



ICANST STUDENTS' JOURNAL

OCTOBER/DECEMBER, 2018

ISSN:1119-9636

VOL.22, No.4

48th Annual Accountants' Conference: FG Urges ICAN To Intensify Action Against Corruption

- Buhari Seeks ICAN's Partnership On Development
- ICAN Inducts 1,706 New Associates, Demands Adherence To Ethics



Road Map to Success, Think **ICAN**



- ICAN opens doors to a wide range of career opportunities in a ll areas of industries, commerce, finance and manufacturing sectors both locally and internationally.
- ICAN allows you to specialize in a technical aspect of accountancy such as corporate recovery, forensic accountancy, corporate finance or taxation.
- ICAN takes you to the peak of private sector, public sector or non-profit organizations.
- ICAN helps you to become a successful entrepreneur.

More so, with its twinning arrangement with the Institute of Chartered Accountants in England and Wales (ICAEW) and The Chartered Institute of Public Finance and Accountancy (CIPFA), which promises to deliver many positive outcomes including parity with international comparators and benchmarks, ICAN qualification serves a great benefit to you.

Find out more information

w: www.ican-ngr.org,
t: +234 01 7642294-5, 7642297-8
e: corporateaffairs@ican.org.ng

f /ICAN1965 t /ICAN_NGR



**THE INSTITUTE OF CHARTERED
ACCOUNTANTS OF NIGERIA**

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



IN THIS ISSUE

NEWS

4

- ICAN Inducts 1,706 New Associates, Demands Adherence To Ethics
- Buhari Seeks ICAN's Partnership On Development
- ICAN Accountability Index Will Fast Track Implementation Of Accrual-based IPSAS - IFAC President
- Three University Students Win ICAN Essay Competition

CONFERENCE

7

- 48th Annual Accountants' Conference: FG Urges ICAN To Intensify Action Against Corruption

THE EXAMINER

14

EDITORIAL BOARD

Chairman

Haruna N. YAHAYA (Mallam), mni, FCA

Deputy Chairmen

Ahmed Modu KUMSHE (Dr.), FCA
Gadaffi Ekhorgbon OMENE, FCA

Members

Deji Mustapha, FCA
Mojisola ADEWOYIN, ACA
Esther UMAHI, FCA
Oluwaseun DAWODU, ACA
Victor ADEGITE, ACA
Oluwasayo ELUMARO, FCA
Gloria OLOTU, FCA
Omolara FAGBURE, FCA
Francis IYOHA, FCA
Adekunle Temileyi ABOSEDE, ACA
Ben UKAEGBU (Dr.), FCA

Editorial Staff

EDITOR

Bunmi Owolabi

DEPUTY EDITOR

Dayo Kowe

ASSISTANT EDITOR

Muyiwa Dare

ADVERTS

Jacob Nkem

ICAN Students' Journal

(ISSN: 1119-9636) is published quarterly by the Institute of Chartered Accountants of Nigeria. Plot 16, Professional Centre Layout, Idowu Taylor Street, Victoria Island, P.O. Box 1580, Lagos. Tel: 09053847510, 09053847511, E-mail: info.ican@ican.org.ng corporateaffairs@ican.org.ng; ICAN Website: www.icanig.org

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

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

Editor's Note

The purpose of writing a professional examination or any examination is to create a well-rounded, accomplished professional in any calling. Though, passing professional examinations can be challenging, expensive and time consuming. To assist our students pass without much stress, we have an article on **"How to pass Professional Examinations"**. It is our candid belief that if you follow these great tips, you will have a greater chance of succeeding in your examinations.

You will also read about the winners of the annual essay competition organized by the Institute during the just concluded 48th Annual Accountants' conference in Abuja.

The topic of the essay was "E-business and Cyber Security Challenge: The Role of the Accounting Profession". The three winners emerged from Bayero University, Kano; University of Uyo and University of Ilorin.

Apart from this, the conference proceedings were fully reported in this edition for your reading delight.

As usual, we publish some past questions and solutions to guide our students on how to tackle examination questions in future. The detailed reports of all these and other regular columns including some interesting news items are contained in this edition.

Your comments on the various articles, news and other items published in this edition are welcome. Please write to: editor@ican.org.ng or aoowolabi@ican.org.ng

ICAN Inducts 1,706 New Associates, Demands Adherence To Ethics

The institute has inducted 1,706 newly qualified candidates into its Associate cadre, thus bringing the number of chartered accountants in the country to 46,809.

At the 62nd Induction ceremony for new members held in Lagos recently ICAN President, Alhaji Razak Jaiyeola, BSc. ACFE, CRISC, FCA, advised the new inductees that “hard work, working smart, integrity, accuracy, lifelong learning and strict adherence to the ethics of the profession” are the prerequisites to success in the profession.

He implored them to remain focused, and continue to apply the same dedication that enabled them to scale through the high standards of the ICAN examinations, in order to find relevance in the profession.

According to the ICAN President, the key to continuous relevance in the profession lies in the ability of chartered accountants to imbibe the culture of lifelong learning and leverage on Information Technology,

pointing out that good chartered accountants would continue to be relevant in every sector of the economy.

Jaiyeola also enjoined the new chartered accountants to join at least one of the Institute’s Seven Faculties to enable them specialise and also encouraged them to abide by the

profession’s Rules of Professional Conduct.

He warned that the Institute would neither hesitate to either mete out appropriate sanctions on any erring member nor tolerate any form of professional misdemeanour.



New inductees at ICAN’s 62nd induction ceremony held recently in Lagos

Buhari Seeks ICAN’s Partnership On Development

President Muhammadu Buhari has appealed to members of the Institute to continue to partner with his administration for the development of the nation. He also disclosed his administration’s intention to sustain the fight against corruption in order to yield more dividends of democracy.

President Buhari made the appeal in his office in Abuja when the President of the Institute, Alhaji Razak Jaiyeola paid him a courtesy visit. Buhari also used the opportunity to reel out some steps his administration had taken to tackle corruption and ensure transparency.

“In the past three years, this administration has worked hard to enhance

transparency and efficiency of public sector financing through the Treasury Single Account. We have also introduced policies that are improving the business environment. We have implemented projects that enable young entrepreneurs. We will also continue to review obsolete laws that are hindering growth in many sectors,” he said.

In the same vein, President Buhari also tasked the Institute to assist in tackling environmental challenges in the country among other problems, adding that all Nigerians have a role to play in securing the future of the country.

According to him, “In the present circumstances, all hands must be on deck to ensure that Nigerians work towards an inclusive, diversified and sustainable future.”

President Buhari noted that climate change and environmental challenges are major threats to the peace and prosperity of the nation and its citizens. He said, “In the Niger-Delta region, man-made environmental problems have adversely impacted the livelihoods of the inhabitants. Farmers and fishermen in particular have seen their means of livelihood destroyed. Our assessments have shown it will take decades to reverse this damage. But we have made a start. With or without international cooperation, we are starting to clean up our degraded areas, beginning with Ogoni.

In the North Central region, we are also seeing a significant increase in farmer herdsman clashes. This trend, which is

recurring in many West and Central African nations, is as a result of desertification. We are also seeing unpredictable rain patterns resulting in significant floods across our coastal communities. These floods have destroyed hundreds of homes and farmlands," he said. He urged the Chartered accountants to use their

sustainability business practices is critical. You have a responsibility to ensure your clients, in both the public and private sector, prioritise environmental sustainability in their operations," he advised.

The ICAN President, Alhaji Rasak Jaiyeola had earlier disclosed to Buhari certain steps taken by the Institute to fight corruption and

financial management. The initiative was aimed at addressing the declining transparency in public finance management.

He also disclosed that the Non-Compliance with Laws and Regulations (NOCLAR) guidelines issued by the International Ethics Standard Board for Accountants (IESBA) has been adopted by the Institute.

He explained further that it means that ICAN members do not only have the obligation to do the right thing but are also mandated to report non-compliance with rules and regulations to appropriate authorities.

"The Institute pioneered the whistle blowing policy and set aside a fund to support any of her members that is victimized on account of this initiative. We are delighted that your administration has since made whistle blowing a national policy," he expatiated.

He also disclosed that the Institute reviewed the recently published draft 2018 Corporate Governance code and had sent her observations and recommendations to the Financial Reporting Council.



ICAN President, Razak Jaiyeola with his entourage on a courtesy visit to President Buhari in Abuja

positions to champion the course of sustaining the environment.

"As Chartered Accountants, your knowledge of environmental and

contribute to the transparency initiative of the government.

According to him, an Accountability Index designed to enhance the quality of public

ICAN Accountability Index Will Fast Track Implementation Of Accrual-based IPSAS - IFAC President

The International Federation of Accountants (IFAC) has commended the Institute's Accountability Index, describing it as the first national index of its kind that would fast track the implementation of accrual-based International Public Sector Accounting Standards.

