

HONORARY TREASURER'S REPORT

TO MEMBERS OF THE INSTITUTE

I am pleased to welcome distinguished members of the Institute to the 55th Annual General Meeting of the Institute of Chartered Accountants of Nigeria and to present the year 2019 Financial Statements which were considered and recommended by the Council at its meeting of April 23rd, 2020 for your consideration and approval.

Below are the highlights of the 2019 Financial Statements:

	YEAR 2019	YEAR 2018	INCREASE/ (DECREASE)	INCREASE/ (DECREASE)
	N'000	N'000	N'000	%
TOTAL ASSETS	4,671,951	3,616,827	1,055,124	29.17%
TOTAL LIABILITIES	390,948	305,354	(85,594)	(28.03%)
TOTAL FUNDS AND RESERVES	4,281,003	3,311,473	969,530	29.27%
ACCUMULATED FUNDS	2,138,288	924,148	1,214,140	131.38%
TOTAL INCOME	3,550,890	2,802,170	748,720	26.71%
TOTAL EXPENDITURE	2,573,533	2,978,349	404,816	13.59%
TOTAL SURPLUS/(DEFICIT) FOR THE YEAR	977,357	(176,179)	1,153,536	654.75%

COMMENTS ON THE OPERATING RESULTS AND MAJOR BALANCE SHEET ITEMS

The Institute recorded a surplus of N977million (compared to a deficit of N176million in 2018). The performance is as a result of improved contributions from Self Financing activities, Fees & Subscriptions from members and students and rental income.

Precisely, this performance is an overall growth of about **N1.154billion**. Some of the activities that contributed to the excellent performance are:

- Professional examinations through the innovation of e-marking to the examinations process enhanced a growth of **N236million over last year**;
- Membership Subscription, more members paid current year subscription leading to **N105million** recovered over the last year;
- Increase in number of students' registration, subscription and exemptions contributed to over **N143million**;
- Other Self financing events such as Fellowship conferment, Members Induction, MCPD, Faculties, Annual Accountants Conference and sales of Seal & Stamps recorded a growth of **N180million** to the overall performance.

- The introduction of virtual meetings for Committees of Council using ZOOM technology towards the last quarter of the year also reduced cost of operations, which impacted the performance to the tune of **N40million**
- Generally, savings have been made in other generaloverheads such as General repairs and maintenance, Local & Overseas tours, Co-ordination of District Societies, Printing, photocopy & stationery as we move towards a more paperless workspace and Staff Overseas & Local Training etc. reduced drastically by **N190million**.
- There was no World Congress of Accountants (WCOA) in year 2019, hence over **N90million** incurred during the last WCOA in Sydney was saved,

Total Assets as at 31 December 2019 were N4.67billion, an increase of N1.05 billion on the 2018 position (2018:N3.62 billion) owing to increase in stock of study text, revaluation surplus on Investment property, investment in FGN Treasury Bills and increase in bank deposits.

During year 2019, the non-current assets rose slightly to N2.82 billion from N2.76 billion in 2018. The current assets increased by N996million from N856million to N1.85 billion as at 31 December 2019. Current liabilities were N41million (2018: N19million). Cash and cash equivalents ended the year at N1.29billion, reflecting net cash inflow of N794million in the year.

The Institute continues to comply with the two new IFRSs that became operational from January 1, 2018 i.e. IFRS 9 which deals with impairment using expected credit loss (ECL) model and IFRS 15 that bothers on impact assessment of revenue from contracts with customers. This is to ensure comparability of information between year 2018 and 2019.

In the same vein, the Institute continued the implementation of the Accountability Index to improve accountability in the public sector in accordance with the International Federation of Accountants' regulations.

As founding members of IFAC, PAFA, CAW and ABWA, the Institute plays prominent roles in these International Bodies and adequately met its financial obligations to these bodies during the year under review. The total amount incurred was N187 million (N171 million in Year 2018)

Finally, we give glory to God Almighty for the success recorded in the year and appreciate members for excellence, independence and integrity displayed during the year. I wish to conclude this report by thanking all of you for the opportunity given to me to be of service to our esteemed Institute as the Honorary Treasurer.



Chief Oyemolu Olugbenga Akinsulire, MSc, MBA, FCTI, FCA
Honorary Treasurer

Independent auditor's report

To the Members of The Institute of Chartered Accountants of Nigeria

Report on the audit of the financial statements

Our opinion

In our opinion, The Institute of Chartered Accountants of Nigeria ("the institute's") financial statements give a true and fair view of the financial position of the institute as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards

What we have audited

The Institute of Chartered Accountants of financial statements comprise:

- the statement of financial position as at 31 December 2019;
 - the statement of comprehensive income for the year then ended;
 - the statement of changes in members' funds for the year then ended;
 - the statement of cash flows for the year then ended; and
 - the notes to the financial statements, which include a summary of significant accounting policies.
-

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the institute in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), i.e. the IESBA Code issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The Council is responsible for the other information. The other information comprises the Notice of Meeting, details of *Officers and Council*, details of *Past Presidents*, *Presidents Statement*, *Report of Committees of Council*, *Honorary Treasurer's Report*, *Value Added Statement* and *Five-Year Financial Summary*, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Council and those charged with governance for the financial statements

The council is responsible for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards and the Institute of Chartered Accountants of Nigeria, and for such internal control as the council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the council is responsible for assessing the institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the council either intend to liquidate the institute or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the institute's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the institute's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.
- Conclude on the appropriateness of the council use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the institute's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Edafe Erhie



Gabriel Idahosa

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria
7 May 2020

Engagement Partner: **Edafe Erhie, FCA**
FRC/2013/ICAN/00000001143

For: **UHY Maaji**
Chartered Accountants
Lagos, Nigeria
7 May 2020

Engagement Partner: **Gabriel Idahosa, FCA**
FRC/2014/ICAN/00000009524

The Institute of Chartered Accountants of Nigeria
Annual Report and Financial Statements
31 December 2019

The Institute of Chartered Accountants of Nigeria

Annual Report and Financial Statements

For the year ended 31 December 2019

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The Institute of Chartered Accountants of Nigeria
Annual Report and Financial Statements
For the year ended 31 December 2019
Statement of comprehensive income

	Notes	31 December 2019 N'000	31 December 2018 N'000
Income			
Fees and subscriptions	4	1,540,207	1,292,365
Operating activities	5(a)	3,971,183	3,545,126
		5,511,390	4,837,491
Operational expenditure	5(b)	(2,182,735)	(2,173,356)
Surplus of income over expenditure		3,328,655	2,664,135
Investment income	6(a)	52,533	49,772
Interest income	6(c)	30,824	42,210
Other income	6(b)	138,878	46,053
Total income		3,550,890	2,802,170
Non operational expenditure			
International affiliation costs	7	187,843	171,475
Depreciation and amortisation	8	257,233	231,823
General and administrative expenses	9	1,111,107	1,001,153
Personnel cost	10	1,046,993	972,619
Other operational expenditure	11(a)	419,580	518,025
Impairment (reversals)/charges	11(b)	(449,223)	83,254
		2,573,533	2,978,349
Surplus/(deficit) for the year		977,357	(176,179)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Loss in financial assets fair valued through other comprehensive income	16	(7,827)	(49,348)
Total comprehensive income/(loss) for the year		969,530	(225,527)

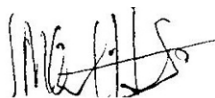
The notes on pages 8 to 41 are an integral part of these financial statements.

The Institute of Chartered Accountants of Nigeria
Annual Report and Financial Statements
as at 31 December 2019
Statement of financial position

	Notes	31 December 2019 N'000	31 December 2018 N'000
Non-current assets			
Property, plant and equipment	13	1,054,414	1,032,621
Intangible assets	14	-	12,374
Investment property	15	1,715,000	1,638,000
Financial assets FVOCI	16	45,042	59,274
Financial assets at amortised cost	17(b)	5,572	18,575
Total non-current assets		2,820,028	2,760,844
Current assets			
Members' subscription receivables	30	69,575	75,102
Financial assets at amortised cost	17(b)	37,643	23,375
Inventories	18	299,383	119,990
Other receivables	19	77,009	26,660
Prepayment	20	75,297	111,698
Deferred expenses	21	3,411	4,371
Cash and cash equivalents	22	1,289,605	494,787
Total current assets		1,851,923	855,983
Total assets		4,671,951	3,616,827
Funds and reserve			
Accumulated fund	26(a)	2,138,288	924,148
Other charitable and trust funds	26(b)	2,143,804	2,380,587
FVOCI reserve		(1,089)	6,738
Total funds and reserve		4,281,003	3,311,473
Non-current liabilities			
Contract liabilities	25	41,235	19,034
Total non-current liabilities		41,235	19,034
Current liabilities			
Accounts payable	24	349,713	286,320
Total current liabilities		349,713	286,320
Total liabilities		390,948	305,354
Total reserves and liabilities		4,671,951	3,616,827

The notes on pages 8 to 41 are an integral part of these financial statements.

