiatives of the SMPs will be to organize sensitization sessions to educate operators of SMEs on the need to keep accounting records. Above all, we plan to liaise with other regulators to further drive the financial literacy programme of embedded in FSS 2020.

How would you assess the Accountancy profession in Nigeria In terms of skill development?

The Accountancy Profession is a dynamic and global profession regulated by IFAC. Thus all member-bodies are required to leverage the standards and

The professional members of the Institute are well honed in their various areas of specialty with regard to the skills required. Under the current business environment, IT skills have become imperative as it cuts across all specialties and ICAN members are taking the lead in this initiative. The Consultancy and Information Technology Faculty of the Institute is an Ace in this regard and thus, the toast of the members.

This is not surprising if considered in the context of the observation of Ray Dalio- the hedge fund guru, who notes that we are headed for a world where you are "either going to be able to write algorithms and speak that language or be replaced by algorithms." As accountants of cast in the ICAN mold, we write algorithms and speak the language and thus, on top of the profession. Besides the Consultancy and Information Technology Faculty, cutting edge MCPE programmes that address skills development are also run regularly in designated places or in situ in

some organizations. These programmes have proved very effective as testimonies abound from participants of the values derivable there from.

During your tenure, what are some of the initiatives you will put in place to further develop the Institute?

I will build on existing foundation and also

- Defend the ICAN Act
- Strive to commence the building of an ICAN Academy in Lagos
- Develop and apply the metrics for the ICAN Accountability Index
- Enhance the IT skills of chartered accountants
- Aggressively promote entrepreneurship initiative for our members
- Engage regulators to enhance the quality of financial reporting
- Promote high quality financial reporting by members
- Play more active roles in regional and international organizations
- Enhance the ICAN Brand through advocacy and support to stakeholders.
- Strengthen and reposition the Faculties to deliver on their various mandates.

What is the latest on the ICAN Accountability Index?

As I earlier mentioned, the ICAN Accountability Index (ICAN-AI) is gathering momentum. Some of the specific objectives of the Index are to:

- Encourage greater accountability and transparency in fiscal and Public Financial Management (PFM) practices in Nigeria.
- Improve quality of governance and compliance with Fiscal Responsibility Act 2007.
- Tackle corruption by engaging quality professionals in public sector.

We organized a three-day Workshop for field Coordinators and Assessors on the ICAN-AI Framework. The Workshop familiarized the Coordinators and Assessor with the Framework before they set out to visit relevant government agencies across the country to collect data required for developing the Index.

Also, we made a presentation on Friday, July 27, 2018 to the Federal Accounts Allocation Committee

(FAAC) at the Federal Capital Territory (Abuja) to create awareness on the Framework. The Institute is working towards ensuring that the first result of the Accountability Index are presented at the 48th Annual Accountants' Conference scheduled to hold between October 1 – 5, 2018 at the Federal Capital Territory (FCT), Abuja.

How does ICAN hope to improve the future of the profession in Nigeria?

The future of the profession depends on the steps taken today, not just by the Accounting profession itself but by all relevant stakeholders. The Institute is aware and also conscious of this and has been doing its best within the context of the prevailing environment. A number of giant steps have been taken and still being taking to ensure the future of the profession is assured.

One of the greatest heritages in this direction is the integrity of the examination processes in ICAN which has surpassed all expectations. The feat is unprecedented and worthy of emulation by both lovers and detractors of the profession. In furtherance of the future of the profession, the Institute of Chartered Accountants of Nigeria (ICAN) introduced seven distinct areas of accountancy (Faculties) as a platform for the acquisition of specialized skills for members. The faculties include: audit, investigation and forensic accounting; corporate financial management; financial reporting; insolvency and corporate re-engineering; public finance management; taxation and fiscal policy management; consultancy and information technology. The operations of the faculties validate ICAN as a public interest responsive professional organization that cares about the future and the fortunes of its stakeholders.