IFAC President, Ms. Rachel Grimes gave the accolades in Abuja at the 48th Annual

Accountants' Conference of the Institute, during which the first report of the Index was formally presented to the public.

According to her, "governments around the world are entrusted by citizens to manage public resources in an effective and efficient way. They collect revenues largely through taxation and, in return, are expected to deliver a wide range of quality public services". "This social contract between governments and

citizens requires both parties to be accountable and to hold each other accountable. Timely, quality, decision-useful, and publicly-available financial information is critical to governments fulfilling this stewardship role, and to citizens holding governments accountable," she stated.

She explained further that the journey to robust public finance management,

including quality financial reporting, is long and require commitment at all levels. She described the journey as worth making if governments are to fulfill their obligation to deliver a wide range of quality public services and be accountable.

She disclosed that the ICAN Accountability Index, which draws on the IFAC-CIPFA International Public Sector Financial Accountability Index, would serve as a tool to educate citizens to demand accountability, by those charged

with governance. "The Index would provide a holistic, objective, and evidence-based framework for assessing fiscal responsibility, Public Finance Management and governance practices of the public sector entities. So, IFAC is proud to be part of this initiative. IFAC encourages you to share this first national index through the Pan African Federation of Accountants with other professional accountancy organisations in Africa," she added.

Earlier, the President of the Institute, Alhaji Razak Jaiyeola in his remarks had explained

that the ICAN Accountability Index was launched in 2017 at the 47th Annual Accountant's Conference. He said the Index was designed to address the steady decline of transparency and accountability in the management of public resources in Nigeria.

"The governing Council of the Institute approved the project and inaugurated a steering committee to commence work with the mandate to make available its report at the 48th Annual Accountants' conference.

Three University Students Win ICAN Essay Competition



Mubarak, Ubong and Ademola winners of ICAN Essay Competition at the 48th Annual Conference pose with ICAN President, Razak Jaiyeola

Three University students emerged winners of the essay competition organized by the Institute. They were recognized and presented with certificates and plaques during the just concluded 48th annual Accountants' conference in Abuja.

The three winners are: Aminu Mubarak (Bayero University Kano -1st), Uteng

Kingsley Ubong (University of Uyo -2nd) and Olawale Razak Ademola (University of Ilorin - 3rd).

The topic of the essay was *"E-business and Cyber Security Challenge: The Role of the Accounting Profession"*.

Presenting the awards to the winners, the ICAN President explained that the Institute organizes

the national essay competition for undergraduates of tertiary institutions in the country, as a way of encouraging them in their chosen career.

While congratulating the winners, he advised them not to rest on their oars by studying hard to come out in flying colours in all their courses in their universities as well as ICAN examinations.

48th Annual Accountants' Conference: FG Urges ICAN To Intensify Action Against Corruption

President Muhammadu Buhari has appealed to members of the Institute to continue their support for the anti-corruption stance of his administration by bringing to bear their special skills in ensuring that books and records are properly kept.

President Buhari who was represented at the Institute's 48th Annual Conference in Abuja by the Minister of Budget and National Planning, Senator Udo Udoma made the admonition while declaring the conference open.

Buhari also observed that by working closely with the statutory agencies responsible for fighting corruption, ICAN will no doubt assist government in its effort at fighting the national malaise.

"As you all know, our focus as an administration has been on three pillars – fighting corruption, fixing our broken economy and restoring security. Let me first say that with regard to fighting corruption, you have a special contribution to make as accountants. Your members serving as accountants and auditors can bring to bear your special skills in ensuring that books and records are properly kept," he stated.

Speaking further, President Buhari explained that as a blueprint for fixing the economy, his administration developed the Economic Recovery and Growth Plan (ERGP), adding that right infrastructure are being put in place to diversify the economic base from oil dependence.

The conference, held between October 1 and October 5, 2018 at the International Conference Centre and Abuja Sheraton Hotels and Towers, Abuja had "**Securing Our Share Future: A Collective Responsibility**" as its theme.

The lead paper, "**Securing Our Shared Future: Avoiding the Tragedy of the**

Commons" presented by the President of International Federation of Accountants (IFAC), Ms. Rachel Grimes described Nigeria as a nation richly endowed with human and natural resources which have not been optimally leveraged to achieve sustainable development as dreamed by its founding fathers.

Grimes mentioned unhealthy politics of governance, poor leadership and tussle for resource distribution as having stunted, rather than accelerated, the nation's pace of social and economic development.

According to her, the common wealth of the country has been pillaged by a few thereby creating a sense of economic insecurity for the average Nigerian.

"Even in the pursuit of profit, the welfare of the people are sacrificed. The exploration and mining of the nation's wasting natural resources cause great negative externalities which manifest in environmental degradation, impaired ecosystem, air, water and noise pollution making it difficult for the environment to play its triple functions of food provider, waste assimilator and life sustainer for present and future generations".

"Regrettably, everyone is angling to exploit, no one is willing to regenerate thereby, wittingly, courting the tragedy of the commons. If the resources dry up, where is our collective security? As a people, our collective existence and the welfare of future generations are challenged," she stated.

She appealed to professional accountants, in the interest of public mandate, to eminently position themselves to champion the rebirth of a new Nigeria.

The second paper entitled "**Professional Accountants: Building a Greater Nigeria through Innovation, Technology and Entrepreneurship**" was presented by the Chairman, Zenith Bank Plc, Mr. Jim Ovia.

He lamented that at 58, Nigeria is still facing myriads of developmental challenges such as

poorly diversified economy, decayed infrastructural facilities, poor access to quality healthcare, lack of potable water, an education system shallow in innovation and entrepreneurship content, huge youth unemployment and diminishing middle class.

He also posited that the above challenges have remained clogs in the wheel of national progress for too long; hence, the nation has remained a poor sprinter in the economic development race, adding that it was time for the nation to leverage the experiences of other economies like Singapore, Malaysia and Brazil to redefine its developmental strategies.

"It is time for the nation, as a responsible player in the global economy, to take practical steps that will guarantee its sustainable development. Globally, the key drivers of gainful employment and by extension, inclusive development, in the modern day economy are Innovative and creative ideas; Technological revolution and disruptions; and Entrepreneurial initiatives and ventures. Accordingly, Nigeria must deliberately encourage and support these ideals by creating the enabling environment for businesses to flourish," he stated.

"Through policies, commitments and partnership with the accountancy profession, the government can succeed in building a business centric environment that will attract both local and foreign investments and accelerate the process of inclusive growth. Given the acknowledged expertise of its adherents in resource management, strategic planning, implementation of economic blueprints, systems development, implementation and controls, the accountancy profession is strategically positioned today, like never before, to champion the campaign for innovation and entrepreneurship driven by disruptive technologies. Building a greater Nigeria is at the heart of securing

our shared future. The time to act is now," he concluded.

Speaking on **"Tax and Tax Justice: Expanding the Frontier of Public Finance"**, the Chairman, Federal Inland Revenue Services, Mr. Babatunde Fowler disclosed that globally, governments rely on taxes to generate revenue, fund developmental projects and also redistribute wealth.

He however frowned at Nigeria's current 6% tax to GDP ratio, maintaining that the country performs poorly in tax revenue generation when compared with Ghana's 20.8%, Cameroon's 18% and The Gambia's 18%. The reasons, according to him are not farfetched.

He said Multinational Corporations (MNCs) structure their outfits to avoid the incidence of tax in their host countries whilst shifting profits to countries with lower tax regimes. These unwholesome practices of Base Erosion and Profit Shifting (BEPS), have denied many nations, including Nigeria, not only of their legitimate revenues but hindered their abilities to meet the developmental needs of their citizens.

"Although Nigeria and 95 other jurisdictions have signed onto the BEPS initiative of the G20 and Organisation for Economic Cooperation Development (OECD) countries designed to solve these international fiscal problems, the practices have not significantly abated. This is not only unfair, unjustifiable but also, must be expeditiously redressed. Multinationals ought and should pay appropriate taxes to jurisdictions where they earn their profits. There lies their continued existence and sustainability".

"As the nation braces up to the MNC challenge, the situation is further compounded by the under declaration, outright evasion of tax by other business entities, high net-worth individuals, politically exposed persons as well as the non- or low compliance of the informal sector players. These have collectively impacted the governments' ability to fund

public services out of domestic resources, thereby exposing the country to conditionality of external finance," he opined.

The FIRS boss continued that as strategic efforts are on to address these challenges through public policy initiatives, the government must also assiduously tackle the menace of corruption such that increased tax revenues will translate to massive improvement in infrastructure, job creation and improved standard of living of the populace.

