

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

CORPORATE AND BUSINESS LAW

PILOT QUESTIONS

SECTION A: MULTIPLE-CHOICE QUESTIONS

(20 MARKS)

INSTRUCTION: YOU ARE REQUIRED TO ANSWER ALL QUESTIONS IN THIS SECTION

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

1. Which of the following is a cybercrime?
 - A. Cybercraft
 - B. Cyberpassing
 - C. Imaging
 - D. Identity theft

2. Which of the following is a court of co-ordinate jurisdiction with the High Court?
 - A. Court of Appeal
 - B. District Court
 - C. National Industrial Court
 - D. Revenue Court

3. Which type of partnership has most of the attributes of a company?
 - A. Registered Partnership
 - B. Trading Partnership
 - C. Limited Partnership
 - D. Limited Liability Partnership

4. Which of the following is **NOT** in the category of securities under the Investments and Securities Act, 2025?
 - A.
 - B. Share
 - C. Bond
 - D. Cryptocurrency
 - E. Goldcoin

5. Which of the following is a type of corporate restructuring?
 - A. Merger
 - B. Novation
 - C. Upsizing
 - D. Redemption

6. A company may be placed in receivership if the
- A. company fails to fulfil a debenture obligation
 - B. board disagrees on policy matters
 - C. turnover of the company reduces
 - D. bankers so request
7. Which duty has a director breached when he has agreed with corporate outsiders on how to carry on his functions as a director?
- A. Duty not to misuse corporate information
 - B. Duty not to abuse his office
 - C. Duty not to fetter his discretion
 - D. Duty of integrity
8. A firm that intends to audit a public company must register with the
- A. Securities and Exchange Commission
 - B. FMDQ
 - C. NGX PLC
 - D. Financial Intelligence Commission
9. Which of the following is a role of an accountant as an expert witness in a computer fraud case?
- A. Proving an element of the offence
 - B. Cross examining the accused
 - C. Interpret computer-generated records
 - D. Certifying the model of the computer
10. The minimum authorised capital of a public company is
- A. ₦2,000,000
 - B. ₦ 1,000,000
 - C. ₦ 500,000
 - D. ₦ 200,000
11. As a defence to a contractual obligation, a plea of *non est factum* means
- A. Intention to be bound
 - B. It is not my deed
 - C. Inclusion of consideration
 - D. It is a mutual agreement
12. Which of the following is classified as a document by the Evidence Act of 2011?
- A. Timeline
 - B. Typology

- C. Shadow
 - D. Video and audiotapes
13. A hire purchase contract does **NOT** involve transfer of
- A. Possession
 - B. Title
 - C. Consideration
 - D. Right
14. In a sale of goods contract, goods that the parties identifies and agreed upon at the time of the contract are
- A. Future goods
 - B. Known goods
 - C. Unascertained goods
 - D. Specific goods
15. A contract by which the representative of a party is to receive a specific sum of money on the occurrence of an event that is bound to happen is a contract of
- A. Insurance
 - B. Novation
 - C. Compensation
 - D. Assurance
16. Which of the following is a ground for determination of a contract of employment?
- A. Domesticity
 - B. Promptitude
 - C. Redundancy
 - D. Intendment
17. Which of the following is a charitable trust?
- A. Trust for the promotion of same sex marriage
 - B. Trust for vacation trips of the employees of MTN
 - C. Trust for the welfare of the members of Ikoyi Club
 - D. Trust for advancement of religion
18. Which of the following is **NOT** an alternative dispute resolution mechanism?
- A. Mediation
 - B. Conciliation
 - C. Arbitration
 - D. Fence building
19. Who, of the following, is **NOT** a special agent?

- A. Factor
- B. Broker
- C. Auctioneer
- D. Vendor

20. A cheque that is endorsed in blank is a/an

- A. Non-negotiable cheque
- B. Private cheque
- C. Bearer cheque
- D. Order cheque

SECTION B: OPEN-ENDED QUESTIONS (80 MARKS)

INSTRUCTION: YOU ARE REQUIRED TO ATTEMPT ANY FOUR OUT OF THE SIX QUESTIONS IN THIS SECTION

QUESTION 1

- a. A group of teenagers in the Abongari community of Nigeria broke into the computing system of the Federal Government so as to distort crude oil production data. The same group issued online death threat against the Director-General in charge of oil production data, should he attempt to trace them. The group has just been caught.