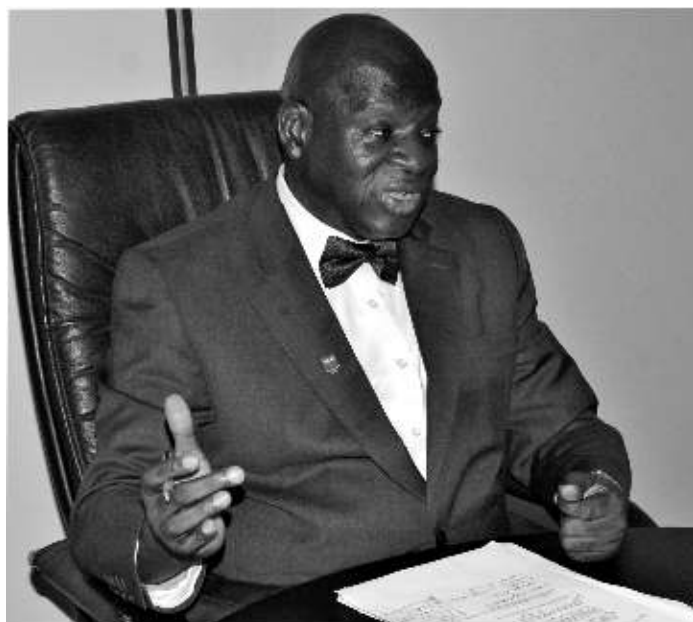
The true spirit of the public interest obligation of the accounting profession cannot be ignored as the benefits of the faculties are enormous both to the members, the firms, regulatory bodies and others who have an operational interest in the services of the profession.

The Institute of Chartered Accountants of Nigeria (ICAN) as a Professional Accounting Organisation (PAO), appreciates the need to grow the profession through training well-balanced professional accountants. It has, therefore, been funding research

and publication activities in tertiary institutions in Nigeria and beyond. The initiative of the Institute goes beyond funding discrete research projects to that of strategic research partnerships with reputable organizations such as being the academic partner to the World Congress of Accountants in 2014.

The MCPes and the EMCPEs are also platforms designed to grow the accountant into the future. The topics chosen for the trainings are those that address not just the current needs of the profession but also the future.

The Institute has developed a programme called "Mutual Cooperation Agreement with Tertiary



Institutions" (MCATI). This programme aims at deepening and improving the quality of accounting graduates in line with international standards. In order to ensure compliance with the terms of the agreement and maintain quality consistently, the Institute regularly monitors the process in the accredited institutions to avoid deviations from the obligations contained in the agreement.

So far, the programme is running as desired and the strides are awesome. These and the building of lecture theatres in some institutions of higher learning in Nigeria, provision of books and computers are among the legion of initiatives of ICAN in building the future of the accountancy profession.

How would you like to be remembered?

The Council under my leadership will provide thought leadership on professional and public interest issues through advocacy. I would want to be remembered as the President who took ICAN to its next level of development as forthright and professional body; as a body that remained a foe of deceit and sharp practices but a dependable champion of

I would also like to be remembered as the architect of a new accounting infrastructure in the country that leverages cutting edge technology to redefine service delivery by accountants.

What should ICAN staff expect during the year?

This Presidential year would work with ICAN Secretariat to ensure that members of staff are adequately remunerated for their efforts put into

I would also like to be remembered as the architect of a new accounting infrastructure in the country that leverages cutting edge technology to redefine service delivery by accountants.

running the Institute. As the popular saying goes, "if you don't train them, don't blame them". The training of staff to acquire the requisite skills and competencies would be of utmost priority for our administration.

We fancy that without the continued unflinching commitment of staff, the lofty agenda we have set for the 2018/2019 Presidential Year would be a mirage. I therefore equally crave for the support of all cadres of staff of ICAN to assist us in keeping the flag of the Institute flying.

How do you relax?

