

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

CORPORATE AND BUSINESS LAW

PILOT QUESTIONS AND ANSWERS 2025

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:

MULTIPLE CHOICE QUESTIONS

1. Before issuing its customer an ATM card, a financial institution is required by Section 8 of the Nigerian Cybercrime (Prohibition, Protection, etc.) Amendment Act 2024 to verify the identity of its customers carrying out electronic financial transactions by demanding the customer's
 - A. Last three months' pay slip
 - B. National Identification Number issued from a Local Government Council
 - C. Voter's Card issued by the Internal Revenue Service
 - D. National Identification Number issued by the National Identity Management Commission
2. Three elements which constitute the tort of negligence are
 - A. Tortious act, serious damage, negligence conduct
 - B. Duty, Damage, Causation.
 - C. Legal duty of care, Breach of legal duty, and Consequential damage
 - D. Social duty of care, General Damage, and Compensation
3. The duties which an agent owes his principal are derived from one of the following
 - A. Companies and Allied Matters Act (CAMA), statute, and the Common Law
 - B. The Partnership Act and equity
 - C. The agency contract itself, equity and the Common Law
 - D. General agency contract and Equity

4. An organisation in which there is a relation between persons carrying on a business in common for the purpose of making profit is a
- A. Company
 - B. Partnership
 - C. Agency
 - D. Trust
5. In which of the following situations may a partner not have authority to bind his firm or other partners to third parties
- A. Accepting payments of the firm's debts
 - B. Borrowing money on the firm's credit
 - C. Giving a guarantee in the name of the firm
 - D. Indorsing negotiable instruments
6. What becomes of a partnership, if one of the partners becomes insane?
- A. Partnership is dissolved
 - B. Partnership may be dissolved by court upon application to court
 - C. Partnership cannot transact business with third parties.
 - D. Partnership has to change its identity
7. A partnership can arise between persons
- A. Only by express contract in writing
 - B. By express or implied contract
 - C. Only by implied contract in writing
 - D. Only by a Partnership Deed duly signed, sealed and delivered.
8. The document which evidences the terms of contract between members of a company *inter se* is the ...
- A. Financial constitution
 - B. Articles of the formation
 - C. Articles of association
 - D. Memorandum of association.

9. The principle of law which does not permit rights to run with the subject matter of an insurance contract is
- A. Assignment
 - B. Uberimae Fidei
 - C. Privity of contract
 - D. Subrogation
10. A company can reduce its authorised capital ...
- A. If it is authorised by its Memorandum of Association
 - B. When the company is in distress
 - C. If the Directors files an application with the CAC to that effect
 - D. If it is authorised by its Articles of Association
11. One of the following is not a duty of a bank
- A. Collection of customer's cheques
 - B. Payment of customer's cheques
 - C. Publishing the customer's account details
 - D. Strictly abiding by customer's mandate
12. An insolvent legal entity is one ...
- A. Which has more fixed assets than liquid cash
 - B. With a bank balance in the red
 - C. Unable to pay its debts due to a court order
 - D. Unable to pay its debts as at when due in the normal course of business
13. Ethical codes stipulate acceptable rules of conduct in a specialised group of persons. What is the main object of ethics?
- A. To ensure a high standard of professional conduct towards clients
 - B. To enhance increased income for professionals
 - C. To differentiate the specialised group
 - D. To prevent professionals from committing crimes.

14. What is the legal status of a contract entered into by parties who were unaware at the time of the contract that the object of the contract had been destroyed?
- A. The contract is voidable
 - B. The contract is cancelled
 - C. The contract becomes ambulatory
 - D. The contract is void
15. One of the following differentiates a sale of goods from hire purchase
- A. Sale of goods involves goods but hire purchase does not
 - B. Sale of goods immediately transfers property in goods while hire purchase does not
 - C. Sale of goods involves two parties while hire purchase involves three parties
 - D. There is money consideration in sale of goods but none in hire purchase
16. Alternative Dispute Resolution is a method of resolving many types of disputes, but cannot apply in ...
- A. Dispute arising from a hire purchase contract
 - B. An agreement containing an irrevocable arbitration clause
 - C. Disputes arising from a divorce petition
 - D. An absence of dispute.
17. The offence of bribery under Section 98 of the Criminal Code can only be committed by
- A. A Nigerian under 18
 - B. A policeman
 - C. A public servant
 - D. Anybody resident in Nigeria
18. Which of the following is an implied term in a contract of employment of a female employee under the Nigerian Labour Act?
- A. To perform strictly only those duties contained in her employment letter
 - B. To be employed only when she is fit following child-birth
 - C. Entitling her to a longer period of notice of termination than for male employees.
 - D. Entitling her to a shorter period of probation than for male employees

19. One of the following is not expected of accountants in an electronic world where fraud is a daily occurrence
- A. Litigation support
 - B. Economic crime investigations
 - C. Fraud detection.
 - D. Filing judicial processes
20. When a cheque is crossed 'A/c Payee Only', this means that the cheque ...
- A. Can only be paid over the counter
 - B. Is not validly crossed
 - C. is specially crossed
 - D. Can only be paid through the account of the named payee

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

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

QUESTION ONE

- a) One of the main principles of the Nigerian Data Protection Act, 2023 is to provide a legal framework for the protection of personal information.

