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Integrity: A Role Or A Way Of Life?



Understanding Asset Impairment

- ICAN Holds 44th Annual Accountants' Conference
- List Of Recognised Tuition Centres

ICAN PROFESSIONAL

WEEKEND / INTENSIVE LECTURES - MAY 2015 DIET

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Editor's Note

One thing that is paramount to accounting profession and its practitioners is integrity. Though integrity is an asset to a few, it is expected to be adopted as a way of life by everybody.

It is sacrosanct for both the professionals and public office holders to adopt integrity as an ethical code in the discharge of their duties. However, the rate of adoption of integrity as a behaviour varies and depends on many factors.

In our cover article: "**Integrity: A Role or A Way of Life?**" the author threw light on the various factors influencing integrity as a way of life. He recommended that in the interest of the society, integrity should be totally adopted in the daily activities of an individual.

The second article, "Understanding Asset Impairment" discussed impairment of assets as the diminishing in quality, strength, amount, or value of any asset. He argued that this might be caused by factors such as poor management, new competition or technological innovations. The author discussed impairment principles through the lens of IAS 36, what it is, when it can be used and how it can be reported in the financial statement.

In its bid to encourage students pass ICAN examinations, the Institute released the list of accredited tuition centers where students could go for lectures before sitting for ICAN examinations. The list is published in this edition. Students are advised to attend only ICAN accredited Tuition Centres.

Still on our effort to ensure that candidates prepare well and pass ICAN examinations, we publish some questions and solutions that could guide the candidates in future examinations.

Your comments and contributions are welcome. Please write to: corporateaffairs@ican.org.ng or aoololabi@ican.org.ng

ICAN Donates Lecture Theatres To Five Universities

As part of its efforts to ensure proper grooming of accounting graduates, the Institute of Chartered Accountants of Nigeria (ICAN) has donated lecture theatres to five universities in the country. The beneficiaries include Obafemi Awolowo University (OAU), Ile-Ife; University of Benin (Uniben), Edo State University (EDSU), Ekpoma; University of Nigeria, Enugu Campus (UNEC); North-West University (NWU), Kano and Federal University, Birni Kebbi (FUB).

Under the teaching facility initiative which the Institute seeks to complete within one year, each of the selected universities will provide a parcel of land on which the Lecture Theatre will be built. Foundation stone ceremonies for the lecture theatres have already been laid for those in OAU, Uniben and UNEC while those of EDSU and FUB will soon follow.

Laying the foundation stone of the project at OAU, the 50th President of the Institute, Mr. Chidi Onyeukwu Ajaegbu explained that the project was aimed at supporting the students by creating an enabling environment for learning in line with ICAN's goal of producing properly trained graduates.

He added that the new project was a key part of the Institute's developmental initiatives aimed at addressing the problem of poor performance of students. His words: "Over the years,



ICAN President laying the foundation for the Lecture Theatre at Obafemi Awolowo University



Ground breaking at UNIBEN

the Governing Council of the Institute has observed with dismay the poor performance of candidates at the Institute's examinations due largely to poor academic background, lack of good tuition, poor and inadequate preparations, and dearth of good learning materials".

In a bid to address some of these challenges, the Institute began to publish the ICAN Study Packs which it solely developed and financed in 2006. The success of this initiative led to the involvement of the World Bank which now sponsors the scheme under a collaborative arrangement with the Institute of Chartered Accountants of England and Wales (ICAEW). "This amongst other positive outcomes has produced world-class learning materials, a new examination structure and syllabus which would take effect in November, 2014," the president pointed out.

Another major initiative is the Students' Special Project (SSP) scheme under which ICAN collaborates with State governments and other stakeholders to set up Study Centres in selected locations nationwide to help build human capacity and resources to assist students preparing for ICAN examinations.

In his own remark, the Vice Chancellor of OAU, Professor Idowu Bamitale Omole said that ICAN's gesture was a testimony of its sound vision and expressed gratitude to the Institute on behalf of the university's Governing Council. The Vice Chancellor described ICAN as the foremost professional body in Nigeria churning out accountants who can compete with their counterparts anywhere in the world.

Come To Our Aid To Help Us Grow, Says Don

The Vice Chancellor of Michael Okpara University of Agriculture, Professor Hilary Odo Edeoga has requested for the assistance of the Institute to help the University develop like their older counterparts in the country. He added that such help will aid the accounting department of the school in no small measure. He made the request during a courtesy visit to his office by the ICAN President and some members of the Governing Council, who were on a three-day visit to Aba and Umuahia District Society of ICAN.

He stressed the link between accountants and agriculturists and concluded that the duo should work in partnership for the production of quality individuals who would contribute to nation building. He further requested that the Institute should assist students pursuing accounting profession at the doctorate and professorial levels with grants to enable such students to complete the research course.

In his response, the ICAN President stated that he was at the school to make routine checks on all stakeholders of the profession especially the 'raw materials' who are the



ICAN President and his team with the students of Michael Okpara University, Abia State

students, to impact on them through an interactive session and to encourage them to pursue the accounting profession.

He enumerated some of the benefits accruable to students who decide to choose accounting as a career. According to him, students who graduate with a first class would be awarded a scholarship which entitles them to register and write ICAN examination at no cost as well as a grant of N500,000 to PhD accounting students.

Meanwhile, the ICAN President has called on the VC of Gregory University, Uturu to seek for the accreditation of its accounting department from the Institute in order to enjoy all the benefits enjoyed by ICAN accredited tertiary institutions.

ICAN Asks CBN To Remedy Unfit Naira Notes

The 50th President of the Institute, Mr. Chidi Ajaegbu, has called on the Governor of Central Bank of Nigeria (CBN), Mr. Godwin Emefiele to quickly address the issue of dirty, torn and worn naira notes in circulation.



R-L: CBN Governor, Mr. Godwin Emefiele, ICAN President, Mr. Chidi Ajaegbu and ICAN Vice President, Otunba Femi Deru during the courtesy visit to CBN in Abuja

Ajaegbu made the call in his address during a courtesy visit to Mr. Emefiele in his office in Abuja recently, explaining that the quality of the currency notes should reflect the nation's profile as Africa's most-prized economy.

"It is an irony that the available new notes are sold at motor parks and at parties whereas, banks do not have any to dispense to their customers. We urge you to use your good office to attend to this issue" he said.

Speaking further, Ajaegbu argued that properly articulated macroeconomic policies would guarantee price stability, promote investments and stimulate productive activities in the long term interest of the citizenry. While commending the apex bank for its achievements in this direction, he urged the bank to intervene in making the cost of borrowing by the real sector less expensive.

ICAN Donates Cash, Laptops To Polytechnic

The Institute has donated books worth N100,000 and three laptops installed with accounting software to the accounting department of Federal Polytechnic, Ede, Osun State.

Making the donation on behalf of the Institute, the 50th ICAN President, Mr. Chidi Ajaegbu explained that the donation was part of the Institute's effort to support the accounting students whom he said are the raw materials' of the Institute.

Responding to the kind gesture of ICAN, the Rector of the Federal Polytechnic, Elder Patrick Hussaini said the Polytechnic and ICAN have a joint and collective goal of grooming young and aspiring students of the school, adding that the collaboration was to produce accountants not just for the Nigerian market but for the global market.

He further said the scholarship that students of the Polytechnic have enjoyed over the years is highly appreciated and therefore assures ICAN that the school will continue to support the accounting profession.

the May 2014 diet professional examination have also been cancelled.