The financial statements were approved and authorised for issue by council on April 23, 2020 and signed on its behalf by:



Okwuadigbo Anthony Nnamdi
President
FRC/2012/ICAN/0000000225



Akinsulire Oyemolu O
Honorary Treasurer
FRC/2017/ICAN/00000017086



Ahmed Modu Kumshe
Registrar/Chief Executive
FRC/2020/ICAN/000000206859

The Institute of Chartered Accountants of Nigeria
Annual Report and Financial Statements
For the year ended 31 December 2019
Statement of changes in members' funds

	<----- Other charitable and trust funds ----->											
	FVOCI reserves	Accumulated fund	Development fund	Tuition house support fund	Whistleblower fund	Prizes fund	Benevolent fund	Library fund	Accountancy research fund	Study text revolving fund	Student development & support fund	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 31 December 2017-Restated	56,087	1,171,227	1,563,316	-	-	13,422	171,381	35,139	145,469	317,501	33,324	3,506,866
Deficit for the year	-	(176,179)	-	-	-	-	-	-	-	(128,220)	(82,599)	(176,179)
Utilisation from fund	-	229,140	-	-	-	(2,872)	-	(15,449)	-	-	-	30,135
Transfer of profit from investment disposed (Transfer from)/receipt into fund	-	-	-	-	-	-	30,135	-	-	205,024	71,514	-
Movement in funds	-	(300,040)	-	-	-	-	23,502	-	-	-	-	-
Equity investment	(49,349)	-	-	-	-	-	-	-	-	-	-	(49,349)
Total comprehensive income	(49,349)	(247,079)	-	-	-	(2,872)	53,637	(15,449)	-	76,804	(11,085)	(195,393)
Balance at 31 December 2018	6,738	924,148	1,563,316	-	-	10,550	225,018	19,690	145,469	394,305	22,239	3,311,473
Surplus for the year	-	977,357	-	-	-	-	-	-	-	-	-	977,357
Utilisation from fund	-	344,960	-	-	-	(2,324)	(230)	(10,046)	-	(243,193)	(89,167)	-
(Transfer from)/receipt into fund	-	(108,177)	-	-	-	-	26,845	-	-	81,332	-	-
(Transfer from)/receipt into fund	-	-	(100,000)	50,000	50,000	-	-	-	-	-	-	-
Movement in funds	-	-	-	-	-	-	-	-	-	-	-	-
Equity investment	(7,827)	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	(7,827)	1,214,140	(100,000)	50,000	50,000	(2,324)	26,615	(10,046)	-	(161,861)	(89,167)	977,357
Balance at 31 December 2019	(1,089)	2,138,288	1,463,316	50,000	50,000	8,226	251,633	9,644	145,469	232,444	(66,928)	4,288,830

The analysis of reserves is presented in Note 26

The Institute of Chartered Accountants of Nigeria
Annual Report and Financial Statements
For the year ended 31 December 2019
Statement of cash flows

	Notes	31 December 2019 N'000	31 December 2018 N'000
Cash flows from operating activities			
Cash used in operating and fund activities	29(a)	1,275,804	(107,420)
Cash generated from funding activities	29(b)	(236,783)	101,035
Net cash generated/(used) from operating activities		1,039,021	(6,385)
Cash flows from investing activities			
Acquisition of property, plant and equipment	13	(283,053)	(314,297)
Proceed from disposal of property, plant and equipment	6(b)	884	8,428
Proceed from disposal of equity investments	16	6,405	30,135
Interest received	6(a)	30,824	42,210
Net cash used in investing activities		(244,940)	(233,524)
Cash flows from financing activities			
Net cash generated from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		794,081	(239,910)
Foreign exchange loss/(gain) on cash and cash equivalents		737	(1,000)
Cash and cash equivalents at the beginning of the year		494,787	735,697
Cash and cash equivalents at the end of the year		1,289,605	494,787

The Institute of Chartered Accountants of Nigeria

Annual Report and Financial Statements

For the year ended 31 December 2019

Notes to the financial statements

1 General information

The Institute of Chartered Accountants of Nigeria (ICAN) is a body established by Act of Parliament No.15 of 1965 to:

- i) determine what standards of knowledge and skill are to be attained by persons seeking to become member of the accountancy profession and to raise those standards from time to time as circumstances may permit;
- ii) secure in accordance with the provisions of the Act, the establishment and maintenance of the registers of fellows, associates and registered Accountants entitled to practice as Accountants and Auditors and to publish from time a list of those persons;
- iii) perform, through the Council of the Institute, all other functions conferred on it by the Act.

The Institute is an accountancy body in Nigeria recognised by the International Federation of Accountants (IFAC) as the foremost professional accountancy body in the West African sub-region. The Institute, in 1982, initiated and contributed significantly to the formation of the Association of Accountancy Bodies in West Africa (ABWA). The Institute is also a pioneer member of Pan-African Federation of Accountants (PAFA) and indeed produced its pioneer president.

HEAD OFFICE

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Victoria Island, Lagos, Nigeria
P.O. Box 1580, Lagos.
e-mail: info@ican.org.ng
website: www.ican-ng.org

VISION

To be a leading global professional body.

MISSION STATEMENT

To produce world class Chartered Accountants, regulate and continually enhance their ethical standards and technical competence in the public interest.

MOTTO

Accuracy and Integrity

FINANCIAL REPORTING REGISTRATION NO:
FRC/2013/0000000017

JOINT AUDITORS

PricewaterhouseCoopers (PwC)
Chartered Accountants
Landmark Towers
5B Water Corporation Road
Victoria Island
Lagos

UHY Maaji & Co Chartered Accountants
22 Town Planning Way
Ilupeju
Lagos

The Institute of Chartered Accountants of Nigeria

Annual Report and Financial Statements

For the year ended 31 December 2019

Notes to the financial statements

2 Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.2 Basis of preparation

The financial statements of the Institute of Chartered Accountants of Nigeria have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB"). Additional information required by National regulations is included where appropriate.

The financial statements comprise the statement of comprehensive income, the statement of financial position, the statement of changes in members' funds, the statement of cash flows and the notes to the financial statements.

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept. All values are rounded to the nearest thousand, except when otherwise indicated. The financial statements are presented in Naira.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Institute's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Institute's financial statements, therefore, present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.3

2.2.1 Going concern

The Institute has consistently been generating funds through its members' subscriptions and students' exams fee. The Management believes that there is no intention or threat from any source to curtail significantly its membership and students enrollment in the foreseeable future. Thus, these financial statements are prepared on a going concern basis.

2.2.2 Changes in accounting policies and disclosures

(a) New standards, amendments and interpretations adopted by the Institute

There were no new standards adopted by the Institute for the first time for the financial year **beginning** on or after 1 January 2019.

(b) Standards, amendments and interpretations effective on or after 1 January 2019

IFRS 16 Leases

The new standard supersedes IAS 17 and will result in almost all leases being recognised on the balance sheet by lessees as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised; the only exceptions are short-term leases that do not contain a purchase option and low-value leases. The right-of-use assets will be depreciated on a straight-line basis. The liability, recognised as part of borrowings, will be measured at a discounted value using the interest rate implicit in the lease (if that rate can be determined), or the incremental borrowing rate of the lease and any interest will be charged to finance costs in the income statement. Therefore, the charge to the income statement for the operating lease expense will be replaced with depreciation on the right-of-use asset and the interest charge inherent in the lease. The standard does not have any material impact on the Institute.

The institute does not currently have any lease contract where it is the lessee. However, the Institute is a lessor. It receives rental income from its leased buildings. The accounting for the lessor does not change under IFRS 16

2.2.3 Financial assets

(a) Classification and measurement

It is the Institute's policy to initially recognize investments and other financial assets at fair value plus transaction costs.

Classification and subsequent measurement is dependent on the Institute's business model for managing the asset and the cash flow characteristics of the asset. On this basis, the Institute may classify its financial instruments at amortised cost, fair value through profit or loss and at fair value through other comprehensive income (FVTOCI).

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Institute has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Institute's equity investments are classified at FVTOCI. Other financial assets satisfy the conditions for classification at amortised cost under IFRS 9.

The Institute of Chartered Accountants of Nigeria

Annual Report and Financial Statements

For the year ended 31 December 2019

Notes to the financial statements

(a) Classification and measurement (Cont'd)

Financial assets (Cont'd)

The Institute's financial assets at amortised cost at the reporting date include staff loans, loans and receivables and receivables from district societies. Other financial assets at amortised cost include cash and cash equivalents, membership subscription receivables, and other receivables. They are included in current assets, except for maturities greater than 12 months after the reporting date.

Interest income from these assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in finance income/cost.

Equity investments

The Institute's policy is to subsequently measure all quoted investments at FVTOCI. Fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends from such investments continue to be recognised in profit or loss as other income when the Institute's right to receive payments is established.

Financial liabilities

Financial liabilities of the Institute are classified and measured at fair value on initial recognition and subsequently at amortized cost net of directly attributable transaction costs.

Fair value gains or losses for financial liabilities designated at fair value through profit or loss are accounted for in profit or loss except for the amount of change that is attributable to changes in the Institute's own credit risk which is presented in other comprehensive income. The remaining amount of change in the fair value of the liability is presented in profit or loss. The Institute's financial liabilities include accrued expenses and other account payables. The Institute does not have any financial liabilities at fair value through profit or loss.