"Meeting the citizens' expectation of better access to the basic things of life should be the thrust and essence of governance. Since fairness is at the heart of the canons of taxation, the masses rightly deserve reciprocal returns for the taxes they pay. Here lies tax justice which implies the existence of a tax system that promotes social wellbeing within and between societies, a system that creates environment in which all people, businesses and institutions can prosper; a system which ensures that those who fail to prosper are protected from misfortune until such time as they can prosper again. This is the true meaning of inclusive growth and sustainable development that guarantee our shared future," he added.

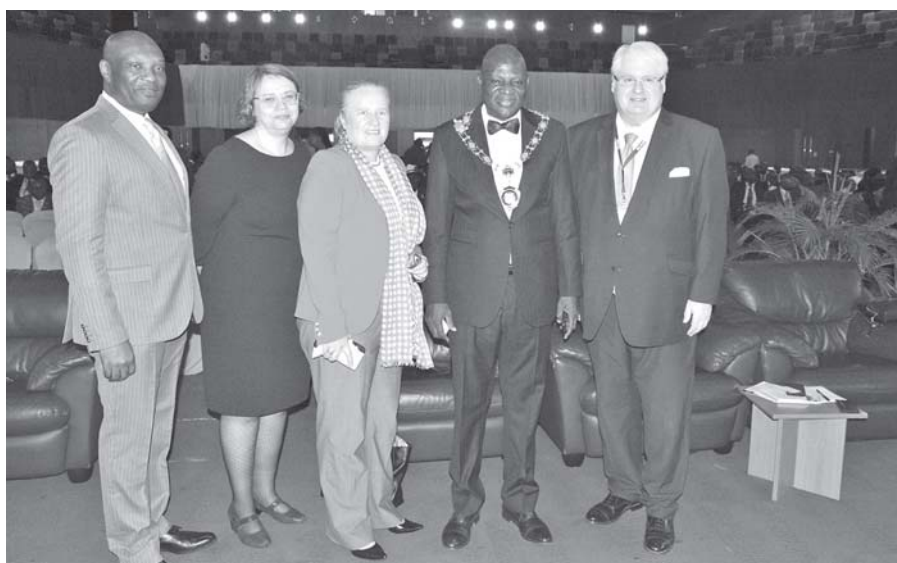
During the first workshop session on **"SMPs & SMEs: Revving the Economy to Action"** the Director, Enhancing the Financial Innovation & Access, Mrs. Bunmi Lawson made it known

to participants that there were over 74,000 Small and Medium-sized Enterprises operating in Nigeria, each employing between 10 and 200 persons in the different sectors of the economy.

The disclosure, according to her lent credence to the fact that SMEs are responsible for new products processes and provide most of the employment opportunities as well as facilitate capital formation. The implication of these facts is that if an enabling business environment is created for SMEs to operate and blossom, the Nigerian economy will leap frog like the economies of the Asian Tigers.

"Through entrepreneurship, innovation and the creation of niche markets, SMEs can significantly contribute to grassroots employment, economic empowerment and accelerated GDP growth. Indeed, If SMEs are empowered and enabled, the Nigerian economy will rev into action. Faced with the challenges of skilled manpower, weak infrastructure, multiple taxation, unstable exchange rates, poor access to finance, obsolete technology and policy inconsistencies, the mortality rate of SMEs is very high".

She said there's need for institutional and accounting profession's support to ensure that they survive the tidal waves of



ICAN Registrar John Evbodaghe (left); Atta Prinslo of IFAC; IFAC President, Rachel Grimes; ICAN President, Razak Jaiyeola and Michael Armstrong of ICAEW



Minister of Budget and National Planning, Senator Udo Udoma cutting the tape to declare the conference open

business competition and globalisation, adding that they needed to be gingered to access global markets with competitive quality products.

"The establishment of Small and Medium Enterprises Development Agency (SMEDAN), National Enterprises Development Programme, creation of Free Trade Zones, enactment of the Local Content Act, CBN Agricultural Fund, Bank of Industries and Textile Recovery fund, among others, portend deliberate attempts by the government to create the enabling environment for SMEs to continue to survive, flourish and positively impact the process of development," she said.

Speaking during the workshop II session on **"Securing Our Shared Future: Cyber Security Challenge"** the Executive Director, Information Technology & Operations, Access Bank Plc, Mr. Ade Bajomo told participants that cyber security was one of the most complex and rapidly evolving issues companies must contend with as they strive to create value.

He explained that with the advent of mobile technology, cloud computing, and social media, reports on major breaches of proprietary information and damage to organisational IT infrastructure have also become increasingly common.

He said that the IT risk landscape was transforming at a rapid pace making cyber security a high priority on the agenda of boards and audit committees, adding that IT criminals are monetising cyberspace, exploiting vulnerabilities in computer systems to compromise and remotely control computers; recording key strokes, monitoring screen displays and manipulating the computer user into divulging sensitive data.

"This challenge is compounded by the fact that Cyberspace is borderless and therefore allows any attacker to route their assaults through multiple countries and jurisdictions, complicating investigation and law enforcement.

Like never before, businesses are at risk. There are enemies outside and within the business entities. They run the risk of losing intellectual property and substantial amounts of sensitive company information to malicious employees, who could also potentially remove it from company premises or introduce malicious software to corrupt company databases or sabotage network operations".

He advised that review of IT governance policies, processes and procedures must be intensified and on-going to counter the effectiveness of new threats. He called on professional accountants to increasingly hone their skills to combat these challenges, since most indicators signal that cyber-attacks would become more complex, more severe, and more

difficult to prevent, detect, and address.

While discussing **"Accounting Firms of the Future: Challenges and Opportunities"** the Senior Partner, PricewaterhouseCoopers (PwC), Mr. Uyi Akpata and other discussants posited that the composition and complexion of accounting firms are changing rapidly, adding that a typical accounting firm has grown into a gathering of professionals with diverse academic, professional and business backgrounds who provide a wide gamut of services.

According to them, literally, it seems other disciplines have "usurped" or taken over accountants' core function of keeping the books, saying that there had been a prediction that the accounting firm will metamorphose into a business consulting firm or even worse.

They also agreed that the need for accounting firms might diminish so much that there would be no incentive to have an accounting firm as a stand-alone entity as the new wave of rules and regulations' sweeping the world for SMEs allowed them to file their annual returns, file taxes and maybe certification of annual financial statements without the need of a professional chartered accountant.

To them, the disruptive impact of accounting packages (software) that allow an SME to prepare its books of accounts by non-accounting graduates eliminates the bread and butter business of the accounting firm- preparing the books of accounts of business entities. They wondered further whether the advent of Artificial Intelligence (AI) would make the need for a human accountant history.

However, they proffer that solution might lie in the reinvention of the accounting firm - its functions and utility, the change in education and professional training of the chartered accountant, a partnership with regulatory authorities to ensure a role for the accounting firm.

Workshop IV discussed **"Contemporary Issues in Digital Economy"**. The Managing Director/Chief Executive, First

Bank of Nigeria, Dr. Adesola Kazeem Adeduntan and other discussants agreed that professional Accountants have always leveraged emerging technologies to complete their tasks more accurately, quickly or simply: from the incised clay tablets of the Sumerian scribes, through the adding machines of the 19th century, to the calculators and computers of the 20th century.

They also argued that all of these technological developments were simple propositions by comparison with the myriad of technologies that are now rapidly reshaping the worlds of business and accountancy.

They stated that heading into the 21st century, technology trends in cloud computing, big data, mobile and social collaboration are converging to change the ways in which we consume information technology resources, share knowledge and experiences as well as access products & services.

"At the same time, these trends are also underpinning and influencing developments in cyber security, digital service delivery, robotics, augmented and virtual reality, and artificial intelligence. A 'new normal' is emerging. Accountants in practice and in the finance function are part of that connected world. This is changing the ways in which they communicate and collaborate with those in the businesses they work with and for, and shaping new working patterns," they agreed.

During the workshop five entitled **"Corporate Governance, Regulation and Public Trust"**, the IFAC President, Ms. Rachel Grimes and other discussants posited that the traditional focus of corporate governance was how companies are directed and controlled such that they are able to create value for their diverse stakeholders.

They also agreed that though board size, diversity and quality have been established in the literature as important determinants of corporate performance, permanently addressing the twin-

challenge of information asymmetry and agency, was also pertinent.

"This challenge is further accentuated in many jurisdictions not only by the series of corporate scandals, loss of resources by capital providers and sanctioning of providers of assurance services but also, by the decreasing premium placed on public interest issues by corporate entities. Today, businesses continue to prosper at the expense of society. This cannot and should not be allowed to continue". "Here lies the propriety of regulation aimed at defining the board charter, protecting minority and other stakeholders, force business entities to take responsibility for their externalities and bring human face to enterprise. These regulatory measures will hopefully enhance trust in persons in fiduciary responsibilities, their stewardship reports as well as promote public interest ideals," they stated.

