



**THE INSTITUTE OF CHARTERED
ACCOUNTANTS OF NIGERIA**

PATHFINDER

**MAY 2025 DIET
FOUNDATION LEVEL EXAMINATIONS**

Question Papers

Suggested Solutions

Examiners' Reports

and

Marking Guides

FOREWARD

This issue of the **PATHFINDER** is published principally, in response to a growing demand for an aid to:

- (i) Candidates preparing to write future examinations of the Institute of Chartered Accountants of Nigeria (ICAN);
- (ii) Unsuccessful candidates in the identification of those areas in which they lost marks and need to improve their knowledge and presentation;
- (iii) Lecturers and students interested in acquisition of knowledge in the relevant subject contained herein; and
- (iv) The professional; in improving pre-examinations and screening processes, and thus the professional performance of candidates.

The answers provided in this publication do not exhaust all possible alternative approaches to solving these questions. Efforts had been made to use the methods, which will save much of the scarce examination time. Also, in order to facilitate teaching, questions may be edited so that some principles or their application may be more clearly demonstrated.

It is hoped that the suggested answers will prove to be of tremendous assistance to students and those who assist them in their preparations for the Institute's Examinations.

NOTES

Although these suggested solutions have been published under the Institute's name, they do not represent the views of the Council of the Institute. The suggested solutions are entirely the responsibility of their authors and the Institute will not enter into any correspondence on them.

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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA**FOUNDATION LEVEL EXAMINATION – MAY 2025****FINANCIAL ACCOUNTING****EXAMINATION INSTRUCTIONS****PLEASE READ THESE INSTRUCTIONS BEFORE THE COMMENCEMENT OF THE PAPER**

1. Check your pockets, purse, mathematical set, etc. to ensure that you do not have prohibited items such as telephone handset, electronic storage device, programmable devices, wristwatches or any form of written material on you in the examination hall. You will be stopped from continuing with the examination and liable to further disciplinary actions including cancellation of examination result if caught.
2. Write your **EXAMINATION NUMBER** in the space provided above.
3. Do **NOT** write anything on your question paper **EXCEPT** your examination number.
4. Do **NOT** write anything on your docket.
5. Read all instructions in each section of the question paper carefully before answering the questions.
6. Do **NOT** answer more than the number of questions required in each section, otherwise, you will be penalised.
7. All solutions should be written in **BLUE** or **BLACK INK**. Any solution written in **PENCIL** or any other **COLOUR OF INK** will not be marked.
8. You are required to attempt **ALL questions** in **Section A** and any **FOUR** out of the **SIX** questions in **SECTION B**.
9. Check that you have collected the correct question paper for the examination you are writing.

TUESDAY, MAY 20, 2025**DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO****THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA**

FOUNDATION LEVEL EXAMINATION – MAY 2025

FINANCIAL ACCOUNTING

Time Allowed: 3¼ hours (including 15 minutes reading time)

SECTION A: MULTIPLE-CHOICE QUESTIONS (20 MARKS)

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

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

1. Using the double entry principle, describe the effect of goods purchased on credit
 - A. Increase in both inventory and payables
 - B. Increase in both inventory and cash
 - C. Increase in both payables and cash
 - D. Reduction in inventory and increase in payables
 - E. Reduction in payables and increase in inventory
2. Which of the following documents is **NOT** issued by the supplier to the customer?
 - A. Delivery note
 - B. Sales invoice
 - C. Account statements
 - D. Sales order
 - E. Credit notes
3. In accordance with the IASB Conceptual Framework for Financial Reporting, an asset is defined as
 - A. A present economic resource controlled by the entity as a result of past events
 - B. The entity's right to receive income or reduce expenses in future
 - C. An economic resource owned by the entity, from which future economic benefits is expected to flow to the entity
 - D. The future economic benefits that is expected to flow to an entity from a physical object
 - E. An economic resource controlled by the entity as a result of future events from which future economic benefits is expected to flow to the entity
4. What measurement basis is used when an entity sells an asset at its estimated selling price less the estimated cost to sell?
 - A. Value-in-use

- B. Present value
C. Current cost
D. Net realisable value
E. Fair value
5. Which of the following is **NOT** a capital expenditure?
- A. Upgrading a warehouse
B. Investing in a fleet of vehicles for transportation services
C. Repair of factory truck
D. Installation cost for office computer systems
E. Purchase of copyright
6. Which of the following is a capital receipt?
- A. Interest receivable from investment
B. Cash received from customer
C. Fees receivable for provision of services
D. Rent received from letting out a building
E. Loan received from the bank
7. A repair of equipment of ₦50,000 was posted in error to equipment account. What is the effect on the trial balance and profit for the year?
- | | Trial balance | Profit for the year |
|----|----------------------------|----------------------------|
| A. | No effect | Overstated |
| B. | No effect | Understated |
| C. | Debit side is understated | Overstated |
| D. | Credit side is overstated | Understated |
| E. | Credit side is understated | No effect |
8. Which of the following option(s) is/are correct according to IAS 1-Presentation of Financial Statements?
- i. All financial statements are prepared using the accrual basis
ii. Profit or loss is the total of income less expenses
iii. Measuring assets net of its allowances is not an offsetting
- A. I only
B. II only
C. II and III
D. I and II
E. I and III
9. In accordance with IAS 8, which of the following is a change in accounting policy?
- A. Adding more years to the original estimated useful life of plant
B. Disclosing interest paid under cash flow from operating activities instead of its previous treatment under cash flow from financing activities

- C. Writing down inventories to its net realisable value when it is lower than the cost
 - D. Applying a policy to a new set of circumstances
 - E. Adjusting the value of trade receivables as a result of a customer being declared bankrupt
10. The cost of an asset less its residual value is referred to as
- A. Useful life
 - B. Depreciable amount
 - C. Carrying amount
 - D. Expired cost
 - E. Depreciation
11. In which of the following statement(s) will a user find information on the financial performance and changes in them over some years?
- i. Statement of financial position
 - ii. Statement of profit or loss
 - iii. Statement of cash flows
- A. I only
 - B. II only
 - C. III only
 - D. I and II
 - E. I, II & III
12. The invoice issued to a customer by a company, showed the retail price of ₦400,000 less trade discount of ₦2,000. The double entry for the transaction in the company's books is
- A. Debit receivables account with ₦398,000; credit sales account with ₦398, 000
 - B. Debit purchases account with ₦398,000; credit payables account with ₦398,000
 - C. Debit receivables and discount allowed accounts with ₦398, 000 and ₦2,000 respectively; credit sales account with ₦400,000
 - D. Debit purchases account with ₦400,000; credit payables and discount received accounts with ₦398,000 and ₦2,000 respectively
 - E. Debit cash with ₦398,000 and credit payables account with ₦398,000
13. A company took a loan of ₦500,000 on January 1, 2023 payable in ten annual instalments, commencing from December 31, 2023. How much of the loan is non-current as at December 31, 2025?
- A. ₦150,000
 - B. ₦200,000
 - C. ₦300,000
 - D. ₦350,000
 - E. ₦450,000

14. On completing the dissolution of partnership accounts, what does the debit balance in a partner's capital account represent?
- Amount owed to the other partners
 - Amount due from the other partners
 - Share of realisation gain
 - Profit of the partner
 - Loan advanced to the partnership by a partner
15. The statement that shows the performance of a social club for a period is called
- Statement of financial position
 - Statement of profit or loss
 - Receipts and payments account
 - Accumulated fund account
 - Income and expenditure account
16. The following information relates to Irede Enterprises

| | ₦ |
|------------------------------|-----------|
| Trade receivables b/f | 124,000 |
| Cash received from customers | 3,400,000 |
| Set off with payables | 5,000 |
| Discount allowed | 50,000 |
| Trade receivables c/f | 131,000 |

How much is the credit sales for the period?

- ₦3,200,000
 - ₦3,352,000
 - ₦3,448,000
 - ₦3,462,000
 - ₦3,531,000
17. A firm with year end of December 31, received office rent of ₦1,800,000 on January 1, 2024 in advance for one year and six months. What is the double entry for the transaction at the end of the year?
- Debit bank with ₦1,800,000 and credit profit or loss with ₦1,800,000
 - Debit profit or loss with ₦1,200,000 and unearned rental income with ₦600,000; credit bank with ₦1,800,000
 - Debit bank with ₦1,800,000; credit profit or loss with ₦600,000 and rental income with ₦1,200,000
 - Debit profit or loss with ₦600,000 unearned and rental income with ₦1,200,000; credit bank with ₦1,800,000
 - Debit bank with ₦1,800,000; credit profit or loss with ₦1,200,000 and unearned rental income with ₦600,000

18. Which of the following will **NOT** be recorded in receivables control account?
- A. Irrecoverable debts
 - B. Increase in allowances for doubtful receivables
 - C. Set off with payables control account
 - D. Discount allowed
 - E. Cash received from credit customers
19. The carrying amount of property, plant and equipment, (PPE) in the book of Morie Limited was ₦675,000. Thereafter, equipment which had cost ₦127,000 was sold for ₦75,000 at a gain of ₦12,000. What is the adjusted carrying amount of the PPE?
- A. ₦548,000
 - B. ₦560,000
 - C. ₦600,000
 - D. ₦612,000
 - E. ₦623,000
20. Which of the following options will reduce the share premium account?
- i. Bonus issue
 - ii. Cost of issuing new shares
 - iii. Rights issue
 - iv. Cash dividends paid to ordinary shareholders.
- A. I & II
 - B. I& III
 - C. II & III
 - D. II& IV
 - E. III & IV

SECTION B: OPEN-ENDED QUESTIONS

(80 MARKS)

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

QUESTION 1

- a. The IASB Conceptual Framework for Financial Reporting gives guidance on the criteria that an item must meet to be recognised or derecognised in the financial statements. Within the context of the Conceptual Framework for Financial Reporting, you are required to:
- i. Define recognition and derecognition; (2 Marks)
 - ii. Explain the criteria the elements of financial statements must meet to be recognised; and (6 Marks)
 - iii. Outline the processes for the recognition of the elements of financial statements. (4 Marks)
- b. Discuss the type of records that a company can maintain in a blockchain and state **TWO** benefits of making use of the blockchain technology. (8 Marks)
- (Total 20 Marks)**

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QUESTION 2

- a. Identify the books of prime entry the following transactions, using a tabular format:
- i. Fixed amount paid weekly to employees to buy credit cards for data;
 - ii. Opening entries in the ledger accounts;
 - iii. Invoice sent to a customer;
 - iv. Office equipment purchased on credit;
 - v. Transport expenses paid to marketing staff for local running;
 - vi. Transfer of balances from one account to another;
 - vii. Goods returned to a supplier;
 - viii. Carriage inwards on goods meant for resale;
 - ix. Settlement of debt by exchange of motor vehicle; and
 - x. Early settlement of discount received. (5 Marks)

b. In the books of Morire Limited
Trial balance as at March 31, 2025

| | Debit ₦'000 | Credit ₦'000 |
|---|------------------------|-------------------------|
| Building at cost | 120,500 | |
| Equipment at cost | 26,500 | |
| Motor vehicles at cost | 17,200 | |
| Accumulated depreciation March 31, 2025: | | |
| -Building | | 5,545 |
| -Equipment | | 26,500 |
| -Motor vehicles | | 17,200 |
| Profits from operations | | 14,885 |
| Inventory, March 31, 2025 | 27,220 | |
| Bank current account | 8,400 | |
| Trade payables | | 11,370 |
| Bank deposits | 25,000 | |
| Interest received from bank deposits | | 27,220 |
| Share premium | | 8,400 |
| Ordinary shares of ₦1 each | | 85,000 |
| Ordinary dividends paid | 3,500 | |
| Preference dividends paid | 2,000 | |
| 10% loan notes | | 30,000 |
| Loan interest | 1,500 | |
| Receivables | 19,300 | |
| Allowances for doubtful receivables, March 31, 2025 | | 3,500 |
| 10% preference shares | | 20,000 |
| Retained earnings, April 1, 2024 | | 1,500 |
| | <u>251,120</u> | <u>251,120</u> |

Additional information

1. Accrued loan interest is ₦1,500,000.
2. Estimate of income tax is ₦5,000,000.
3. Preference shares is treated as debt instrument.
4. The company wishes to maintain the bank deposits for the next three years.
5. Interests on deposits are transferred to entity's bank current account.

You are required to prepare the following:

- i. The statement of profit or loss for the year ended March 31, 2025. (4 Marks)
 - ii. The statement of changes in equity for the year ended March 31, 2025. (3 Marks)
 - iii. The statement of financial position as at March 31, 2025. (8 Marks)
- (Total 20 Marks)**

QUESTION 3

- a. Entities need to carry out reconciliations with individual suppliers as obtainable in bank reconciliation.

Required:

- i. Explain the nature of the supplier statement and the importance of maintaining individual supplier's account. (4 Marks)
 - ii. State **FOUR** reasons why there might be differences between the balance in the accounting records of an entity and the supplier statement. (2 Marks)
- b. On October 31, 2024 Gbajo Limited receives a statement from a supplier showing a balance of ₦185,000. On checking the payable ledger account for the supplier, the balance is shown to be ₦140,806.

Investigation reveals the following:

- A recent payment of ₦20,519 has not been recorded by the supplier.
- An invoice for ₦35,975 has not been recorded in the payables ledger account.
- A credit note for ₦12,300 has not been recorded in the payables ledger account.

Required:

Prepare the supplier reconciliation statement. (4 Marks)

- c. Akwete Enterprises purchased goods on credit from suppliers. The entity maintains control accounts. While preparing the accounts for the year ended October 31, 2023, the accountant discovered that the total of the personal balances with the supplier amounts to ₦1,455,725, while the purchases ledger control account balance was ₦1,610,780.

On investigation, the following errors were discovered:

- A contra item of ₦53,997 with the customer had not been entered in the control account.
- Returns outwards of ₦151,200 had not been included in the control account.
- Payment to a supplier by standing order amounting to ₦129,600 had been omitted from the records.
- A balance of ₦21,384 due to a supplier had been included in the list of balances as ₦23,184.
- A debit balance of ₦53,352 on a supplier's account had been included as a credit balance.

- A discount of ₦57,600 allowed to Kamoru had been correctly recorded in the books. When Kamoru eventually paid, a corresponding amount was entered in the discount received column and the double entry was completed.
- A receivable balance of ₦642 had been credited in the purchases ledger control account.
- Sales invoice of ₦28,860 had been entered in the purchases day book.