ICAN, CIS To Partner On Financial Sector Development

The Institute of Chartered Accountants of Nigeria (ICAN) and the Chartered Institute of Stockbrokers (CIS) have entered into agreement to pull resources together to help in developing the financial sector of the economy. This was disclosed during a courtesy visit to ICAN by the President of CIS, Mr. Albert Okumagba.

According to Okumagba, the visit of CIS was to look for ways of collaborating with ICAN to further develop the financial sector of the economy and put in place a long-term structure for accelerated development. "We need to put in place development initiative that will favour our members and the nation at large," Okumagba stated.

Responding, the ICAN President, Mr. Chidi Ajaegbu disclosed that since the two bodies were driving similar agenda, it would be easier to work together. He said the two major areas where the collaborative effort could work were joint audit of quoted companies and advocacy agenda.

"We are passionate about the joint audit agenda. Most of the quoted companies are audited by the big four but if there is joint audit, the big four will mentor the upcoming ones to the benefit of all. We will take the collaborative effort serious," he said.

Saheed Olaide Blacklisted From ICAN Exams

The Institute has blacklisted a student, Mr. Bamiji-Afolabi Saheed Olaide for malpractice during the May 2014 Professional Examinations. Olaide was caught with written materials relating to Financial Reporting and Ethics during the Professional Examinations at Amuwo, Lagos Centre on May 20, 2014.

After owning up in a written statement, the case was investigated and he was found guilty. The material found on him and the invigilator's reports were also admitted in evidences against him.

The Council has therefore blacklisted and banned Mr. Olaide from all the Institute's examinations. He has been deregistered as a candidate and all the papers taken during



ICAN President and his entourage in a group photograph with the students of University of Jos

ICAN Holds 44th Annual Accountants' Conference

The 44th Annual Accountants' Conference was held between September 8 and 12, 2014 at the International Conference Centre and Abuja Sheraton Hotels and Towers, Abuja and was declared open by the President of the Federal Republic of Nigeria, Dr Goodluck Jonathan, represented by the Coordinating Minister for the Economy, Dr. Ngozi Okonjo-Iweala.

The conference was attended by over four thousand participants comprising Chartered Accountants, and other professionals from various disciplines from Nigeria, Ghana, Guinea Bissau, Benin Republic, Sierra Leone, South Africa, Gambia, United Kingdom and the United States of America.

The theme of this year's conference ***"Protecting the Public Interest, Enhancing Professionalism"*** was also the topic of the lead paper presented by the President of International Federation of Accountants (IFAC), Mr. Allen Warren who posited that public interest can be referred to as the net benefits derived for, and procedural rigour employed on behalf of all society in relation to any action, decision or policy.

After an exhaustive discussions, brainstorming and deliberations on the theme and sub-themes through technical sessions, participants reaffirmed their commitment to the profession's statutory public interest mandate and urged the Institute to strengthen its investigating and disciplinary processes such that complaints of professional misconduct can easily be dispensed with.

The participants also urged the Institute to continue to produce world class chartered accountants for the global economy and continue to train chartered accountants to be global citizens who can work anywhere and add value to the

global economy.

The conference appealed further that the Institute should reinforce its capacity building initiatives not only for improved service delivery but also, for the benefits of unemployed members. The Institute was implored to be the vanguard of Corporate Social Responsibilities and Integrated Reporting by business entities, considering the negative impact of industrial activities and mineral resource exploration on the environment.

Due to rise in the global demand for professional accountants, the participants urged the Institute to continue to engage and advise the government, promote compliance to ethics and best practices by members, encourage and attract women, and the best and brightest youths into the profession. As part of its public interest mandate, the participants recommended that the Institute should create confidential avenues for lodging complaints about sharp practices and evolve a robust system for handling cases of unethical practices.

The participants appealed to government to

quickly pass the Whistleblowers' Protection Bill that had been with the National Assembly since 2011, in order to guarantee the safety of life and property of a whistleblower and insulate him from victimisation, adding that there should be sanctions for false alarms in order to deter frivolous whistle-blowing. It was also unanimously agreed that the public interest will be better served if the allocation of resources is designed not only to promote the common good but also to allow merit to take precedence over mediocrity in the employment and deployment of public officers.

Declaring the conference open, the representative of President Goodluck Jonathan, Dr. Ngozi Okonjo-Iweala noted the Institute's strategic contributions to the country's capacity building efforts and its defence of public interest. She expressed appreciation over ICAN's usual support and advice to government on national issues. She reiterated government's commitment to the security of lives and properties of the citizenry and urged other professionals to emulate ICAN by putting the interest of the public first in their operations.



ICAN President, Mr. Chidi Ajaegbu leading Finance Minister and Coordinating Minister for the Economy, Dr (Mrs.) Ngozi Okonjo-Iweala to the high table



Minister of Finance and Coordinating Minister for the Economy, Dr. (Mrs.) Ngozi Okonjo-Iweala cutting the tape to declare the 44th Annual Accountants Conference open



Participants at the Conference



L-R: Executive Director, Financial Reporting Council, Mr. Jim Obazee; Minister of Trade and Investment, Dr. Olusegun Aganga; IFAC President, Mr. Wallen Allen; Minister of Finance and Coordinating Minister for the Economy, Dr. (Mrs.) Ngozi Okonjo-Iweala; and ICAN President, Mr. Chidi Ajaegbu

In his welcome address, the ICAN President, Mr. Chidi Ajaegbu declared that as conscience of the society, professionals such as chartered accountants are required to consistently act, promote and defend the public interest. "I dare say that the quest by professionals for a better society often encourages

them to consistently deliver value to diverse people, sometimes, at great personal price. As professionals, we have the moral obligation to defend and protect the public interest without fear and or favour. Indeed, persuading corporate entities, the government and its agencies to recognise, promote and protect the welfare of the citizenry is in tandem with our advocacy role and inherent mandate as professionals," he declared.

He lamented that the Nigerian experience over the years has neither been inspiring nor giving anyone reason to cheer, adding that public interest has been sacrificed on the altar of expediency as personal interest was made to supplant the general will.

On the way forward, the ICAN President declared that rather than continue to dwell in self pity, the involvement of more professionals in resource allocation and utilization decisions, project implementation processes will inevitably enhance the economy's growth, development, the collective wealth and comfort of the Nigerian people.

Declaring the conference close, the Chairman of Body of Past Presidents, Balogun Olabisi Omidiora, expressed appreciation to those who took time out to attend the conference. He also commended the Institute for putting the conference in place, advising that those at the helms of affairs should endeavour to make use of the various suggestions from the conference, for the benefit of the nation's development.

The sub-themes of the conference include: Chartered Accountants and the Society: The Realities of Serving the Public Interest; Professional Accountants: Adding Value Through Financial Reporting; Whistle Blowing; Inspiring Chartered Accountants; Standards for the Protection of Public Interest and the Performance of Supervisory Institutions; The Imperative of Corporate Governance in the Protection of Public Interest; Value Re-Oriented: A Key Issue for National Development and the Role of the Accountancy Profession; Sustaining Ethical Standards in the Accountancy Profession.

Apart from paper presentations, workshops and plenary sessions, there was a gala nite on Thursday during which the number one juju musician, King Sunny Ade took the participants to the dancing floor. There were also sporting activities such as jogging, excursions and exhibitions. Other programmes of the conference include District Societies competition where various District Societies won trophies for their performances.