Required:

Explain “data subject” in relation to the provisions of the Nigerian Data Protection Act, 2023. (4 marks)

- b) Before the enactment of the 2020 Companies and Allied Matters Act a limited liability partnership was unknown.

Required:

Explain the main differences between a limited partnership and a limited liability partnership. (6 marks)

- c) The Nigerian legal system enjoys a multiplicity of sources of law, including the Received English Law.

Required:

Explain ‘Received English Law’ as a source of Nigerian law. (6 marks)

- d) Christopher, whose father has died without a Will, has been requested by the father’s bankers to provide Letters of Administration before he can access the 50 million Naira in the father’s bank account.

Required:

Explain to Christopher what a Letters of Administration is. (4 marks)

(Total 20 marks)**QUESTION TWO**

- a) Law is classified into different kinds, including criminal law.

Required:

(i) Explain criminal law. (4 marks)

(ii) State THREE ways criminal law is different from civil law. (6 marks)

- b) In the law of contract, mistake can affect the legal validity of the contract.

Required:

Explain:

- (i) Common mistake (2 marks)
(ii) Unilateral mistake. (2 marks)

- c) A retiring auditor, irrespective of how he was appointed, may be re-appointed without any resolution being passed.

Required:

State **TWO** exceptions to the above provision subject to the proviso at Section 401 (2) of the Companies and Allied Matters Act 2020. (6 marks)

(Total 20 marks)

QUESTION THREE

- a) Whatever a person has legal right to do himself, he may also do through an agent.

Required:

- (i) State **ONE** exception to the above general rule of agency law. (4 marks)
(ii) An agent owes his principal the duty to faithfully perform the agency contract. (2 marks)

Required:

State **TWO** implications of the above duty of an agent. (2 marks)

- b) A contract of sale of goods is a contract in which property in goods is transferred from one person to the other.

Required

Explain:

- (i) 'goods' under the Sale of Goods Act. (4 marks)
(ii) 'future goods' under the Sale of Goods Act. (2 marks)

- c) Section 81 (1) of the Marine Insurance Act provides that "where the assured is over-insured by double insurance, each insurer shall be bound, as between himself and the other insurer, to contribute rateably to the loss in proportion to the amount for which he is liable ...".

Required:

Explain:

- (i) Double insurance (3 marks)
- (ii) Contribution (3 marks)

(Total 20 marks)

QUESTION FOUR

Jigijigi Bank Ltd paid a cheque crossed 'A/c Payee Only' over the counter. The cheque had been validly countermanded by the drawer two hours before the payment over the counter. The countermand was acknowledged by the branch manager.

Required:

- a)
 - (i) Explain the type of crossing used in the cheque. (2 marks)
 - (ii) Differentiate between a general crossing and a special crossing. (2 marks)
 - (iii) Explain the effect of the countermand on the cheque. (2 marks)
 - (iv) Explain "payment over the counter" of a cheque. (2 marks)
- b) "Under a contract of service, an employee is engaged as part of the business and his work is an integral part of the business, but under a contract for service, an independent contractor is engaged to carry out a particular project, which is merely an accessory to the business".

Required:

Explain **FOUR** characteristics which distinguish the independent contractor from an employee who is engaged under a contract of service. (6 marks)

- c) (i) State how a trust may be created. (2 marks)
- (ii) Explain a mandatory requirement in the creation of a trust involving land. (4 marks)

(Total 20 marks)

QUESTION 5

The Business Facilitation (Miscellaneous Provisions) Act, 2023 contains a number of business-related provisions amending the Companies and Allied Matters Act, 2020.

Required:

- a) State **FOUR** business-related laws amended by the Business Facilitation (Miscellaneous Provisions) Act, 2023. (6 marks)
- b) A company in a state of insolvency is said to be insolvent.

Required:

- (i) Explain **TWO** circumstances which will give rise to a corporate insolvency. (4 marks)
 - (ii) Describe the situation in which a company is said to be suffering from a cash-flow insolvency. (4 marks)
- c)
- (i) State **TWO** forms of Alternative Dispute Resolution (ADR) used in commercial transactions (3 marks)
 - (ii) Explain **ONE** of them. (3 marks)

(Total 20 marks)

QUESTION SIX

- a) Both a contract of sale of goods and a hire purchase contract lead to the transfer of property in goods from one person to another.