Required:

- Make the necessary postings in the purchases control account as at November 1, 2023. (4 Marks)
- Reconcile the adjusted purchases ledger control account balance with the list of personal account balances. (6 Marks)

(Total 20 Marks)

QUESTION 4

- IAS 16-Property, Plant and Equipment sets out the measurement and recognition criteria on property, plant and equipment.

Required:

- Define property, plant and equipment in accordance with IAS 16. (4 Marks)
 - State the recognition criteria for items of property, plant and equipment. (2 Marks)
- In June 2022, Bibiire Limited acquired an old building for the construction of their factory building. The construction of the building took about two years to complete.

Costs relating to the factory were as follows:

| | ₦'000 |
|--|--------------|
| Purchase of old building for site | 196,000 |
| Demolition of the old building | 15,600 |
| Stamp duties and legal cost on the land purchased | 17,640 |
| Cost of materials used at the site | 254,000 |
| Costs paid to contractors and other experts on the building | 284,640 |
| Costs incurred by expert due to errors on his original design | 8,760 |
| Costs of construction staff | 84,000 |
| Costs of planning permit paid to the relevant government agencies | 48,020 |
| Cost of management time apportioned to the project | 21,560 |
| Tendering and procurement cost | 4,900 |
| Rectification of part of building due to contractor's error | 12,740 |
| Cost of transferring staff files and other office equipment to the new factory | 30,269 |
| Publicity cost of opening the factory | 21,740 |

Notes: The company decided to use cost model for the building and estimated its expected useful life to be 50 years with expected residual value of ₦18,500,000 at the end of its useful life.

Required:

- i. Compute the total costs to be capitalised in respect of the building. (8 Marks)
- ii. State why some of the costs should be expensed. (2 Marks)
- iii. Compute the depreciable amount of the building. (4 Marks)

(Total 20 Marks)

QUESTION 5

- a. IAS 2 provides guidance on how to determine the costs of inventories, the subsequent recognition of the costs and the formulae that are used to assign costs to inventories.

Required:

- i. Explain the term inventories, giving examples, in accordance with IAS 2. (5 Marks)
 - ii. State the elements of costs that should be included in the measurement of inventories. (3 Marks)
- b. The following information relates to the three different products P, Q and R of Oba Limited as at the year ended September 30, 2023.

- Product P was made according to the specification of a customer at a cost of ₦128,400 but the customer went bankrupt, hence it became difficult to sell. The product was delivered to an agent for sale at a delivery cost of ₦13,320. The agent is expected to sell it for ₦180,000 and will receive 5% commission on the selling price.
- The cost of Product Q is ₦79,200. The Product has been damaged but it can be repaired at a cost of ₦12,600 after which it is expected to be sold for ₦82,500.
- Product R cost ₦112,500. The product normally sells for ₦144,400 but it has been badly damaged due to flood. A customer has agreed to buy the product for ₦58,600.

Required:

- i. Calculate the amount at which the inventories should be included in the statement of financial position as at September 30, 2023. (8 Marks)
- ii. Determine the total amount written down on the inventories. (2 Marks)
- iii. Explain how the total amount written down on the inventories will be accounted for in the financial statements. (2 Marks)

(Total 20 Marks)

QUESTION 6

- a. Outline **SIX** typical issues in partnership agreement. (6 Marks)
- b. Muri, Ray and Akugbe had been in partnership for many years sharing profits in ratio 4:3:3 respectively. On April 30, 2023, Akugbe decided to retire from the partnership.

The statement of financial position of the partnership at the date of Akugbe's retirement:

| | ₦'000 | ₦'000 |
|-------------------------------|---------------|-----------------------|
| Assets: | | |
| Freehold property | | 67,000 |
| Plant and machinery | | 31,438 |
| Motor vehicles | | 18,344 |
| Office furniture | | <u>15,237</u> |
| | | 132,019 |
| Current assets: | | |
| Inventories | 11,800 | |
| Trade receivables | 13,875 | |
| Other receivables | 10,975 | |
| Cash | <u>6,517</u> | <u>43,167</u> |
| Total assets | | <u>175,186</u> |
| Equity and liabilities | | |
| Capital accounts: | | |
| - Muri | 36,200 | |
| - Ray | 30,447 | |
| - Akugbe | <u>22,958</u> | 89,600 |

Current accounts:

| | | |
|----------|---------------|--------|
| – Muri | 21,000 | |
| – Ray | 19,000 | |
| – Akugbe | <u>19,400</u> | 59,400 |

Current liabilities:

| | | |
|----------------|---------------|---------------|
| Trade payables | 15,186 | |
| Other payables | <u>11,000</u> | <u>26,186</u> |

Total equity and liabilities**175,186****Additional information:**

- Goodwill valued at ₦25,200,000 was not to be maintained in the books.
- Akugbe took over a motor vehicle with a carrying amount of ₦2,000,000 at a value of ₦1,500,000.
- The remaining assets were revalued as follows:

| | ₦'000 |
|---|--------------|
| Freehold property | 84,000 |
| Plant and machinery | 28,000 |
| Motor vehicles (excluding the one taken over by Akugbe) | 14,120 |
| Furniture | 13,706 |
| Inventories | 10,600 |
| Trade receivables | 12,900 |
| Other receivables | 8,000 |

- Akugbe received ₦2,257,000 from the partnership and the balance was left in a 5% interest loan.
- Muri and Ray agreed to continue in partnership sharing profits in ratio 4:3 and maintain their current account balances.

Required:

- Prepare the revaluation account at the time of Akugbe's retirement.
(6 Marks)
- Prepare the partners capital accounts to record the retirement of Akugbe.
(3 Marks)
- Prepare the statement of financial position after Akugbe's retirement.
(5 Marks)

(Total 20 Marks)

SECTION A

PART I - MULTIPLE CHOICE ANSWERS

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

Tutorials

12. Trade discount is a volume discount that is deducted from the invoice price of goods only. It does not have any impact of the double entry, so no ledger is raised for it.
13. The loan of ₦500,000 was obtained on January 1, 2023, payable in equal annual instalment for 10 years commencing on December 31, 2023. By December 31, 2025, three annual instalments would have been paid, which amounts to ₦150,000 ($\text{₦}500,000/10 \times 3$). The amount due to be paid at December 31, 2026 will be classified as current liabilities on December 31, 2025. Therefore, the amount of loan outstanding at December 31, 2025, classified as non-current liability is ₦300,000.

Workings

16. Receivables ledger control account

| | ₦'000 | | ₦'000 |
|--------------|--------------|-------------------|--------------|
| Balance b/f | 124 | Cash | 3,400 |
| Credit sales | 3,462 | Payables (contra) | 5 |
| | | Balance c/f | 131 |
| | | Discount allowed | <u>50</u> |
| | <u>3,586</u> | | <u>3,586</u> |

19.

| | ₦ | ₦ |
|------------------------------------|--------|-----------------|
| Carrying amount of PPE | | 675,000 |
| Amount realised on disposal of PPE | 75,000 | |
| Gain on disposal | 12,000 | |
| Carrying amount of the PPE sold | | <u>(63,000)</u> |
| Revised carrying amount of PPE | | <u>612,000</u> |

Examiner's report

The MCQ covered all syllabus areas, testing principles, basic applications, and requirements of standards and regulations. All candidates attempted the questions, with an average performance. A common pitfall was the inability to apply principles and standards correctly. To improve, candidates are advised to comprehensively study the fundamental principles and accounting standards that underpin financial statement preparation.

SOLUTION 1

a. Recognition and de-recognitions

i. Definitions:

- **Recognition:** Recognition is the process for capturing for inclusion in the statement of financial position or statement of financial performance an item that meets the definition of an element.
- **De-recognition:** De-recognition is the process of removing an item from financial statements of a reporting entity as an asset, liability or equity when an item no longer meets the criteria for recognition.

ii. Criteria for recognition:

- Only items that meet the definition of an asset, a liability or equity are recognised in the statement of financial position. Only items that meet the definition of income and expenses are recognised in the statement of financial performance;
- An entity recognises an asset or a liability if such recognition provides users of financial statements, with relevant information about the asset or liability and about income and expenses or changes in equity;
- The information must provide a faithful representation of the asset or liability, or any income, expense and changes in equity; and
- The information must also result in the benefits that exceed the costs of providing the information. There must not be a low probability that an inflow or outflow of economic benefits will result from an asset or a liability.

iii. Process of recognition:

- Recognition involves depicting an item that meet the criteria in words and by a monetary amount and including the amount in the relevant component of financial statements;
- Amounts recognised in a statement are included in totals and if applicable subtotals that give structures to the statement;
- Items are recognised by including them in line items and not individually. Notes may be needed to disclose details of the line-items;

- Items that meet the definition of an asset, a liability or equity are recognised in the statement of financial position;
- Items that meet the definition of income and expenses are recognised in the statement of financial performance;
- The recognition of assets or a liability arising from transaction or other events may result in simultaneous recognition of both income and expenses. For example, when goods are sold for cash, the entity will recognise revenue for the cash received from customer and expenses (that is, cost of sales) for the goods that were sold. This is the matching of cost with income; and
- If an item meeting the definition of an element is not recognised, disclosures may be needed. The disclosure must be sufficient to compensate for the absence of the item from inclusion in the financial statements.

b. Blockchain

i. The types of records that a company can maintain in a blockchain are:

- Auditing records: It helps in keeping financial transactions, transparent and auditable;
- Inventory records: It makes the transaction records of inventory accessible to authorised users at any time and location;
- Banking records: It enables quick funds transfer, recording of financial transactions accurately, recording smart contracts, protecting and transferring ownership of assets, verifying people's identities and credentials;
- Financial Transactions: it can be used to record and track financial transactions, including payments, invoices and accounts;
- Legal Contracts: It can store and verify legal contracts, providing a secure and immutable record of agreements;
- Digital Assets: Blockchains can be used to store and manage various digital assets, such as images, video files and email backups; and
- Supply Chain Management: Blockchains can help in tracking the movement of goods throughout the supply chain, improving transparency and traceability.

ii. The benefits of making use of blockchain technology are:

- It will benefit businesses by reducing costs, increasing traceability and enhancing security;

- It allows for the encryption of data through blocks, which are tracking of time and date of transaction;
- The technology could be used to make audit process more efficient, because it would keep an accurate record of when a transaction occurred and who authorised it;
- It limits the chances of an electronic record being altered;
- By generating a hash string of a file and storing it in the blockchain, an entity can prove the integrity of the file at any point in time by comparing the original hash with a newly generated hash;
- Blockchain technology enables smart contracts, which are self-executing computer programs that automate tasks, such as paying an invoice when predefined conditions are met;
- It has the potential to revolutionise accounting by vastly automating processes and enabling new, unprecedented services that comply with regulatory requirements; and
- The technology reduces manual recording and verification procedures in accounting by enabling companies to write transactions directly into a shared permanent register, thereby creating an interlocking system of accounting records.

Examiner's report

The question tests candidates' knowledge of the recognition and derecognition of elements of financial statements and blockchain technology.

The attempt rate was low, and overall performance was poor due to limited grasp of the principles.

Candidates' common pitfalls include, discussing financial statements elements without linking them to recognition and derecognition while others failed to address blockchain technology.

Candidates are advised to thoroughly cover this syllabus area, utilise their study texts as guidance and review past examination questions and solutions.

Marking guide

| | Marks | Marks |
|--|-----------|-----------|
| a. Recognition and derecognition | | |
| i. Definitions | | |
| Recognition | 1 | |
| De-recognition | <u>1</u> | 2 |
| ii. Criteria for recognition | | |
| Meets definition of element | 1½ | |
| Relevant information | 1½ | |
| Faithful representation | 1½ | |
| Benefits exceed cost | <u>1½</u> | 6 |
| iii. Process of recognition | | |
| Depicting item in words and amount | 1 | |
| Including amount in financial statements | 1 | |
| Items recognised in line items | 1 | |
| Notes of disclosure | <u>1</u> | 4 |
| b. Blockchain | | |
| i. Types of records to be maintained | | |
| Any six valid points at 1 mark each | | 6 |
| ii. Benefits of Blockchain | | |
| Explanation of any two benefits at 1 mark each | | <u>2</u> |
| Total | | <u>20</u> |

SOLUTION 2

| | |
|--|----------------------------|
| a. Transactions | Book of prime entry |
| i. Fixed amount paid weekly to employees to buy credit cards for data. | Petty cash book |
| ii. Opening entries in the ledger accounts | Journal |
| iii. Invoice of a certain amount sent to a customer | Sales day book |
| iv. Office equipment purchased on credit | Journal |
| v. Transport expenses paid to marketing staff for local running | Petty cash book |
| vi. Transfer of balances from one account to another | Journal |
| vii. Goods returned to a supplier | Returns outwards or |

| | |
|--|--------------------|
| | purchases returns |
| viii. Carriage inwards on goods meant for resale | Purchases day book |
| ix. Settlement of debt by exchange of motor vehicle. | Journal |
| x. Early settlement discount note received | Cash book |

b. **Statement of changes in equity for the year ended March 31, 2025**

| | Ordinary shares | Share premium | Retained earnings | Total equity |
|-----------------------|----------------------------|--------------------------|------------------------------|-------------------------|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Balance April 1,2024 | 85,000 | 8,400 | 1,500 | 94,900 |
| Profit for the year | | | 32,105 | 32,105 |
| Dividends paid | | | (3,500) | (3,500) |
| Balance March 31,2025 | <u>85,000</u> | <u>8,400</u> | <u>30,105</u> | <u>123,505</u> |

ii **Morire Limited**

Statement of profit or loss for the year ended March 31,2025

| | ₦'000 |
|------------------------|---------------|
| Profit from operations | 14,885 |
| Investment income | 27,220 |
| Finance cost (W2) | (5,000) |
| Profit before tax | 37,105 |
| Income tax expense | (5,000) |
| Profit for the year | <u>32,105</u> |

Statement of financial position as at March 31, 2025

₦'000

Non-current assets:

| | |
|--------------------------------|----------------|
| Property , plant and equipment | 114,955 |
| Investment: Bank deposit | <u>25,000</u> |
| | <u>139,955</u> |

Current assets:

| | |
|------------------------------|---------------|
| Inventories | 27,220 |
| Receivables (19,300 - 3,500) | 15,800 |
| Bank balance | <u>8,400</u> |
| | <u>51,420</u> |

Total assets

191,375

Equity and liabilities:

Equity:

| | |
|-------------------|----------------|
| Ordinary shares | 85,000 |
| Share premium | 8,400 |
| Retained earnings | <u>30,105</u> |
| | <u>123,505</u> |

Non-current liabilities:

| | |
|-----------------------|---------------|
| 10% preference shares | 20,000 |
| 10% loan notes | <u>30,000</u> |
| | <u>50,000</u> |

Current liabilities:

| | |
|-----------------------|---------------|
| Income tax payable | 5,000 |
| Trade payables | 11,370 |
| Accrued loan interest | <u>1,500</u> |
| | <u>17,870</u> |

Total equity and liabilities:

191,375

Workings – Property , plant and equipment schedule

| | Building | Equipment | M/vehicles | Total |
|--------------------------------|-----------------|------------------|-------------------|-----------------|
| Cost: | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Balance b/d | 120,500 | 26,500 | 17,200 | 164,200 |
| Accumulated depreciation: | | | | |
| Balance March 31, 2025 | <u>(5,545)</u> | <u>(26,500)</u> | <u>(17,200)</u> | <u>(49,245)</u> |
| Carrying amount March 31, 2025 | <u>114,955</u> | = | = | <u>114,955</u> |

Examiner's report

This question tests candidates' knowledge of books of original entry and preparation of primary financial statements, involving accruals adjustments.