(b) Impairment of financial assets

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to financial assets classified at amortized cost and contract assets under IFRS 15: Revenue from Contracts with Customers. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The simplified approach is applied to membership subscription receivables while the general approach is applied to all other financial assets at amortised cost.

The simplified approach requires expected lifetime losses to be recognized from initial recognition of the receivables. This involves determining the expected loss rates using a provision matrix that is based on the Institute's historical default rates observed over the expected life of the receivable and adjusted for forward-looking estimates. This is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

The three-stage approach assesses impairment based on changes in credit risk since initial recognition using the past due criterion and other qualitative indicators such as increase in political concerns or other macroeconomic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance. Financial assets classified as stage 1 have their ECL measured as a proportion of their lifetime ECL that results from possible default events that can occur within one year, while assets in stage 2 or 3 have their ECL measured on a lifetime basis.

Under the three-stage approach, the ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each ageing bucket and for each individual exposure. The PD is based on default rates determined by external rating agencies for the counterparties. The LGD is determined based on management's estimates by adopting the average recovery rates for corporate senior unsecured loans in emerging economies. The EAD is the total amount of outstanding receivable at the reporting period. These three components are multiplied together and adjusted for forward looking information, such as inflation and interest rate, to arrive at an ECL which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognized in profit or loss.

(c) Significant increase in credit risk and default definition

Significant increase in credit risk

The Institute of Chartered Accountants of Nigeria

Annual Report and Financial Statements

For the year ended 31 December 2019

Notes to the financial statements

The Institute assesses the credit risk of its financial assets based on the information obtained during periodic review of publicly available information, industry trends and payment records. Based on the analysis of the information provided, the Institute identifies the assets that require close monitoring. The Institute has considered various quantitative and qualitative criteria in determining significant increase in credit risk.

Classification and measurement (Cont'd)

Significant increase in credit risk and default definition (Cont'd)

i) Quantitative criteria

The Institute has **considered** the external credit rating for other receivables in determining significant increase in credit risk (SICR). The Institute monitors changes in external ratings of counterparties to assess significant increase in credit risk (SICR). Evidence of SICR depends on rating at initial recognition and the extent of movement in number of notches **downgraded** (number of downward movements between rating grades) as at reporting date.

The Institute considers a four-notch downgrade and two-notch downgrade in investment grades and speculative grades categories respectively. For investment grade facilities, a deterioration to speculative grade is also deemed significant.

The table below shows the notch downgrades for each credit rating:

External credit Rating (S&P)	Grade	Number of notch
AAA	Investment grade	4
AA+		
AA		
AA-		
A+		
A		
A-		
BBB+		
BBB		
BBB-		

External credit Rating (S&P)	Grade	Number of notch downgrades
BB+	Speculative grade	2
BB		
BB-		
B+		
B		
B-		
CCC+		
CCC		
CCC-		
C		
D		

ii) Qualitative criteria

The Institute considers the following as qualitative indicators of significant increase in credit risk:

1. Actual or expected forbearance or restructuring.
2. Significant deterioration in liquidity/solvency levels of the debtor at the reporting date which could result in a significant change in the party's ability to meet its obligations relative to the origination date (date the receivable was recognised).
3. Significant increase in credit spread
4. Significant adverse changes in business, financial and/or economic conditions in which the counterparty operates.

iii) Back stop indicator

Financial assets that have been identified to be more than 30 days past due (Watchlist) on contractual payments are assessed to have experienced significant increase in credit risk. These assets are grouped as part of Stage 2 financial assets where the three-stage approach is applied.

Definition of default

In line with the Institute's credit risk management practices, a financial asset is defined to be in default when contractual payments have not been received at least 90 days after the contractual payment period. Subsequent to default, the Institute carries out active recovery strategies to recover all outstanding payments due on receivables. Where the Institute determines that there are no realistic prospects of recovery, the financial asset and any related loss allowance is written off either partially or in full.

(c) Significant increase in credit risk and default definition (Cont'd)

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The Institute considers a financial asset to be in default which is fully aligned with the credit-impaired, when it meets one or more of the following criteria:

i) Quantitative criteria

The party is more than 90 days past due on its contractual payments.

ii) Qualitative criteria

The member/party meets unlikeliness to pay criteria, which indicates the member/party is in significant financial difficulty. These are instances where:

- The party is in long-term forbearance
- The party is deceased
- The party is insolvent
- The party is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the party's financial difficulty

(d) Derecognition

Financial assets

The Institute derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and the transfer qualifies for derecognition. Gains or losses on derecognition of financial assets are recognized as finance income/cost.

Classification and measurement (Cont'd)

Financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized immediately in the statement of comprehensive income.

(e) Write-off policy

The Institute writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicator that there is no reasonable expectation of recovery includes ceasing enforcement activities.

(f) Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position. Offsetting can be applied when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The legally enforceable right is not contingent on future events and is enforceable in the normal course of business, and in the event of default, insolvency or bankruptcy of the Institute or the counterparty.

2.2.4 Revenue recognition from contracts with customers

Revenue is measured at the fair value of the consideration received or receivable for services, in the ordinary course of the Institute's activities.

"The Institute recognises fees and subscriptions to depict the transfer of promised services to members and students in an amount that reflects the consideration to which it expects to be entitled in exchange for those services"

A valid contract is recognised as revenue after;

- The contract is approved by the parties.
- Rights and obligations are recognised.
- Collectability is probable.
- The contract has commercial substance.
- The payment terms and consideration are identifiable.

The probability that a customer would make payment (collectability criteria) is ascertained based on the evaluation done on the members as stated in the credit management policy at the inception. The historical performance of members are considered when determining collectability of the revenue.

The Institute is the principal in all of its revenue arrangement and recognises revenue from the following activities:

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- Fees and subscription
- Qualification and fellowship
- Regulation, education and discipline
- Conferences and courses
- Seal and stamps

Revenue for providing these services are recognised in the accounting period in which the services are provided. Each of the services are a separate performance obligation. Fees and subscription are recognised over time as the service is provided while all other revenue are recognised at a point in time.

2.3 Critical accounting estimates and judgements

The preparation of the Institute's historical financial statements in accordance with IFRSs requires the use of certain accounting estimates which, by definition, will seldom equal the actual results. Management also exercises judgement and assumptions in applying the Institute's accounting policies.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Institute based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Institute. Such changes are reflected in the assumptions when they occur.

2.3 Critical accounting estimates and judgements (Cont'd)

(a) Critical estimates

Estimates applied in measuring the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.2 which also sets out key sensitivities of the ECL to changes in these elements.

(b) Critical judgements

i Judgements applied in measuring the expected credit loss allowance

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

ii Judgements applied in recognising revenue from contracts with customers

The Institute applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Definition of Customers

A customer is a party that has contracted with the institute to use the profession membership license issued by the institution or become a member of the institution.

The contracts between the Institution and its customers have commercial substance, and both parties have the intent and ability to uphold their respective obligations.

Identification of performance obligation

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The identification of performance obligations is a crucial part in determining the amount of consideration recognised as revenue. This is because revenue is only recognised at the point or over the period in which the performance obligation is fulfilled. At inception, the institute assesses the services promised in the contract with a customer to identify the performance obligations.

The performance obligation of the institute to its members is the provision of membership and practicing licences to its members.

Other performance obligations of the institute to its members include conducting examinations, organisation of conferences and courses and sale of seal and stamps.

Timing of revenue recognition

Membership subscription which includes faculty, licences and membership subscriptions are recognised over time as the service is provided while all other streams like **examination** fees, organisation of conferences and courses and sale of stamps and seals are recognised at a point in time.

Estimates of revenues or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management

Collectability assessment on whether consideration is probable

The Institute has applied judgement in assessing whether collectability is probable. For membership subscription, the Institute has assessed that collectability is probable for only members that have been active within the last three (3) years. This means that even though these active members may not have paid the membership fees for or in the current period, the likelihood of payment is more than 50%. This pattern of revenue recognition aligns with the Institutes recent stance to delist all members that have not been active after 3 years. Delisting signifies a break in contract between the institute and delisted members. Therefore, no revenue is recognised for delisted members.

This judgement has been applied prospectively in accordance with IAS 8.

If revenue was recognised based only on cash receipts from members, profit/loss would have been N192m higher during the year.

3 Significant accounting policies

3.1.1 Dividend income

Dividend income from investment is recognised when the Institute's right to receive payment is established.

3 Significant accounting policies (Cont'd)

3.1.2 Investment income

Investment income is recognised in the statement of comprehensive income as it accrues by using the effective interest rate method. Fees and commission that are integral part of the effective yield of the financial asset or liabilities are recognised as adjustment to the effective interest rate of the financial instrument.

3.1.3 Rental income

Rental income relates to income from the use of Amuwo Odofin building for social activities and rent collected from Akintola Williams House, Abuja. Both **properties** are classified as investment property. Rental income is recognised on **an** accrual basis.