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

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

List Of Recognised Tuition Centres As At August 29, 2014

1. Able God Professional Tutors 47, Ikotun/Egan Road, Market B/stop, Igando, Lagos. E-mail: agpcentres@yahoo.com, Phone: 08028430567
2. Accountancy Tutors Nigeria Limited 1-9, Ilorin/Katsina Road, By Independence Way, Marafa Estate, Kaduna State. Email: acas_2007@yahoo.com, Phone: 08037861401, 08028782686
3. Accuracy Tutors, Aba No 76, St Michael's Road, Aba, Abia State. E-mail: ijiomao@yahoo.co.uk 08068548135
4. Alphamarshall Professional Limited 72, Mbano Street, Phase 3, Kubua, Abuja. E-mail: muge@alphamarshall.org 08068798944
5. Atlas Professional Centre, Ota, Ogun BELLS University of Technology, Ota Ogun State. E-mail: atlasprofessionals@gmail.com 08033195330, 08053947907
6. Best Option Tuition Centre, Makurdi 9, kashim Ibrahim Road, Makurdi, Benue State. E-mail: terencegoddy@yahoo.com 8034932068
7. Bratim Training Centre Limited Ground Floor, National Library Building, Adjacent Reiz Continental Hotel, Central Area, Abuja. E-mail: tejan@bratim.com 08059125288, 08030408384
8. Career Intelligent Professionals New Capital School, 17/30 Kwame Nkrumah Crescent, Asokoro Abuja. E-mail: careerip@yahoo.com 08077303645
9. Crest Professional Tutors Plot 238/240, Apapa Oshodi Expressway, Odo-Olowu Bus stop, Ijeshatedo, Lagos. E-mail: crestprofessionals@gmail.com 08056243941, 07025289695, 08033721559
10. Deo-Gratia Professional Tutors, Oshogbo 25, Oyedokun Street, Ago-Wande, Oke-Onitea Road, Oshogbo, Osun State. E-mail: deogratiasp.t.edu@gmail.com 08060053496
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12. Excel Professional Centre 11, Queen Elizabeth Road, Mokola, Ibadan, Oyo State. E-mail: excelprofessionalcentreeng@yahoo.com, moolaoluwa@yahoo.co.uk 07081488611
13. Foresight Professional Institute 24 Road Opposite H Close, Festac Town, Lagos. E-mail: foresight_professional@yahoo.com 08033164620
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20. MSL, School of Accountancy & Mgt. Studies L8, Ahmadu Bello Way, Katsina Round-about, same building with Studio 24,

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INTEGRITY: A RULE OR A WAY OF LIFE?

By Nwadei Ifeanyi

Introduction

Integrity is an act of honesty displayed by anyone either in public or private place. It is a behavior adopted by individual in dealing with others. This is a positive behavior appreciated by anyone who experiences it. It is also considered a virtue possessed by only few but it is expected to be adopted as general behavior by everybody. Professionals and occupants of public offices are expected to adopt integrity as part of their ethical code in the performance of their jobs. However, the rate of adoption of integrity as a way of behavior by members of these groups varies and may depend on so many factors.

Factors that may influence integrity

- **Family Values:** The family is the first institution where integrity could be taught to individuals. The young members of the family learn, amongst other things, behavioral pattern. Integrity could be inculcated in these young family members making them to adopt it as a way of life. This helps them to form good strong character which may be difficult to modify as they grow to become adults.
- **Contentment:** Man is very insatiable by nature. However, learning and socialisation could modify this crude nature of man for better. This also has to be done early in life. Sometimes, the manifestation of this nature of man could be seen in unscrupulous acquisition of material possessions. It may be a proof that such individual could not properly clarify needs. Such individuals could still consider self as poor because of self compelled desire to measure success based on the achievement of others. It does not matter the level an individual has attained in the society, lack of contentment is an expression of individual's inability to control self desires. This could impact on the integrity of an individual.
- **Inordinate Pursuit of Status:** Most times, people tend to pursue certain goals in life which they believe would confer higher status on them. This may not be wrong in itself but the means of achieving the desired goals could be unethical. There are acceptable means of achieving whatever goals in the society. These means are accepted to all but may be difficult. However, it is even more difficult to achieve personal goals through wrong means. It never occurs to people who prefer the wrong approach in attaining personal goals that perceived higher status achieved in that manner never endures the test of time. Yet, integrity may have been compromised.
- **Peer Pressure:** It may be difficult for one to accept that one is under the influence of peer pressure. This is because everyone desires to assert one's personality on issues or decision. Peer pressure could make individuals behave in certain manners. Incidentally, peer pressure is always perceived to be negative. It could be positive but the emphasis here would be on the negative perspective. It is a common knowledge that most people want to conform to the dictates of peers. It could be in whatever setting. For instance, people of the same income bracket would want to maintain similar life style irrespective of family size or other factors. This could persuade anyone without a reasonable measure of self control to lose integrity in pursuit of social acceptance.
- **Job Security:** In places where unemployment rate is very high, integrity could be thrown overboard to retain one's job. Cases were upright persons have been victimized for standing up to the truth are common in corrupt societies. This could be described as intimidation at work place. However, personal development in one's job could be a key to reducing this threat. A highly skilled individual adorn with humility and a high sense of integrity may be difficult to be intimidated in this kind of situation. Put in another way, skillful performance of one's job with humility could define one's job security at work place other than organizational policy. It may not matter the sector, occupation or otherwise.
- **Commercial Pressure:** This could be likened to job security discussed above. Every individual is in business. It does not matter whether one is working for self or another. Commerce is about exchange of goods and services for a price. That is what everyone does for a living. This means that the ability to sell one's products or services determines the quality of life that one attracts to oneself and/or family. Inability to sell sufficient quantity could result from such factors as poor product or service development, not aligning the need for product or service to the prevalent need of the market or other factors. One that suffers from insufficient product or service sales is likely more prone to be under commercial pressure. This pressure could make the victim sacrifice integrity just to meet basic needs of survival.
- **Family Pressure:** It is unfortunate to state that most families have lost sense of good values. Some influential members of the family could propel the breadwinner to sacrifice integrity in a bid to meet their inordinate demands. It may not matter to them the impact of the stain on the victim and the family at large. The present emotional satisfaction is more relevant to them than the long term impact of loss of integrity. Family could also be a major source of encouragement for practice of integrity. Whichever way the pendulum tilts, the family has impact on the members' emphasis on integrity.
- **Anticipated Future Gain:** Some persons compromise or uphold

integrity because of anticipated future gain. It is a common knowledge that some individuals involve in fraud in anticipation of political appointment or promotion. When it does not come, such persons break away to form new groups or form alliance with others to enable them achieves their objectives. Most people hold this kind of attitude in every area of life. It means that integrity may be compromised or not depending on the individual's perception of impact on future gain.

Why Act with Integrity?

Acting with integrity in any society is not an easy task. It does not matter whether the society is the least or the most corrupt. Integrity being a disciplined behavior that compels one to be just and true at all time requires one to believe in something that could give it nourishment for survival. The belief would form basis for one to rely on during the period of moral crises resulting from threat to life or inflicting of high level of physical pains. Some of these factors could make one act with integrity.