Majority of candidates attempted the question, with an average overall performance.

Common pitfalls included:

- Misclassifying preference shares and dividends as equity, despite the instrument being treated as a debt instrument.
- Incorrectly classifying capital items in the statement of profit or loss.
- Failure to identify the appropriate books of prime entry for none routine transactions where they were supposed to use the journal.

Candidates are advised to properly classify items in financial statements, practice preparing financial statements with adjustments, and to familiarise themselves with books of prime entry, including the appropriate use of the journal for non-routine transactions.

Marking guide

| | Marks | Marks |
|---|----------|------------------|
| a. Correctly stating books of prime entry at ½ mark each | | 5 |
| b. Morire Limited financial statements | | |
| i. Statement of profit or loss | | |
| Correct calculation of profit | 1 | |
| Investment income included | 1 | |
| Finance cost correctly calculated | 1 | |
| Profit for the year correctly calculated | <u>1</u> | 4 |
| ii. Statement of changes in equity | | |
| Opening balances correctly stated | 1 | |
| Profit for the year correctly included | 1 | |
| Dividend paid corrected deducted | <u>1</u> | 3 |
| iii. Statement of financial position | | |
| Stating non-current assets | 2 | |
| Stating current assets correctly stated | 2 | |
| Equity correctly stated | 2 | |
| Liabilities correctly stated | <u>2</u> | <u>8</u> |
| Total | | <u>20</u> |

SOLUTION 3

a. Supplier statement:

i. **Nature:**

- Supplier statements are source documents regularly issued to the entity by a supplier of goods or services. The statement contains details of all the invoices, credit notes, discounts and payments made on a supplier account according to the supplier.

Entities need to maintain individual supplier's accounts for the following reasons:

- The practice makes it easy for the entity to spot and reconcile any discrepancies between the supplier statement and the payables ledger accounts; and
- The entity is able to keep track of payment deadlines to the suppliers and pay when liability is due, which may provide favourable credit terms to the entity.

ii. **The following might cause differences between the supplier statement and the payable ledger accounts for the supplier:**

- Timing difference: This may be as a result of a payment made by a customer which has not been received by the supplier.
- Error, for instance, purchases invoice may be assigned to a wrong supplier.
- Credit notes that are not yet processed.
- Debit notes that are not yet processed.
- Discounts that are not properly accounted for.
- Omission of invoices, credit notes, discount allowed or any other relevant document.

b.

Gbajo Limited

Reconciliation of payables balances with supplier statement as at October 31, 2024

| | ₦ |
|---|-----------------------|
| Supplier's statement balance | 185,000 |
| Payment in transit | (20,519) |
| Invoice not recorded in the payable account | (35,975) |
| Credit note not recorded in payable account | <u>12,300</u> |
| Payable ledger account balance | <u><u>140,806</u></u> |

Alternative Solution**Adjusted payables ledger account as at October 31, 2024**

| | ₦ | | ₦ |
|---------------------|----------------|---------------------------|----------------|
| Credit note omitted | 12,300 | Balance b/f | 140,806 |
| Balance c/f | <u>164,481</u> | Omitted purchases invoice | <u>35,975</u> |
| | <u>176,781</u> | | <u>176,781</u> |
| | | Bal b/f | <u>164,481</u> |

Supplier statement's reconciliation as at October 31, 2024

| | ₦ |
|---|-----------------|
| Balance as per supplier statement of account | 185,000 |
| Deduct recent payment omitted by the supplier | <u>(20,000)</u> |
| | <u>164,481</u> |

c. i.

Akwete Enterprises
Purchases ledger control accounts

| | ₦ | | ₦ |
|--------------------------|------------------|------------------------|------------------|
| Set off with receivables | 53,997 | Balance b/f | 1,610,780 |
| Purchases returns | 151,200 | Discount error | 57,600 |
| Bank | 129,600 | | |
| Invoice error | 28,860 | | |
| Receivable balance | 642 | | |
| 31/10/2023 Balance c/f | <u>1,304,081</u> | | |
| | <u>1,668,380</u> | | <u>1,668,380</u> |
| | | 01/11/2023 Balance b/f | 1,304,081 |

ii.

**Reconciliation of adjusted purchases ledger control
balance as at November 1, 2023**

| | ₦ |
|--|------------------|
| Balance as per individual payable ledger accounts | 1,455,725 |
| Payment to supplier omitted | (129,600) |
| Amount due to supplier overstated (23,184 - 21,384) | (1,800) |
| Entry on wrong side of account (53,352 x 2) | (106,704) |
| Discount error | 57,600 |
| Sales invoice recorded in purchases day book | <u>28,860</u> |
| Balance as per adjusted purchases ledger control account | <u>1,304,081</u> |

Examiner's report

The question tests candidates' knowledge of the nature and significance of supplier statements and the reconciliation of payables ledger accounts with supplier statement balances.

Over 50% of the candidates attempted the question, with an average overall performance.

Candidates' common pitfalls include:

- Assuming the same reasons for reconciling bank statements and cash book balances apply to supplier statements and payables ledger accounts.
- Incorrectly applying double-entry principles by posting entries to the wrong sides of payables ledger accounts.
- Failing to identify adjusting items in payables ledger accounts and the reconciliation statement.

Candidates are advised to thoroughly understand the unique aspects of supplier statement reconciliations and practice applying double-entry principles correctly to improve their performance. Additionally, they should focus on identifying adjusting items in payables ledger accounts and reconciliation statements.

Marking guide

| | Marks | Marks |
|---|----------|------------------|
| a. Supplier's statement | | |
| i. Nature and importance | | |
| Explaining the nature of supplier statement | 2 | |
| Explaining the importance of supplier statement | <u>2</u> | 4 |
| ii. Causes of differences | | |
| Stating any two valid causes of differences | | 2 |
| b. Reconciliation of Gbajo Limited account | | |
| Supplier statement reconciliation | | |
| Correct calculation of payable ledger account balance | 2 | |
| Correct reconciliation of supplier statement balance | <u>2</u> | 4 |
| c. Akwete Enterprises account | | |
| i. Purchases ledger control account | | |
| Correct preparation of control account | 3 | |
| Correct balances of control account | <u>1</u> | 4 |
| ii. Reconciliation of the account | | |
| Correct calculation of adjusted balance | 3 | |
| Correct identification of reconciliation items | <u>3</u> | <u>6</u> |
| Total | | <u>20</u> |

SOLUTION 4

a. Property, plant and equipment (PPE)

i. Definition: The term property, plant and equipment includes tangible items that are:

- held for use in the production or supply of goods or services;
- for rental to others or for administrative purposes; and
- expected to be used during more than one period.

ii. Recognition for items of PPE

An item of property, plant or equipment should be recognised in the books if:

- It is probable that the economic benefits derived from the item will flow to the business; and
- The cost or value can be measured reliably.

Determination of cost of building

| | ₦'000 |
|---|-----------------------|
| Purchase of old building for site | 196,000 |
| Demolition of the old building | 15,600 |
| Stamp duties and legal cost on the land purchased | 17,640 |
| Cost of materials used at the site | 254,000 |
| Costs paid to contractors and other experts on the building | 284,640 |
| Costs of construction staff | 84,000 |
| Costs of planning permit paid to the relevant government agencies | 48,020 |
| Tendering and procurement cost | <u>4,900</u> |
| Total cost of the factory | <u>904,800</u> |

ii. The following costs are expensed and the reasons for expensing them are as follows:

- Costs of management time apportioned to the project: They are indirect costs, which are not directly attributable to the construction.
- Cost of transferring staff files and other office equipment to the new factory: It is an operating cost.
- Publicity cost of opening the factory: This is also an operating cost. Moreover, the factory was already available for use before it was incurred.

iii. **Computation of depreciable amount for the year ended
October 31, 2023**

| | ₦'000 | ₦'000 |
|---|--------------|-----------------------|
| Total cost of the factory | | 904,800 |
| Less cost of land: | | |
| Purchase of old building for site | 196,000 | |
| Demolition of the old building | 15,600 | |
| Stamp duties and legal cost on the land purchased | 17,640 | <u>(229,246)</u> |
| | | 675,554 |
| Expected residual value | | <u>(18,500)</u> |
| Depreciable amount | | <u><u>657,054</u></u> |

Examiner's report

The question tests candidates' knowledge of the definition and elements of costs of property, plant and equipment, as well as the application of this knowledge to determine capitalised costs and depreciable amounts for a self-constructed property.

Majority of the candidates attempted the question, with an above-average performance.

Candidates' common pitfalls include:

- Failing to identify and deduct the cost of land from the total cost, since land is not a depreciable asset.
- Failing to relate the reasons for expensing items to specific cost items that do not qualify for capitalisation.

Candidates are advised to focus on accurately identifying and separating non-depreciable assets, such as land, and ensure they understand which costs qualify for capitalisation. Additionally, they should practice applying the relevant accounting standards to determine capitalised costs and depreciable amounts for properties, plant and equipment.

Marking guide

| | Marks | Marks |
|--|----------|------------------|
| a. Property, plant and equipment | | |
| Definition of PPE | 4 | |
| Recognition criteria for PPE | <u>2</u> | 6 |
| b. Determination of cost of building | | |
| Correct identification of capitalised cost items | 8 | |
| Any two costs expensed with valid reasons | 2 | |
| Computation of depreciable amount | <u>4</u> | <u>14</u> |
| Total | | <u>20</u> |

SOLUTION 5

a. Inventories

- i. Inventories are defined as assets :
- Held for sale in the ordinary course of business; or
 - In the process of production for sale; or
 - In the form of materials or supplies to be consumed in the production process or in the rendering of services.

Typically, inventories include the following:

- Finished goods acquired for resale;
 - Finished goods produced;
 - Work-in-progress; and
 - Materials and supplies awaiting use in the production process
- ii. The following should be included in the costs of inventories:
- Cost of purchase, including taxes, transport and handling, net of trade discounts;
 - Cost of conversion, including fixed and variable overheads; and
 - Other costs of bringing the inventories to their present location and condition.

i. **Valuation of inventories at lower of costs and net realisable value (NRV)**

Product P

| | ₦'m | ₦'m |
|----------------------------|----------------|---------|
| Cost | <u>128,400</u> | |
| Selling price | 180,000 | |
| Delivery cost | (13,320) | |
| Commission (5% x 180,000) | <u>(9,000)</u> | |
| NRV | <u>157,680</u> | |
| Value of inventory at cost | | 128,400 |

Product Q

| | | |
|-------------------------------|---------------|--------|
| Cost | <u>79,200</u> | |
| Selling price | 82,500 | |
| Repair cost | <u>12,600</u> | |
| NRV | <u>69,900</u> | |
| Valuation of Product Q at NRV | | 69,900 |

Product R

| | | |
|-----------------------|----------------|----------------|
| Cost | <u>112,000</u> | |
| NRV | <u>58,600</u> | |
| Valuation of R at NRV | - | <u>58,600</u> |
| Total valuation | - | <u>256,900</u> |

ii. **Write-down of inventory**

| | ₦'m | ₦'m |
|--|----------------|---------------|
| Product P | | |
| Cost | <u>128,400</u> | |
| NRV | <u>157,600</u> | |
| Amount written down (Since NRV > Cost) | | Nil |
| Product Q | | |
| Cost | 79,200 | |
| NRV | <u>69,000</u> | |
| Amount written down | | 9,300 |
| Product R | | |
| Cost | 112,500 | |
| NRV | <u>58,600</u> | |
| Amount written down | | <u>53,900</u> |
| Total amount written down | | <u>63,200</u> |

Note: No amount is written down on Product P because its NRV is greater than the cost.

- iii. IAS 2 requires that any write-down of inventory to their net realisable value should be recognised as an expense in the period in which the write-down occurs. Therefore, the total cost of products P, Q and R of ₦63,200,000 written off should be adjusted as follows:

| | |
|---|-------------|
| Debit cost of sales | ₦63,200,000 |
| Credit inventory: | ₦63,200,000 |
| To adjust end of year inventory to net realisable value | |

Examiner's report

The question tests candidates' knowledge of the elements of inventory costs and the application of the lower of cost and net realisable value (NRV) policy to determine inventory value.

The majority of candidates attempted the question, with an above-average overall performance.

Candidates' common pitfalls include:

- Adding expected repair costs for damaged inventory to their cost instead of deducting them from the expected selling price to arrive at the NRV.

Candidates are advised to learn how to accurately calculate NRV by deducting costs to complete and sell, including repair costs, from the expected selling price. Additionally, they should consistently apply the lower of cost and NRV principle to determine inventory value.