Required:

Explain **TWO** differences between a contract of sale of goods and a contract of hire purchase. (4 marks)

- b) Aisha takes delivery of a tricycle from Musa under a hire purchase agreement for the purpose of commercial transportation business.
Unknown to both parties, the tricycle had a hidden defect which made it unfit for the purpose of commercial transport business.

Required:

Briefly state the duty Musa, the owner, owes Aisha under the hire purchase contract, relating to delivered goods with hidden defects. (4 marks)

- c) A company administrator is required by the Companies and Allied Matters Act, 2020 to perform his functions as quickly and efficiently, as is reasonably practicable.

Required:

- (i) State **THREE** objectives for appointing an administrator to administer a company as specified at Section 444 of the Companies and Allied Matters Act, 2020. (6 marks)
- (ii) Explain **TWO** modes for appointing an administrator for a company. (4 marks)
- (iii) State whose officer a company administrator is, irrespective of how or by whom he is appointed. (2 marks)

(Total 20 marks)

SUGGESTED SOLUTIONS

SECTION A: SOLUTIONS TO MULTIPLE CHOICE QUESTIONS

1. D

2. C

3. C

4. B

5. C

6. B

7. B

8. C

9. C

10. D

11. C

12. D.

13. A

14. D

15. D

16. A

17. C

18. B

19. D

20. D

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

- (a) Section 65 of the Nigerian Data Protection Act, 2023 defines data subject as an individual to whom personal data relates.
- (b) A limited partnership is a partnership in which at least one of the partners' liability is limited, while a limited liability partnership is defined by Companies and Allied Matters Act at Section 746, as a body corporate formed and incorporated under the Act with a legal entity separate from those of the partners and enjoys perpetual succession.
- (c) The Received English law as a source of Nigeria is a reference to all those English Laws which were specifically received into Nigeria as Nigerian Laws. They include the Common Law of England, the doctrines of equity, and the statutes of general application, which were in force in England as at the 1st day of January 1900, in so far as local circumstances permit.
- (d) A Letters of Administration is a document issued from a court appointing persons as administrators or personal representatives to administer or manage the estate of an intestate deceased person.

SOLUTION 2

- (a)
 - (i) Criminal law is a branch of law which creates and defines crimes as acts forbidden by the state, the breach of which punishment by the state is prescribed. Criminal law preserves public order and decency and protects citizens and their properties.
 - (ii) Three ways in which criminal law is different from civil law are:
 - a. Criminal law creates offences against the state, which are punishable by legislation, while civil law deals with those laws dealing with the protection of personal rights with the aim of restitution and compensation.
 - b. The aim of criminal law is to punish the offender either by imprisonment or a fine or both imprisonment and fine, while the aim of civil law is to compensate an aggrieved person by way of damages.
 - c. The consequence for an accused against whom a criminal case is proved is conviction, followed by a sentence of imprisonment or fine or both, while the consequence for a person found liable in a civil case is the imposition of compensatory damages.
- (b)
 - (i) Common mistake in contract is when both or all parties to a contract are equally mistaken about the same object of their contract or some fundamental fact in relation the contract. In other words, all the parties are of *consensus ad idem*, but are nonetheless equally mistaken about the same aspect of the contract.
 - (ii) Unilateral mistake is that type of mistake where only one party to the contract is mistaken as to an aspect of the contract as in when he believes the item he is buying is a new one, whereas it is fairly used and the mistake is known by the other party.

- (c) Two exceptions allowing a retiring auditor, however appointed, to be re-appointed without any resolution being passed are:
- (i) Where the retiring auditor is not qualified for reappointment;
 - (ii) Where a resolution has been passed at the annual general meeting appointing some other person instead of him, or providing expressly that the retiring auditor shall not be reappointed; or
 - (iii) Where the retiring auditor has given the company notice in writing of his unwillingness to be reappointed.

SOLUTION 3

- (a) (i) An exception to the general rule that whatever a person has legal right to do himself he may also do through an agent is
- Where the act to be done is specifically required by statute to be done by the person personally: or
 - Where the capacity to do the act is conferred on the person by virtue of the person being the holder of a public office.
- (ii) Two implications of duty of an agent to faithfully perform the agency contract faithfully are that:
- a. The agent must not exceed his authority.
 - b. The agent must obey the principal's lawful and reasonable instructions.
 - c. The agent must do those things which are impliedly, expressly, or customarily required by his contract and any further lawful instruction which is binding.
- (b) (i) Section 62 (1) of the Sale of Goods Act 1893 defines "goods" as including all chattels personal, other than things in action and money and it includes things attached to the ground but agreed to be severed under the contract of sale.
- (ii) Under the Sale of Goods Act, the term future goods refer to goods to be manufactured or grown by the seller after the making of the contract of sale.
- (c) (i) Double insurance is a rule of insurance law which allows a person to take out as many insurance policies as he chooses against the same risk, provided that in the event of a loss, he cannot recover more than an indemnity.
- (ii) Contribution under insurance law is a right of an insurer who has satisfied the claim of an insured in full to call on other insurers of the same risk, where double or multiple insurance policies exist to contribute as appropriate either, rateably or equally to the claim. (4 marks)