- Religion: It would appear that every religion believes in life after death. This would imply that one's life here would determine how good life beyond would be. The level of one's belief in this direction determines how well one would want to live here on earth. This places enormous task on religious leaders to make the members of their group exhibit the highest level of integrity if they must be happy in the world beyond. This is because integrity is also one of the virtues propagated by these religions. Once adopted by members of the religious bodies, the beliefs are capable of making the individuals adhere to it at all times.
- Love for Self: A real love for self could make one act with integrity. There is certainly nobody that wants to be beaten or attacked by thieves. There is nobody that would as well want to fall sick without seeking for proper care. These and other similar instances are demonstration of how one could love oneself. A genuine love of this kind could compel one to act with integrity. It means that the individual would act in public interest at all times to prevent

those ugly circumstances mentioned above and others. For instance, one that had opportunity to build and equip medical centers but failed to do so for personal gain would also be exposed to poor facilities in time of need. The option is to seek help outside one's society which is a sign of hatred for self. This could be applied to other aspects of life.

- Respect for Human Dignity: The real respect for human dignity occurs when one understands that individuals are interdependent. There is nobody that is an island unto himself. However, this could be difficult when there is a wide gap between the rich and the poor. This wide gap appears to be created by the modern economic structure. Although, the gap could be reduced by respect for human dignity. The acceptance of respect for human dignity would propel one to seek justice at all time for self and another. There is a rich man because there also exists a poor man. The lower status people help the high profile individuals to establish their dignity in the society. Mutual respect of the different classes of people in the society enhances harmonious living. This could be achieved when people act with integrity.

When Integrity Applies as a Rule

Rules are made to guide human conduct in the society. They are usually agreed upon, the punishment specified and are made public. People are specifically assigned to ensure that they are not broken and that whenever they are broken, punishment applies. The members of the society may want to avoid or evade the rules and still be considered as acting with integrity. Those that are caught for breaking the rules are those that punishment would apply. Therefore, one could imply integrity as a rule when one does the following:

- Break the rules without being caught.
- Identifies loopholes in the law making it fail to define action as wrong.
- Use the machinery of justice to avoid punishment.

When integrity becomes a way of life

Integrity becomes a way of life when adopted as a personal value. Such individual may not require any legal expert to interpret the provisions of the law. Laws actually exist where there is no love to specify the

minimum standard of action or behavior. It would imply that love of neighbor could make one go beyond the minimum standard to ensure the welfare of another. Such person takes a shot at the spirit of the law and not as a tool of manipulation to one's advantage.

Need for Integrity

Integrity is an attitude that could stimulate other virtues in an individual. When integrity is adopted by a greater percentage of a population, it becomes a unique attribute of the people. The few that fail to adopt it could be conveniently labeled. Integrity would reflect in people's life thus:

- Peace in the society: Integrity brings about peace because mutual trust would exist among members/inhabitants of the society. Where there is trust, love of neighbour exists and there would be value for life. Nobody would want to kill self or another.
- Abundance in Everything: Organisation that most members act with integrity has great tendency of eliminating corruption. It can survive into the unforeseeable future. There is no organisation that survives into unforeseeable future without making profit. The product or service would also be wholesome and meet the need of users. Everyone would benefit because every act reflects integrity.
- Creates trust among people: It does not matter how truth could be hated in a corrupt society, men of integrity are still sought for and are trusted. They could be agents of building trust among disillusioned people.
- Promotes egalitarian society: A society that neglects the welfare of the lowly calls for trouble. Integrity makes it possible for the strong and wealthy not to cheat the poor.
- Good public image of individual or group: Any individual or group that promotes integrity as a way of life would definitely attract good public



image. The individual or group becomes reference point in the society.

Challenges of Adopting Integrity

There is nobody born with integrity. It is learned. Where it is not inculcated into an individual at the early stage of life, it could be learned later. Belonging to certain profession that demands public trust makes it imperative for one to learn and adopt the virtue of integrity. However, there could be challenges of behavior change thus:

- **Loss of Friends:** Some friends may unlikely accept the change in behavior because it stands in judgment against them. When it becomes impossible for them to tolerate the new behavior characterised with integrity, they give the person a distance. Such friends know the benefit of good virtues but prefer their old ways of life because of the immediate gain.
- **Loss of Job:** Employers and colleagues know the impact of any behavior traits on the organisation. When one has been used to perform dubious jobs in the past, it is very unlikely that such person would be retained if integrity is adopted. The role becomes vacant since the new behavior may not fit the assignment. It could also pose threat of exposing the secret of the caber. On the other hand, in a corrupt society people of integrity cannot be given job because the can of worm may be opened.
- **Threat to Life:** Integrity is a threat to

the corrupt society. Once the corrupt people are in power, they could do anything to keep people of integrity in the cooler. They could kill because integrity poses hindrance to corrupt acquisition of wealth.

- **Reduction in Income:** People of integrity are hardly put in positions flowing with milk and honey. If they do, it could be a test on their integrity. Adoption of integrity could close down illicit sources of wealth. This could impact on total income of the individual. This would affect the life style making the behaviour change obvious to the society.
- **Rebellion from Loved Ones:** It would be difficult for family members and kinsmen to accept integrity in place of cake. The man of integrity would be considered a failure for not grabbing illicit wealth for them and self. They would show their grievances in several manners.

Options to Retain Integrity

It would be ridiculous to think that abundance of wealth can only be acquired through illicit means. One can be genuinely wealthy and retain integrity at the same time. For one to do this, one must identify multiple sources of income that may not compromise integrity. This could be achieved thus:

- **Identify Societal Problems:** The society has several problems that require urgent solution in form of products and services. This could be described as identifying the gaps which could be bridged by one's products or services. Doing this would not require any special skill but by paying attention to day to day activities of man in the society. It is instructive to note that solving a problem of man by developing a single product or service could be a game changer.
- **Seek Information:** Information is necessary for one to be an asset to one's organisation or society. Access to the right

information could put one a head and shoulder taller than every other person. Right information makes one have the capacity to solve organisational and societal problems. Possession of key information could make one irreplaceable in an organisation. It could also help one develop high quality products and services that contribute massive income to one's estate.

- **Acquire New Relevant Skill:** Strategic acquisition of skill is very important to exhibiting integrity. It means that skills that are relevant to job at hand should be learned. The internet has made learning very easy. One can watch or read up new ideas and ways of doing things with minimal cost. New relevant skill could make one irreplaceable at work place and boost new sources of income.

Conclusion

Integrity is influenced by many factors such as family values, personal ambition and societal pressure. Beliefs could impose obligation on one to act with integrity. However, one could be perceived to display integrity in compliance with specified rules while others consider integrity as a way of life. There are benefits of practicing integrity to one and the society in general in spite of the inherent challenges. Therefore for one to live above board, one must identify, develop and pursue sources of income that do not compromise integrity.

Integrity plays a pivotal role in making the society conducive for human life. Everyone appreciates it but few people are willing to practice it out of personal conviction. The society or professional bodies could make laws that encourage its practice but adoption is strictly at the discretion of the individuals.

However, it is in the best interest of everyone to practice integrity because the benefits on man and society surpasses the benefits of corruption on the primitive greedy few that hold the society to ransom. ■

Nwadei Ifeanyi is the Chairman of Nwadei Foundation, Asaba

UNDERSTANDING ASSET IMPAIRMENT

By Dr. Ben Ukaegbu

Introduction

Impairment of assets is the diminishing in quality, strength, amount, or value of an asset. Assets may be susceptible to an impairment of their value, which may be caused by factors such as poor management, new competition or technological innovations. As with most valuation principles, the definition of impairment is often in the eye of the beholder. However, International Accounting Standards Board (IASB) through its pronouncements provides guidelines on how impairment can be assessed. The purpose of this paper is to discuss impairment principles through the lens of IAS 36, what it is, when it can be used and how it can be reported in the financial statement. The impairment of assets provides investors with a way to evaluate corporate management and its decision-making track record. Stakeholders who have not been following activities of the company are often surprised when asset write-downs are reported.