Marking guide

| | Marks | Marks |
|--|-----------|-----------|
| a. Inventories | | |
| Definition of inventories | 3 | |
| Examples of inventories | 2 | |
| Costs included in inventories | <u>3</u> | 8 |
| b. Valuation of inventories | | |
| Correct identification of cost | 1½ | |
| Correct calculation of NRV | 5 | |
| Correct determination of lower of cost and NRV | <u>1½</u> | 8 |
| Calculation of write-down of inventory | | 2 |
| Accounting treatment for write-down of inventory | | 2 |
| Total | | <u>20</u> |

SOLUTION 6

- a The following are the key issues that should be covered in a partnership agreement when setting up a partnership:
- i. Capital: The agreement would indicate whether each partner should contribute a fixed amount of capital or not and how much each partner should contribute;
 - ii. Profit sharing: How profits and losses should be shared among the partners will be spelt out; whether they are capital or revenue profits or losses;
 - iii. Interest on capital and drawings: Whether interest on capital or drawings should be allowed or charged before arriving at divisible profits, and if so, at what rate?;
 - iv. Interest on loan by partners: The rate of interest payable on any loan advanced by any of the partners;
 - v. Whether current accounts are to bear interest, and if so, at what rate?;
 - vi. Whether partners' drawings are to be limited in amount so, that the current account does not turn into debit balance;
 - vii. Whether partners are entitled to remuneration for their services before arriving at divisible profits and if so, what amounts and which of the partners?;
 - viii. How the books of account would be kept and where they should be kept;
 - ix. The method for the valuation of assets, that is, goodwill in case of an incoming or outgoing partner; and
 - x. The method and procedures for settlement of disputes.

In the books of the partnership of Muri, Ray and Akugbe as at April 30,2023

Revaluation account

| | ₦'000 | | ₦'000 |
|---|---------------|-------------------|---------------|
| Plant and machinery | 3,438 | Freehold property | 17,000 |
| Motor vehicle taken over | 500 | Goodwill | 25,200 |
| Other motor vehicles | 2,224 | | |
| Furniture | 1,531 | | |
| inventories | 1,200 | | |
| Trade receivables | 975 | | |
| Other receivables | 2,975 | | |
| Gain on revaluation to Capital accounts: | | | |
| -Muri | 11,743 | | |
| -Ray | 8,807 | | |
| -Akugbe | 8,807 | | |
| | <u>42,200</u> | | <u>42,200</u> |

ii.

Capital accounts

| | Muri ₦'000 | Ray ₦'000 | Akugbe ₦'000 | | Muri ₦'000 | Ray ₦'000 | Akugbe ₦'000 |
|----------------|-----------------------|----------------------|-------------------------|------------------|-----------------------|----------------------|-------------------------|
| Goodwill w/off | 14,400 | 10,800 | | Balance b/d | 36,200 | 30,442 | 22,958 |
| Car taken over | | | 1,500 | Current acct. | | | 19,400 |
| Cash | | | 2,257 | | | | |
| 5% loan | | | 47,408 | Revaluation gain | 11,743 | 8,807 | 8,807 |
| Balance c/d | <u>33,543</u> | <u>28,449</u> | <u>51,157</u> | | <u>47,943</u> | <u>39,249</u> | <u>51,157</u> |

iii.

Muri and Ray Partnership
Statement of financial position as at April 30, 2023

| | N'000 | N'000 |
|-------------------------------------|---------------|-----------------------|
| Non-current assets: | | |
| Freehold property | | 84,000 |
| Plant and machinery | | 28,000 |
| Motor vehicles | | 14,120 |
| Furniture | | <u>13,706</u> |
| | | <u>139,826</u> |
| Current assets: | | |
| Inventories | | 10,600 |
| Trade receivables | | 12,900 |
| Other receivables | | 8,000 |
| Cash (6,517 -2,257) | | <u>4,260</u> |
| | | <u>35,760</u> |
| Total assets | | <u><u>175,586</u></u> |
| Equity and liabilities: | | |
| Capital accounts: | | |
| -Muri | 33,543 | |
| -Ray | <u>28,449</u> | 61,992 |
| Current accounts: | | |
| -Muri | 21,000 | |
| -Ray | <u>19,000</u> | 40,000 |
| Non-current liabilities: | | |
| 5% loan notes-Akugbe | | 47,408 |
| Current liabilities: | | |
| Trade payables | 15,186 | |
| Other payables | <u>11,000</u> | <u>26,186</u> |
| Total equity and liabilities | - | <u><u>175,586</u></u> |

Examiner's report

This question tests candidates' knowledge of partnership agreements and the preparation of partnership accounts related to the retirement of a partner.

The majority of candidates attempted the question, with an above-average overall performance.

Candidates' common pitfalls include:

- Debiting items that should be credited in the revaluation account and vice versa.
- Adding fair value and carrying amount together as the recognised value on the statement of financial position, instead of using only the fair value.
- Incorrect treatment of goodwill in the partners' capital accounts.

Candidates are advised to thoroughly study the accounting treatment for partnership revaluations and retirements, including the correct application of fair value and goodwill. Additionally, they should practice preparing partnership accounts, paying close attention to the accurate treatment of revaluation accounts and goodwill.

Marking guide

| | Marks | Marks |
|---|----------|------------------|
| a. Partnership agreement | | |
| Any 6 valid points stated | | 6 |
| b. Partnership account-retirement | | |
| Correct preparation of revaluation account | 6 | |
| Correct preparation of capital accounts | 3 | |
| Correct preparation of statements of financial position | <u>5</u> | <u>14</u> |
| Total | | <u>20</u> |

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA**FOUNDATION LEVEL EXAMINATION – MAY 2025****MANAGEMENT INFORMATION****EXAMINATION INSTRUCTIONS****PLEASE READ THESE INSTRUCTIONS BEFORE THE COMMENCEMENT OF THE PAPER**

1. Check your pockets, purse, mathematical set, etc. to ensure that you do not have prohibited items such as telephone handset, electronic storage device, programmable devices, wristwatches or any form of written material on you in the examination hall. You will be stopped from continuing with the examination and liable to further disciplinary actions including cancellation of examination result if caught.
2. Write your **EXAMINATION NUMBER** in the space provided above.
3. Do **NOT** write anything on your question paper **EXCEPT** your examination number.
4. Do **NOT** write anything on your docket.
5. Read all instructions in each section of the question paper carefully before answering the questions.
6. Do **NOT** answer more than the number of questions required in each section, otherwise, you will be penalised.
7. All solutions should be written in **BLUE** or **BLACK INK**. Any solution written in **PENCIL** or any other **COLOUR OF INK** will not be marked.
8. You are required to attempt **ALL questions** in **Section A** and any **FOUR** out of the **SIX** questions in **SECTION B**.
9. Check that you have collected the correct question paper for the examination you are writing.

TUESDAY, MAY 20, 2025**DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO**

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
FOUNDATION LEVEL EXAMINATION – MAY 2025
MANAGEMENT INFORMATION

Time Allowed: 3¼ hours (including 15 minutes reading time)

SECTION A: MULTIPLE-CHOICE QUESTIONS (20 MARKS)

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

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

1. Labour turnover has an effect which translates into cost. Which **ONE** of the following is **NOT** an effect of labour turnover?

- A. Recruitment Cost
- B. Replacement Cost
- C. Redundancy Cost
- D. Training Cost
- E. Learning Cost

2. The following relates to product X

| | | |
|-------------------|---|------------|
| Selling price | - | ₦1,500 |
| Direct material | - | ₦500 |
| Direct labour | - | ₦300 |
| Variable overhead | - | ₦250 |
| Fixed overhead | - | ₦1,800,000 |

What is the break-even point?

- A. 4,500 units
 - B. 4,050 units
 - C. 4,000 units
 - D. 4,300 units
 - E. 4,250 units
3. A cost which is **NOT** easily or conveniently traceable to a cost object is known as
- A. Collective cost
 - B. Untraceable cost
 - C. Objective cost
 - D. Indirect cost
 - E. Inconvenient cost

4. Which of the following is another name for **MIXED** cost?
- A. Marginal cost
 - B. Semi-variable cost
 - C. Standard cost
 - D. High and low cost
 - E. Variable cost
5. In a particular process, input was 6,000 litres, output was 5,600 litres, normal loss is 10%. Calculate the abnormal gain or loss
- A. 600 litres abnormal gain
 - B. 200 litres abnormal gain
 - C. 600 litres abnormal loss
 - D. 400 litres abnormal loss
 - E. 500 litres abnormal loss
6. The standard price for material "B" is ₦5.50 per kg. 20,500 kg was purchased for ₦118,900 but only 19,800kg was used. What is the material price variance?
- A. : ~~₦~~6,650 Adverse
 - B. : ~~₦~~10,000 Favourable
 - C. : ~~₦~~6,150 Favourable
 - D. : ~~₦~~10,000 Adverse
 - E. : ~~₦~~6,150 Adverse
7. A company makes a single product W with a sale price of ₦250 and total cost of ₦210 of which ₦180 is variable. The annual fixed cost is ₦6,300,000. What is the breakeven point in units of sales?
- A. 210,000 units
 - B. 157,500 units
 - C. 90,000 units
 - D. 30,000 units
 - E. 25,200 units
8. As a result of rapidly changing conditions, many organisations review and modify their budget every quarter or half yearly. What is this type of budget called?
- A. Master budget
 - B. Zero base budget
 - C. Activity base budget
 - D. Functional budget
 - E. Continuous budget

9. The following are extracts from the books of AV Ltd for the month of January.

| | Receipts | Issues |
|-------|---|-------------|
| 03/01 | 2000 units @ ₦ 14.00 per unit | 1,500 units |
| 08/01 | 3,000 units @ ₦ 13.50 per unit | |
| 12/01 | | 2,500 units |
| 20/01 | 2,500 units @ ₦ 14.20 per unit | |
| 22/01 | | 2,000 units |
| 28/01 | 3,500 @ ₦ 14 | |
| 31/01 | | 2,800 units |

AV Ltd uses first in first out ((F.I.F.O) inventory method. Calculate the value of the 2000 units issued on 22/01

- A. ~~₦~~27,700
B. ~~₦~~30,700
C. ~~₦~~30,800
D. ~~₦~~28,000
E. ~~₦~~31,200
10. The following data were extracted from the record of STU Limited.
- | | |
|-------------------------|---|
| Direct Material Cost | ₦ 800 |
| Direct Labour (2 hrs) | ₦ 700 |
| Direct Expenses | ₦ 400 |
| Production Overhead | ₦ 600 per direct labour hour |
| Non-Production Overhead | 50% of prime cost |
- Calculate the full cost of sales.
- A. ~~₦~~4,650
B. ~~₦~~4,050
C. ~~₦~~3,750
D. ~~₦~~3,450
E. ~~₦~~2,850
11. A software package that is designed to perform generalised tasks for several users is called

- A. Operating System
B. System Program
C. Application Software
D. Customised Software
E. Utility Software

12. A computer processor is made up of which of the following combinations?
- A. CPU and Memory
 - B. ALU, Control Unit and memory
 - C. ALU and Memory
 - D. CPU and Motherboard
 - E. Memory and Control Unit
13. The operations performed by a typical system software include the following, **EXCEPT**
- A. Provision of utility service
 - B. Providing settings for application package
 - C. Enabling the use of peripheral devices
 - D. Memory management
 - E. Performing arithmetic and logical operations
14. The type of information system used by all levels of management of an organisation is known as
- A. Management Information System (MIS)
 - B. Decision support System (DSS)
 - C. Executive Information system (EIS)
 - D. Expert System (ES)
 - E. Automated Order System (AOS)
15. Which of the following is an example of non-impact printer?
- A. Dot-matrix
 - B. Daisy-wheel printer
 - C. Drum printer
 - D. Laser-jet printer
 - E. Band Printer
16. The following are factors for measuring the success of an information system, **EXCEPT**
- A. System Performance
 - B. High cost of Operation
 - C. Usability
 - D. System Efficiency
 - E. System Effectiveness
17. Which of the following information system can a manager of an organisation use to create scenarios and ask a system to predict possible solutions?
- A. Expert System
 - B. Decision Support System
 - C. Transaction Processing System
 - D. Database System
 - E. Office Automation System

18. The information system best suitable for high volume transactions and predetermined task is
- A. Data Processing System.
 - B. Management Information System
 - C. Transaction Processing System
 - D. Office Automation System
 - E. Spreadsheets
19. Which of the following is **NOT** an attribute of information?
- A. Must be relevant
 - B. Must be timely
 - C. Must be coded
 - D. Must be accurate
 - E. Must be reliable
20. System software is an important control part of the computer system for which of the following reasons
- A. Programmers cannot replace damaged/corrupted system software
 - B. Its backup does not always function reliably as original copy
 - C. Its operation demands special IT expertise
 - D. It performs overall control functions for programs that process data and data files quickly
 - E. It controls and protects computer systems from damage by virus

SECTION B: OPEN-ENDED QUESTIONS (80 MARKS)

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

QUESTION 1

- a. Describe briefly the purpose of cost accounting (2 Marks)
 - b. State **FIVE** attributes that make costing information useful to management (5 Marks)
 - c. Identify the **THREE** major parts of the cost accounting process on how data are transformed into information (3 Marks)
 - d. List and explain **FIVE** differences between cost accounting system and financial accounting system (10 Marks)
- (Total 20 Marks)**

QUESTION 2

- a. List and explain briefly **FOUR** methods of separating fixed and variable costs (8 Marks)
- b. The following information was extracted from the record of XYZ LTD

| Month | Actual Production (Units) | Actual Cost (₦) | Month | Budgeted Production (Units) |
|----------|------------------------------|--------------------|-----------|-----------------------------------|
| January | 4500 | 1,500,000 | July | 4800 |
| February | 2700 | 1,050,000 | August | 3200 |
| March | 6500 | 2,075,000 | September | 6000 |
| April | 5000 | 1,625,000 | October | 6600 |
| May | 8000 | 2,450,000 | November | 8200 |
| June | 5500 | 1,825,000 | December | 5800 |

Fixed costs increase by 20% when production is above 5,000 units. (12 Marks)
(Total 20 Marks)

Required:

Prepare the cost estimate for the period July to December.