3.1.4 Donations to the Institute

The Institute receives donations from its members and other stakeholders, which are generally non-reciprocal transfers, involve transfers from entities other than the owners and these contributions are voluntary. These donations whether cash or asset (e.g. Property, Plant and Equipment) shall be recognised as income in the period it is received or receivable when and only when all the following conditions have been satisfied:

- (a) There is irrevocable commitment from the donor to the Institute
- (b) It is probable that the economic benefits arising from the donation will flow to the Institute and
- (c) The amount of the donation can be measured reliably.

Donations by the Institute to institutions and others

The Institute from time to time as a way to increase it's awareness among Nigerian students which in turn would increase students' **enrollment** of **its** examination and as part of its corporate social responsibility (**CSR**) donates by way of non-reciprocal transfers in form of cash and/or assets (e.g. property, plant and equipment). In either way donation by cash or asset shall be accounted in the Institute's financial statement as follows;

- (a) Donation by way of cash transfers shall be expensed during the year
- (b) Donations by way of assets- On completion this will be capitalised to the property, plant and equipment accounts and subjected to a depreciation rate of 25 % (four years) before being fully handed over to the recipients.

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3.1.5 Inventories

Inventories are stated at the lower of cost and net realisable value after making adequate provision for obsolescence and damaged items. Cost comprises suppliers' invoice, prices and other costs **incurred** to bring the stocks to its present location and condition. Cost is determined using the first-in, first-out (FIFO) method.

3.1.6 Investment properties

Investment property are property held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment property are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property are measured at fair value and it is the Institute's policy to perform this every three years as this will result in a more appropriate subsequent measurement at fair value. Gains or losses arising from changes in the fair value of investment property are included in statement of comprehensive income in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3.1.7 Property, plant and equipment

All categories of property plant and equipment are stated initially at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Institute and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

3.1.8 Depreciation

Depreciation of assets commences when assets are available for use. Depreciation is provided on all property, plant and equipment, other than leasehold land which is not depreciated, at rates calculated to write-off the cost or valuation, of each asset on a straight-line basis over its expected useful life, as follows:

- Freehold property - Not depreciated
- Buildings - 2%
- Lecture theatres - 25%
- Motor vehicles - 33%
- Office furniture and fittings - 25%
- Computer hardware equipment - 25%
- Plant and machinery - 25%
- Library books - 25%

3 Significant accounting policies (Cont'd)

3.1.9 Impairment of financial assets

At each balance sheet date, the Institute reviews the carrying amounts of its financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset. The Institute estimates the recoverable amount of the cash-generating unit to which the asset belongs. An impairment loss is charged to the statement of comprehensive income immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

3.1.10 Intangible assets and impairment

Expenditure on research activities is recognised as an expense in the period in which it is incurred. A separately acquired intangible assets arising from ICAN's development projects is recognised only if all the following conditions are met:

- i. it is technically feasible to complete the product so that it will be available for use,
- ii. the intention is to complete the product for internal use or to sell it,
- iii. it is probable that the asset created will generate future economic benefits, and
- iv. the development cost of the asset can be measured reliably.

Where no separately acquired intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Directly attributable costs that are capitalised include development project consultant costs and an appropriate portion of relevant overheads. Development expenditures previously recognised as an expense are not recognised as an asset in a subsequent period. Separately acquired intangible assets are amortised over their estimated useful lives, which are usually no more than five years. Amortisation begins when the intangible asset is available for use.

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Impairment of non-financial assets

Intangible assets which are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

3.1.11 Foreign currency translation

For the purpose of these financial statements, the results and financial position of the Institute are expressed in Naira, which is the functional currency of the Institute, and the presentation currency for the financial statements.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than the **Institute's** functional currency are recognized in Statement of comprehensive income within other income. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

3.1.12 Defined contribution plan

The Institute operates a defined contribution based retirement benefit scheme for its staff, in accordance with the Pension Reform Act of 2014 with employee contributing 10% and employer contributing 10% each of the employee's relevant emoluments. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered the service entitling them to the contributions.

3.1.13 Contract assets/liabilities

Subscriptions, interest and conference incomes received in advance are deferred to the period it relates. Interest expenses paid in advance on car loans to staff using **effective** interest rate is deferred to the period it relates.

3.1.13 Provisions

Provisions are recognised when the Institute has a present obligation (legal or constructive) as a result of a past event, it is probable that the Institute will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimate to settle present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.2 Financial risk management

3.2.1 Introduction and overview of the Institute's risk management

This note presents information about the Institute's exposure to financial risks and the Institute's management of capital.

Credit risk

Credit risk is the risk of suffering financial loss, should any of the Institute's members, students or market counterparties fail to fulfil their contractual obligations to the Institute. Credit risk arises mainly from cash and cash equivalents, membership subscription receivables and credit exposures to other parties (i.e. other receivables).

Credit risk is the single largest risk for the Institute's business, management therefore carefully manages its exposure to credit risk.

(a) Credit risk management

The Institute's risk management policies are established to identify and analyse the risks faced by the Institute, to set appropriate risk limits and controls, to monitor risks and adherence to limits. The Institute regularly monitors and reviews its exposure with key banking and investment manager, suppliers and for deposits, only independently rated banks and financial institutions with a minimum rating of 'A' are used. The Institute's trade receivables relate substantially to members' and students' fees and subscriptions.

The credit risk analysis below is presented in line with how the Institute manages the risk. The Institute manages its credit risk exposure based on the carrying value of the financial instruments as this represents its maximum exposure.

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The maximum exposure to credit risk as at the reporting date is:

	Note	Maximum Exposure	
		31 December 2019 N'000	31 December 2018 N'000
Financial assets at amortised cost	17	43,215	41,950
Other financial assets at amortised cost:			
Members subscription receivable	30	309,758	722,309
Other receivables	19	161,225	156,319
Cash and cash equivalent	22	1,289,605	494,787
Total assets bearing credit risk		1,760,588	1,373,415

Financial assets at amortised cost

The financial assets include staff loans and advances, the institute assessed the balances as at December 2019, the balances were deemed to be insignificant.

Membership subscription receivables

The Institute applies the IFRS 9 simplified approach in measuring the expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. Trade receivables represent amounts receivable from a large number of customers spread across diverse industries.

The expected credit loss rate for this receivable is determined using a provision matrix. The provision matrix used is based on the Institute's historical default rates observed over the expected life of the receivable and is adjusted for forward-looking estimates.

An expected loss rate was calculated as the percentage of the receivable that is deemed uncollectible during a particular period. The expected loss rates as at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019				
	Current N'000	30-120 days past due N'000	120-360 days past due N'000	More than 360 days past due N'000	Total N'000
Gross carrying amount	-	-	36,942	272,816	309,758
Default rate			41.03%	82.48%	
Lifetime expected ECL	-	-	(15,156)	(225,027)	(240,183)
Total	-	-	21,786	47,789	69,575

3.2 Financial risk management (Cont'd)

	31 December 2018				
	Current N'000	30-120 days past N'000	120-360 days N'000	More than 360 N'000	Total N'000
Gross carrying amount	-	-	55,494	666,815	722,309
Default rate			65%	92%	
Lifetime expected ECL	-	-	(35,951)	(611,256)	(647,207)
Total	-	-	19,543	55,559	75,102

Other receivables

This includes receivables from special projects, MCPE receivables and other debtors. The Institute applies the IFRS 9 general model for measuring expected credit losses (ECL). This requires a three-stage approach in recognising the expected loss allowance for financial assets held at maturity.

The ECL recognised for the period is a probability-weighted estimate of credit losses discounted at the effective interest rate of the financial asset. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Fund in accordance with the contract and the cash flows that the Institute expects to receive).

The following analysis provides further detail about the calculation of ECLs related to these financial assets. The Institute considers the model and the assumptions used in calculating the ECLs as key sources of estimation uncertainty

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	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
	12 months ECL	Lifetime ECL	Lifetime ECL	
	N'000	N'000	N'000	N'000
Gross carrying amount	30,040	52,893	78,292	161,225
Loss allowance	(2,146)	(3,778)	(78,292)	(84,216)
Net EAD	27,894	49,115	-	77,009

	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
	12 months ECL	Lifetime ECL	Lifetime ECL	
	N'000	N'000	N'000	N'000
Gross carrying amount	28,663	-	124,412	153,075
Loss allowance	(2,003)	-	(124,412)	(126,415)
Net EAD	26,660	-	-	26,660

Roll forward movement in loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Discount unwind within ECL due to passage of time, as ECL is measured on a present value basis;
- Financial assets derecognised during the period and write-off of receivables and allowances related to assets.

The following tables explain the changes in the loss allowance between the beginning and end of the annual period due to these factors:

	Stage 1	Stage 2	Stage 3	Total
	12 months ECL	Lifetime ECL	Lifetime ECL	
Loss allowance as at 1 January 2019	2,003	-	124,412	126,415
Movements with profit or loss impact				
New financial assets originated or purchased	369	4,078	(46,120)	(41,673)
Derecognised financial assets	-	-	-	-
Unwind of discount	(226)	(300)	-	(526)
Total net profit	143	3,778	(46,120)	(42,199)
Loss allowance as at 31 December 2019	2,146	3,778	78,292	84,216

Credit risk exposure

The table below contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised using the general model. The gross carrying amount of financial assets below also represents The Institute's maximum exposure to credit risk on these assets.