IAS 36 *Impairment of Assets* requires reporting entities to conduct impairment tests to ensure their assets (tangible and intangible) are not overstated in the financial statements. An *impairment loss* occurs when an asset's carrying amount is higher than its recoverable amount.

When is an impairment test (review) undertaken?

For most assets, there is no specific timing for the conducting of impairment tests. IAS 36 states that an entity should, at each reporting date, assess whether there is any indication that its assets (excluding inventories, assets held for sale and deferred tax assets whose specific requirements are covered in separate IASs) may be impaired.

The following assets must be tested annually, whether or not there are signs of impairment:

- Intangibles with indefinite useful lives;
- Intangibles not yet available for use;
- Goodwill acquired in a business combination.

Evidence (indicators) of asset impairment

Minimum indicators of asset impairment stated in IAS 36 are classified into two groups – external sources and internal sources.

Some of the external sources of information include:

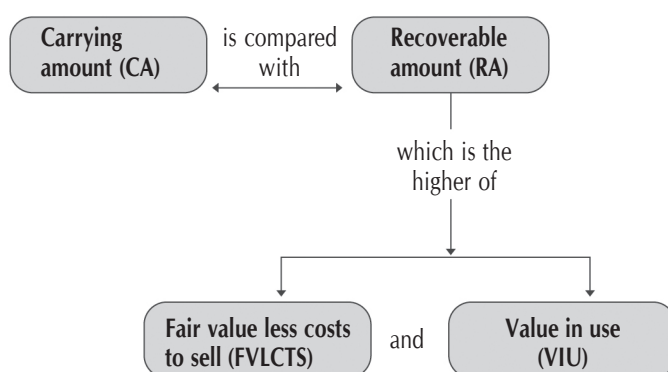
- Decline in market value, possibly due to technological advancements (e.g., computers, mobile phones, etc.).
- Adverse changes in a business entity's environment or market (e.g. a competitor may have patented a new product, resulting in a permanent decline in the market share of the entity).
- Increases in long-term interest rates that are likely to affect the present value of future cash flows; this, in turn, could impact on the recoverable amounts of assets.
- Where the carrying amount of an entity's net assets is more than its market capitalisation.

Some of the internal sources of information include:

- Obsolescence or physical damage;
- Change in asset's use (e.g. has the asset become idle?);
- An asset's economic performance being worse than expected (e.g. cash inflows (outflows) may be lower (higher) than expected).

Impairment test for an individual asset

The following diagram is useful in testing for the impairment of an individual asset:



Fair value less costs to sell (FVLCTS) is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction minus the costs that are directly attributable to the sale of the asset, excluding finance costs and income tax expense.

Value in use (VIU) is the value to the business from continuing to use the asset. It is measured as the present value (discounted value) of the future net cash flows expected to be derived from the asset and from its disposal at the end of its useful life.

The *carrying amount* (CA) of an asset is the current statement of financial position's value of the asset – that is, the amount at which it is recognised (cost or revaluation) less accumulated depreciation (or amortisation) and any previous accumulated impairment losses.

The *recoverable amount* (RA) of an asset is the amount that the business entity should expect to recover from the asset. It is the higher of the asset's FVLCTS and its VIU.

- If $CA > RA$, an impairment loss has occurred.
- If $CA < RA$, there is no impairment loss and no further action is required.
- It is not always necessary to calculate both of an asset's FVLCTS and VIU when testing for impairment.
- If either FVLCTS or $VIU > CA$, the asset is not impaired.
- Therefore, if $FVLCTS > CA$, there is no need to calculate the VIU of the asset.

Recognition and measurement of impairment for an individual asset

Once an impairment loss for an individual asset has been identified and calculated, it is applied to reduce the CA of the asset.

Where the asset is accounted for under the cost model, the impairment loss is recognised (charged as an expense) immediately in the statement of comprehensive income.

Where the asset is accounted for under the revaluation model, the impairment loss is treated as a reduction of the revaluation reserve. If the amount of the impairment loss is greater than the revaluation reserve, the balance of the loss is charged as an expense in the statement of comprehensive income.

Any subsequent depreciation (or amortisation) of the asset after its review is based on its new *Recoverable Amount*.

Cash-generating units

Where the FVLCTS < CA, it is necessary to calculate the VIU of an individual asset in order to determine whether or not it has been impaired. Sometimes it may not be possible to identify an individual asset's VIU when that asset only has a value due to its relationship with other assets. For example, a machine in a factory usually works in conjunction with the rest of the assets in the factory (e.g., the building and other items of equipment, etc.). In such cases, the VIU of the asset must be determined in the context of the asset's cash-generating unit.

IAS 36 defines a *cash-generating unit* (CGU) as the smallest identifiable group of assets (generating cash flows from continuing use) that are independent of the cash inflows from other assets or group of assets.

Identifying cash-generating units

The identification of CGUs requires a consideration of how management monitors the entity's operations and how it makes decisions about continuing or disposing of the entity's assets and operations.

If an active market exists for the output of a group of assets (even if some of the output is used internally), this group would be classified as a CGU. IAS 36 requires that CGUs are identified consistently from period to period.

Illustration – Identification of CGU

The Eyot District Council contracts out the bus routes in its District to various subcontractors based on a tender arrangement. Because some routes (such as the *Express to City* routes) are profitable and others are unprofitable (such as those collecting schoolchildren from remote areas), the Council requires bus companies submitting tenders to take a package of routes, some profitable and some not so profitable.

The Skyway Bus Company has won a contract to operate its buses with a package of five separate routes, one of which operates at a significant loss. Specific buses are allocated by the company to each route, and cash flows can be isolated to each route because drivers and takings are specific to each route.

Required: Discuss the determination of cash-generating units for the Skyway Bus Company.

Solution

- Using the definition of "cash-generating unit" in IAS 36, it is

possible to determine the profitability of each route as costs and revenues can be isolated to each route.

- However, as the Council contracts for a package of routes, it is not possible to stop operating a single route in the package. Hence, the tender for the package is based on the group of routes as a package.
- The lowest level of identifiable cash flows that are largely independent of the cash flows from other assets is the cash flows of the package of routes. The cash-generating unit is then the package of routes.

Allocation of impairment losses of CGUs

Where an impairment loss arises in a CGU (with no goodwill), the loss is allocated across all of the assets in the CGU on a pro rata (proportional) basis, based on the CA of each asset relative to the total CA of the combined CGU.

Impairment losses of CGU are accounted for in the same way as for individual assets discussed earlier. The CA of an individual asset cannot be reduced below the highest of FVLCTS (if determinable), VIU (if determinable) or Zero.

Conclusion

Impairment charges, if applied correctly, provide investors and analysts with ways to assess the company's management and its decision-making process. Managers that have to write down or write off assets on a regular basis due to impairment may be regarded as not having made the best investment decisions. Many business failures are preceded by a decline in the impairment of asset values and such can be indicative of early warning signs to investors and creditors. A major disadvantage of impairment accounting is its subjective nature. The subjectivity of valuation stems from the various options available to management. Such options, include current cost (replacement cost), current market value (selling price) net realizable value (selling price minus disposal costs, or the sum of the future net cash flows from the income-generating unit.