Relax?....laughs. I am a lover of golf and spend my Sunday mornings playing golf. This is how I would say I relax. I also attend social functions for mental breaks. I also dance.

Our goal is to ensure success in ICAN exams. We have, therefore, suggested solutions to some professional level examination 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.

MAY 2017 DIET PROFESSIONAL LEVEL EXAMINATIONS

CORPORATE REPORTING - SECTION B

QUESTION 1

a. The economic environment in the country has been very harsh and it is now a common knowledge that the economy is in recession. This in turn may impact on the income generating capacity of assets of companies especially in those industries experiencing a downturn in fortunes. This calls for the financial reporting regulators to pay attention to evidence of impairment of assets in the financial statements submitted by these companies.

Required:

Discuss briefly the reasons why the Financial Reporting Council of Nigeria (FRCN) should focus on the impairment of non-financial assets and deferred tax assets of listed companies in Nigeria in this period of slow economic growth, setting out the key areas which entities should focus on when accounting for these items. (7 Marks)

b. IAS 36 stipulates how a company should test for impairment of assets.

A multinational oil marketing company operating in Nigeria is not sure how to test for impairment of its assets especially those that do not generate cash flows that are independent of other assets.

Required:

(i) Identify TWO external and TWO internal indicators that an asset of the multinational oil company may have been impaired. (2 Marks)

(ii) Briefly discuss how the multinational oil company should test for impairment of assets that do not generate independent cash flows. (6 Marks)

c. A cash generating unit holds the following assets:

	N'Million
Goodwill	160
Patent	320
Property, plant and equipment	480

An annual impairment review is required as the cash generating unit contains goodwill. The most recent review assesses its recoverable amount to be N720million. An impairment loss of N240million has been incurred and

has been recognised in profit or loss.

Required:

Show how the value of the assets held by the cash generating unit will change after the impairment test based on the information provided above. (5 Marks)
(Total 20 Marks)

QUESTION 2

An annual report is a comprehensive report on a company's activities intended to give information about the company's activities and financial performance. In addition to the audited financial statements, annual reports contain a great deal of extra information which could be financial and non-financial. The extra information provided may be required by law, hence, it is mandatory. However, many companies provide additional information not required by law, on voluntary basis.

Required:

a. Identify THREE of such reports that are voluntarily disclosed in annual reports of Nigerian companies. (3 Marks)

b. Why would a company disclose information not required by law in its annual report? Propose FOUR reasons for and give any TWO limitations of such disclosures. (7 Marks)

c. Institutional investors, if not all investors, need information about corporate governance in order to make rational and reasonable investment decisions. As such, the Securities and Exchange Commission (SEC) of Nigeria requires that the annual reports of all quoted companies should include a corporate governance report.

Required:

Identify the contents of such corporate governance report. (5 Marks)
(Total 15 Marks)

SOLUTION 1

a. Impairment of non-financial assets and deferred tax assets

The following are the reasons why Financial Reporting Council of Nigeria (FRCN) should focus on the impairment of non-financial assets and deferred tax of listed companies:

- Particular attention should be paid to the valuation of

goodwill and intangible assets with indefinite life spans.

- The entity should focus on certain specific areas including cash flow projections, disclosure of key assumptions and judgements, and appropriate disclosure of sensitivity analysis for material goodwill and intangible assets with indefinite useful lives.
- IAS 36 Impairment of Assets points out that greater weight should be given to external evidence when determining the best estimate of cash flow projections.
- The following are the key areas which entities should focus on when accounting for these items:
 - A continuous period of slow economic growth could indicate to regulators that non-financial assets will continue to generate lower than expected cash flows, especially in those industries experiencing a downturn in fortunes.
 - In measuring value-in-use, cash flow projections should be based on reasonable and supportable assumptions which represent the best estimate of the range of future economic conditions.
 - Each key assumption should be consistent with external sources of information, or there should be disclosure of how these assumptions differ from experience or external sources of information.
 - Such an economic climate could result in the recognition of tax losses or the existence of deductible temporary differences where perhaps impairments are not yet deductible for tax purposes.
 - The recognition of deferred tax assets requires detailed consideration of the carry forward of unused tax losses, whether future taxable profits exist, and the need for disclosing judgements made in these circumstances.
 - IAS 12 Income Taxes limits the recognition of a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilised.
 - IAS 12 states that the existence of unused tax losses is strong evidence that future taxable profit might not be available. Therefore, recent losses make the recognition of deferred tax assets conditional upon the existence of convincing other evidence.
 - The probability that future taxable profits will be available to utilise the unused tax losses will need to be reviewed and if convincing evidence is available, there should be disclosure of the amount of a deferred tax asset and the nature of the evidence supporting its recognition.