3.2 Financial risk management (Cont'd)

(i) Other receivables

	31 December	31 December	31 December	31 December	31 December
	2019	2019	2019	2019	2018
	Stage 1	Stage 2	Stage 3	Total	Total
	N'000	N'000	N'000	N'000	N'000
Speculative grade	30,040	52,893	-	82,933	28,663
Default	-	-	78,292	78,292	124,412
Gross carrying amount	30,040	52,893	78,292	161,225	153,075
Loss allowance	(2,146)	(3,778)	(78,292)	(84,216)	(126,415)
Carrying amount	27,894	49,115	-	77,009	26,660

b) Measuring ECL- Explanation of inputs, assumptions and estimation techniques

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The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECLs are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a party defaulting on its financial obligation (as per “Definition of default and credit-impaired”) either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Institute expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- Loss Given Default (LGD) represents the Institute’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

c) Estimation uncertainty in measuring impairment loss

In establishing sensitivity to ECL estimates for membership subscription receivables, other receivables and cash and cash equivalents, four variables (GDP growth rate, unemployment rate, Inflation and US exchange rate) were considered. The Institute's receivables portfolio reflects greater responsiveness to GDP growth rate and inflation rates.

The tables below shows information on the sensitivity of the carrying amounts of the Institute’s financial assets to the methods, assumptions and estimates used in calculating impairment losses on those financial assets at the end of the reporting period. These methods, assumptions and estimates have a significant risk of causing material adjustments to the carrying amounts of the Institute’s financial assets.

Sensitivity of estimates used in IFRS 9 ECL

In establishing sensitivity to ECL estimates, the Institute's membership subscription receivables and other receivables reflect greater responsiveness to GDP growth rate and inflation rates.

The table below shows information on the sensitivity of the carrying amounts of the receivables to the assumptions and estimates used in calculating impairment losses at the end of the reporting period.

a) Simplified approach:

Expected cash flow recoverable from membership subscription receivables:

The table below demonstrates the sensitivity to a 10% change in the expected cash flows from membership subscription receivables, with all other variables held constant:

	Effect on Surplus/ loss for the year 2019 N'000	Effect on Surplus/ loss for the year 2018 N'000
(Increase)/decrease in estimated cash flows		
+10%	24,018	70,277
-10%	(24,018)	(70,277)

3.2 Financial risk management (Cont'd)

Sensitivity to macroeconomic variables

This table shows the sensitivity of the expected credit loss to a 10% inverse and positive change to each forward-looking macro variables, with all other variables held constant:

		2019 GDP Growth Rate Held constant		
		10% N'000	N'000	-10% N'000
Inflation rate	10% Held constant	16,820	(32)	(16,884)
		16,852	-	16,852

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Market risk arises from Institute's use of interest bearing, tradable and financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Interest rate risk relates to the risk of loss due to fluctuations in both cash flows and the fair value of financial assets and liabilities due to change in market interest rates. The Institute invests surplus cash in the short-term and in doing so exposes itself to the fluctuation in interest rates that are inherent in such a market.

Currency risk relates to the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange risk. The Institute operates nationally and internationally in affiliation with foreign professional bodies such as IFAC, ABWA and PAFA. It also has foreign District Societies: (USA, Cameroun, Malaysia and UK) and is exposed to foreign currency exchange risk arising from the transfer of foreign currency to these bodies. The Institute mitigates the risk with regards to income because all fees and subscriptions charged by it are in Naira. At the balance sheet date 100% of the Institute's cash and cash equivalents were held in various Nigeria banks (2018: 100%).

Other price risk relates to the risk of changes in market prices of the available-for-sale investments. The Institute invests surplus cash in a managed fund operated by fund managers and in doing so exposes itself to the fluctuations in price that are inherent in such a market. The Institute's Finance and General Purposes Committee has given Fund Managers discretionary management of the funds.

The table below demonstrates the sensitivity to a 10% change in the expected cash flows from equity investments, with all other variables held constant:

	Effect on 2019 N'000	Effect on equity 2018 N'000
(Increase)/decrease in estimated cash flows		
+10%	5,927	13,875
-10%	(5,927)	(13,875)

3.2.4 Trade payables

Trade payables classified as financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Other payables that are within the scope of IAS 39 are subsequently measured at amortized cost. Others are measured in respect to their applicable standards.

3.2.5 Investment risk

Budgets are prepared on a prudent basis and income from investments is not relied on for ICAN's ongoing activities. Investments are reviewed on a regular basis.

3.2.6 Capital

The Institute considers its capital to be its accumulated and charitable and trust funds and fair value reserve. Council's financial objective is to generate a targeted operating position, to build and maintain reserves at a sustainable level, taking into account the various competitive risks. The Institute also aims to achieve additional long-term growth in reserves through the active management of the investment portfolio. A five-year financial plan has been developed which, over the period of the plan, targets an agreed level of accumulated fund. The Finance and General Purposes Committee reviews the financial position of the Institute at each committee meeting. The Institute is not subject to any material externally imposed capital requirements.

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	31 December 2019 N'000	31 December 2018 N'000
4 Fees and subscriptions		
4.1 Members:		
Admission fees	33,880	35,690
Annual subscriptions	655,673	547,648
Practicing licence and renewal	38,453	25,818
Faculty registration and subscription	71,774	73,500
Re-admission fees	1,153	1,504
Registration of firms	3,180	9,623
Development levy	19,994	24,513
Graduate membership subscription	773	1,494
	824,880	719,790
4.2 Professional students:		
Subscriptions	156,054	106,700
Registrations	79,448	68,041
Exemption fees	423,573	349,750
	659,075	524,491
4.3 ATS students:		
Subscriptions	10,337	11,454
Registrations	26,784	24,924
Exemption fees	19,131	11,706
	56,252	48,084
Total fees and subscriptions	1,540,207	1,292,365
5(a) Operating activities		
Qualifications and fellowship		
Professional examinations	1,939,678	1,780,249
ATS examinations	244,551	196,233
Fellowship award conferment	144,342	112,946
New members' induction	231,665	216,263
	2,560,236	2,305,691
Regulation, education and discipline		
Faculties	97,913	76,966
MCPE	249,191	229,566
	347,104	306,532
Conferences and courses		
Annual Accountants' conference	894,848	781,724
Annual dinner and Institute merit award	10,381	17,774
UK-USA-CANADA conference	9,222	7,114
	914,451	806,612
Publications and stamps		
Institute members' seal and stamps	149,023	125,101
Students' study text	369	1,190
	149,392	126,291
Total operating activities	3,971,183	3,545,126
	31 December 2019 N'000	31 December 2018 N'000
5(b) Operational expenditure		
Qualifications and fellowship		
Professional examinations	979,302	1,056,111
ATS examinations	244,500	231,730
Fellowship award conferment	28,434	35,125
New members' induction	79,219	107,595
	1,331,455	1,430,561
Regulation, education and discipline		
Faculties	72,107	58,565
MCPE	124,008	142,762
	196,115	201,327
Conferences and courses		
Annual Accountants' conference	546,263	474,165
Annual dinner and Institute merit award	22,733	18,489
UK-USA-CANADA conference	79,594	41,645

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		648,590	534,299
Publications and stamps			
Institute members' seal and stamps		6,575	7,169
		6,575	7,169
Total operational expenditure		2,182,735	2,173,356
5(c) Analysis of operational activities			
Period ended December 31, 2019			
Qualifications and fellowship			
Professional examination	1,939,678	(979,302)	960,376
ATS examinations	244,551	(244,500)	51
Fellowship award conferment	144,342	(28,434)	115,908
New members' induction	231,665	(79,219)	152,446
	2,560,236	(1,331,455)	1,228,781
Regulation, education and discipline			
Faculties	97,913	(72,107)	25,806
MCPE	249,191	(124,008)	125,183
	347,104	(196,115)	150,989
Conferences and courses			
Annual Accountants' conference	894,848	(546,263)	348,586
Annual dinner and Institute merit award	10,381	(22,733)	(12,351)
UK-USA -CANADA conference	9,222	(79,594)	(70,373)
	914,451	(648,590)	265,862
Publications and stamps			
Institute members' seal and stamps	149,023	(6,575)	142,447
Students' study text	369	-	369
	149,392	(6,575)	142,816
Total net surplus from operational activities	3,971,183	(2,182,735)	1,788,448
5(d) Analysis of operational activities			
Year ended December 31, 2018			
Qualifications and fellowship			
Professional examinations	1,780,249	(1,056,111)	724,138
ATS examinations	196,233	(231,730)	(35,497)
Fellowship award conferment	112,946	(35,125)	77,821
New members' induction	216,263	(107,595)	108,668
	2,305,691	(1,430,561)	875,130
Regulation, education and discipline			
Faculties	76,966	(58,565)	18,401
MCPE	229,566	(142,762)	86,804
	306,532	(201,327)	105,205
Conferences and courses			
Annual Accountants' Conference	781,724	(474,165)	307,559
Annual dinner and Institute merit award	17,774	(18,489)	(715)
UK-USA-CANADA conference	7,114	(41,645)	(34,531)
	806,612	(534,299)	272,313
Publications and stamps			
Institute members' seal and stamps	125,101	(7,169)	117,932
Students' study text	1,190	-	1,190
	126,291	(7,169)	119,122
Total net surplus from operational activities	3,545,126	(2,173,356)	1,371,770
6(a) Investment income		31 December 2019	31 December 2018
		N'000	N'000
Investment income		1,728	1,755
Rental income		50,805	48,017
		52,533	49,772
6(b) Other income			
Income from sale of store items		2,909	2,988
Accreditation fees		2,102	3,571
Contractors' registration fees		2,131	2,173