SOLUTION 4

- (a) (i) The cheque being crossed 'A/c Payee only' is a crossing directing that the cheque be paid only into the bank account of the named payee and never to be cashed over the counter.
- (ii) The difference between a general crossing and a special crossing of a cheque is that for a general crossing the cheque is only restricted to be paid through a bank account and not by cash, a specially crossed cheque is restricted to be paid only through the particular bank named on the cheque.
- (iii) The effect of a countermand of a cheque is to stop payment of a cheque. A countermand is an order or instruction from the drawer of a cheque to the payee bank not to pay the cheque issued by the drawer.
- (iv) Payment over the counter of a cheque means that the cheque is cashed across the counter, instead of payment of the proceeds through an account.
- (b) The characteristics of the independent contractor which distinguish him from an employee under a contract of service are:
- (i) He is not subject to control by the employer.
 - (ii) He provides his own tools and equipment.
 - (iii) He bears a higher degree of financial risks in relation to the job.
 - (iv) He bears a heavier burden of investment and management.
 - (v) He hires his own helpers.
 - (vi) The length of period of his employment is determined by how long it takes him to complete the project.
 - (vii) His employment is usually of a temporary nature.
- (c) (i) A trust can be created in any form as there is no specific prescription in law as to how a trust may be created.
- (ii) Whenever the subject matter of a trust is land, it is mandatorily required by statute that it must be in writing". See Section 7 of the Statute of Frauds 1677 or Section 78 of the Property and Conveyancing Law, 1959.

SOLUTION 5

- (a) Four business-related laws amended by the Business Facilitation (Miscellaneous Provisions) Act, 2023 are:
- (i) Nigerian Export Promotion Council Act
 - (ii) Customs and Excise Management Act

- (iii) Export (Prohibition) Act
 - (iv) Investment and Securities Act
 - (v) Nigerian Ports Authority Act
 - (vi) Nigerian Oil and Gas Industry Content Development
- (b) (i) A corporate insolvency will arise whenever any of the following circumstances is present:
- A company is unable to pay its debt exceeding N2,000 within three weeks after a demand for payment has been made.
 - If there is a wholly or partially satisfied court process in respect of a judgement debt.
 - A court has made a determination after taking into account any contingent or prospective liability of the company that the company is unable to pay its debt.
 - A situation in which the company's liabilities exceed its assets.
- (2 marks each for any two correct answers = 4 marks).
- (ii) The situation in which a company is said to be suffering from a cash-flow insolvency is when the company has enough assets the value of which can pay its debts, but the assets are not in the appropriate form to be able to pay the debts.
- (c) (i) Forms of Alternative Dispute Resolution are
- a. Arbitration
 - b. Mediation and
 - c. Conciliation.
- (ii)
- a. Arbitration is a method of dispute resolution involving neutral third parties agreed to by the disputing parties, as arbiters and whose decision is binding on the parties.
 - b. Mediation is a non-binding dispute resolution method in which a neutral third party tries to help the disputing parties to reach a mutually agreeable resolution.
 - c. Conciliation is a non-binding method of dispute resolution in which a neutral third party facilitates communication between the disputing parties, with a view to arriving at how the dispute can be resolved.

SOLUTION 6

- (a) Two differences between a contract of sale of goods and a hire purchase are:
- i. In a contract of sale of goods property in the goods are transferred immediately upon the sale, while in a hire purchase, property in the goods is not transferred until the final instalment is paid.

- ii. Whereas in a contract of sale of goods the goods cannot be reclaimed by the seller, since property in the goods had passed upon the sale, the property as a whole reverts to the owner in a hire purchase transaction once there is default in the payment of any instalment.
- (b) The general position of the law is that the owner under a hire purchase agreement owes Aisha an implied duty to deliver goods which are reasonably fit for purpose.
But where the goods have defects which were unknown to the parties or could not be prevented by reasonable effort in care and skill, the implied duty will not operate to make the owner liable as the duty does not extend to hidden defects in the goods.
- (c) i. Three objectives for appointing an administrator to administer a company are:
- to rescue the company, the whole or any part of its undertaking, as a going concern.
 - to achieve 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 an administration.
 - to realise property in order to make a distribution to one or more secured or preferential creditors.
- ii. Modes for appointing an administrator for a company are:
- By court order
 - By a holder of a floating charge
 - By the company or its directors.
- iii. A company administrator is an officer of the court, irrespective of how or by whom he is appointed.