Summarised Steps of Impairment Accounting to Management

- Evaluate diligently the impairment of assets of any business in which you have stake and obtain as much information from various sources to confirm findings prior to making decisions
- Review which measure of value was used when assessing impairment.
- Avoid easy and quick options because hidden potential write-downs may be more expensive in the future.
- Ensure that sector relevant provisions have been applied.

Additional Readings:

Elliot, B and J. Elliot – Financial Accounting & Reporting, Pearson/FT, 16th edition 2013.

IAS 36 – IASB

Ben Ukaegbu, is ICAN Director, Technical and Education.

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.

Fundamentals Of Financial Accounting (FOUNDATION - November, 2013)

Multiple Choice Questions

Write ONLY the alphabet (A, B, C, D or E) that corresponds to the correct option in each of the following questions/statements:

1. Fred Manufacturing Enterprise purchased equipment for N150,000. The equipment was transported at a cost of N15,000 and installed at a cost of N7,500. The employees were trained in the use of the equipment at a cost of N50,000. At what cost will the equipment be recognised in the books of account?
 - A. N150,000
 - B. N157,500
 - C. N165,000
 - D. N172,500
 - E. N222,500
2. For most small businesses, accounting records are either not available or incomplete. Which of the following business equations will be most appropriate to use in determining closing net assets?
 - A. Opening net assets + drawings - profit + capital introduced
 - B. Capital introduced + profit + drawings - opening net assets
 - C. Opening net assets + capital introduced + loss - drawings
 - D. Opening net assets + capital introduced + profit + drawing
 - E. Opening net assets + capital introduced + profit-drawings
3. In preparing a set of final accounts from incomplete records, which of the following information need NOT be considered?
 - A. Business structure
 - B. Accounting and business equations
 - C. Credit sales and trade receivables
 - D. Purchases, inventory and the cost of sales
 - E. Stolen goods, goods destroyed or goods taken by the owner of the Business
4. Which of the following is the difference between sole traders and limited liability companies?
 - A. A sole trader's financial statements are private and never made available to third parties; a company's financial statements are given to shareholders and may be publicly filed.
 - B. Both businesses have share capital
 - C. Only drawings appear in a sole trader's financial statements
 - D. A sole trader is fully and personally liable for any losses that the business might make, while company's losses are borne by government
 - E. Both the sole trader and companies issue loan notes in order to raise fund
5. Which of the following best defines "the concept of accounting"?
 - A. An activity performed by accountants
 - B. A system comprising several interrelated and interdependent parts
 - C. A technique of managements
 - D. A discipline of study
 - E. A process of handling information of economic nature, which is useful and adaptive to varying situations
6. The "generally accepted accounting practice" (GAAP) refers to:
 - A. Complete set of regulations from all sources together with any general accounting principles and conventions
 - B. Only the principles and conventions that are enshrined in companies' legislations
 - C. The accounting regulations which apply to large companies
 - D. Financial accounting which is concerned with reporting financial results in aggregates to a variety of users
 - E. Legislation which generally sets out the broad rules with which companies must comply when preparing financial statements
7. In accordance with IAS2, which of the following statements about the valuation of inventory is correct?
 - A. Selling price less estimated profit margin may be used to arrive at cost if this gives a reasonable approximation of actual cost
 - B. LIFO is an accepted valuation method for inventory
 - C. FIFO is not an accepted valuation method for inventory
 - D. The cost of goods manufactured by an enterprise will include materials and labour only
 - E. Inventory items are normally valued at the higher of cost and net realisable value
8. Accounting has been defined in several ways, each empha-

sising a particular feature of the subject. In general, the first phase of financial accounting is the:

- A. Preparation of financial statements
 - B. Analysis of financial statements
 - C. Writing of source documents
 - D. Drawing up of trading account
 - E. Wooing customers to buy goods
9. The suite of programs that facilitate the optimal use of the computer hardware and provide suitable environment for the running of user programs is called:
- A. Application packages
 - B. Word processing programs
 - C. Systems programs
 - D. Accounting packages
 - E. Executive programs
10. The necessary accounting entries to write-off net decrease in the Revaluation Account of a partnership are:
- A. Dr. Revaluation Account; Cr. Partners' Capital Account
 - B. Dr. Partners' Capital Accounts; Cr. Revaluation Account
 - C. Dr. Partners' Current Accounts; Cr. Revaluation Account
 - D. Dr. Revaluation Account; Cr. Partners' Current Account
 - E. Dr. Revaluation Account; Cr. Realisation Account
11. Assets must be revalued where there is a change in the partnership composition because:
- A. Inflation affects the values of partnership assets
 - B. The economic value of the partnership must be enhanced
 - C. Deflation affects the value of partnership assets
 - D. It helps to prevent injustice to the concerned partners
 - E. The law insists that there should be a revaluation
12. Kowope Nigeria Limited paid purchase consideration of N900,000 for an existing partnership which has assets and liabilities valued as follows: Leasehold building - N500,000; Motor vehicles - N150,000; Furniture - N240,000; Inventory of stationery - N50,000 and Trade payables - N200,000. It means:
- A. The company gained N160,000 as capital reserve
 - B. The company anticipates profit of N160,000
 - C. The partnership assets and liabilities are inflated by N160,000
 - D. The partnership is undervalued by N160,000
 - E. The company is paying N160,000 as goodwill
13. Which of the following errors will NOT affect the agreement of a Trial Balance?
- A. Error in computation of balances
 - B. Transposition of figures
 - C. Errors of wrong posting in the debit and credit columns
 - D. Errors of principle
 - E. Double entry errors
14. The best method to provide for depreciation on loose tools used in manufacturing businesses is the:
- A. Reducing balance method
 - B. Straight line method
 - C. Sum of years digits
 - D. Revaluation method
 - E. Equal instalment method
15. Which of the following best describes the meaning of "Purchases"?
- A. Items bought
 - B. Goods bought on credit
 - C. Goods bought for resale
 - D. Goods paid for
 - E. Goods returned by customer
16. In which of the following ledgers can data relating to discount be found?
- A. Nominal ledger
 - B. Cash book
 - C. Sales ledger
 - D. Private ledger
 - E. Petty cash book
17. A dividend of 10% on the nominal value of a company with 100,000 ordinary shares of 50k nominal value has been declared. How much will a shareholder receive as dividend if he has 10,000 shares?
- A. N200
 - B. N400
 - C. N500
 - D. N1,000
 - E. N5,000
18. The constitution of a limited liability company is the:
- A. Register of directors and secretary
 - B. Memorandum and Articles of Association
 - C. International Financial Reporting Standards
 - D. Financial Reporting Council of Nigeria Act 2011
 - E. Annual Financial Report
19. Which of the following books is not a statutory book of a registered company?

- A. Register of directors' interest
- B. Register of members
- C. Register of charges and loan notes holders
- D. Register of suppliers and contractors
- E. Register of directors and company secretaries

20. What is the unique feature of limited companies?

- A. The owners of the company have limited liability
- B. The proprietors' capital in a limited company consists of share capital
- C. There are dividends for the company owners
- D. Limited companies have access to bank loan
- E. Limited companies prepare statement of profit or loss

Information Technology

(PROFESSIONAL EXAMINATION I - May, 2014)

Question 1

CASE STUDY

CHANGING GLOBAL TRANSACTION PATTERN

At a Supply Chain Management Stakeholders' workshop organised by Niger Consulting, the problem experienced by organisations, their suppliers and distributors were extensively discussed.