It is particularly relevant to disclose the period used for the assessment of the recovery of a deferred tax asset as well as the judgements made.

b. IAS 36 "Impairment of assets".

(I) Indications that an asset or group assets may have been impaired

External factors

- A significant decrease in the market value of an asset in excess of normal passage of time.

- A significant adverse changes in the market or business in which the asset is used.
- Adverse changes to the technology, economical or legal environment of the business.
- An increase in market interest rates likely to affect the discount rate used in calculating value in use.
- The carrying amount of the entity's net assets exceeds its market capitalisation.
- Where interest rates increase adversely affecting recoverable value
- Unexpected changes in government policies that could affect the business adversely.

Internal factors

- Physical damage or obsolescence has occurred.
- Adverse changes to the method of use of the asset
- Where indications suggest that the economic performance of the asset will be worse than expected.
- Where management intends to re-organise the entity.
- Where actual cash flows are less than estimated cash flows if an asset is appraised in terms of value.

(ii) Test for impairment of an asset that does not generate independent cash flows

Where the oil company's asset does not generate independent cash flows i.e. cash inflows that are largely independent of those from other assets, it will be assumed that:

- The recoverable amount of that individual asset cannot be determined;
- If it is not possible to estimate the recoverable amount of an individual asset, an entity shall determine the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit);
- In such cases, value in use and, therefore, recoverable amount, can be determined only for the asset's cash-generating unit, and impairment is then tested at the level of cash generating unit for such asset;
- An impairment loss shall be recognised for a cash-generating unit if, and only if, the recoverable amount of the unit is less than the carrying amount of the unit or group of units;
- The impairment loss shall be allocated to reduce the carrying amount of the assets of the unit or in the following order:
 - first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and
 - then, to the other assets of the unit; pro rata on the basis of the carrying amount of each asset in the unit.
 These reductions in carrying amounts shall be treated as impairment losses on individual assets and recognised; and
- In allocating an impairment loss in accordance with IAS 36, an entity shall not reduce the carrying amount of an asset below the highest of:
 - its fair value less costs to sell (if determinable);
 - its value in use (if determinable); and
 - zero.

(c)

Impairment is calculated as the higher of

Carrying amount	960
Recoverable amount	720
Impairment	240

Allocation of the impairment

Asset	Carrying amount	Impairment	Carrying amount after impairment
	N'million	N'million	N'million
Goodwill	160	160	----
Patent	320	32	288
Property, plant and Equipment	480	48	432

EXAMINER'S REPORT

The question tests candidates' understanding of IAS 36 and IAS 12 with particular emphasis on impairment as it relates to non-financial assets.

About 75% of the candidates attempted the question but did not display good understanding of the requirements of the question, hence, performance was very poor.

Candidates are advised to read thoroughly all the International Financial Reporting Standards specified in the ICAN Study texts for better performance in future examinations.