QUESTION 3

WXYZ produces and sells one single product X and 30% of the monthly demands is kept as closing inventory for each month. The following information was obtained from the company's records:

Standard cost card

| | X |
|------------------------------|------|
| Material A (Kg) (₦5/Kg) | 4Kg |
| Material B (Kg) (₦4/Kg) | 1Kg |
| Direct labour (hrs) (₦10/hr) | 3Hrs |
| Direct cost (₦) | ₦22 |
| Selling price per Unit | ₦120 |

The demand for the next quarter in units is estimated as follows:

| | X |
|-------|--------|
| April | 40,000 |
| May | 35,000 |
| June | 50,000 |

Closing inventory as at end of current quarter are

| | |
|------------------|--------------|
| Material A | 60,000Kg |
| Material B | 15,000Kg |
| Finished Goods X | 20,000 Units |

Required:

Prepare for April, May and June:

- a. Production budget in quantity (5 Marks)
- b. Material purchase budget for production in quantity and value (12 Marks)
- c. Direct labour budget (3 Marks)

(Total 20 Marks)

QUESTION 4

- a. Information System and Technology is of great importance to business organisations.

Required:

- i. Distinguish clearly between information system and information technology. (4 Marks)
- ii. Enumerate any **THREE** basic functions of organisational information. (3 Marks)
- b. State any **THREE** benefits and **TWO** lapses of using information system. (5 Marks)
- c. State the function of each of the following business information systems and state **ONE** example in each case.
 - i. Manufacturing/Production system
 - ii. Sales and Marketing System
 - iii. Finance and Accounting System
 - iv. Human Resources System (8 Marks)

(Total 20 Marks)

QUESTION 5

- a. The world of Information Technology (IT) is constantly evolving with widespread innovations. You are required to define the following terminologies:
 - i. Enterprise Resource Planning (ERP)
 - ii. Supply Chain Management (SCM)
 - iii. Customer Relationship Management (CRM) (6 Marks)
- b. List any **SIX** benefits of supply chain management system (6 Marks)
- c. State any **FOUR** advantages of Enterprise Resource Planning (4 Marks)
- d. List any **FOUR** objectives of Customer Relation Management System (4 Marks)

(Total 20 Marks)

QUESTION 6

- a. Computer Storage devices consist of a number of cells for storing data and programs. You are required to:
- i. Define Direct Access storage device (2 Marks)
 - ii. List **TWO** advantages and **TWO** disadvantages of Direct Access storage device (4 Marks)
 - iii. State any **FOUR** purposes of secondary storage unit (4 Marks)
- b. List any **FOUR** examples of pointing devices used for input (2 Marks)
- c. State any **SIX** factors or features to be considered when acquiring a printer (3 Marks)
- d.
 - i. State any **SIX** sources of Application packages (3 Marks)
 - ii. List any **FOUR** operations performed by utility software (2 Marks)
- (Total 20 Marks)**

SECTION A

PART 1 - MULTIPLE CHOICE ANSWERS

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

Workings

2. Break-even in units = Fixed cost / Contribution per unit
 $1,800,000 / (1500 - 1050) = 4,000$ units
5. Expected output = Input Less normal loss (10%) = $6000 - 600 = 5,400$
Abnormal gain = Actual output – Expected output = $5600 - 5400 = 200$
6. Material price variance = $(SP - AP) * AQ$
 $AP = (118,900 / 20,500) = 5.8$
 $MPP = (5.5 - 5.8) * 20,500 = 6150$ Adverse

7. Break-even in units = Fixed cost / Contribution per unit
 $6,300,000 / (250 - 180) = 90,000$ units
9. $(1,000 \text{ units at } 13.5) + (1000 \text{ units at } 14.2) = 13,500 + 14,200 = 27,700$
10. Cost of sales = prime cost + Production overhead + Non production o/h

| | |
|---|---------------------|
| Prime cost = 800 + 700 + 400 | = 1,900 |
| Production overhead = 600 * 2 labor hours | = 1,200 |
| Non-Production overhead | = <u>950</u> |
| | <u><u>4,050</u></u> |

Examiner's report

This section contains 20 questions drawn from various parts of the syllabus.

The questions were attempted by all candidates and performance was above average, as about 65% of them scored at least 10 out of the 20 marks.

Candidates are advised to pay more attention to definitions and simple explanations in preparing for future examinations.

SOLUTION 1

(a) **Purpose of Cost Accounting**

The purpose of cost accounting is to provide detailed information for control, planning and decision-making.

(b) **Attributes of Costing Information**

- i. The cost accounting system must be appropriate to the organisation in which way services are provided or goods manufactured.
- ii. The reports, statements and analyses produced by the costing system must contain relevant information for the intended purpose.
- iii. The reports and statements must be produced at appropriate intervals and early enough to be effective.
- iv. The reports and statements must be addressed to the person responsible for planning/decision making /control.
- v. The information produced must be in a relevant form and to a sufficient degree of accuracy for the intended purpose.
- vi. **Completeness:** Information should include all information necessary for its purpose. However, information in management reports should not be

- excessive, because important information may be hidden in the unimportant information, and it will take managers too long to read and understand.
- vii. **Timeliness.** If information is provided too late for its purpose, it has no value. With the widespread computerization of accounting systems, including cost accounting systems, it might be appropriate for up-to-date management accounting information to be available on line and on demand whenever it is needed.
- viii. **Comparability.** In accounting, it is often useful to make comparisons, such as comparisons of current year results with previous years, or comparisons of actual results with planned results.

Its value must exceed its cost (Information must be cost effective).

(c) **Three major parts of cost accounting process**

- i. **Cost Accumulation:** Cost accounting is concerned with gathering data about the costs of products or services and the cost of activities.
- ii. **Cost Allocation:** Assigning cost objects to specific areas of the business e.g Department, products.
- iii. **Cost Analysis:** The cost accounting data is captured, stored and subsequently analysed to provide cost information to management.

(d) **Financial Accounting System**

Prepared to meet a legal or regulatory requirement

Used to prepare financial statements for shareholders and other external users.

Content usually specified by a regulatory framework

Prepared within a time frame specified by a legal or regulatory framework

Records revenues, expenditure, assets and liabilities

Used mainly to provide a historical record of performance and financial

Cost Accounting System

Prepared to meet the needs of the management

Used to prepare information for management (internal use) only.

Content specified by management of a company

Prepared within a timeframe specified by management

Records costs of activities and used to provide detailed information about costs, revenues, profits for specific products, operations and activities

Provides historical information, but also used extensively for forecasting

Examiner's report

This question tests candidates' knowledge of the rudiments of cost accounting, its purpose and usefulness, as well as comparison with financial accounting.

The question was attempted by about 50% of the candidates and performance was just average as about 60% of them scored 50% and above of the marks allocated to the question.

The major pitfall was that candidates did not consider the introductory part of the subject as important, therefore it was not duly reckoned with during their preparations.

Candidates are advised to always take cognisance of the introductory part of the subject during their preparations in the future.

Marking guide

| | Marks |
|---|-----------|
| a. 1 Mark each for the underlined key words | 2 |
| b. 1 Mark each for five points | 5 |
| c. 1 Mark each for the correct description before the or, points after the OR attracts ½ Mark | 3 |
| d. 1 Mark for each point under cost accounting and financial accounting | 10 |
| Total | 20 |

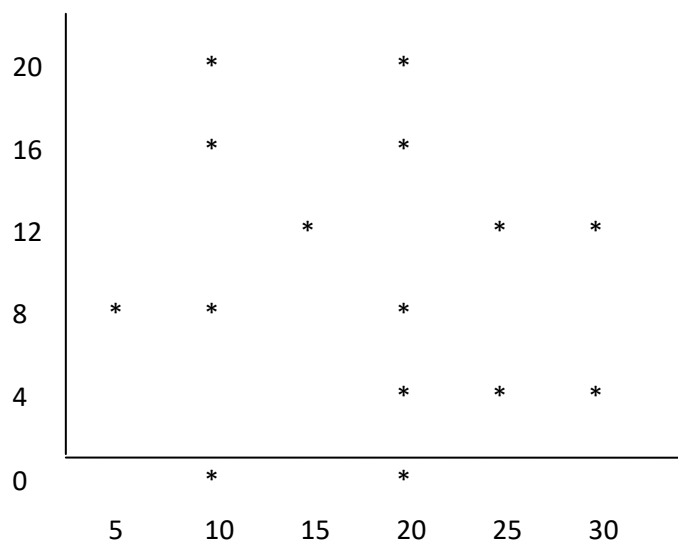
SOLUTION 2

(d) The following are cost estimation methods:

1. Engineering method
2. Account analysis method
3. Scatter Graph Method
4. High-Low method
5. Least-Squares method

1. **Engineering method:** The engineering method is based on the use of engineering analysis of technological relationships between inputs and outputs – for example methods study, work sampling and time motion studies. The approach is appropriate when there is a physical relationship between costs and the cost driver. This study is to make an analysis based on direct observations of the underlying physical quantities required for an activity and then convert the results into cost estimates.

2. **Accounts analysis method:** This method requires an inspection of each item of expenditure within the accounts for a particular period and then classify each item of expense as a wholly fixed, wholly variable or a semi-variable cost.
3. **Scatter Graph method:** This method involves plotting on a graph, the total costs for each activity level. The total cost is represented on the vertical (Y axis) and the activity levels are recorded on the horizontal (X axis). A straight line is fitted to the scatter of plotted points by visual approximation.



Example of a scatter graph

4. **High-Low method:** The high-low method consists of selecting the periods of highest and lowest activity levels; and comparing the changes in costs that result from the two levels. The fixed cost can be estimated at any level of activity (assuming a constant unit variable cost) by subtracting the variable cost portion from the total cost.
5. **The Least-Squares method:** This method determines mathematically, the regression line of best fit. It is based on the principle that the sum of the squares of the vertical deviations from the line that is established using the method is less than the sum of the squares of the vertical deviations from any other line that might be drawn.

| | | | |
|------------------------------|-----------------------------------|--------------|------------------|
| b. | | Units | Cost |
| Low level of production | | 2,700 | 1,050,000 |
| High level of production | | <u>5,000</u> | <u>1,625,000</u> |
| Difference | | <u>2,300</u> | <u>575,000</u> |
| Variable cost | $575,000/2300$ | = | 250 |
| Fixed cost | $1,050,000 - (2700 \times 250)$ | = | 375,000 |
| Fixed cost with 20% increase | $375,000 + (375,000 \times 20\%)$ | = | 450,000 |

| | July | August | September | October | November | December |
|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Production (units) | <u>4,800</u> | <u>3,200</u> | <u>6,000</u> | <u>6,600</u> | <u>8,200</u> | <u>5,800</u> |
| Variable cost (₦) | 1,200,000 | 800,000 | 1,500,000 | 1,650,000 | 2,050,000 | 1,450,000 |
| Fixed Cost (₦) | <u>375,000</u> | <u>375,000</u> | <u>450,000</u> | <u>450,000</u> | <u>450,000</u> | <u>450,000</u> |
| Total Cost (₦) | <u>1,575,000</u> | <u>1,175,000</u> | <u>1,950,000</u> | <u>2,100,000</u> | <u>2,500,000</u> | <u>1,900,000</u> |

Examiner's report

The question tests candidates' knowledge of methods of separating fixed costs and variable costs. It was attempted by about 85% of the candidates and performance was good as about 70% of them scored 50% and above of the marks allocated to the question.

However, some candidates had challenges recognising the effect of step fixed costs on the high and low method of cost separation.

It is desirable that candidates devote more attention to the gray areas of this topic when preparing for future examinations.

Marking guide

| | Mark | |
|--------------|---|------------------|
| a. | 1 mark for listing and 1 mark for the brief description | 8 |
| b. | Variable Cost | 1 |
| | Fixed Cost | 1 |
| | Fixed cost with 20% increase | 1 |
| | July | 1½ |
| | August | 1½ |
| | September | 1½ |
| | October | 1½ |
| | November | 1½ |
| | December | 1½ |
| | | <u>12</u> |
| Total | | <u>20</u> |

SOLUTION 3

Production budget

| | April Units | May Units | June Units |
|-------------------|----------------|---------------|---------------|
| Opening inventory | (20,000) | (12,000) | (10,500) |
| Demand | <u>40,000</u> | <u>35,000</u> | <u>50,000</u> |
| | 20,000 | 23,000 | 39,500 |
| Closing inventory | <u>12,000</u> | <u>10,500</u> | 15,000 |
| Production | <u>32,000</u> | <u>33,500</u> | <u>54,500</u> |

Material Purchase budget

| | | | |
|-----------------------------|-----------------|-----------------|-----------------|
| Production→ | 32,000 Kgs | 33,500 Kgs | 54,500 Kgs |
| A | | | |
| Material for production | 128,000 | 134,000 | 218,000 |
| Opening inventory | <u>(60,000)</u> | <u>(48,000)</u> | <u>(42,000)</u> |
| | 68,000 | 86,000 | 176,000 |
| Closing inventory | <u>48,000</u> | <u>42,000</u> | <u>60,000</u> |
| Material Purchased | <u>116,000</u> | <u>128,000</u> | <u>236,000</u> |
| Price (₦) | 5 | 5 | 5 |
| Value of Material Purchased | 580,000 | 640,000 | 1,180,000 |
| B | | | |
| Material for Production | 32,000 | 33,500 | 54,500 |
| Opening inventory | <u>(15,000)</u> | <u>(12,000)</u> | <u>(10,500)</u> |

| | | | |
|-----------------------------|----------------|----------------|----------------|
| | 17,000 | 21,500 | 44,000 |
| Closing inventory | <u>12,000</u> | <u>10,500</u> | <u>15,000</u> |
| Material Purchased | 29,000 | 32,000 | 59,000 |
| Price (N) | 4 | 4 | 4 |
| Value of Material Purchased | <u>116,000</u> | <u>128,000</u> | <u>236,000</u> |
| Direct Labour budget | | | |
| production (units) | 32,000 | 33,500 | 54,500 |
| Production hours | 96,000 | 100,500 | 163,500 |
| Rate | 10 | 10 | 10 |
| Direct Labour wages | 960,000 | 1,005,000 | 1,635,000 |

Examiner's report

This question tests candidates' knowledge of budgeting, particularly in the areas of production and material purchases.

The question was attempted by about 85% of the candidates and performance was good as about 70% of them scored 50% and above of the marks allocated to the question.

The major challenge faced by candidates was that some of them stopped at the computation of quantity of material purchase budget instead of extending their values.

Candidates are advised to acquire more understanding of this critical area from the Institute's Study Text.