The Managing Director of Greenland Company who attended the workshop identified the problems in the Supply Chain Management in his own industry to include crippling paper work, delays and wrong order deliveries. The workshop coordinator, who is the Chief Executive of Niger Consulting, proposed adoption of Electronic Data Interchange (EDI) by Stakeholders in the Supply Chain Management industries for greater efficiency. In an attempt to convince the Board of Greenland Company to adopt EDI, you are required to

- a. Explain the term Electronic Data Interchange (EDI). (2 Marks)
- b. State FIVE benefits derivable by Greenland through the use of EDI. (5 Marks)
- c. Enumerate TWO problems associated with implementing EDI. (3 Marks)
- d. Explain what is meant by competitive advantage. (2 Marks)
- e. State THREE resources needed for the implementation of EDI. (3 Marks) **(Total 15 Marks)**

Question 2

The number of SMS messages exchanged every day is enormous. SMS messaging is now one of the most important revenue sources for wireless carriers. You are required to:

- a. (i) List THREE examples of SMS messaging applications. (3 Marks)
- (ii) State THREE reasons why SMS is successful worldwide. (3 Marks)
- (iii) State TWO advantages of email. (2 Marks)

- b. Digital certificate can be used for a variety of electronic transactions.

- (i) State THREE contents of a digital certificate. (3 Marks)
- (ii) State who issues and signs a digital certificate? (1 Mark)
- (iii) State THREE reasons for using a digital certificate. (3 Marks) **(Total 15 Marks)**

Question 3

Physical and logical access controls are designed to protect the resources of the computer system. You are required to:

- a. Define Data Integrity (2 Marks)
- b. Identify FOUR ways by which Data Integrity can be compromised. (4 Marks)
- c. Explain each of the following types of Data Integrity:
 - (i) Domain Integrity
 - (ii) Entity Integrity
 - (iii) Referential Integrity
 - (iv) User Defined Integrity (8 Marks)

Financial Reporting & Ethics

(PROFESSIONAL EXAMINATION II - May, 2014)

Multiple Choice Questions

Write ONLY the alphabet (A, B, C, D or E) that corresponds to the correct option in each of the following questions/statements:

1. Corporate governance failures can be traced to the following EXCEPT
 - A. Poorly designed remuneration packages
 - B. Excessive use of share options
 - C. Aggressive earnings management to achieve share price targets
 - D. Window-dressing situations
 - E. Ability to earn the target earnings
2. Ethical decision making in business that emphasises consequences is PRIMARILY concerned with
 - A. Profit
 - B. Fiduciary duty
 - C. Cost-risk adjustment
 - D. Benefits
 - E. Environmental impact
3. In taking a business decision, an executive should give the least consideration to issues relating to
 - A. Market values
 - B. Legal values
 - C. Social values
 - D. Environmental values
 - E. Personal values
4. The report that came into being as a reaction to continuing

public agitation against the excessive remuneration and perquisites which directors are paying themselves is the

- A. Hampel report
- B. Turnbull report
- C. Cadbury report
- D. Guinness report
- E. Greenbury report

5. An action taken to expose a misconduct, alleged dishonest or illegal activity occurring in an organisation is called

- A. Crime report
- B. Ethical misconduct report
- C. Whistle-blowing
- D. Ethical safeguard
- E. Crime prevention

6. A company's Memorandum of Association stipulates the following EXCEPT

- A. Name of company
- B. The number of members
- C. Restriction on the powers of the company
- D. Whether the company is a private or public company
- E. The liability of its members

7. An impairment review on a previously revalued asset resulted in an impairment loss of N360,000. The existing revaluation surplus relating to this is N500,000. What is the amount of impairment loss to be shown in the income statement in the current year?

- A. Nil
- B. N140,000
- C. N360,000
- D. N500,000
- E. N720,000

8. A professional duty to disclose confidential information is justified by any of the following EXCEPT when it is

- A. In response to an ethical or disciplinary inquiry by a regulatory body
- B. To protect the professional interests of the accountant in legal proceedings
- C. Permitted by the law
- D. Permitted by the client
- E. In response to an inquiry by another firm or organization

9. Following Car and Wellenberg's suggestions, which of the following is NOT a way to impart value-based education?

- A. Assisting the students to grasp the importance of values
- B. Enforcing value-based assignments on the students
- C. Teaching the students how to be good examples
- D. Showing the students how to evaluate everyday experiences that express desirable personal values

E. Helping the students to assess conflict situations in order to be able to develop constructive values

10. At the most general level, an accountant's professional obligation is governed by his/her responsibilities to

- A. Stakeholders
- B. Shareholders
- C. Colleagues
- D. ICAN
- E. Government

11. When preparing the opening Statement of Financial Position, for a first time adopter, which of these assets and liabilities will have to be removed as its recognition is NOT permitted by IFRS when converting from Nigerian GAAP?

- A. Pension liabilities and assets
- B. Deferred taxes on revaluation of assets
- C. Deferred hedging gains and losses
- D. Leases
- E. Fair value of shares

12. The following is an extract from the Statement of Financial Position of Golis Plc. What amount should be disclosed as Financing activities in the statement of cash flow?

FINANCED BY	2012 N'000	2011 N'000
Ordinary shares of N1 each	2,500	2,000
15% Debenture	1,000	1,500

- A. Nil
- B. N500
- C. N1,000
- D. N1,500
- E. N2,500

Use the following information to answer questions 13 and 14:

A firm sold a land for N70,000 and bought a vehicle for N30,000. The firm also paid a dividend of N5,000 and borrowed N25,000.

13. What is the net change in cash flow?

- A. N5,000
- B. N30,000
- C. N40,000
- D. N60,000
- E. N65,000

14. What is the net cash flow from Investing activities?

- A. N5,000

- B. N20,000
C. N25,000
D. N30,000
E. N40,000
15. In consolidation of financial statements, additional financial statements are required from a subsidiary whose reporting period differs from the Group's by
- A. One month
B. Two months
C. Three months
D. Four months
E. Six months
16. A financial instrument that derives its value from an underlying price or index is referred to as
- A. Financial asset
B. Financial liability
C. Equity instrument
D. Financial instrument
E. Derivative
17. Which of the following should appear in a company's Statement of Changes in Equity?
- (i) Amortisation of capitalised development costs
(ii) Total comprehensive income for the year
(iii) Surplus on revaluation of non-current assets
- A. (i) and (ii)
B. (i) and (iii)
C. (ii) and (iii)
D. (i), (ii) and (iii)
E. (ii) only
18. The IFRS approach to standard setting focuses more on the business or the economic purpose of a transaction and lays down guidance in the form of
- A. Rules
B. Precepts
C. Principles
D. Conventions
E. Concepts
19. In compliance with IFRS, a complete set of financial statements includes all the following EXCEPT
- A. Statement of Financial Position
B. Statement of Comprehensive Income
C. Statement of Value Added
D. Statement of Changes in Equity
E. Statement of Cash Flows
20. Which of the following appropriately reflects the basis of meas-

urement which values assets at the amount of cash and cash equivalents that would be obtained by selling the assets in an orderly disposal?

- A. Historical cost
B. Realisable value
C. Current cost
D. Present value
E. Future value

Solutions To All Questions

(Multiple Choice Questions - FOUNDATION - November, 2013)

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

Examiners' Report

The questions adequately cover most of the topics in the syllabus. All the candidates attempted the questions and performance was fair.