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Exchange (loss)/gains	-	1,000
Insurance commission	1,369	2,113
Advertisement income	915	603
Insurance claims	382	1,184
Profit on disposal of property, plant and equipment	884	8,428
Transcripts fees	26,062	14,812
E-Library/web service	66	59
SSPC management fee	922	1,536
University of Lagos-endowment fund	2,677	110
Reissue of certificate	222	458
Research seminar	2,982	2,855
Commission on advert	-	235
Hire of vehicles	160	110
Examination results/scripts	549	450
Change of name	795	543
Group internet	116	253
Replacement of ID cards/others	3,490	284
Entrepreneur seminar	-	2,288
Investment Property Revaluation	77,000	-
Donations received	13,146	-
Subscription arrears received		
	138,878	46,053
6(c) Interest income		
Interest income from bank deposit and treasury bills	30,824	42,210
	31 December	31 December
	2019	2018
	N'000	N'000
7 International affiliation costs		
IFAC:		
Subscription	26,085	29,107
Travelling and other meeting expenses	35,621	34,724
	61,706	63,831
ABWA:		
Subscription	26,111	24,446
Travelling and other meeting expenses	13,630	24,108
	39,741	48,554
PAFA:		
Subscription	38,187	27,465
Travelling and other meeting expenses	20,062	29,613
	58,249	57,078
Chartered Accountants Worldwide		
Subscription	5,385	2,012
African Congress of Accountants expenses	22,762	-
Total International affiliation costs	187,843	171,475
8 Depreciation and amortisation		
Depreciation of property, plant and equipment	244,859	219,453
Amortisation of intangible asset	12,374	12,370
	257,233	231,823
9 General and administrative expenses		
General repairs and maintenance	108,853	121,321
Council and committee meeting expenses	107,227	146,438
Annual general meeting expenses	37,169	29,456
Insurance	28,779	27,641
Local and overseas tours and other activities	126,781	175,698
Co - ordination of district societies	74,494	103,482
Subscription and donations	47,369	36,585
Advertisements and publicity	16,305	30,729
Printing, photocopy and stationery	14,701	25,693
Telephone and postages	64,910	64,096

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Vehicle running costs	58,990	63,292
Travelling expenses	75,507	69,162
Library expenses	10,047	15,449
Refreshment at meetings	36,846	35,888
Loss on currency translation	-	2,980
Computer expenses	28,301	15,229
Audit fees	13,000	13,000
Bank charges	13,150	11,063
Exchange (loss)/gains	2,663	-
Receivable write-off	230,010	-
Other expenses	16,005	13,951
	1,111,107	1,001,153
10 Personnel cost		
Basic salary	411,611	390,693
Defined contribution costs	63,427	64,961
Other allowances and related costs	571,955	516,965
	1,046,993	972,619
	31 December	31 December
	2019	2018
	N'000	N'000
11a Other operational expenditure		
Contribution to students special project (SSP)	24,089	20,466
Institute members' welfare scheme	53,611	38,073
Professional charges	45,501	46,037
Accreditation and visitation expenses	27,087	23,975
Catch Them Young awareness programme	29,872	29,403
Scholarship Scheme	18,730	29,220
Education and training expenses	57,098	90,386
The Nigerian Accountant journal	2,720	7,628
Research grants and expenses	100,934	68,773
Subscription to professional bodies	7,956	5,519
Research journal	7,723	13,218
ICAN students' journal	689	1,082
Syllabus review	41,206	41,342
Entrepreneur Scheme	-	3,846
Prizes-Students	2,364	2,874
World Congress of Accountants	-	96,183
	419,580	518,025
11b Impairment charges		
Impairment (reversal)/charges on other receivables (Note 19.1)	(42,199)	18,470
Impairment (reversal)/charges on members subscription receivables (Note 30)	(407,024)	64,784
	(449,223)	83,254
12 Activities result		
The activities result includes the following:		
a. Salaries and related costs		
The costs of employing staff during the year were as follows:		
Staff costs	411,611	390,693
Defined contribution costs	63,427	64,961
Other allowances	571,955	516,965
	1,046,993	972,619
b. Depreciation and amortisation		
Depreciation of property, plant and equipment	244,859	219,453
Amortisation of intangible asset	12,374	12,370
	257,233	231,823
c. Auditors' remuneration		
Fee payable to joint auditors	13,000	13,000

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13 Property, plant and equipment

	Land	Buildings	Motor vehicles	Plant and machinery	Furniture and equipment	Library books	Lecture theatres	Work-In-Progress	Total
Cost	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'001	N'000
Balance at 1 January 2018	26,203	740,532	295,495	75,556	554,565	53,558	319,964	-	2,065,873
Additions	-	9,827	198,923	-	60,315	1,446	34,308	9,478	314,297
Disposals	-	-	(55,935)	-	-	-	-	-	(55,935)
Balance at 31 December 2018	26,203	750,359	438,483	75,556	614,880	55,004	354,272	9,478	2,324,235
Balance at 1 January 2019	26,203	750,359	438,483	75,556	614,880	55,004	354,272	9,478	2,324,235
Additions	-	3,201	85,095	72,321	52,937	2,487	10,333	56,679	283,053
Disposals	-	-	(48,090)	-	-	-	-	-	(48,090)
Balance at 31 December 2019	26,203	753,560	475,488	147,877	667,817	57,491	364,605	66,157	2,559,198
Accumulated depreciation									
Balance at 1 January 2018	-	170,196	278,206	75,549	403,212	36,470	164,462	-	1,128,095
Depreciation charge for the year	-	13,452	57,095	2	64,559	5,634	78,711	-	219,453
Disposals	-	-	(55,935)	-	-	-	-	-	(55,935)
Balance at 31 December 2018	-	183,648	279,366	75,551	467,771	42,104	243,173	-	1,291,613
Balance at 1 January 2019	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	13,669	73,534	4,525	74,223	6,550	72,358	-	244,859
Disposals	-	-	(31,688)	-	-	-	-	-	(31,688)
Balance at 31 December 2019	-	197,317	321,212	80,076	541,994	48,654	315,531	-	1,504,784
Net carrying amount									
At 31 December 2018	26,203	566,711	159,117	5	147,109	12,900	111,099	9,478	1,032,622
Balance at 31 December 2019	26,203	556,243	154,276	67,801	125,823	8,837	49,074	66,157	1,054,414

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	31 December 2019 N'000	31 December 2018 N'000
14 Intangible assets		
Cost		
Balance at 1 January	78,667	78,667
Balance at 31 December	78,667	78,667
Accumulated amortisation and impairment		
Balance at 1 January	66,293	53,923
Amortisation for the year	12,374	12,370
Balance at 31 December	78,667	66,293
Net carrying Amount:		
Balance at 31 December	-	12,374

Intangible assets relate to separately incurred development costs on student study text.

15 Investment property		
Akintola Williams building, Abuja	871,000	831,000
Awuwo-Odofin building, Lagos	844,000	807,000
	1,715,000	1,638,000
Balance at 1 January 2019	1,638,000	1,638,000
Gains during the year	77,000	-
Balance at 31 December 2019	1,715,000	1,638,000

The investment valuation was carried out by Ubosi Eleh + Co. is a firm of Estate Surveyors & Valuers registered in Nigeria in accordance with the rules and regulations of the Nigerian Institution of Estate Surveyors and Valuers (NIESV)

Investment properties are valued every three years in accordance with the Institute's policy. The Abuja property is managed by Jide Taiwo & Co.

Income generated from both property in 2019 was N51m (2018: N48m).The Institute is only occupying about 10% of the property.

16 Financial assets FVOCI		
<i>Quoted investments:</i>		
At 1 January	59,274	138,757
Disposal	(6,405)	(30,135)
Profit(loss)/profit charged to other comprehensive income	(7,827)	(49,348)
At 31 December	45,042	59,274
Historical cost of tradable investments	68,576	74,981

Financial assets FVOCI (previously called Available-for-sales investment) are fair valued annually at the close of business on the date of the financial position. Wherever possible, fair value is determined by reference to stock exchange quoted bid prices. Financial assets FVOCI are classified as non-current assets unless they are expected to be realised within twelve months of the balance sheet date.