In his welcome address, the ICAN President, Alhaji Razak Jaiyeola, declared that the unhealthy politics of governance, poor leadership and tussle for resource distribution at all levels have stunted, rather than accelerated the nation's pace of social and economic development.

"We have not, as a people leveraged the opportunity of our endowment to advance the cause of the nation and its people. Individual will, rather than common good, has tended to be the driving force in politics in the last 58 years. No nation prospers under such scenario," he said.

He lamented that revelations from law enforcement agencies had revealed that the common wealth of the country have been pillaged by a conscienceless few, thereby creating a sense of economic insecurity for the average Nigerian and the mass of the people. "Even in the pursuit of profit, the welfare of the people is sacrificed by corporate entities. Due to untamed, poorly controlled and unethical mining practices, the exploitation of crude oil in Nigeria has led to the infamous Dutch disease".

"Indeed, the exploration and mining of the nation's wasting natural resources caused great negative externalities which manifest in environmental degradation, impaired

ecosystem, air, water and noise pollution making it difficult for the environment to play its triple functions of food provider, waste assimilator and life sustainer for the present and future generations", he stated.

Declaring the conference closed, the Head of Service of the Federation, Mrs. Winifred Oyo-Ita FCA, expressed appreciation to those who took time out to attend the conference. She also commended the Institute for putting the conference in place, adding that those in position of authority would examine the suggestions given by participants, with the aim of making use of them.

The conference was attended by a total number of 4,745 delegates including resource persons and invited guests, from countries like Benin Republic, Cameroon, Canada, Gambia, Ghana, Niger Republic, Sierra Leone, Togo, United Kingdom, United States of America and Nigeria, the host country.

Apart from paper presentations, workshops and plenary sessions, there was a gala nite on Thursday during which juju maestro, King Sunny Ade, entertained the participants. There was also an open raffle draw in which a member of the Institute, Mr. Emoghene Peter Evoki (ACA) won a brand new Hyundai car. Other prizes like LCD television, gas cookers, laptops, fridges, were also won during the Gala.

Aside this, the Institute also organised a National Essay Competition for undergraduates of tertiary institutions in the country. The topic was: *"E-business and Cyber Security Challenge: The Role of the Accounting Profession"*. Awards and recognitions were given to the first three winners who attended the conference. The best three winners are: Aminu Mubarak (1st – Bayero University Kano), Uteng Kingsley Ubong (2nd – University of Uyo) and Olawale Razak Ademola (3rd – University of Ilorin). There were also sporting activities, excursions and exhibitions. Other programmes of the conference include District Societies' parade.



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

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

List Of Recognised Tuition Centres

- | | |
|---|---|
| <p>1 Able God Professional Tutors
47, Ikotun/Egan Road, Market B/stop, Igando, Lagos.</p> <p>2 Accountancy Tutors Nigeria Limited
1-9, Ilorin/Katsina Road, By Independence Way, Marafa Estate, Kaduna State.</p> <p>3 Accountancy Training Centre , Makurdi
Uni-Agric Road, Opposite First Gate, Makurdi, Benue State.</p> <p>4 Accuracy Tutors, Aba
No 76, St Michael's Road, Aba, Abia State.</p> <p>5 Alphamarshall Professional Limited
72, Mbano Street, Phase 3, Kubua, Abuja.</p> <p>6 Atlas Professionals Limited, Ota, Ogun
BELLS University of Technology, Ota Ogun State.</p> <p>7 Best Option Tuition Centre, Makurdi
9, kashim Ibrahim Road, Makurdi, Benue State.</p> <p>8 Bratim Training Centre Limited
Ground Floor, National Library Building, Adjacent Reiz Continental Hotel, Central Area, Abuja.</p> <p>9 Career Intelligent Professionals
New Capital School, 17/30 Kwame Nkrumah Crescent, Asokoro Abuja.</p> <p>10 Crest Professional Tutors
Plot 238/240, Apapa Oshodi Expressway, Odo-Olowu Bus stop, Ijeshatedo, Lagos.</p> <p>11 Deo-Gratia Professional Tutors, Oshogbo
25, Oyedokun Street, Ago-Wande, Oke -Onitea Road, Oshogbo, Osun State.</p> <p>12 Edge Educational Services & Logistics
47, Athur Eze Avenue (Emmaus House), Awka, Anambra State.</p> <p>13 Edo Wyse School of Professional
75/98, Arthur Eze Avenue, by Unizik Temp-Site Junction, Awka, Anambra state.</p> <p>14 Excel Professional Centre
11, Queen Elizabeth Road, Mokola, Ibadan, Oyo State.</p> | <p>15 Excellent Associates Tutors
African Church Model College, College Road, Ifako-Ijaiye, Ogba Lagos.</p> <p>16 Excellent Tutors, Abakaliki
7, Water Works Road, Abakaliki.</p> <p>17 Foresight Professional Institute
24 Road Opposite H Close, Festac Town, Lagos.</p> <p>18 Gusau Business School
Off Sokoto Road, Opp. Janyau Primary School, Gada Biyu, P.O.Box 315, Gusau, Zamfara State.</p> <p>19 Galaxy Professional Tutor & Consultant
L.E.A Primary School, by Mopol Junction, Opposite Diamond Bank Plc, Nyanya, Abuja.</p> <p>20 Global Focus Initiative Consulting Co.
Junior Secondary School, Apo Legislative/National Assembly Quarters, Zone B,Apo, Abuja.</p> <p>21 Integrity Professional Academy, Warri
253 Warri Sapele Road, Warri.</p> <p>22 IQ Bryte, Ipaja Lagos
Towergate Private School, Falola Street, Off Church B/Stop Ipaja, Lagos.</p> <p>23 JK Consulting Co. Ltd, Abuja
4th Floor, Wing B, City Plaza; Plot 596, Ahmadu Bello way, Garki II, Abuja.</p> <p>24 Knight Business School, Oyingbo
80, Murtal Mohammed Way, Ebute-Metta.</p> <p>25 Jodoc Accountancy Tutors
St John Catholic Church Primary School, Rumuokwurushi, Portharcourt, Rivers State.</p> <p>26 Maximum Professional Associate
27, Duduyemi Street(Salvation House) off Olugbede Market, Egbeda.</p> <p>27 Legacy Associate Limited
Olatunji HSE/Legacy HSE, 299/295, Ikorodu Rd, Idiroko B/ stop, Maryland, Lagos.</p> |
|---|---|

- 28 **MIKON Professional Tutor**
34A, Boundary Road, G.R.A. Benin City, Edo State.
- 29 **MSL, School of Accountancy & Mgt. Studies**
L8, Ahmadu Bello Way, Katsina Round-about, same building with Studio 24, Kaduna, Kaduna State
- 30 **Networth Professional Tutors, V/I**
1 Bishop Aboyade Cole Street, Opposite ExxonMobil House, Off Ozumba Mbadiwe, V/I
- 31 **Onitsha Business School, Onitsha**
19A Lady Regina Nwankwu Avenue, GRA, Onitsha, Anambra State
- 32 **Pass Associates Limited**
9 - 11, Ogunyade Street, Gbagada, Lagos
- 33 **Password Professional Tutors, Akoka**
Oluwole Pry School Complex, Beside Unilag Main gate, Akoka
- 34 **PLUM Academy Limited**
336, Lagos Abeokuta Expressway, Super B/stop, Abule-Egba, Lagos
- 35 **Portharcourt School of MGT & Economics**
6B, Abeokuta Street, D/Line Port Harcourt, Rivers State
- 36 **POSSE Associates Tutors, Enugu**
WTC Primary School Compound, Off WTC B/Stop, Near University of Nigeria, Enugu Campus (UNEC)
- 37 **Potec Training Centre, Port-Harcourt**
1 Chinda Street, Off Stadium Road, Opposite BEKO Port-Harcourt
- 38 **Precept with Passion**
164, Iju Road, Opposite Fagba grammar school, Station Bus - Stop, Agege Lagos
- 39 **Professional Tutor for Success**
PTS Building, Opposite NUJ Secretariat, Iwo/Ibadan Road, Dada Estate, Oshogbo, Osun State
- 40 **Protrac Associates Limited**
1, Lagos Road, Ikorodu, Lagos
- 41 **Real Professional Tutors**
Wuse Zone 6, School Compound, behinde Oando filling Station, Abuja
- 42 **Risk Free Standards Associates Limited**
5, Olusoji Idowu Street, Off Association Avenue, Ilupeju, Obanikoro B/Stop, Lagos
- 43 **Safe Associate Limited**
31, Ore-Ofe Street, Gbaja, Off Barracks B/Stop, Onitolo, Opposite Laspotech Surulere Campus, Lago
- 44 **Salvage Professional School, Ibadan**
9, Kabiawu Street, Opp. Veterinary, Mokola Ibadan
- 45 **Sapati International School**
Off Ajase-Ipo Road, Sapati-Ile Road, Ilorin, Kwara State
- 46 **Sky Associates Nigeria Limited**
LEA Primary School, Wuse Zone 3, Abuja
- 47 **Soteria Business School**
Beside DB Petrol Station, Bola Ige B/Stop, Liberty Road, Oke-Ado, Ibadan, Oyo State
- 48 **Starry gold Academy**
Suit D2 Alhaja Humani Shopping Mall, 82 Kudirat Abiola Way, Oregun , Lagos
- 49 **Students SWOT Associate, Enugu**
3, Independent Layout, PRODA office, Opposite Hotel Presidential, Enugu
- 50 **Students PYE Nigeria Limited**
14, Oweh Street, Jibowu Lagos
- 51 **Superiorpoints Associates Limited**
148 Olojo Drive, FCMB Building, Opposite Ojo Local Govt Secretariat, Ojo
- 52 **Sure Success Better Consult, Lokoja**
Ule Close, GRA, Lokoja, Kogi State
- 53 **SQUAD Associates**
Ojodu Junior Grammar School, Grammar School B/S Berger
- 54 **Synergy Professionals**
2, Afric Road, Off Funsho Williams Avenue, Iponri, Surulere, Lagos State
- 55 **Taraba Business School, Jalingo**
Opposite Civil Service Commission, 183 Hammaruwa Way, Jalingo