Marking guide

| | | | | Mark |
|---------------------------------|---------------|---------------|---------------|-----------|
| Production budget | April | May | June | |
| Demand | | | | |
| Total | $\frac{1}{2}$ | $\frac{1}{2}$ | $\frac{1}{2}$ | |
| closing inventory | $\frac{1}{2}$ | $\frac{1}{2}$ | $\frac{1}{2}$ | |
| Production | $\frac{1}{2}$ | $\frac{1}{2}$ | $\frac{1}{2}$ | 5 |
| Material purchase budget | | | | |
| Total | $\frac{1}{2}$ | $\frac{1}{2}$ | $\frac{1}{2}$ | |
| closing inventory | $\frac{1}{2}$ | $\frac{1}{2}$ | $\frac{1}{2}$ | |
| materials purchased | $\frac{1}{2}$ | $\frac{1}{2}$ | $\frac{1}{2}$ | |
| Value of materials purchased | $\frac{1}{2}$ | $\frac{1}{2}$ | $\frac{1}{2}$ | |
| Value of material | | | | 12 |
| Direct labour budget | | | | |
| production hours | $\frac{1}{2}$ | $\frac{1}{2}$ | $\frac{1}{2}$ | |
| direct labour wages | $\frac{1}{2}$ | $\frac{1}{2}$ | $\frac{1}{2}$ | 3 |
| Total | | | | 20 |

SOLUTION 4

- a. (i) Information system is a combination of hardware, software, infrastructure and trained personnel that an organisation uses to collect, filter, process, create and disseminate data and information.

OR

Information system is a structured collection of hardware, software, data, people and processes that work together to collect, store, process and disseminate information to support the decision-making and control in an organisation.

Information Technology (IT) consists of the hardware, software, telecommunication, devices database management system and other information processing technologies used in computer-based information systems.

OR

It is the use of computers storage, networking and other physical devices, infrastructure and processes to create, process, store, secure and exchange all forms of electronic data.

ii. Three basic functions of an Organisation's information system

1. Existence of procedures for collecting and storing data about activities and transactions for an organisation.

OR

2. Existence of procedures for processing data into information that is useful for making decisions for management planning, execution and controlling activities.
3. Existence of procedures for communicating the processed data (information) to appropriate managers for decision making.

(4) b. Benefits of Information system

1. There is operational efficiency in that, it does routine tasks faster, cheaper, neater and more accurately
2. Functional effectiveness by using decision support software to enable managers make better decisions

3. Provision of better improved services by the use of automated teller machine (ATM), e-commerce and reservation systems used by travel agents.
4. Better product selection for sales by industries like banks, insurance companies, travel and financial services.
5. There is competitive advantage of providing and creating new products through IT over other companies.
6. Automation of routine tasks thereby freeing up employees to focus on more strategic work.
7. Information system streamlines workflows thereby reducing bottlenecks and improving overall efficiency.
8. Automation and efficiency gains from information system (IS) can lead to lower operating costs.
9. It enables access to real-time data, which allow for quicker decision making.
10. It can be used for identifying trends, patterns and insights that can inform business strategies.
11. It provides a central platform for communication and collaboration, thus facilitating seamless information-sharing.
12. It enables businesses to explore new business models and opportunities, thereby fostering innovations.
13. It can help businesses track inventory, manage stock levels and prevent stockout.
14. It helps businesses to manage customer data and interactions leading to better customer services and satisfaction.

Lapses of information system (IS)

1. Information system can automate tasks previously done by human workers leading to job losses in various sections.
2. There are economic and social challenges as workers struggle to adapt to changing job market.
3. Information system is vulnerable to cyber attacks, hacking and data breaches.
4. IS development, implementation and maintenance can be very expensive.
5. There is need for constant updates and maintenance.

6. When data is incorrect, or not updated regularly, IS can generate inaccurate or incomplete reports.
7. Collection and storing of vast amount of data in IS can raise privacy issues as per usage and protection.
8. Resistance to change as employees may struggle to adapt to the new information system.
9. There may be loss of data due to disaster and lack of regular data backup.

- c. i. Manufacturing/Production system- supply of data to operate, monitor and control the production processes.

OR

Manufacturing/Production System is responsible for supplying of data to operate, monitor and control the production processes involving transformation of data inputs (resources and labour) into outputs (goods/products and services).

OR

It is a system that transforms inputs (resources and labour) into outputs (goods/products and services).

Example: Purchasing, receiving, shipping, process control, robotics, inventory system, operations, quality control, resource management e.t.c.

- ii. Sales and Marketing system- A system that supports sales and marketing functions by facilitating the movement of goods and services from production to customers.

Examples: - Sales support- keeps customer records and follow-up

- Telemarketing- use of phone for selling.
- Order processing- processes orders, produce invoices, and supplies data for sales analysis and inventory control.
- Point- of-sales- captures sales data at cash register
- E-mail marketing
- Social media management
- Customer Relationship Management
- Marketing Automation platforms, etc.

- iii. Finance and accounting system- system that maintains records concerning the flow of funds in the firm and produces financial statements such as balance sheets and income statements.

Examples: cash management, loan management, securities trading check processing e.t.c.

OR

It is a system responsible for tracking and recording transactions, analysing financial data, summarising and report financial information for financial planning and control of the organisation.

- iv. Human Resources System- Systems that deal with recruitment, placement, performance evaluation, compensation and career development of the firm's employees.

Example: Personnel record keeping, applicant tracking, position, training and skill, benefits, time tracking and attendance management, Recruitment and hiring, performance management, reporting and analytics, e.t.c.

Examiner's report

This question test candidates' understanding of the difference between information system and information technology.

The question was attempted by about 60% of the candidates, but performance was just above average as about 55% of them scored 50% and above of the marks allocated.

Major pitfall was their inability to state the functions of the various information systems.

Candidates should devote more time to this important area in their future preparations.

Marking guide

| | | | Mark |
|--------------|--|---|-----------|
| a. (i) | 2 ticks each for correct distinction | 2 | 4 |
| a. (ii) | 1 tick for each characteristic | 1 | 3 |
| b. | 1 tick for each correct pin | 1 | 5 |
| | 2 ticks each for correct answer with example | 2 | 8 |
| Total | | | 20 |

SOLUTION 5

- a (i) Enterprise resource planning (ERP) is software solution that integrates and manages core business processes across various departments such as finance, human resources, supply chain, management manufacturing, procurement etc

OR

ERP is an integrated software package comprising set of functional modules (production, human resource, sales, and finance etc) integrate all sectional functions across organisations into a single system fulfilling the needs of all sections (departments).

OR

ERP is a comprehensive information system that supports the information needs of all the business functions in real time, including human resources, finance, sales, marketing, Customer Information etc.

- (ii) Supply chain management (SCM) is the process of planning, implementing and controlling the flow of goods, information and finances from the source to the consumer.

OR

SCM is the management of flow of goods, data and finances related to a product or service from procurement of raw materials to the delivery of the product to- its final destination.

OR

SCM is the alignment of firms including manufacturers, suppliers, transporters, warehouses, wholesalers, retailers and other intermediaries and customers that bring products or services to the market.

- (iii) Customer relationship management (CRM) is the process of using Information Technology to organise, automate and synchronise business processes, principally sales activities and others such as marketing, customer service and technical support.

OR

It is a combination of practices, strategies and technologies that organisations use to manage and analyse customer interactions and data throughout the customer lifecycle.

(b) Benefits of supply chain management system

- i. Develops better customer relationship and service.
- ii. Creates better delivery mechanisms for products and services in demand with minimum delay.
- iii. Improves productivity and business functions.
- iv. Minimises direct and indirect costs.
- v. Minimises warehouse and transportation costs.
- vi. Assists in achieving shipping of right product to the right place at the right time.
- vii. Enhances inventory management supporting the successful execution of just-in-time stock models.
- viii. Assists companies in adapting to the challenges of globalisation economic upheaval and expanding customer expectations.
- ix. Assists companies in minimising waste, driving down costs and achieving efficiencies throughout the supply chain process.
- x. SCM fosters stronger relationships between suppliers, manufacturers, distributors and retailers leading to better coordination, information sharing and problem solving.
- xi. Using SCM, organisations can effectively manage their supply chain to have competitive advantage over their rivals.
- xii. Optimizing and maintaining inventory levels to meet customer demand
- xiii. Better risk management in terms of identifying and mitigating potential risks in the supply chain.

(c) Advantages of enterprise resource planning (ERP)

- i. ERP allows the continuous flows of information across the entire organisation for improved operational performance, better performance and addresses problems of fragmentation of information.
- ii. It links together all the different departments of the organisation like manufacturing, finance, order management, human resources, suppliers and customers.
- iii. If implemented successfully, the system is the backbone of business intelligence of the organisation and provides an integrated view of all business processes.
- iv. ERP system increases pace of organisational change and effectiveness.
- v. There is maintenance of centralised database and information flow between different departments leading to removal of human errors, data duplication and automation of routine tasks.
- vi. It brings integration to all departments and functionality inside an organisation with the help of integrated computer system covering all the needs of the organisation.
- vii. There is improved customer service.
- viii. ERP solutions are built to make for excellent collaborations across different departments.

- ix. There is improved transparency and insights.
- x. Increased flexibility and scalability.
- xi. ERP solution standardises business processes.

(d) **Major objectives of customer relationship management system**

- i. Streamlines sales and marketing processes.
- ii. Higher Sales productivity.
- iii. Added Cross – selling and up- selling opportunities.
- iv. Improved service, loyalty and customer retention.
- v. Increased call centre efficiency
- vi. Better profiting and targeting
- vii. Increase worker share
- viii. Reduced cost of market share
- ix. Higher overall profitability
- x. Enticing former customers back into the company's fold.
- xi. Nurturing and retaining old customers that the company already has.
- xii. Funding, attracting and winning new customers to the company.
- xiii. Provides customer support to resolve issues quickly and maintain customer satisfaction.
- xiv. Consolidate all customer data in one place for easier access and better decision-making.
- xv. Simplifying operations by automating routine tasks to improve overall business efficiency.
- xvi. Automates tasks like data entry, follow-ups and reporting to save time and reduce errors.
- xvii. Generates detailed reports to track performance and customer trends.
- xviii. Keep customer information accurate and up-to-date to support analysis and decision-making.

Examiner's report

The question tests candidates' understanding of enterprise resource planning, supply chain management and customer relationship management.

This question was attempted by about 45% of the candidates but performance was below average, as only about 30% of them scored 50% and above of the marks.

The poor performance is a reflection of inadequate preparation. Candidates are advised to prepare for future examinations, using the Institute's Study Text.

Marking guide

| | | | Mark |
|--------------|-------------------------------------|---|------------------|
| a. | 2 ticks each for correct definition | 2 | 6 |
| b. | 1 tick each for correct benefit | 1 | 6 |
| c. | 1 tick each for correct advantage | 1 | 4 |
| d. | 1 tick each for correct objective | 1 | 4 |
| Total | | | <u>20</u> |

SOLUTION 6

a. (i) Direct access storage device is a device that allows for fast, random access to data regardless of the sequence or order in which they are stored.

(ii) **Advantages of direct access device**

- It has high data transfer speed.
- It has high storage capacity.
- Data can be accessed or addressed directly.
- Access time is relatively short.
- Data can be added or deleted quite easily.
- It is cost effective (inexpensive).
- It is relatively simple to set-up and manage requiring little technical skills.
- It can be very reliable when the host computer is functioning, offering high speed data access.

Disadvantages of direct access devices

- Storage devices are quite expensive.
- Data may be accidentally erased or overwritten.
- It is normally difficult to locate over-flow record on the media.
- Its capacity is fixed in that adding more storage often requires adding more hard drives.
- Lack of data sharing; only the host computer can access the device.
- If the host computer fails, the storage may be inaccessible.
- The device can be vulnerable to data loss if the host computer fails without proper backup measures.
- Limited capacity and poor scalability makes it unsuitable for large enterprise.

(iii) **Purposes of secondary storage unit in a computer system**

- Maintains a permanent store of data and programs, when not being used by the computer.
- Maintains a store for the program and data currently being used if main memory is not large enough to hold the entire data and program.
- Serves as a backup of data held in the main memory.
- Acts as a secondary input output device when the input is in magnetic form or output is required in a magnetic form.
- It stores a larger volume of data in that it has a very high volume capacity.

b. **Pointing devices used as input**

- i. Mouse
- ii. Joystick
- iii. Track ball
- iv. Touch screen
- v. Light pen
- vi. Touch pad
- vii. Computer mice etc
- viii. Stylus
- ix. Pointing stick
- x. Graphics tablets

c. **Factors/features to be considered when acquiring a printer**

- i. Speed of the printer
- ii. Quality of output from the printer
- iii. Range of print fonts
- iv. Graphic capabilities
- v. Cost of purchase of the printer
- vi. Cost of operation of the printer
- vii. Associated noise level.
- viii. Intended usage (documents, photos, graphics or mix)
- ix. Printer connectivity (wi-fi, Bluetooth or USB etc)
- x. Functions to be performed by the printer (single or multi-function)
- xi. Paper handling (paper capacity and its ability to handle different paper sizes)
- xii. Size and space to be occupied by the printer
- xiii. Warranty and support
- xiv. Printer maintenance
- xv. Post-purchase support.

d (i) **Sources of Application packages**

- Mail order from computer magazines and dairies
- Manufacturers of computers who also develop software
- Software houses which develop software
- Computer bureau and information centres
- Private organisations and institutions that develop software and made available to users for a fee
- Bulletin board on the internet
- In- house programmers that develop software as their official job routines
- Software piracy
- Software lease.
- Computer vendors
- Information technology firms
- Open source software
- Cloud-based software
- Subscription-based software
- Apps stores/software stores
- Online software repositories
- Direct download from developers
-

e. (ii) **Operations performed by utility software**

- File conversion from one medium to another
- File copy
- File re-organisation
- File maintenance
- Sorting in form of arranging a set of records into a certain order
- Data backup and restoration
- Disk management
- Task scheduling
- Virus detection and removal
- Firewalls
- System monitoring
- Error detection and correction
- Software installation and removal

Examiner's report

This question tests candidates' knowledge of storage devices and application software.

The question was attempted by about 60% of the candidates and performance was good as about 70% of them scored 50% and above of the marks allocated to the question.

However, some candidates could not state the purposes of secondary storage unit.

Candidates are advised to study this topic in the Institute's study text in their future preparations.