Required:

- i. State **TWO** offences that they could be charged with and the punishment for each. (4 marks)
- ii. State the federal legislation that specifies the offences. (2 marks)

- b. Ade and Osula are partners in a limited liability partnership. While they are general partners, Jugnu was the only limited partner and the third partner in the firm. At the beginning of 2025, and after much insistence, Jugnu joined in the management of the partnership business. At the end of the first quarter of the Year 2025, the partnership books showed that the firm had incurred an unpaid debt of ₦50 million. When Jugnu learned of the debt, he had heart attack and died a few hours later. The creditors of the limited liability partnership have approached you to recover the debts that the partnership owes them.

Required:

- i. Explain who is liable, and why. (6 Marks)
- ii. What is the effect of the death of Jugnu on the partnership? (2 Marks)

- c. Oguche and Agoro were engaged to form Oguro Limited and raise capital for the then proposed company. In the process, Oguche sold his warehouse to Oguro Limited without disclosing to anyone that he owned the warehouse. Agoro bought a farm for the proposed company at a discount of ₦5 million, which he expended on his daughter's wedding ceremony without telling anyone.

Required:

- i. Who were Oguche and as Agoro in the transactions, and why? (3 Marks)
- ii. Which duties, if any, did Oguche and Agoro respectively breach? (3 Marks)

(Total 20 Marks)

QUESTION 2

- a. The Corporate Affairs Commission, which is established by the Companies and Allied Matters Act, has an Administrative Committee.

Required:

State **THREE** functions of the Administrative Committee. (6 Marks)

- b. Adigwe Plc. has consulted you to interview a number of applicants and recommend one for the position of its company secretary. Importantly, the company wants you to state in a draft letter of appointment what the duties of the appointee under the Companies and Allied Matters Act would be.

Required:

- i. State **TWO** of the qualifications that a prospective secretary of a public company must have. (3 Marks)
- ii. State **THREE** statutory duties of a company secretary. (6 Marks)
- c. Adigwe who holds five million shares in Apex Plc, which are represented by more than one electronic certificates, intends to transfer two million of the shares to Cynthia, his newly-wedded wife. To that effect, he has executed an instrument of transfer.

Required:

Advise Adigwe on the procedure to follow so as to perfect the transfer. (5 Marks)

(Total 20 Marks)

QUESTION 3

- a. Administration is an important alternative to company winding up under the Companies and Allied Matters Act, 2020 ("CAMA").

Required

State **the functions** of an administrator under the CAMA. (8 Marks)

- b. Igiebor, who is to be interviewed for the position of an accounting technician in a public and reputable company has approached you for an explanation of what constitutes **fraudulent false accounting**.

Required:

State **the intent and acts** that constitute the offence of **fraudulent false accounting** under the Criminal Code Act of Nigeria. (6 Marks)

- c. Evidence generated by a Global System for Mobile communication (GSM) phone is a type of electronic evidence that is admissible in court.

Required:

Explain the nature of GSM phone evidence and the duty of a person that seeks to tender it in court in proof of a financial transaction.

(6 Marks)

(Total 20 Marks)

QUESTION 4

- a. Musari, a 15-year old High School finalist, purchased recommended textbooks on credit from Global Enterprises Limited at a price of ₦20,000. He also bought a power motorbike at the price of ₦5 million from Powerbikes Limited, paying 80% of the purchase price, but leaving the balance unpaid for six months. The sellers of the books and bike have consulted you to recover the debts that Musari owes them.

Required:

Explain your chances of recovering full payment for each category of the purchases.

(6 Marks)

- b. Ogori hired Magongo as his agent and travelled abroad for two years, leaving his mercantile business for Magongo to manage. In Ogori's absence, many changes occurred in the economy, making Magongo to change the focus of the business without prior authority of Ogori. Magongo seeks Ogori's ratification of his actions.

Required:

State **THREE** conditions that must be satisfied for the ratification to occur.

(6 Marks)

- c. Negligence is a tort that professional accountants must avoid in the performance of their duties.

Required:

Define negligence, and state any **TWO** of the **THREE** elements that a client affected by it must prove to succeed in an action for negligence.

(6 Marks)

- d. Liability for a breach of a sale of goods contract depends on whether the subject matter could be classified as 'goods' or not.

Required:

Define goods.

(2 Marks)

(Total 20 Marks)

QUESTION 5

- a. The title of a buyer of goods could depend on the title of the seller.