HOW TO PASS YOUR PROFESSIONAL EXAMS

The purpose of any professional exam is not just to help you get a good job, but also to create a well-rounded, accomplished professional. Passing professional exams can be challenging, expensive and time consuming, but if you follow these top tips you will have a greater chance of success:



1. BELIEVE IN YOURSELF

If you don't believe that you will pass the exam you won't, you will be defeated before you even start. If you believe in yourself, you are committed to doing your best both in your preparation and in the exam session.

2. INVEST IN YOURSELF

Qualification as a professional accountant costs money, but the return on investment is worth it. Becoming a qualified accountant opens the door to a wealth of career opportunities and the financial rewards that come with them. You must invest in the study materials; the e-books, recommended reading and Achieve, if you can, but the most important investment is your time. If you put the work in, then you have the best chance of success, carry your notes wherever you go and read them whenever you have the opportunity.

3. PUT THEORY INTO PRACTICE

The underpinning principle of the AIA qualification is the application of theory to practical situations, relating what you're learning to the real world. Look for practical ways to apply the knowledge you're acquiring, this will greatly benefit your understanding of the topics and make it easier for you to tackle case studies in the exam.

4. UNDERSTAND THE SYLLABUS AND EXAM STRUCTURE

Your first step in your studies should be to read and understand the structure of the exam you're going to sit, this will give you a structure for your revision and will help you grasp how all the topics fit together. The syllabus explains how the marks are allocated and how each of the topics within the paper are weighted.

5. PRACTICE PAST EXAM QUESTIONS

"Practice makes perfect" and you should practice as many past exam papers as you can. Papers from the last four sessions

are available to download from the Secure Document Library in My AIA and you should attempt at least one of these papers, as a mock exam, under conditions as close to the actual exam as possible.

6. MAKE SUMMARY NOTES

To assist your recall when the exam comes around, make notes from your study materials and books, this can help embed the information in your mind, and gives you something to revise from as the exam approaches, rather than going back to the full book. Write bullet points for important concepts and key ideas which you need to remember

7. REMEMBER KEY INFORMATION

Aid your memory of key information and formulas by making use of mnemonics (like SWOT) or by making posters that you can stick up around your home. You could even post it at the bottom of your bed, so it's the last thing you see at night or the first thing you see in the morning.

8. MAKE USE OF YOUR NETWORK

If you're studying at a college, consider forming a small study group to help you with topics you don't understand. If you don't have any other students living near you, you can connect with other students through our LinkedIn group or our Achieve Facebook group. Not only will this help your studying, you can start to build your professional network, which in the future can refer you to job opportunities.

9. PLAN YOUR EXAM STRATEGY

You have months to study but just over three hours to pass your exam, so it's vital you know how you're going to approach the exam and make the best use of that precious time. Know how you're going to allocate your time before you get in the exam hall. You should allot some time at the beginning to read the paper through before you begin and then again at the end to check through your answers. The mark allocation indicated in the syllabus will also give you an idea of how long to spend on a question. If you get stuck on a question, don't panic, move onto the next question and if you have time you can go back to it. The examiner can't allocate you any marks if you haven't even attempted a question.

10. MAKE THE EXAMINER'S JOB EASY

Examiners will only mark what they can understand and read clearly, so it's vital that you write clearly and legibly, and that you check your spelling and that what you've written makes sense. Examiners have a limited amount of time to mark exams, so it helps if you make your paper as examiner friendly as possible.

Culled from Association of International Accountants
through <http://www.aiaworldwide.com>

Our goal is to ensure success in ICAN exams. We have, therefore, provided solutions to some past questions to guide candidates in future exams. Although these suggested solutions have been published under the Institute's name, they do not represent the views of the Council of the Institute. ICAN will, therefore, not enter into any correspondence about them.

Advanced Taxation (PROFESSIONAL LEVEL EXAMINATION - May 2018)

Question 1

You are the tax controller of Rex Pharmaceuticals (Nigeria) Limited, having its head office at Ketu in Epe local government of Lagos State.

In the past three years, the company had been subjected to an array of taxes by different revenue authorities within Lagos State and indeed the entire country.

Apart from the Companies Income Tax, Withholding Tax is another tax that the company's management is concerned about. The Managing Director is very much worried that this multiplicity of taxes is taking its toll on the company's financials.

The company is already facing myriads of problems ranging from high cost of capital which led to increase in cost of production and attendant reduction in profit. The company's goods are becoming uncompetitive compared with imported similar goods. The long term effect is either reduction in work force or relocation to a more favourable economic environment. The Managing Director has invited you to his office to discuss the following issues:

- (i) Whether as a corporate body, the company ought to be subjected to myriads of taxes beyond the corporate tax;
- (ii) The jurisdiction of the tiers of government in the imposition and collection of taxes;
- (iii) Withholding Tax;
- (iv) Pay-As-You-Earn (PAYE) as it affects the staff; and
- (v) Capital Gains Tax

You have also been provided with the following information:

- The company's technical agreement with the foreign head office and the need to remit funds;
- Non-resident directors are to receive N2,500,000;
- Staff P.A.Y.E has been centralised;
- Dividend has been paid to shareholders in different parts of the country, and those resident in Kogi State of Nigeria, received N375,000;
- Land for a factory in Abuja was purchased from Alhaji Garuba Maito who resides in Kano;

- The company received N4,500,000 as net dividend from an associated company, Laiketop Limited, for the year ended September 30, 2014;
- In the audited financial statements of Rex Pharmaceuticals for the year ended December 31, 2015, a dividend of N9,500,000 was proposed. Out of this amount, N3,500,000 was from dividend received from Laiketop Limited while the balance was from a Total Profit of N22,500,000 from other trading activities; and
- Out of the thirty employees in Abuja, five are resident in Suleja, Niger State.

You are required to prepare a memo to the Managing Director explaining the following:

- (a)
 - i. Double/Multiple Taxation.
 - ii. Double Taxation Treaty.
 - iii. Multiple Taxation in Nigeria.
 - iv. Measures put in place to reduce cases of multiple taxation in Nigeria.
 - v. Withholding Tax with respect to (i) to (v).
 - vi. Penalty for non-deduction/remittance of Withholding Tax. (12 Marks)
 - (b) The arms of government empowered to legislate on tax matters by the Constitution. (4 Marks)
 - (c) Relevant tax authority and the Withholding Tax due, if any. (4 Marks)
 - (d)
 - i. The appropriate description of the income received from Laiketop Limited.
 - ii. The tax due from other trading activities of Rex Pharmaceuticals.
 - iii. Amount to be recouped by Rex Pharmaceuticals, if any.
 - iv. Net amount received by shareholders of Rex Pharmaceuticals.
 - v. Relevant section of the law to buttress your points in (i) and (ii) above. (10 Marks)
- (Total 30 Marks)**

Question 2

- (a) "Disposal" or "disposed of" are terminologies used frequently in relation to chargeable oil owned by an oil producing company under the provisions of the Petroleum Profits Tax Act Cap P.13 LFN 2004.