Candidates are advised to cover the syllabus to ensure better performance in future examinations.

Information Technology

(PROFESSIONAL EXAMINATION I - May, 2014)

Solution To Question 1

- a. Electronic Data Interchange (EDI) is a direct computer-to-computer transfer of transaction information contained in standard business documents such as invoices and purchase orders in a standard format.
- b. Benefits achievable by Greenland include:
- Reduction in paper-work
 - Competitive advantage
 - Shortening of handling time
 - Reduction of errors in data entry
 - Better customer interaction
 - Increased suppliers' orders
 - Availability of up-to-date information to suppliers' as well as the Greenland company
- c. Problems associated with implementing EDI include:
- Cost of acquisition of hardware to be used for EDI
 - Cost of acquisition of software
 - The company has to conform with standards of EDI
 - Training of staff
 - Resistance of employee to change to EDI environment
 - EDI uses a special EDI software to be manned by an ex-

- pert or skilled employee and the expert will be paid an enhanced salary
 - Hacking problem
 - Virus/worms effects
- d. Competitive advantage is the provision of a product or service in a way that customers value it better than those of the competitors.
- e. Resources needed for EDI implementation include:
- Workstations
 - Output devices e.g. Monitor, Printer
 - Router/communication processors
 - Telecommunication channel (Physical or wireless)
 - Communication software/operating system
 - EDI software
 - Input devices like keyboard, scanner and Magnetic Character Reader (MCR) e.t.c.
 - Backing storage facilities e.g. hard disk

Examiners' Report

The question tests candidates' understanding of the proper implementation of Electronic Data Interchange (EDI) in a Supply Chain Management System. The performance was above average as over 60% of the candidates scored over 40% of the allocated mark.

The commonest pitfall was the inability of candidates to relate the implementation of EDI to the organization. Candidates are encouraged to read widely and in particular ICAN Study Pack and Pathfinder.

Solution To Question 2

- a. (i) Examples of SMS messaging applications include:
- Person-to-person text messaging
 - Provision of information
 - Downloading
 - Alerts and notifications
 - SMS marketing
- (ii) Reasons why SMS is successful worldwide include:
- SMS messages can be sent and read at any time
 - SMS messages can be sent to an offline Mobile Phone
 - SMS messages are supported by all GSM mobile phones and they can be exchanged between different operators or carriers.
- (ii) Advantages of email include:
- It is faster to transmit (almost immediately);
 - It is more convenient and ecologically friendly (no paper is required);
 - There is automatic record of when the e-mail is received;
 - It is possible to re-send the same email
- b. (i) Contents of a Digital Certificate:
- Owner's public key
 - Owner's name
 - Expiration date of the public key

- Name of the Issuer (the CA that issued the Digital Certificate)
 - Serial number of the Digital Certificate
 - Digital signature of the issuer
- (ii) A digital certificate is issued by a Certificate Authority (CA) and signed with the CA's private key.
- (iii) Reasons for using a Digital Certificate include:
- It ensures that the user is whom he/she claims to be
 - Digital certificates ensure integrity by giving the user peace of mind that the message or transaction has not been accidentally or maliciously altered
 - Digital certificates ensure confidentiality and messages can only be read by authorised intended recipients
 - Digital certificates also specify date and time, so that senders or recipients cannot dispute if the message was actually sent or received.

Examiners' Report

The question tests candidates' awareness on SMS application as well as the use of Digital Certificate for a variety of electronic transactions. Over 90% of the candidates attempted the question and performance was good, as over 60% of the candidates scored above 60% of the allocated mark.

The commonest pitfall was the candidates' interpretation of messaging application to refer to chatting by the use of blackberry, whatsapp etc.

Candidates are encouraged to read more literature on these topics.

Solution To Question 3

- a. Data integrity is the consistency and accuracy of the data stored in a database i.e. the correctness and consistency of the data.
- b. Ways by which data integrity can be compromised include:
- Human errors when data is entered
 - Errors that occur when data is transmitted
 - Software bugs
 - Hardware malfunctions such as disk crashes
 - Natural disasters such as flood, fire etc
 - Viruses/worms
- c. (i) Domain integrity
Domain integrity/column integrity specifies the set of data values that are valid for a column and determines whether null values are allowed and enforced by validating checks.
- (ii) Entity integrity
Entity/table integrity requires that all rows in a table have a unique identifier/primary key
- (iii) Referential integrity
This ensures that the relationship between the primary

key in a referenced table and the foreign key in each of the referencing tables is always maintained

(iv) User-defined integrity

This allows users to define specific business rules that do not fall into one of the other integrity categories

d. Roles of flow charting include

- It aids system analysis
- It aids system documentation

Examiners' Report

The question tests candidates understanding of various types of data integrity. Less than 30% of the candidates attempted the question and performance was very poor as over 20% of the candidates scored less than 10% of the allocated mark.

The major pitfall was the inability of the candidates to understand the basic knowledge of the concept of the various types of data integrity.

Candidates are advised to read widely.

Solution To Multiple Choice Questions On

Financial Reporting & Ethics

(PROFESSIONAL EXAMINATION II - May, 2014)

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

Examiners' Report

The questions cover the syllabus.

All the candidates attempted the questions and their performance was slightly above average.

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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

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

New Policy On Disclosure Of Examination Scores & Extant Policy On Review Of Candidates Scripts

In order to bridge the information gap regarding the performance of candidates at the Institute's examinations, the Council has approved that effective November 2013 diet examinations, marks scored by candidates for each subject taken should be disclosed on the result slip. This decision has already been effected.

The extant policy of Council on grievance procedure by candidates who sit for the Institute's examination is still in place. Every candidate has an unassailable right to request for the review of his/her script(s) after the release of results of the examination.

The procedures for the review of scripts are:

- i. Candidate to write to the Registrar/Chief Executive, **Plot 16, Idowu Taylor Street, Victoria Island or the Director (Students' Affairs), 82 Murtala Muhammed Way, by Oyingbo bus stop, Ebute Metta, Lagos** requesting for the review of his/her script(s). The number of script(s), level of the examination and subject(s) must be indicated in the letter as well as candidate's registration number and examination number.
- ii. Payment of fee of fifty thousand naira only (N50,000.00) per subject/script to ICAN via paydirect or BANK DRAFT. Receipts must be attached to the application in (i) above,
- iii. Candidate would be required to come along with his/her Sponsor/Referee (a member of the Institute

that signed his/her form) or approved representative of the Sponsor/Referee and any other observer of his/her choice.

- iv. The following ICAN representatives will attend the review session(s).
 - a) Chairman, Professional Examination Committee
 - b) Chief Examiner of the subject(s) for review
 - c) Representative of Professional Examination Department.
- v. The script(s), examination question paper(s) and marking scheme(s) will be made available to the candidate's Sponsor/Referee for review.
- vi. A report will be prepared on the outcome of the review and signed jointly by the candidate, his/her Sponsor/Referee and ICAN Representatives.

It is pertinent to note that candidates who call for the review of their scripts will **NOT BE PENALISED** for this reason.

It is however, recommended that candidates should review their answers against the **PATHFINDERS** (Questions, Answers and Examiners' comments) published by the Institute after each examination before calling for script(s) to avoid the cost of the review exercise.

The **PATHFINDERS** can be found on the Institute's website: www.icanig.org

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