Required:

Explain the title of a buyer in a sale transaction under voidable title.

(4 Marks)

- b. Sommidah took possession of a Singer sewing machine that costs ₦240,000 from Singer (Nig.) Limited by an agreement that puts on Sommidah the obligation to pay an instalment of ₦20,000 monthly over a period of twelve consecutive months, without default.

Required:

State the type of agreement and **THREE** of the elements that it requires for its validity under the applicable law. (6 Marks)

- c. Contracts of insurance are contracts of indemnity.

Required:

- i. Why is a contract of insurance aleatory? (2 Marks)
ii. Distinguish Kunat insuring his car from Garuba insuring his life by classification and consequence. (4 marks)

- d. A charitable trust enjoys certain benefits, including relief from taxation.

Required:

State the **FOUR** types of charitable trust. (4 Marks)

(Total 20 Marks)

QUESTION 6

- a. The Banks and Other Financial Institutions Act (BOFIA), 2020 defines banking business as comprising certain types.

Required:

State **FOUR** businesses that BOFIA classifies as banking business. (6 Marks)

- b. Osaro and Uche have a dispute that arose from their respective rights and obligations under a commercial agreement. The two are not inclined towards litigation in court, and have come to you for advice on the advantages of Alternative Dispute Resolution (ADR).

Required:

State **FOUR** of the advantages of ADR. (6 Marks)

- c. The employers of Dumbraye and Diri have decided to terminate their employment because the business in which they are employed is no longer profitable. Dumbraye and Diri insist that their employers must move them to another company of theirs instead of terminating their employment.

Required:

Advise the parties, explaining the justifiable defence that the employers could have in a court action for termination of the appointments of Dumbraye and Diri. (6 Marks)

- d. A trust, like any other legal relations, could be terminated.

Required:

State **TWO** of the means of terminating a trust relationship. (2 Marks)

(Total 20 Marks)

SUGGESTED SOLUTIONS

SECTION A: MCQ SOLUTIONS

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

SECTION B:**SOLUTION TO OPEN-ENDED QUESTIONS****(80 MARKS)****SOLUTION 1**

- a.
- i. The offences that the group of teenagers committed and the punishments for them are:
 - Offence against critical national infrastructure, punishable with a term of imprisonment of not more than 10 years without an option of fine; and
 - ii. Cyber-bullying, punishable with a fine of not more than ₦7 million or imprisonment for not more than 3 years, or both such fine and imprisonment.
 - iii. The federal legislation that specifies the offence is the Cybercrimes (Prohibition, Detection, Prevention, etc) Act, 2024.
- b. The features of the proceedings that Kokori and Jendor will pass through include following:
- i. Ade, Osula, and Jugnu are all liable to pay the debts that the partnership owes its creditors.
 - Jugnu, who was registered as a limited partner, initially had his liability limited by law to his contribution to the partnership capital, provided that he abstained from partaking in the management of the firm's business.
 - However, the moment Jugnu joined in the management of the firm's business, he became automatically a general partner with unlimited liability as Ade and Osula.
 - ii. The partnership is dissolved automatically by Jugnu's death since he died as a general partner by law. If he remained a limited partner, the partnership would have survived him.
- c. In the hypothetical case:
- i. Oguche and Agoro were promoters.
 - They qualified as promoters because they took part in forming Oguro Limited and in setting in as a going concern (raising capital for it) – Section 85, CAMA.
 - Oguche breached the duty of promoters to disclose his interest in his warehouse that he sold to the company.
 - Agoro breached his duty not to make secret profit.

Solution 2

- a. By virtue of the Companies and Allied Matters Act, the Administrative Committee of the Corporate Affairs Commission has the functions to:
- i. hear persons alleged to have violated the provisions of the CAMA or its regulations;
 - ii. resolve disputes and grievances that arise from the implementation of the CAMA or its regulations; and
 - iii. impose administrative penalties for the violation of the provisions of the CAMA or its regulations in the process of settling matters that are before it.
- b. Concerning this hypothetical question:
- i. The qualifications that a prospective secretary of a public company must have are any of the following:

- a. Membership of the Institute of Chartered Secretaries and Administrators of Nigeria (ICSAN); or
 - b. A legal practitioner within the meaning of the Legal Practitioners Act; or
 - c. Membership of any professional body of accountants established from time to time by an Act of the National Assembly; or
 - d. Any person who has held the office of the secretary of a public company for at least three years of the five years immediately preceding his appointment in a public company; or
 - e. A body corporate or firm consisting of the professionals in (a), (b), or (c).
- ii. The statutory duties of a company secretary are:
- attending the meeting of the company, the board of directors and its committees, rendering all necessary secretarial services in respect of the meeting and advising on compliance, by the meetings, with the applicable rules and regulations;
 - maintaining the registers and other records, required to be maintained by the company under the CAMA;
 - rendering proper returns and giving notification to the CAC, as required by the CAMA; and
 - carrying out such administrative and other secretarial duties as directed by the directors or the company.
- c. The procedure that Adigwe must follow to perfect the share transfer is:
Adigwe must deliver the instrument of the transfer together with the relevant certificate (physical or electronic) to the company **(2 marks)** with a request that the instrument of transfer be recognised and registered, and the instrument of transfer shall include certificates issued in electronic form” – section 181(1) (as amended by section 8 of Part I to the Schedule to the Business Facilitation (Miscellaneous Provisions) Act, 2023) **(3 marks)**

Solution 3

- a. The functions of an administrator under the Companies and Allied Matters Act consist in doing all such things as may be necessary for the management of the affairs, business and property of the company, **(2 marks)** and shall perform his functions with the objectives of
- rescuing the company, the whole or part of its undertaking, as a going concern;
 - achieving a better result for the company's creditors as a whole than would be likely, if the company were wound up, without first being in administration; or
 - realising property so as to be able to make a distribution to one or more secured preferential creditors.
- b. The intent that constitutes fraudulent false accounting is 'fraudulent intent'
The acts that constitute fraudulent false accounting are:
- (i) destroying, altering, mutilating, or falsifying, any book, document, valuable security, or

account, which belongs to or is in the possession of his employer or has been received by him on account of his employer, or any entry in any such book, document or account or is privy to any such act; or

(ii) making, or being privy to making any false entry in any such book, document, or account; or

(iii) omitting, or being privy to omitting, any material particular from any such book, document, or account.

- c. Evidence from Global System for Mobile communication (GSM) phone is a form of computer or electronic evidence. Since mobile phones are also computers, the principles applicable to computer printouts are applicable to messages generated by or from GSM phones. A GSM gadget or telephone itself that contains valuable information could be tendered in court together with whatever message or information stored therein, as documentary evidence, in proof of a financial transaction.

The only duty of the tendering party is to read it and demonstrate its contents in open court in a manner that is similar to the reading of ordinary documentary evidence when admitted in evidence and taken as read.

Solution 4

- a. An infant, such as Musari who is 15 years of age, as a general rule lacks the capacity to enter into a contract. He is, however bound to pay a reasonable price for necessities that suit his station in life. Therefore, a reasonable cost for the recommended textbooks is recoverable from Masari.
- b. The unpaid balance of the price of the power bike is not recoverable from Masari, a power bike being a luxury goods for which an infant is not liable to pay.
- c. The conditions that must be satisfied before the acts of Magongo earn the ratification of Ogori are:
- i. At the time of making the contract, the agent must purport to be acting on behalf of his soon to be principal;
 - ii. The principal must have been in existence and have capacity at the time the agent purported to act for him;
 - iii. The principal must be competent to act at both the date of the contract and the date of the ratification;
 - iv. The principal must have had full knowledge of all the material facts at the time of ratification or else be shown to manifest an intention to ratify the act, notwithstanding his ignorance of all the facts;
 - v. The contract must be a valid one, that is, not void ab initio; and
 - vi. Time is of essence for an agency to be created by ratification and so the principal must ratify the act within a reasonable time of doing the unauthorised act.

- c. Negligence simply means carelessness or inadvertence. An act is considered negligent where a person did not take necessary care to avoid the consequence of his act or the omission. No wrong or bad intention needs to be proved for liability to attach in negligence. Negligence has also been described as a breach of a legal duty to take care by the defendant, which results in damage to the plaintiff.

For an act or omission to be declared negligent, three elements must be present:

- i. A legal duty to take care by the defendant must exist;
 - ii. There must be a breach of that legal duty; and
 - iii. A consequential damage to the plaintiff must have arisen from the act or omission.
- d. Section 62 of the Sale of Goods Act, defines 'Goods' as "... all chattels personal other than *choses in action* and money." Goods also include things attached to land or forming part of land but which, according to the parties' agreement, will be severed before sale or under contract of sale.