Required:

(i) Differentiate between "disposal" and "disposed of".
(2 Marks)

(ii) Discuss the following:

- Intangible drilling costs. (2 Marks)

- Oil mining lease. (1 Mark)

(b) Ibrahim Oil Nigeria Limited is an oil prospecting company which commenced production in commercial quantity in 2008. Its accounting year end is December 31. The company has provided the following Statement of Profit or Loss for the year ended December 31, 2016:

	N 000	N 000
Revenue (value of oil produced and exported)		2,455,200
Cost and expenses incurred:		
Operating costs	952,500	
Non-productive rent	63,200	
Royalty on export sales	14,775	
Depreciation of Property Plant and Equipment	65,400	
Tangible drilling cost	53,800	
Donation	2,500	
Stamp duties	1,250	
Repairs and renewal of machinery	2,000	
Exploration and drilling costs	100,300	
Custom duties on Plant and Machinery	1,130	
Bad and doubtful debts	26,500	
Pension and provident funds contribution	30,600	
Interest paid	26,200	
General expenses	11,050	
Income tax provision	120,000	
		(1,471,205)
Net Profit		983,995

The following additional information is relevant:

(i) Exploration and drilling costs are in respect of cement and casing of:

	N 000
1st Appraisal well (oil field section 1)	50,300
2nd Appraisal well (oil field section 1)	27,600
3rd Appraisal well (oil field section 1)	22,400
	100,300

(ii) Of the N26,500,000 bad and doubtful debts, N16,500,000 relates to specific provision for bad and doubtful debts.

(iii) Plant and machinery acquired during the year at N30,000,000 was located in territorial waters and continental shelf areas beyond 200 metres of water depth.

(iv) Pension and provident fund contribution were approved

by the Joint Tax Board.

(v) Donation was made to Boys Scout of Nigeria.

(vi) Interest paid was attributable to a loan obtained from an affiliated company under terms prevailing in the open market.

(vii) 160,400 barrels of crude oil was produced and exported at a posted price of \$46 per barrel (exchange rate of N340 to 1 US\$).

(viii) Capital allowances computed was N88,100,000.

Required:

Determine for management the following:

(i) Assessable Profit (9 Marks)

(ii) Chargeable Profit (3 Marks)

(iii) Chargeable Tax (2 Marks)

(iv) Total Tax Liability (1 Mark)

(Total 20 Marks)

Question 3

Mr. Nwatakaibeya who studied in Germany and had been working there for over 20 years finally returned to Nigeria in 2015.

He has made some savings to start a new business and incorporated Nwatakaibeya Investments Limited in January 2016. However, since returning to the country, he has been inundated with stories of start-up and existing businesses that closed shop as a result of harsh economic conditions.

Mr. Nwatakaibeya has read in newspapers that as a result of government's determination to facilitate ease of doing business in Nigeria, the Federal Government has periodically been reviewing and improving on the reliefs and incentives available to corporate taxpayers. This has raised a ray of hope in Mr. Nwatakaibeya and he is eager to have more information to avoid pitfalls.

Given his reservation about the current business climate in Nigeria:

a. Explain briefly **SIX** reliefs and incentives available to corporate taxpayers. (12 Marks)

b. Outline **THREE** conditions a company must fulfill to qualify for tax incentives for export oriented business. (3 Marks)

(Total 15 Marks)

NIGERIAN TAX RATES

1. CAPITAL ALLOWANCES

	Initial %	Annual %
Office Equipment	50	25
Motor Vehicles	50	25
Office Buildings	15	10
Furniture and Fittings	25	20
Industrial Buildings	15	10
Non-Industrial Buildings	15	10
- Agricultural Production	95	Nil
Plant and Machinery - Others	50	25

2. INVESTMENT ALLOWANCE 10%
3. RATES OF PERSONAL INCOME TAX
Consolidated relief allowance is computed at N200,000 or 1% of Gross Income whichever is higher + 20% of Gross Income.

After the Consolidated relief allowance and tax exempt items have been granted, the balance of income shall be taxed as specified in the tax table below:

	Taxable Income (N)	Rate of Tax (%)
First	300,000	7
Next	300,000	11
Next	500,000	15
Next	500,000	19
Next	1,600,000	21
Over	3,200,000	24

4. COMPANIES INCOME TAX RATE 30%
5. TERTIARY EDUCATION TAX (2% of Assessable Profit)
6. CAPITAL GAINS TAX 10%
7. VALUE ADDED TAX 5%

Advanced Audit And Assurance

(PROFESSIONAL LEVEL EXAMINATION - May 2018)

Question 4

You are the HR partner in Ekemode & Company (Chartered Accountants). As part of continuous training programme of your firm, you are to organise an in-house seminar to educate the staff of your firm on Rules of Professional conduct. You have decided to emphasise the IFAC's Code of Ethics for Professional Accountants published by the International Ethics Standard Board for Accountants (IESBA) recently adopted by ICAN into their localised code called "The Professional Code of Conduct and Guide for Members."

Required:

- a. Explain briefly the FIVE fundamental principles of the IFAC's Code of Ethics for Professional Accountants. (7½ Marks)
- b. Explain independence of mind and independence of appearance to the staff. (5 Marks)
- c. Explain briefly **THREE** general sources of threat to the fundamental principles of the IFAC's Code of Ethics for Professional Accountants. (7½ Marks) **(Total 20 Marks)**

Question 5

The management of QQ Limited had engaged an expert valuer, Segun & Company in the valuation of its investment property situated at Ojo Oniyun Street, Victoria Island for disclosure in the financial statements as at year end.

Required:

As auditors to QQ Limited;

- a. Discuss the factors to be considered when assessing the objectivity of the expert employed by management. (5 Marks)
- b. Explain the procedures to be performed by the auditor to assess whether the work of the management expert provides sufficient and appropriate evidence for the audit of the financial statements. (10 Marks) **(Total 15 Marks)**

Advanced Taxation

(PROFESSIONAL LEVEL EXAMINATION - May 2018)

Suggested Solutions

Solution to Question 1

MEMORANDUM

(a) Date: October 15, 2017

To: The Managing Director

From: Tax Controller

Subject: Re: Tax Matters

With reference to our discussion in your office on October 10, 2017, I wish to comment as follows:

i. Double/Multiple Taxation

Double Taxation occurs when a taxpayer is outside his own country and is subject to tax in both his country and country of residence. For instance, income brought into Nigeria would have been subjected to tax in the foreign country in accordance with that country's tax laws. If the same income is further subjected to tax in Nigeria, this will amount to double taxation.

Similarly, income accruing in Nigeria to a non-resident would have been taxed in accordance with the Nigerian tax laws and if also taxed in the foreign country where the taxpayer is domiciled, this amounts to double taxation.

Multiple taxation is a situation in which more than one tier of government charges tax or levies on the same income, assets or financial transactions.

ii. Double Taxation Treaty

Where a Nigerian company earns foreign income which is included in its Chargeable Profit for the year of assessment,

and is subjected to Nigerian tax, the foreign income received in Nigeria in most cases, would have been taxed in the country where the income is derived from and also in Nigeria where it is received. This results in double taxation as it would appear that the company receiving the income is being penalized for earning foreign income.

In order to minimize the negative effect on international trade, and to attract foreign investment, Nigeria has signed bilateral taxation treaties with many countries. Such treaties provide reliefs to Nigerian companies earning foreign income already taxed.

iii. Multiple Taxation in Nigeria

This is a tax regime in which more than one tier of government levies or taxes the same income, assets or financial transactions. An example is a situation in which the Federal Inland Revenue Service assesses and collects Value Added Tax (VAT) on taxpayers and some States Internal Revenue Service also impose Sales Tax on the same taxpayer. Multiplicity of taxes in Nigeria is affecting companies negatively to the extent that a number of companies are either reducing their work force or relocating to a more favourable economic environment.

iv. Measures put in place to reduce cases of Multiplicity of Taxes

The Federal Government issued Decree No 21 (Now an Act) under the Laws of the Federation of Nigeria 2004 on Taxes and Levies (Approved list for collection) No 21 September 30, 1998. The schedule listed the taxes and levies to be collected by the Federal Government, State Governments and Local Governments.

The 1999 Constitution also provides in Part II, that no tax should be imposed on the same person by more than one State.

v. Withholding Tax

This is an advanced payment of tax which is deducted at source on certain transactions and later applied (where it is not a final tax) as tax credit to settle the income tax liability of the year to which the payment that suffered the deduction relates.

Withholding Tax is deductible at the point of payment or when credit is taken whichever comes earlier. Tax withheld is to be remitted within 21 days or the date the duty to deduct arises, whichever is earlier.

vi. Penalty for Non-Deduction/Non-Remittance

For non-deduction or non-remittance within 21 days, the company or individual shall be liable to a penalty of 10% in addition to the amount of tax not deducted/remitted plus

interest at the prevailing commercial rate.

(b) Legislative Powers on Tax Matters

The power to legislate on taxation rests on the National Assembly (Senate and House of Representatives) and the State Assemblies.