Financial assets FVOCI are denominated in Naira. The Institute monitors its exposures by way of regular reports from the Fund managers who have discretionary management of the investment portfolio. None of these financial assets are impaired.

The institute disposed of some of its investment in, as this investment no longer suited the group's investment strategy. The shares sold had a fair value of N6.4million and at the time of the sale

17(a) Financial assets at amortised cost		
Staff loans	37,643	38,578
Staff advances	5,572	3,372
Owerri district society	-	840
Minna district society	-	1,000
Ilorin district society	-	2,739
Impairment allowance for doubtful Owerri & Ilorin District Society	-	(4,579)
	43,215	41,950
17(b) Financial assets at amortised cost	N'000	N'000
Non Current	5,572	18,575
Current	37,643	23,375
	43,215	41,950

The non-current Financial assets at amortised cost (formerly called loan and receivables) represents the long term portion of the car loans granted to staff.

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	31 December 2019 N'000	31 December 2018 N'000
18 Inventories		
Stationery	13,237	16,831
Electrical parts	672	47
Diesel	3,343	1,452
Students' study text	243,044	68,609
Others sellable items	28,650	21,141
50th Anniversary Book	10,437	11,910
	299,383	119,990
	31 December 2019 N'000	31 December 2018 N'000
19 Other receivables		
Bayelsa ICAN Students' Special Project (SSP)	12,218	12,218
NNDC/ICAN Students' Special Project (SSP)	52,893	52,694
Cross River/ICAN Students' Special Project (SSP)	9,703	9,703
Gombe State/ICAN Students' Special Project (SSP)	35,666	33,377
MCPE receivables	6,990	12,570
Federal Treasury Academy	10,255	10,255
Heritage Capital	4,281	-
University of Lagos-endowment fund	18,769	16,093
Other debtors (Heritage Capitals)	5,544	6,165
Owerri district society	840	-
Minna district society	1,000	-
Ilorin district society	3,066	-
Impairment allowance for doubtful receivables	(84,216)	(126,415)
	77,009	26,660
Impairment allowance of N84.2 million includes provision for Federal Treasury Academy, district societies and receivables from students' special projects.		
19(a) Other receivables		
Other receivables	161,225	153,075
Impairment on other receivables	(84,216)	(126,415)
Net other receivables	77,009	26,660
19(b) Reconciliation of Other receivables	2019 N'000	2018 N'000
At 1 January	153,075	135,539
Additions during the year	27,313	23,998
Receipts for the year	(19,163)	(6,472)
Gross carrying amount	161,225	153,075
Less impairment provision	(84,216)	(126,415)
At 31 December	77,009	26,660
19(c) Reconciliation of impairment allowance on other receivables		
Loss allowance as at 1 January	(126,415)	(107,946)
Reversal/(Increase) in expected credit loss	42,199	(18,469)
Loss allowance as at 31 December	(84,216)	(126,415)
There was a reversal of impairment of N42.2 million, which is because the institute recovered some amount in the period.		
20 Prepayment		
Group life insurance - ICAN members	28,467	9,619
Group life insurance - ICAN staff & council	14,817	13,893
Motor vehicle, fire and burglary insurance	4,696	3,114
Annual Accountants' conference - Hall	12,420	12,474
Annual Dinner - Hall	5,000	5,000
ABWA	-	6,631
ATS pool setting/harmonisation	9,897	29,690
Examination e-marking and syllabus	-	31,277
	75,297	111,698
21 Deferred expenses		
At 1 January	4,371	5,178
Charge for the year	(960)	(807)
At 31 December	3,411	4,371

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Deferred expenses represent unamortised balance at the reporting date of the difference between the initial amount disbursed and fair value of car loans to staff.

22 Cash and cash equivalents

Treasury bills	519,782	98,825
Dedicated funds - Bank deposit	266,653	244,817
Other short term bank deposit	498,886	147,435
Cash at bank and in hand	4,284	3,710
	1,289,605	494,787

The effective interest rate on short term bank deposits was 2019: 9.3% (2018: 12.5%)

23. Employees

The average number of persons employed by the Institute during the period was as follows:

	31 December 2019 Number	31 December 2018 Number
Senior managers and directors	46	34
Managers and junior staff	154	152
	200	186

Staff cost

	31 December 2019 N'000	31 December 2018 N'000
Wages and salaries	983,566	907,658
Pension costs	63,427	64,961
	1,046,993	972,619

Remuneration of key management personnel (KMP)

The Registrar/Chief Executive is the key management personnel (KMP) of the Institute. He has responsibility for implementing Council's policies and drives the secretariat in promoting the ICAN brand. The KMP has no business relationship with the Institute. The remuneration of the key management personnel of the Institute is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

Registrar/Chief Executive:

Short-term employee benefits	22,340	22,340
	22,340	22,340

The number of employees of the Institute whose total earnings were more than N300,000 in the year was;

	Number	Number
N300,000 To N900,000	13	11
N 900,001 To N1,000,000	7	5
N 1,000,001 To N1,100,000	-	-
N 1,100,001 To N1,200,000	3	6
N 1,200,001 To N1,400,000	7	8
N 1,400,001 To N1,600,000	4	9
N 1,600,001 To N2,000,000	14	21
N 2,000,001 To N2,100,000	3	2
N 2,100,001 To N2,200,000	1	3
N 2,200,001 To N2,500,000	12	8
N 2,500,001 To N2,600,000	5	7
N 2,700,001 To N2,800,000	8	2
N 2,800,001 To N2,900,000	5	-
N 2,900,001 To N4,000,000	30	64
N 4,000,001 To N4,600,000	31	19
N 4,600,001 To N5,200,000	25	6
N 5,200,001 To N6,100,000	7	1
N 6,000,001 To N6,400,000	3	-
N 6,400,001 To N7,300,000	6	1
N 7,300,001 To N7,800,000	2	3
N 7,800,001 To N8,100,000	0	4
N 8,100,001 To N8,300,000	0	-
N8,300,001 To N9,400,000	1	2
N 9,400,001 To N9,500,000	3	-
N 9,500,001 To N10,100,000	3	1
N 10,600,001 To N10,700,000	1	-
N 10,900,001 To N11,600,000	0	2
N 11,600,001 To N12,900,000	0	-

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	6	1
	<u>200</u>	<u>186</u>
	31 December 2019 N'000	31 December 2018 N'000
24 Accounts payables		
Sundry payables	158,239	81,121
AAT account balance	19,116	21,411
Accrued expenses	172,358	183,788
	349,713	286,320
24.(a) Sundry payables		
ICAN staff pension fund	5,894	18,032
Withholding tax (FIRS)/LIRS	29,271	11,289
Board of Internal Revenue/NASU	1,341	6,368
National Housing Fund	27,429	18,539
Akwa Ibom State Government	21,887	9,158
Onitsha District Society	-	13,146
Advance Interest	32,012	-
Conference income received in advance	7,070	4,184
Payable to districts	30,442	-
Others	2,893	405
	158,239	81,121
24(b) Accrued expenses		
AAT outstanding bills	-	2,290
Examination processes	60,860	95,448
Audit fees	13,000	13,000
Insurance premium due	-	6,209
Insurance claims	4,693	7,763
Faculties expenses	-	3,980
Accountant conference	-	7,427
PAFA subscription	9,000	16,788
ABWA subscription	11,619	-
SSPC expenses	-	2,757
Staff promotion arrears	8,383	3,226
Refunds due to members - Canada conference	-	4,775
Sundry accrual	37,796	20,125
Exit package	27,007	-
	172,358	183,788
25 Contract liabilities		
Subscription income	41,235	19,034
	41,235	19,034
Contract liabilities relates to subscriptions in advance received from members.		
26 Funds		
a Accumulated fund	2,138,288	924,148
b Other charitable and trust funds:		
Development fund	1,463,316	1,563,316
Accountancy research fund	145,469	145,469
Benevolent fund	251,634	225,018
Prizes fund	8,227	10,550
Student development and support fund	(66,928)	22,239
Study text revolving fund	232,443	394,305
Library fund	9,643	19,690
Tuition house support fund	50,000	-
Whistleblower fund	50,000	-
	2,143,804	2,380,587
27 The analysis of funds and other reserves		
(a) Library Fund		

The contribution to Library fund is to obtain all the resources needed for the use of the Institute's members. This is in line with the Council belief of the need to provide a befitting library facility to help students and members turn information into knowledge. This fund helps fill the gap by providing high quality library facility, necessary materials and equipment. 3% of the Institute's annual gross income is to be transferred to library development. No transfer were made in 2019 (2018: Nil).

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(b) Benevolent Fund

The ICAN members' Benevolent and Educational Trust Fund was established by Council of the Institute of Chartered Accountants of Nigeria to assist persons in need who are or have been ICAN members and/or their families and dependants. It is also aimed at promoting and supporting educational/research in accountancy, financial Management, taxation and related subjects. The fund is managed by a five man Board of trustees. The major activities of the management board are fund raising and management of investments. 3% of the Annual Accountants' Conference gross income is credited to the fund annually. The fund generated are invested and it is the income from the investments that are disbursed to members in need and families that are distraught. Since inception, the Fund has been used to assist members and families of dead members. This include members who had renal (kidney) failure, blindness, stroke, spinal cord injuries, disaster (fire/flood/accident) victims, children's education etc. The minimum amount of benefit to applicants is Fifty thousand Naira (N50,000) only; while the maximum shall be a sum of Five Hundred Thousand Naira (N500,000) only.