Solution 5

- a. Where the seller of goods has a voidable title, (i.e. a title gained by fraud, misrepresentation or fundamental mistake), the buyer acquires good title provided he acquired them in good faith and without notice of the seller's defective title. If the seller's title is however void, the buyer acquires no title to the property as the doctrine of ***nemo dat quod non habet*** (you cannot give what you do not have) would apply.
- b. The agreement between Sommidah and Singer (Nig.) Limited is a hire purchase agreement.

The elements that the agreement requires for validity under the Hire Purchase Act are:

- i. the owner must state in writing to the prospective hirer a price at which the hired goods may be purchased in cash;
 - ii. the amount of instalments must be stated in the agreement;
 - iii. the memorandum containing the cash price must be signed by the hirer and the owner or his duly authorised representative;
 - iv. any term in the agreement that entitles the owner to enter the premises of the hirer to repossess the goods is void;
 - v. information on the parties must be provided when required under the agreement; and
 - vi. the hirer has the power to determine the hire purchase agreement at any time before the final instalment and return the goods, otherwise the owner may recover the goods by court action.
- c. .
- i. A contract of insurance is said to be aleatory because the occasion for indemnity may or may never occur. This is because it depends on the happening of some specified but uncertain event or contingency.

- ii. By insuring his car, Kunat is entering a contract of insurance by which it is intended to indemnify the insured against an uncertain loss or damage, which may or may not occur, e.g. damage to the car by fire.
- iii. By insuring his life, Garuba entered a contract of assurance by which the assured or his representatives are to receive a sum of money on the occurrence of an event which is bound to happen at some time, although the time of occurrence is uncertain, that is the death of the assured.
- d. The four types of charitable trust are:
 - i. trusts for advancement of religion;
 - ii. trusts for advancement of education;
 - iii. trusts for relief of poverty; and
 - iv. trusts for other charitable purposes.

SOLUTION 6

- a. The Banks and Other Financial Institutions Act (BOFIA), 2020 classifies as banking business the business of:
 - i. receiving deposits on current account, savings deposit account or other similar account;
 - ii. paying or collecting cheques drawn by or paid in by customers;
 - iii. provision of finance consultancy and advisory services relating to corporate and investment matters
 - iv. making or managing investments on behalf of any person whether such businesses are conducted digitally, virtually or electronically only; or
 - v. such other business as the Governor of the Central Bank of Nigeria may, by order published in the [Federal Government] Gazette, designate as banking business.
- b. The advantages of Alternative Dispute Resolution (ADR) mechanisms are:
 - i. ADR affords cordial and peaceful environment rather than the “adversarial system of the law courts, thus it is more convenient and dignifying to go into ADR;
 - ii. The opportunity, which parties have to appoint an expert on the particular subject matter in dispute to hear and decide the issue, is an important asset to ADR;
 - iii. When it comes to overall cost, there is no doubt that ADR is cheaper than litigation, as a means of resolving conflicts;
 - iv. ADR proceedings are usually faster than court proceedings that are more prone to frequent adjournments. Commercial arbitration is, therefore, usually preferred, because time is of essence in commercial and business transactions. There are no pleadings and award comes within 90 days;
 - v. ADR is much more given to privacy unlike the undue publicity, which might attend civil litigation and adversely affect the image of the parties;
 - vi. The proceedings in ADR are less tortuous and technical than those in the civil proceedings in courts. There are simple and well-defined rules in arbitration that apply to specific situations and

circumstances, which parties may agree to adopt;

- vii. As in the courts, there is strict adherence to the principles of natural justice; and
- viii. States as well as multi-national companies prefer arbitration to international litigation. Arbitration takes its pride of place as alternative means of dispute resolution.
- c. Dumbaye and Diri are not entitled to compel their employers to move them to another company of theirs. This is because the basis of their employment, that is the substratum, has failed.
- d. The employers are entitled in law to plead redundancy as the basis of disengaging Dumbaye and Diri.
- e. The means of terminating a trust are:
 - i. **Disclaimer:** A person appointed as a trustee may reject the office or decline the appointment, thereby disclaiming the trust.
 - ii. **Removal:** A trustee may be removed, by which act the relationship of trusteeship is brought to an end.
 - iii. **Retirement:** A trustee who has accepted the trust office may retire subsequently.
 - iv. **Death:** The death of a trustee naturally brings the trust to an end.