(c) Deduction of Withholding Tax/ PAYE and Relevant Tax Authority

- i. Fees on Technical Agreement - Withholding Tax payable to Federal Inland Revenue Service
- ii. Non - executive Directors - Withholding Tax on fees payable to State Internal Revenue where such directors are resident.
- iii. Non - resident Director - Withholding Tax is the final tax and it is payable to Federal Inland Revenue Service.
- iv. Dividend payable to - Withholding Tax to State Internal shareholders Revenue Service where such individual shareholders are resident and Federal Inland Revenue Service in case of corporate bodies.
- v. Dividend payable to - Withholding Tax of N37,500 payable individuals in Kogi State to Kogi State Internal Revenue Service (KSIR)
- vi. Land purchased from Alhaji- Capital Gains Tax to Kano State Garuba in Abuja Internal Revenue Service
- vii. Five employees in Suleja - PAYE to Niger State Internal Revenue Service.

- (d) (i) Since Rex Pharmaceuticals Limited received N4,500,000 from Laiketop Limited net of tax, the amount received is regarded as Franked Investment Income and is not assessable to further tax

	N
Dividend received	4,500,000
Add: Tax at source (N4,500,000 x 1/9)	500,000
Gross Dividend received	5,000,000
Total Profit from trading activities	22,500,000
	27,500,000

- (ii) Profit to be taxed on trading activities

22,500,000

Companies Income Tax @ 30% 6,750,000

Since Rex Pharmaceuticals re-distributed N3,500,000, then it has to re-coup 10% of the amount.

	N
(iii) Franked Investment Income from Laiketop Ltd	4,500,000
Tax recouped (10% of N3,500,000)	350,000
	4,850,000 51

	N
(iv) Distribution from Rex Pharmaceuticals Ltd yet to be taxed (N9,500,000 – N3,500,000)	6,000,000
Less: Tax @ source	(600,000)
Net amount due to shareholders of Toyin Pharmaceuticals Ltd.	5,400,000

(v) Section 80(3) of the Companies Income Tax Act Cap C21 LFN 2004 (as amended) stipulates that dividend received after deduction of tax prescribed, shall be regarded as Franked Investment Income of the company receiving it and shall not be charged to further tax as part of the profits of the recipient company. However, where such income is re-distributed and tax is to be accounted for, on the gross amount of the distribution, the company may set off Withholding Tax which it has itself suffered on the same income.

It is hoped that my above comments will meet your expectation.

Regards,

O. O. Johnson

Examiners' Report

The question tests candidates' knowledge of multiple taxation, double taxation treaty, Withholding Tax and resultant penalties for failure to deduct/remit the relevant taxes as they relate to corporate organisations involved in diversified areas of operations.

Candidates' performance was average. The major pitfall was the inability of the candidates to correctly or adequately explain the concepts of double/multiple taxation as well as the incidence of double taxation. They also displayed inadequate knowledge of the resultant penalties for failure to deduct/remit Withholding Tax.

Candidates are advised to be more painstaking in identifying the specific requirements of questions, before proffering solutions. They are also advised to make use of the Institute's Study Texts and Pathfinder.

Solution to Question 2

(a) i. In relation to chargeable oil owned by a company, disposal connotes delivery, without sale, of chargeable oil to; while disposed-of means chargeable oil delivered, without sale to a refinery or to an adjacent storage tank for refining by the company.

- Intangible drilling costs:

These are all expenditure for labour, repairs, maintenance, hauling and supplies and materials (not being supplies and materials for well cement casing or other well fixtures) which are for or incidental to drilling, cleaning, deepening or completing wells or the preparation thereof incurred in respect of:

- Determination of well locations, geological studies and topographical and geophysical surveys preparatory to drilling;
- Drilling, shooting, testing and cleaning wells;
- Cleaning, draining and leveling land, road-building and the laying of foundations; and
- Erection of rigs and tankage assembly and installation of pipelines and other plants and equipment required in the preparation of drilling of wells for production of petroleum.

- Oil Mining Lease:

A lease granted to a company under the Minerals Act, for the purpose of winning petroleum, or any assignment of such lease.

b) IBRAHIM Oil Nigeria Limited Petroleum Profits Tax For 2016 Assessment Year

	N 000	N 000
Export sales (W1)		2,508,656
Less: Allowable expenses		
Operating costs	952,500	
Non-productive rent	63,200	
Royalty on export sales	14,775	
Repairs and renewal of machinery	2,000	
Exploration and drilling cost		
(N100,300-N22,400)	77,900	
Custom duties on Plant and Machinery	1,130	
Bad and doubtful debts	16,500	
Pension and provident funds	30,600	

Interest paid	26,200	
General expenses	11,050	
Tangible drilling cost	53,800	
		1,249,655
		1,259,001
Loss brought forward	-	
		1,259,001
Tertiary Education Tax (2/102 x N1,259,001)	(24,686)	
i. Assessable Profit		1,234,315
Less: Capital allowance:		
Lower of:		
85% of Assessable Profit		
(.85 x N1,234,315)	1,049,168	
Less: 170% of PIA (1.7 x N6,000)	10,200	
		1,038,968
OR		
Capital allowance for the year	88,100	
PIA (W2)	6,000	
		94,100
		(94,100)
ii. Chargeable Profit		1,140,215
Assessable tax @ 85% of chargeable profit		969,183
iii. Chargeable tax @ 85% of chargeable profit		969,183
Tertiary Education Tax		24,686
iv. Total Tax liability		993,869

Workings

1. Export Sales

N 000

Based on posted price:

(160,400 barrels x \$46 x N340) = 2,508,655

Based on actual sales: (as per account) = 2,455,200

The practice of the Revenue Service is to pick the higher of the two computations. Hence, export sale = N2,508,656,000.

2. Investment Tax Credit

Plant and machinery: cost (N30 million); Rate applicable = 20% ITC (same as PIA) = N30 million x 20% = N6 million.

Note: No indication that Ibrahim Oil Nigeria Limited operates in a deep offshore and inland basin production sharing contract, hence, no application of S.20 of PPTA deduction to the company.

Examiners' Report

The question tests candidates' knowledge of the provisions of Petroleum Profits Tax Act.

A sizeable number of the candidates attempted the question but performance was below average.

The major pitfall was the inability of some of the candidates to differentiate between "disposal" and "disposed of". A good number of them displayed poor knowledge and understanding of the requirements of intangible drilling costs and oil mining lease.

Candidates are advised to prepare better for future diets of the examination by making use of the Institute's Study Texts.

Solution to Question 3

- (1) Reliefs and incentives available to corporate taxpayers:

Reliefs are claims or provisions in tax laws which constitute reduction on the amount of Assessable Profits in the Year of Assessment under consideration.

Incentives, on the other hand, are claims or provisions in tax laws which seek to reduce the amount of income tax payable in the Year of Assessment under consideration.

a. Reliefs available to corporate taxpayers:

- Loss relief** – These are business losses which are only deductible from same business profit indefinitely. The effect of which, is a reduction on the amount of Assessable Profit in the computation of Total Profit.
- Application of the right of election** – A rational taxpayer only applies for the right of election if the total Assessable Profit for the second and third years of assessment assessed together, on Actual Year Basis is less than what was computed using the normal commencement rule. It is a relief available on commencement of business.
- Capital Allowance** – This is a relief for a company which has incurred qualifying capital expenditure in any year of assessment, for the purpose of the business. Capital Allowance will be deducted in full, or restricted as the case may be, from the Assessable Profit, in order to arrive at the Total Profit.
- Carry backward of unclaimed capital allowance on cessation** – This is a relief available to a taxpayer on

cessation of business. Any unclaimed Capital Allowance can be carried backward against the remainder of Assessable Profit, that of the immediate preceding 5 years. Thus reducing the amount of Total Profit and the revenue authority makes refund of tax which had been paid by the taxpayer.

- v. **Roll-over relief** – This is where the proceeds on disposal of chargeable assets of a particular class of chargeable asset is re-invested in the acquisition of an asset of the same class. Where roll-over relief is applicable, chargeable gain on the disposal is deferred and the Capital Gains Tax is not computed, depending on the type of roll-over relief whether full, partial or no roll-over.
- vi. **Investment Allowance** – This is an additional allowance to the amount of Capital Allowance already claimed on the qualifying capital allowance. It is also deducted from Assessable Profit like Capital Allowance.

Incentives available to corporate taxpayers:

- i. **Memorandum of Understanding (MOU) Credit** – This is an incentive available to joint venture operators in the petroleum industry. It is normally deducted from the assessable tax in arriving at the chargeable tax of the year of assessment.
- ii. **Investment tax credit** – This is also available to a production sharing contract operator. It is also used in reducing the assessable tax in order to arrive at the chargeable tax.
- iii. **Pioneer Status** – Profit of any company conferred with the pioneer status, will be exempted from tax for initial 3 years and for additional 2 years if extension is sought and granted.
- iv. **Small business rates** – a small business rate of 20% will be applicable instead of the normal 30% for initial 3 years and for another 2 years, if extended. For this to be applicable, turnover must be N1,000,000 and below and the company must be among companies that qualify for small business rate.
- v. **Exemption from Minimum Tax** – As an anti-avoidance legislation, companies will be required to pay minimum tax, if higher than the normal tax effective from the fifth year of assessment. However, certain companies are exempted from the application of minimum tax, thereby paying the normal tax even when lower than the minimum tax.
- vi. **Double Taxation Relief** – This is to mitigate against the

effect of double taxation on foreign income, which is subject to foreign tax and Nigerian tax.