(c) Accountancy Research Fund

Transfers to this fund is based on Council's resolutions . The fund is made available to meet expenditure on research on specialised areas of accountancy. The Fund is invested in fixed deposit and any interest accrued there from is credited to the Fund.

(d) Professorial Chair Endowment

Transfers to this fund is based on Council's resolutions . The fund is made available to meet expenditure on professorial chair endowment in selected universities. The fund is invested in fixed deposit and any interest accrued there from is credited to the fund.

(e) Developmental Fund

Transfers to this fund is based on council's resolutions . The fund is made available to meet expenditure on the Institute's infrastructural development. The fund is invested in fixed deposit and any interest accrued therefrom is credited to the Fund.

(f) Prizes Fund

This is funded by donors of each prize. The Fund is made available to meet expenditure on the award of prizes to deserving outstanding students in the Institute's examinations. The Fund is invested in fixed deposit and any interest accrued there from is credited to the Fund.

(g) Study Text Revolving Fund

This is to be funded by a portion of the amount realised from the sale of study text to students. The fund is available to meet expenditure on development, printing and distribution of study text to student. The fund is invested in fixed deposit and any interest accrued therefrom is credited to the Fund.

(h) Students Development and Support Fund

This is to be funded by surplus realised from the sale of study text and is to be applied to the development and support of students writing the Institute's examination.

(i) Tuition House Support Fund

This is a fund set up by Council to support Tuition Houses who are in the business of training future Chartered Accountants. A sum of Fifty Million Naira was committed for this purpose.

(j) Whistle Blower Fund

The fund was set up by Council to assist members who might encounter issues in the process of giving vital information to unravel corruption and fraud cases. A sum of Fifty Million Naira was committed for this purpose.

(k) FVOCI reserves

FVOCI reserves represents the excess of unrealised gains and losses on financial assets fair valued through other comprehensive income over their historic costs.

(l) Accumulated Fund

The accumulated fund represent the excess of income over expenditure which have been accumulated over the years.

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28 Related party transactions

Council members as office bearers

Okwuadigbo Anthony Nnamdi (President)
 Adewuyi Onome joy (Mrs)(Vice President)
 Eytayo Comfort Olujumoke (Mrs) (1st Deputy Vice President)
 Tijjani Musa Isa(Mallam) (2nd Deputy Vice President)
 Razak Jaiyeola(Immediate Past President)
 Akinsulire Oyemolu Olugbenga (Chief) Honorary Treasurer

Other Council members

Davidson Chizuoke Stephen ALARIBE (Chief),
 Deji AWOBOTU (Hon.Dr) Obaje Godwin (Navy cat), Oluwole Seun ODERINDE,
 Adaku Chilaka CHIDUME-OKORO (HRM), Titilayo Ariyike Nurat AKIBAYO (Alhaja)
 Tijjani Musa ISA (Mallam), B Nasiru MUHAMMAD (Hon), Olakisan, Jamiu Adeyemi
 Ngozi Monica OKONKWO (Lady), Tajudeen Olawale OLAYINKA, Etofolam Felix OSUJI (Dr.),
 Innocent OKWUOSA, Abiola Ayodele Oluwatobi, Bangbose Aina Felicia
 Tajudeen Olawale OLAYINKA, Sam Ogundipe Olutola, Ekhonoragbon Ghadaffi Peter
 Hilda Ofure OZOH (Mrs.), Chibuzor Noel Anyanechi, Kumshe Modu Ahmed (Dr),
 Queensley Sofuratu SEGHSIME (Alhaja), Egbo Sunday Jude, Haruna Nma YAHAYA (Alhaji)
 Disu, Samson Adewale

Non Council members

John I. Evbodaghe (Registrar/Chief Executive), Prof, Ahmed Kumshe (RCE Designate), Ben Ukaegbu (Deputy Registrar, Technical Services) and Mukaila A. Lawal (Deputy Registrar, Corporate Services).

No member of the Council receives payment in respect of services to ICAN. In line with Council travel and expenses policy, Council members are reimbursed for any expenses which they directly incur on behalf of the Institute as part of their role as a Council member. No loan is granted to related parties.

29 Cash flow statement	Note	31 December 2019	31 December 2018
a. Cash generated from activities:		N'000	N'000
Surplus/(deficit) for the year		977,357	(176,179)
Adjustments for:			
Interest received	6c	(30,824)	(42,210)
Movement in accumulated fund		236,783	(70,900)
Exchange (loss)/gain		(737)	1,000
Depreciation on property, plant and equipment	13	244,859	219,453
Amortisation of intangible asset	14	12,374	12,370
Loss/(profit) on disposal of property, plant and equipment	13	15,517	(8,428)
Gain on valuation of investment property	6(b)	(77,000)	-
Changes in working capital (excluding the effects of exchange differences):			
(Increase)/decrease in inventory		(179,393)	108,074
Increase in loans and receivables		(1,265)	(4,921)
Decrease/(Increase) in prepayments		36,401	(27,225)
(Increase)/decrease in other receivables		(50,349)	933
Decrease in contract assets		960	807
Increase/(decrease) in trade and other payables		63,393	(137,103)
Increase in contract liabilities		22,201	7,618
Decrease in members subscription receivable		5,527	9,290

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Cash used in operating activities	1,275,804	(107,420)
b. Cash from funding activities:		
Decrease in prizes fund	(2,324)	(2,872)
Increase in benevolent fund	26,615	53,637
Decrease in library fund	(10,046)	(15,449)
(Decrease)/Increase in study text revolving fund	(161,861)	76,804
Decrease in student development and support fund	(89,167)	(11,085)
Decrease in development fund	(100,000)	-
Increase in tuition house support fund	50,000	-
Increase in whistleblower fund	50,000	-
	(236,783)	101,035

	31 December 2019 N'000	31 December 2018 N'000
30 Members' subscription receivable		
Subscription receivables	309,758	722,309
Allowance for credit loss	(240,183)	(647,207)
Net receivables	69,575	75,102

	2019 N'000	2018 N'000
30(b) Reconciliation of members' subscription receivables		
At 1 January	722,309	666,816
Additions during the year	572,320	676,070
Receipts for the year	(754,861)	(620,577)
	539,768	722,309
Write off receivables	(230,010)	-
Gross carrying amount	309,758	722,309
Less impairment provision	(240,183)	(647,207)
At 31 December	69,575	75,102

	2019 N'000	2018 N'000
30(c) Reconciliation of impairment allowance on members' subscription receivables		
Loss allowance as at 1 January	647,207	582,423
Movements during the year:		
Increase in impairment loss	230,010	-
(Reversal)/increase in expected credit loss on trade receivables	(407,024)	64,784
Write off of receivables*	(230,010)	-
Total impairment charge into P/L during the year	(407,024)	64,784
Loss allowance as at 31 December	240,183	647,207

The reversal of impairment of N407 million is due to the reduction in the gross carrying amount of the membership subscription receivables in the current year compared to the prior year.

Writeoffs were made for receivables that the Institute deemed as unrecoverable.

31 Contingent liabilities and commitments

There were no contingent liabilities or capital commitments as at the reporting date (2018: Nil).

32 Events after statement of financial position date

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In the first quarter of 2020, there was a COVID -19 outbreak which has spread globally. As at the date of this report, several cases have been confirmed in Nigeria by the Nigerian Centre for Disease Control.

The disease has caused a significant reduction in social interaction, with a shutdown of public facilities and physical interaction. Measures taken to contain the virus have affected economic activities. Members of staff now work from home. Teleconferencing Infrastructures have been put in place for meetings of Committees of Council to perform their roles to the Institute.

The Institute does not anticipate impairment of non- current, and financial impacts on loans and other receivables cannot be readily estimated. Management has also considered the potential implications of this outbreak and have put in place measures to mitigate against a significant impairment of the carrying value of assets. The management is confident that there are no plans to liquidate any of the **Institute's** operations or to cease trading.

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Statement of value added

	31 December 2019 N '000	%	31 December 2018 N '000	%
Income	5,511,390		4,837,491	
Other income	<u>222,235</u>		<u>138,035</u>	
	5,733,625		4,975,526	
Purchase of services-Local	(3,459,869)		(3,984,237)	
Value added	<u>2,273,756</u>	100	<u>991,289</u>	100
DISTRIBUTION:				
To pay employees				
Salaries and benefits	1,046,993	46	972,619	98
To provide for enhancement of assets and growth				
Depreciation of property, plant and equipment	257,233	11	231,823	23
Amortisation of intangible assets	-	-	12,374	1
Surplus/(deficit) for the year	<u>969,530</u>	43	<u>(225,527)</u>	(23)
Value added	<u>2,273,756</u>	100	<u>991,289</u>	100

This statement represents the distribution of the wealth created through the use of the Institute's assets by its own and employees' efforts.