Marking guide

| | | | Mark |
|--------------|--|---------------|-----------|
| a. (i) | 2 ticks for correct definition | 2 | 2 |
| (ii) | 1 tick each for correct point | 1 | 4 |
| (iii) | 1 tick each for correct purpose | 1 | 4 |
| b. | $\frac{1}{2}$ tick each for correct example | $\frac{1}{2}$ | 2 |
| c. | $\frac{1}{2}$ tick each for correct factor/feature | $\frac{1}{2}$ | 3 |
| d. (i) | $\frac{1}{2}$ tick each for correct source | $\frac{1}{2}$ | 3 |
| (ii) | $\frac{1}{2}$ tick each for correct operation | $\frac{1}{2}$ | 2 |
| Total | | | 20 |

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA**FOUNDATION LEVEL EXAMINATION – MAY 2025****BUSINESS, MANAGEMENT & FINANCE****EXAMINATION INSTRUCTIONS****PLEASE READ THESE INSTRUCTIONS BEFORE THE COMMENCEMENT OF THE PAPER**

1. Check your pockets, purse, mathematical set, etc. to ensure that you do not have prohibited items such as telephone handset, electronic storage device, programmable devices, wristwatches or any form of written material on you in the examination hall. You will be stopped from continuing with the examination and liable to further disciplinary actions including cancellation of examination result if caught.
2. Write your **EXAMINATION NUMBER** in the space provided above.
3. Do **NOT** write anything on your question paper **EXCEPT** your examination number.
4. Do **NOT** write anything on your docket.
5. Read all instructions in each section of the question paper carefully before answering the questions.
6. Do **NOT** answer more than the number of questions required in each section, otherwise, you will be penalised.
7. All solutions should be written in **BLUE** or **BLACK INK**. Any solution written in **PENCIL** or any other **COLOUR OF INK** will not be marked.
8. You are required to attempt **ALL questions** in **Section A** and any **FOUR** out of the **SIX** questions in **SECTION B**.
9. Check that you have collected the correct question paper for the examination you are writing.

WEDNESDAY, MAY 21, 2025**DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO**

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
FOUNDATION LEVEL EXAMINATION – MAY 2025

BUSINESS, MANAGEMENT & FINANCE

Time Allowed: 3¼ hours (including 15 minutes reading time)

SECTION A: MULTIPLE-CHOICE QUESTIONS (20 MARKS)

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

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

1. An individual who sets up a business on his or her own, without creating a company, is a
 - A. Quasi partner
 - B. Loan provider
 - C. Sole proprietor
 - D. Sleeping partner
 - E. Prospective shareholder

2. Which of the following is **NOT** a reason for entering into a joint venture arrangement?
 - A. Intellectual property concerns
 - B. Access to competence and skills
 - C. Opportunity to share business risk
 - D. Access to a new or an emerging market
 - E. Improved efficiencies occasioned by combining assets and operations

3. Demography concerns a specific aspect of society, such as its size, spread and distribution. Which of the following examples truly reflects social and demographic change in Nigeria in recent years?
 - A. Population growth is at par with the rate of growth in public infrastructure
 - B. Unemployment has been on a rapid downward slope
 - C. A negligible number of children are out of school
 - D. Nigeria's culture favours small families
 - E. Nigeria has a population boom

4. Which of the following reports present a summarised description of the historical financial performance of the organisation, its achievements and problems experienced during the period under review?
- A. Chairman's performance report
 - B. Chairman's appraisal report
 - C. Chairman's progress report
 - D. Chairman's annual report
 - E. Chairman's project report
5. Which of the following should **NOT** be done when communicating on the internet?
- A. Educate yourself about a site before joining
 - B. Carelessness about what is shared
 - C. Change passwords frequently
 - D. Logging off after visiting a page
 - E. Deletion of browsing history
6. Which of the following features of the Accounting Rate of Return (ARR) method of investment appraisal is **INCORRECT**?
- A. It uses concepts that are familiar to business managers
 - B. It does not give us an absolute return
 - C. It is fairly easy to understand
 - D. It is easy to calculate
 - E. It is based on cash flows
7. A set of assumptions that a group of people working together have invented, discovered and developed by learning how to deal with problems that the organisation faces internally and in its external environment is termed organisational
- A. climate
 - B. politics
 - C. culture
 - D. learning
 - E. ecology
8. Marketing function in an organisation includes the following, **EXCEPT**:
- A. Direct selling
 - B. Advertising
 - C. Logistics
 - D. Sales promotion
 - E. Sales insurance

9. One of the following is **NOT** an outcome of research and development function in an organisation.
- A. Production of new and improved product
 - B. Lower cost of a new product or services
 - C. Introduction of new processes into operational use
 - D. Development of new, healthier content of the product
 - E. Negotiation of terms of agreement of new product
10. The hierarchy of needs theory is a simple and logical idea about human motivation, but it has significant weaknesses and limitations. Which of the following is **NOT** a limitation of the hierarchy of needs?
- A. Individuals have different needs
 - B. The needs of individuals are not necessarily in the suggested hierarchical order
 - C. Many individuals seek to satisfy different needs at different times.
 - D. The same need may cause different reactions and responses from different individuals.
 - E. Maslow's theory is vague about the nature of self-actualisation needs.
11. Which of the following attributes does **NOT** describe top-rated bonds?
- A. 'Triple-A- Rated'
 - B. Enjoys lower credit risk
 - C. There is a high risk of default
 - D. The yield paid to bondholders are lower
 - E. Issued by companies with a higher credit rating
12. Which of the following is an advantage of a joint venture?
- A. Flexibility can be restricted
 - B. It has indistinguishable and unrealistic objectives
 - C. It has lower risk because of limited lifespan and short-term commitment
 - D. The degree of partners' involvement may not be equal
 - E. Clash of cultures and management styles may impair the success of the venture
13. Which of the following is a feature of a company limited by guarantee?
- A. It must have one director only
 - B. It must have one guarantor only
 - C. It must have one director and one guarantor
 - D. the director and guarantor can be the same person
 - E. the director and guarantor cannot be the same person

14. An arrangement by which several separate companies share their resources and activities to pursue a joint strategy is called
- A. Cartel
 - B. Joint venture
 - C. Strategic alliance
 - D. Franchise agreement
 - E. Partnership agreement
15. Which of the following is economically correct?
- A. A decrease in price leads to a decrease in demand
 - B. An increase in price leads to an increase in demand
 - C. The quantity of a good that suppliers are willing to sell rises when the price of the good falls
 - D. The quantity of a good that suppliers are willing to sell rises when the price of the good rises
 - E. The quantity of a good that suppliers are willing to sell falls when the price of the good rises
16. Which of the following is **NOT** a feature of monopolistic competition?
- A. Firms engage in some form of marketing
 - B. Knowledge is widespread but not perfect
 - C. There are many producers and many consumers
 - D. Brand loyalty exists, making demand less sensitive to price
 - E. There are no barriers to firms entering or leaving the market
17. Performance can be measured and evaluated with the key performance objectives. Which of the following is **NOT** a way to measure quality of performance?
- A. Average time between receiving an order and completing the work
 - B. Average number of defects per unit produced
 - C. Percentage of items rejected or scrapped
 - D. Number or cost of warranty claims
 - E. Number of customer complaints
18. Frederick Herzberg carried out some research into factors that motivate - individuals in their work. Which of the following is a factor that causes satisfaction?
- A. Company policy
 - B. Relationship with the boss
 - C. Responsibility
 - D. Supervision
 - E. Working conditions

19. Which of the following is a top priority component of a business report?
- A. Objective
 - B. Reader
 - C. Structure
 - D. Subject
 - E. Writer
20. Total removal of petroleum subsidy is considered beneficial to Nigeria on the long run. Which of the following would **NOT** be considered an immediate benefit to the country if and when petroleum subsidy is removed?
- A. Reduced borrowings
 - B. Less pressure on foreign reserves
 - C. Reduced production costs in the industry
 - D. Government gains access to funds to develop infrastructure
 - E. Encourages local investment and foreign direct investment in the oil sector.

SECTION B: OPEN-ENDED QUESTIONS (80 MARKS)

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

QUESTION 1

- a. When companies expand their business outside their home country, they will usually begin as an international company, but may eventually develop into a global company.
- i. Describe an international and a global company. (2 Marks)
 - ii. Explain in a tabular form **FOUR** distinguishing factors of an international and a global company. (8 Marks)
- b. Many large companies are actively committed to reducing the environmental impact of their activities as a result of growing awareness of the subject matter. List **SIX** possible methods by which businesses might limit their negative environmental impact on the society. (6 Marks)
- c. A sustainable business is any organisation that participates in environmentally friendly or green activities to ensure that all processes, products and manufacturing activities adequately address current environmental concerns while maintaining a profit. State **FOUR** distinguishing features of a green business. (4 Marks)
- (Total 20 Marks)**

QUESTION 2

- a. Meetings range from the more formal board meetings to much more informal team meetings. List and briefly describe the contents of a typical meeting agenda. (5 Marks)
 - b. Describe **FIVE** phenomena that can be explained using emotional intelligence. (5 Marks)
 - c. Electronic communication is the essence of modern technologies and it plays an important role in modern business and society. Describe **FIVE** benefits and **FIVE** drawbacks of electronic communication. (10 Marks)
- (Total 20 Marks)**

QUESTION 3

- a. What is conflict of interest? (2 Marks)
 - b. An effective manager needs to know what motivates employees. Briefly explain the **FIVE** causes of conflict among employees in an organisation. (10 Marks)
 - c. Define the term “stakeholder”. (2 Marks)
 - d. List and explain any **THREE** internal stakeholders of a company. (6 Marks)
- (Total 20 Marks)**

QUESTION 4

- a. Bruce Tuckman (1965) provided an analysis of how small teams develop and change character over time. Based on his idea, you are required to describe the **FIVE** stages of team development. (10 Marks)
 - b. Management theorists differ on what management can do to improve the motivation of their employees. Briefly explain the views of **FOUR** management theorists on how individuals can be motivated. (10 Marks)
- (Total 20 Marks)**

QUESTION 5

- a.
 - i. Why are matters associated with public interest so important for accountants? (3 Marks)
 - ii. Using **FIVE** examples, explain matters that can be associated with public interest. (5 Marks)
 - b.
 - i. Describe whistleblowing. (2 Marks)
 - ii. Explain **FIVE** safeguards created by the profession, legislation or regulation to eliminate threats or reduce them to an acceptable level. (10 Marks)
- (Total 20 Marks)**

QUESTION 6

Steady Ltd wants to buy a new item of equipment which will be used to provide better services to the customers of the company. Two models of equipment are available, one with a slightly higher capacity and greater reliability than the other. The expected costs and profits of each equipment are as follows:

| Equipment | SPED | XPRS |
|-----------------------------|----------|------------|
| Capital Cost | ₦800,000 | ₦1,500,000 |
| Life span | 5 years | 5 years |
| Profits before depreciation | ₦ | ₦ |
| Year 1 | 600,000 | 600,000 |
| Year 2 | 500,000 | 600,000 |
| Year 3 | 400,000 | 500,000 |
| Year 4 | 300,000 | 500,000 |
| Year 5 | 200,000 | 300,000 |
| Disposal value | 50,000 | 0 |

The company's target ARR is 30%.

Which of the **TWO** equipment should be selected, if any?

(Total 20 Marks)

SECTION A

MULTIPLE-CHOICE QUESTIONS

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

Marking guide

1 Mark each for any correct option

SECTION B

OPEN-ENDED QUESTION

SOLUTION 1

- a. (i) An international company is a company with all or most of its production operations in a single country. Most of its senior managers are nationals of the country. The company sells its products in different countries through local sales agents or local sales offices in each country, or using international sales representatives.

A global company is a company with operations in a large number of different countries, making a similar range of products or providing a similar range of services.

(ii) **International company**

- Management makes strategic decisions for each foreign market individually.
- Products are adapted and designed to the requirements of the local market.
- Marketing (for example, advertising) is adapted in each country to suit the local culture.
- Countries are selected as a target for production and sales entirely based on their potential for profitability.
- The aim is to optimise the value chain in each country of operation.
- An international company often has the culture of the country where its head office is based.

Global company

Management develops worldwide strategies for all its markets.

The company produces core products, which are standardised for all markets and have minimal design changes for individual national markets.

There is a uniform approach to marketing in all countries, with only small variations.

Countries are chosen for their ability to contribute to the integrated global strategy.

The value chain is broken up, and different parts of the value chain are in different countries. The aim is to optimise the value chain globally.

A global company develops a global culture. Its senior managers are likely to come from different countries.

b. **SIX** possible methods by which businesses might limit negative environmental impact on the society.

- i. Improved energy efficiency
- ii. Investment in renewable energies
- iii. Sourcing goods locally to reduce transport costs
- iv. Investment in IT to make inventory control more effective – this should lead to less waste
- v. Investment in more efficient production technologies to reduce waste
- vi. Reducing packaging.

c. **FOUR** distinguishing factors of a green business.

- i. Incorporates principles of sustainability into each of its business decisions
- ii. Supplies environmentally friendly products in place of non-green products
- iii. Increasing awareness of climate change
- iv. Has made an enduring commitment to environmental principles in its business operations.
- v. Commitment to fair labour practices and community development.
- vi. Clear reporting on environmental impact and sustainability efforts.
- vii. Continuous development of eco-friendly technologies and products.

Marking guide

| | | Marks | Marks |
|-----|---|----------|------------------|
| (a) | i. Definition and explanation of international company. | 1 | |
| | Definition and explanation of global company. | <u>1</u> | 2 |
| | Any four distinguishing factors of international company. | 4 | |
| ii. | Any four distinguishing factors of a global company | <u>4</u> | 8 |
| (b) | Six methods limiting negative environmental impact on society | | 6 |
| (c) | Any four distinguishing factor of a green business. | | 4 |
| | Total | | <u><u>20</u></u> |

SOLUTION 2

(a) The contents of a typical meeting agenda

- i. Approval of the minutes of the previous meeting
- ii. Discussion of matters arising from the previous meeting, if this is needed
- iii. The agenda items: The chairman takes the meeting through each agenda item in turn. The matter is discussed and where appropriate, a plan of action is agreed upon. One of the individuals at the meeting is made responsible for putting the plan of action into practice
- iv. Any other business which implies any other matters not originally listed on the agenda.
- v. Date of the next meeting. The meeting closes with an agreement on the date and location of the next meeting.