- b. Conditions a company must fulfill to qualify for tax incentives for export-oriented business are as follows:
 - i. The company is 100% export oriented;
 - ii. The company produces or manufactures and exports during the relevant year, and the export proceeds during the year is not less than 75% of total turnover for the year; and
 - iii. The company repatriates at least 75% of earnings from its exports back to Nigeria, and deposits same in a domiciliary account maintained in a bank in Nigeria.

Examiners' Report

This is a question designed to examine candidates understanding of the nature of reliefs and incentives available to corporate taxpayers and the conditions that need to be fulfilled by companies engaged in export oriented business in order to qualify for tax Incentives.

Few candidates attempted the question and performance was below average as majority of the candidates did not demonstrate a good understanding of the nature of reliefs/incentives available to corporate taxpayers and the conditions to be fulfilled by export-oriented businesses to qualify for tax incentives.

Candidates are advised to make use of the institute's Study Texts.

Advanced Audit And Assurance

(PROFESSIONAL LEVEL EXAMINATION - May 2018)

Suggested Solutions

Solution to Question 4

- a) The fundamental principles of the code of conduct for Professional Accountants are as follows:
 - i. Integrity: A professional accountant should be straight forward and honest in all professional and business relationship;
 - ii. Professional competence and due care: A professional accountant has a continuing duty to maintain professional knowledge and skill at the level required

to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques. A professional accountant should act diligently and in accordance with applicable technical and professional standards when providing professional services;

- iii. **Objectivity:** A professional accountant should not allow bias, conflict of interest or undue influence of others to override his or her professional or business judgments;
 - iv. **Confidentiality:** A professional accountant should respect the confidentiality of information acquired as a result of professional or business relationships and should not disclose any such information to third parties without proper and specific authority unless there is a legal or professional right or duty to disclose. Confidential information should not be used for the personal advantage of the professional accountant or third parties; and
 - v. **Technical standard:** A professional accountant should comply with relevant laws and regulations and should avoid any action which discredits the profession.
- b) Independence of mind and independence of appearance
Independence of mind describes a state of mind that permits the auditor to express a conclusion without being affected by influences or prejudices that compromise within professional judgment. This allows the auditor to act with integrity, exercise objectivity and professional skepticism.

Independence of appearance means the avoidance of facts and circumstances that are so significant that a reasonable and informed third party, having knowledge of all relevant information (including any safeguards applied) would reasonably conclude that a firm's or a member of the assurance team's, integrity, objectivity or professional skepticism has been compromised.

The presumption is that if an auditor is not independent in appearance then they cannot possibly think with objectivity, that is, be independent in mind. Even if this may not be technically true, it is a presumption that must be held in order to protect the reputation of auditors

- c) Threats to the fundamental principles are matters that could result in the accountant or audit firm acting without integrity, sufficient competence, ensuring confidentiality or in a way that discredits the profession. However, threats to the fundamental principles are largely threats to the

independence and objectivity of the accountant or the audit firm.

The code recognizes the following general sources of threat to the fundamental principles:

- i. **Self-interest threat:** This arises when the accountant or the audit firm has a financial interest or other interest in a matter. Typically, this means that the accountant's decisions may be influenced by self-interest and the accountant will therefore not act with objectivity and independence;
- ii. **Self-review threat:** This occurs when an accountant is required to review or re-evaluate (for a different purpose) a previous judgment he has made or action that he has taken. Self-review threats can also apply to audit firm, for example, if an audit firm prepared the financial statements for a client company and then acted as auditor, it would be reviewing its own work and would be reluctant to criticize or question it. This would be a threat to objectivity and independence;
- iii. **Advocacy threat:** This occurs when the accountant is in a position where he is expected to defend or justify the position of the client and act as an advocate for the client's position or point of view. This would be a threat to objectivity and independence;
- iv. **Intimidation threat:** This occurs when the accountant is deterred from acting with objectivity due to threats against him or his firm. The nature of the threat may be a threat by the client that it will take engagement away from the firm unless it agrees with the point of view of the client management; and
- v. **Familiarity threat:** This occurs when the accountant becomes too sympathetic with the client's position due to close relationship. For example, this may occur due to a long association over many years in carrying out the annual audit.

Examiners' Report

The question tests candidates' knowledge on IFACs Code of Ethics for Professional Accountants.

About 95% of the candidates attempted the question and performance was very good.

Solution to Question 5

- (a) When assessing the objectivity of an expert employed by management, issues for the auditor to consider would include whether:

- (i) the expert has a financial interest in the audit client, for example shareholding;
- (ii) the expert has a personal relationship with a senior manager in the audit client; and
- (iii) the fee paid for the expert's services was a fair commercial price.
- (b) When assessing whether the work of management's expert provides sufficient and appropriate evidence for audit purposes.
 - i. The auditor should review the terms on which the expert was engaged by the audit client, such as the objective and scope of the expert's work and whether the expert was notified that his work may be relied on by the auditors.
 - ii. The auditor should obviously study the content of the expert's report and the conclusions that the expert reached. Any assumptions used by the expert may be significant (for example in making an asset valuation) and the auditor should compare those assumptions with his own understanding of the audit client's business.
- iii. The auditor may also need to check the methods used by the expert. For example, for the valuation of Investment Property, the method of valuation used should be consistent with the requirements of IAS 40.
- iv. If the expert has been used to provide a valuation, the date of the valuation should be close to the end of the financial year of the audit client so that it is current.

There may be additional evidence that the auditor could obtain to confirm the evidence provided by the expert. For example, if a property valuation expert has been used by the audit client to value a number of properties, the auditor may be able to obtain some
- (a) When assessing the objectivity of an expert employed by management, issues for the auditor to consider would include whether:
 - (i) the expert has a financial interest in the audit client, for example shareholding;
 - (ii) the expert has a personal relationship with a senior manager in the audit client; and
 - (iii) the fee paid for the expert's services was a fair commercial price.
- (b) When assessing whether the work of management's expert provides sufficient and appropriate evidence for audit purposes.
 - i. The auditor should review the terms on which the expert was engaged by the audit client, such as the objective and scope of the expert's work and whether the expert was notified that his work may be relied on by the auditors.
 - ii. The auditor should obviously study the content of the expert's report and the conclusions that the expert reached. Any

assumptions used by the expert may be significant (for example in making an asset valuation) and the auditor should compare those assumptions with his own understanding of the audit client's business.

- iii. The auditor may also need to check the methods used by the expert. For example, for the valuation of Investment Property, the method of valuation used should be consistent with the requirements of IAS 40.
- iv. If the expert has been used to provide a valuation, the date of the valuation should be close to the end of the financial year of the audit client so that it is current.

There may be additional evidence that the auditor could obtain to confirm the evidence provided by the expert. For example, if a property valuation expert has been used by the audit client to value a number of properties, the auditor may be able to obtain some additional evidence of the reliability of the valuations in a number of ways:

- By inspecting some of the properties to assess their condition.
- By checking the cost of similar assets acquired by the audit client during the financial year.
- v. For assets acquired during the year, by comparing their cost with the end-of-year valuation: unless there has been a large rise or fall in property values during the year, current valuation should be fairly close to original cost.
- vi. By checking events after the reporting period: if any of the properties has been sold since the end of the year, their sale value should be compared with their end-of-year valuation. They ought to be similar amounts.
- vii. By obtaining representations from management that the key assumptions used in arriving at estimated values are reasonable.
- viii. Use of fair value accounting may require more frequent use of experts by the auditor.

Examiners' Report

The question tests candidates' knowledge on the work of accountants' expert.

About 80% of the candidates attempted the question but performance was poor.

The commonest pitfall of the candidates was lack of knowledge in the area of the syllabus tested.

Candidates are enjoined to thoroughly read the Institute's Study Text before sitting for future examinations.

Be in the know anytime, anywhere

THE ICAN LIBRARIES



With ICAN, You Can

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

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

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



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA (ICAN)

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

Founding Member, International Federation of Accountants (IFAC)



ICAN 1965



ICAN_NGR



ican1965

www.icanig.org



INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

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

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

No problems.

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

Accounting Technicians Scheme West Africa. (ATSWA) Route.

The **ATSWA** qualification is:

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



Entry requirements

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

Relevant qualifications may be considered for exemption

Subjects of the Examination:



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

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

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

Visit www.icanig.org for more details