SOLUTION 2**a. Identification of reports that are voluntarily disclosed in annual reports of Nigerian companies:**

- Statement of corporate governance;
- Environmental and social report;
- Report on corporate and social responsibility/Sustainability Report;
- Five-year Financial Summary;
- Key Performance Indicator (KPI);
- Value added statement;
- Chairman's report; and
- Statement of Director's responsibilities.

b. A company would disclose information not required by law in its annual report for the following reasons:

- As a marketing and public relations tool;
- It enhances the level of transparency upon which the financial information is produced;
- It helps in projecting an entity as a better managed company;
- It enhances the demand for an entity's shares as investors tend to allocate more capital to a more transparent company;
- To build goodwill or enhance reputation; and
- As a competitive advantage strategy.

Limitations:

- The company can decide what to include in the report and what to leave out; the reality you see is the reality the company wants you to see;
- Since such voluntary disclosures are not regulated by laws or standards, such disclosures tend to lack uniformity and standardization;
- The information is often presented in a very positive form, as public relations for investors, and might not be entirely reliable;
- Information overload; and
- Window dressing (Creative Accounting).

c. The contents of corporate governance report are:

- Compliance with laws and regulations;
- The Board Composition;
- Role of the Board;
- Directors' Interest in Contracts;
- Board Meetings;
- Board changes;
- Committees of the Board;
- Roles and responsibilities of the Board committees and the discharge of such;
- Control Environment;
- Induction and Training;
- Performance Evaluation process;
- Code of Business Conduct and Code of Governance for Directors;
- Human resource policies, internal management structure, relations with employees, employee share ownership schemes and other work place development initiatives;
- Statement of Company's Risk Management Policies and Practices; and
- Dealings in Securities Code.

EXAMINER'S REPORT

The question tests the knowledge of the candidates on the content of company's Annual Report with reference to voluntary disclosure, mandatory disclosure and corporate governance report.

About 90% of the candidates attempted the question and the performance was average.

Commonest pitfall is that most of the candidates could not clearly distinguish between the mandatory and voluntary information in the annual report.

Candidates are advised to familiarise themselves with the annual report of various companies as well as relevant Accounting Standards on disclosure of information in the annual report.



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
(Established by the Act of Parliament No. 15 of 1965)



Dreaming of an accountancy career?
ICAN will make it happen. Become a Chartered Accountant with global relevance today.
Talk to **ICAN**.

Headquarters:

Plot 16, Idowu Taylor Street
Victoria Island, Lagos.
Tel: 09053847511
09053847510

Annex:

82, Murtala Mohammed Way
Ebute-Metta, Lagos.
Tel: 09053847513

Abuja Liaison Office:

Akintola Williams House
Plot 2048, Michael Okpara Way
Zone 7 Wuse District, Abuja.
Tel: 08076369788
Email: icanabuja@ican.org.ng



Email: studentsaffairs@ican.org.ng

visit www.icanig.org



INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

(Established by the Act of Parliament No. 15 of 1965)

Do you want to be a chartered accountant but not yet a graduate?

No problems.

With your SSCE/GCE/NECO you can begin your journey to accountancy career through the

Accounting Technicians Scheme West Africa. (ATSWA) Route.

The **ATSWA** qualification is:

- An entry level, quasi-professional certificate in accounting
- Highly recognized by employers in Nigeria and other West African countries
- Entitles the holder to exemption from the Foundation level of the ICAN professional examinations
- Qualifies the holder for direct entry to ICAN professional examination
- Entitles the holder to belong to a quasi-professional association with its own designatory letters (AAT)



Entry requirements

- Five (5) credit passes including English Language and Mathematics in Senior School Certificate or equivalent in not more than two sittings
- National Diploma of an approved polytechnic
- National Certificate of Education (NCE)
- Any other qualification approved by ICAN

Relevant qualifications may be considered for exemption

Subjects of the Examination:



PART I
Basic Accounting Process & Systems, Economics, Business Law, Communication Skills.

PART II
Information Technology, Quantitative Analysis, Public Sector Accounting, Principles & Practices of Financial Accounting.

PART III
Principles of Auditing, Cost Accounting, Management, Preparing Tax Computations & Returns.

Visit www.icanig.org for more details