(b) Five phenomena that can be explained using emotional intelligence (EI)

- i. **Bullying**
Bullying is an abusive social interaction between peers which can include aggression, harassment and violence. Bullying is typically repetitive and enacted by those who are in a position of power over the victim. A growing body of research illustrates a significant relationship between bullying and emotional intelligence.
- ii. **Job performance**
Though there are conflicting reports of correlation between EI and job performance, recent findings have shown that EI contributes to performance in emotionally demanding job situations, leading to the concept of emotional exhaustion (burnout) contributing negatively to performance
- iii. **Leadership**
Although EI plays a positive role in leadership effectiveness, what makes a leader effective is what he or she does with his role, rather than his interpersonal skills and abilities
- iv. **Health**
Recent studies have shown that people with higher emotional intelligence enjoy better physical and mental health

v. **Self-esteem and drug dependence**

Researchers discovered that subjects with low emotional intelligence scores had low self-esteem and a high incidence of drug dependence.

(c) **Five benefits of electronic communication**

i. **Facilitates quick transmission of information:**

The greatest advantage of electronic communication is the quick transmission of information

ii. **Enhances communication of large volumes of information:**

The large volume of information can be sent with the help of electronic devices

iii. **Enables wide coverage**

Information can be transmitted to receivers in different geographical locations in real time

iv. **Reduces communication costs**

Electronic communication not only saves time but also money

v. **Facilitates instant business decisions**

With the help of electronic communication, managers can make instant or quick decisions.

vi. **Information Storage**

Electronic devices can store vast amounts of data, which can be retrieved and used as needed.

Five draw backs of electronic communication

i. **Information and data overload**

Many small and medium organisations are overwhelmed with the abundance of data and information available for use. This suffusion of information, delivered at lightning speed, makes it difficult for business owners to manage the quantum of information

ii. **The cost of development**

Electronic communication requires a huge investment in infrastructural development. Frequent change in technology also demands further investment.

iii. **Undelivered information**

Information may not be delivered due to a system error or fault with the technology. Hence, the required service may be delayed or not even delivered.

iv. **Dependence on developed countries**

Developing countries depend on developed countries for new technology infrastructure, which they cannot afford; hence, they depend on developed countries for housing and sharing the global network

v. **Over-dependence on technology**

Many organisations are deskilling in areas of technical competence due to over-dependence on technology. Whenever technology fails, organisations find it difficult to cope as core skills required to run the organisations have been lost to technology.

- vi. **Loss of vital information**
Most vital information is electronically stored; hence, when there is a technology failure or a cyber attack, this information may be lost irretrievably, except where the organisation has a good backup arrangement.
- vii. **Loss of confidentiality**
The deployment of technology in the dissemination of information accentuates the risk of loss of confidentiality of this information.
- viii. **Rapid changes in technology**
Rapid changes in technology create disruptions to the extent that most organisations in developing economies find it difficult to cope with the pace of changes to the technology and infrastructure. **(Total 20 Marks)**

Marking guide

| | Marks | |
|--|-------|-----------|
| (a) Any five items of a typical meeting agenda correctly mentioned. | 5 | |
| (b) Any five phenomenon that can be explained using the emotional intelligence. Mentioned. | 5 | |
| (c) Any five benefits of electronic communication correctly described. | 5 | |
| Any five drawbacks of electronic communication correctly described. | 5 | 10 |
| Total | | 20 |

SOLUTION 3

- a. Conflict of interest arises when an accountant has a duty to two or more parties. An accountant is obligated to serve two or more parties whose interests may diverge, creating a risk that the accountants' judgment or actions could favour one party over another. This situation challenges the accountant's objectivity and professional integrity while fulfilling their responsibilities to all parties.
- b. Causes of conflict may be any of the following:
 - i. Conflict can arise when individuals are unclear about their respective areas of responsibility, so that one person believes that another is trying to take away his authority and responsibility. Conflict occurs because each individual believes that he has the responsibility for doing something and it is not the responsibility of the other person;
 - ii. In the same way, conflict can arise when workgroups are unclear about their respective areas of responsibility. Each workgroup believes that it has the decision-making responsibility and not the other group;
 - iii. Conflict may occur when one person or group thinks that another person or group is deliberately trying to spoil what he or she is trying to do, by being deliberately unhelpful or critical. For example, there may be conflict between the operations division and finance department of a company, if the operations division management want to invest in new equipment and the

finance department management will not allow them to have the money to invest;

- iv. In some situations, conflict may occur when two workgroups are pursuing incompatible objectives. Similarly, conflict may occur between management and trade union representatives, because management act in the best interests of the organisation and its owners, and the trade union representatives try to get the best terms of employment for their members;
- v. On a personal level, conflict can arise when one individual thinks he can tell another person what to do, but the other person refuses to follow his instructions or recognise his authority;
- vi. Conflict may even occur when operational managers are advised by 'specialist' advisers. The operational managers may feel that the specialists are being deliberately unhelpful in the advice they give. The specialists might feel that their advice is being wasted when it is ignored;
- vii. Conflict may occur due to the nature of the work involved, so that for one person or group to 'succeed', another group has to 'fail'. Operational departments may have conflicts with regulators and checkers (including auditors) for this reason;
- viii. Conflict may be 'political'. Political conflict may occur at the most senior level of the organisation, for example among the directors and senior managers of a company. One group of managers and directors may form a 'clique' that sees itself in conflict with another group, with disputes over matters such as company strategy and senior management promotions and appointments;
- ix. Conflict might arise due to personality differences and natural ways of approaching a task. For example, there may be conflict between a conservative employee who favours a measured and structured approach to implementing a new piece of technology (such as reading the instruction manual in full before trying the new system) versus a more adventurous and care-free employee who favours a 'try it, see what happens and worry later' approach;
- x. Non-compliance with rules, regulations and policies can be a common cause for conflict between those breaching the rules and those advocating compliance;
- xi. Simple misunderstanding through ineffective communication can be another common cause of conflict in the workplace. For example, written communication may not easily convey body language or elicit constructive dialogue and hence may misrepresent the tone with which it was sent. The message received by the reader may also be biased by the mood of the receiver. Hence a light-hearted joke or reference may be interpreted seriously and cause offence leading to conflict; and
- xii. Conflict may arise where quotas and incentives generate competition for a scarce resource. Whilst on the one hand healthy competition can be a good motivator, it can also lead to destructive and divisive behaviour such as sabotage and deliberate misinformation.

- c. A stakeholder in an organisation is an individual or entity who has an interest or stake in the activities, outcomes or objectives of the organisation and they may seek to actively influence the decisions, strategies, or actions of the organisation to align with their interests or goals.
- d. The main categories of internal stakeholder groups in a company are usually the following.
- i. **Shareholders**
The shareholders themselves are a stakeholder group. Their interest is to obtain a suitable return from their investment and to 'maximise their wealth'. However, there might be different types of shareholders in a company: some shareholders are long-term investors who have an interest in longer-term share price growth as well as short-term dividends and gains. Other shareholders might be short-term investors, hoping for a quick capital gain and /or high short-term profits and dividends.
 - ii. **Directors and senior managers**
An organisation is led by its board of directors and senior executive management. These are individuals whose careers, income and personal wealth might depend on the company they work for.
 - iii. **Employees**
Similarly, other employees in a company have a personal interest in what the company does. They receive their salary or wages from the company, and the company might also offer them job security or career prospects. However, unlike directors and senior executives, employees might have less influence on what the company does, unless they have strong trade union representation or have some other source of 'power' and influence, such as specialist skills that the company needs and relies on.

Marking guide

| | Marks | Marks |
|--|----------|------------------|
| (a) Correct description of 'Conflict of interest'. | | 2 |
| (b) Any five causes of conflict | | 10 |
| (c) The term 'stakeholder'. | | 2 |
| (d) Any three internal stakeholders listed | 3 | |
| Explanation of the internal stakeholders listed | <u>3</u> | <u>6</u> |
| Total | | <u>20</u> |

SOLUTION 4

(a) Bruce Tuckman's five stages of team development

i. Forming

The team is a collection of individuals, but their roles and responsibilities within the team are unclear. There is a high level of dependence on the team leader for guidance and direction. The team leader must therefore direct the team members and tell them what to do.

ii. Storming

During this stage, decisions do not come easily. There is usually conflict between team members and the attitudes, norms and preconceptions of individuals are challenged by other team members. Team members compete with each other for status and position within the team. There may be cliques and factions, and power struggles amongst them. However, there is an improvement in the clarity of the purpose of the team and its goals. The role of the leader is to act as a coach to the team members and to encourage them to focus on the team's tasks rather than on relationships and emotional issues. The leader also encourages team members to embrace compromise in settling conflicts.

iii. Norming

During the norming stage of team development, the team develops norms of behaviour and operating. The roles of the team members become clear. The way in which decisions are taken is also established. Major decisions are taken by the team collectively, with all team members contributing to the decision-making process. Commitment to the tasks of the team and team unity is strong. The team leader can use a participative style of management so that team members take on greater responsibility for decisions.

iv. Performing:

During the fourth stage of team development, performing, the team operates at its full potential. The team members are strategically aware and they understand why the team exists and what it is trying to achieve. The team members are also able to get on with their jobs without interference from the team leader and do not need to be told what to do. The role of the team leader is to delegate new tasks and oversee performance. Disagreements may occur between team members, but these are resolved in a friendly and constructive way.

v. Dorming:

There are various ways of describing this phase which is also known as adjourning, deforming and mourning

The group may break up, having achieved its purpose. The members of the team may feel a sense of loss and the break-up of the team may be stressful for them, particularly if it is unplanned and unexpected.

Alternatively, the team may lose its efficiency and might lose its ability to make good decisions. Members of the team may share common views that ignore developments in their business environment and changing circumstances. Keeping the group in existence becomes the prime objective of the team members, rather than the achievement of the team's work objectives. It may be necessary to break up the team.

(b) The views of five management theorists on how individuals can be motivated.

- i. There is a view that management must get the basic things right. First, they must offer a fair pay structure for staff and fair employment policies (Maslow) or to prevent dissatisfaction from employees (Herzberg).
- ii. Herzberg argued that management should take some measures to prevent dissatisfaction but that a completely different approach is also needed to create motivation. Herzberg believed that job enrichment was a key to better motivation.
- iii. Adams argued that the reward system should be seen to be fair, however, rewards can be intrinsic as well as extrinsic, such as higher pay.
- iv. McGregor and Argyris argued in favour of a participative style of management and getting employees involved in problem-solving and decision-making. They argued that this management style gets more out of employees, and this improves the performance of the organisation.
- v. McClelland argued that the best leaders were individuals with a need for achievement. Management should therefore try to identify and develop high achievers.
- vi. Maslow believed that individuals are motivated by a hierarchy of needs, starting from basic physiological needs up to self-actualisation. According to him, managers must first satisfy lower-level needs (such as fair pay, job security, and safe working conditions) before employees can be motivated by higher-level needs such as belonging, esteem, and personal growth.
- vii. McGregor proposed two opposing views (Theory X and Theory Y). Theory X is based on the belief that employees are naturally lazy, avoid responsibility and require close supervision to perform effectively. In contrast, Theory Y assumes that employees are inherently motivated, seek responsibility and can be trusted to contribute meaningfully to organisational goals. McGregor believed that adopting a Theory Y approach, where employees are involved in decision-making and given the freedom to take initiative leads to higher levels of motivation, engagement and productivity.
- viii. Vroom emphasised the importance of expectancy – the belief that effort will lead to performance and that performance will lead to desirable rewards. Managers can motivate employees by encouraging them, providing adequate

resources and training and ensuring that rewards are meaningful and linked to performance outcomes.

- ix. One of the factors affecting the strength of motivation is the belief that the individual's efforts will lead to better performance. Managers should therefore try to increase the strength of this expectancy. Vroom argued that managers should give encouragement and advice to their employees, give them the resources they need to accomplish their tasks and, where necessary, give them suitable training.
- x. It can also be argued that managers can motivate staff by providing inspiring leadership.

Marking guide

| | Marks | Marks |
|---|-------|------------------|
| (a) Correct description of five stages of team development | | 10 |
| (b) The views of four management theorists on how individuals can be motivated. | | 10 |
| Total | | <u>20</u> |

SOLUTION 5

- (a) i. Matters associated with public interest are important for accountants because the accountancy profession has a fundamental responsibility to act in the public interest. Accountants are expected not to exclusively satisfy the interests of a particular client or employer, especially when those interests conflict with public interest. When the demands or needs of a client or employer appear to be contrary to the public interest, accountants should consider the public interest.
- ii. **Five examples of matters that can be associated with public interest.**
- Detecting and reporting any serious misdemeanour or crime
 - Protecting health and public safety
 - Preventing the public from being misled by a statement or action by an individual or an organisation
 - Exposing the misuse of public funds and corruption in government
 - Revealing the existence of any conflict of interest of those individuals who are in a position of power or influence.
- (b) i. **Whistleblowing**
- Whistleblowing is the act of disclosing information about illegal or unethical practices to a person in authority. It involves reporting misconduct such as fraud, corruption, or violations of laws and regulations, usually to stop the wrongdoing and protect the public interest or the integrity of the organisation.

- (ii) **Safeguards created by the profession, legislation or regulation**
- **Educational, training and experience requirements for entry into the profession**
This refers to the requirements for individuals to have formal education, practical training, and relevant work experience as a precondition for membership of a professional body. These ensure that only competent and well-prepared individuals enter the profession.
 - **Continuing professional development requirements**
This involves the continuing professional development (CPD) requirements for qualified members, ensuring they maintain and enhance their knowledge and skills throughout their careers to remain professionally competent.
 - **Corporate governance regulations**
These are regulations, particularly those relating to auditing, financial reporting and internal control, which guide how organisations are governed and how financial information is managed and disclosed responsibly.
 - **Professional standards**
These include professional standards such as financial reporting standards and auditing standards that provide consistent frameworks for ethical and high quality professional work.
 - **Professional or regulatory, monitoring and disciplinary procedures:**
These refer to the monitoring procedures and disciplinary mechanisms established by professional bodies or regulators to detect non-compliance and impose appropriate sanctions, when necessary.
 - **Complaint system**
Effective, well-publicised complaint systems operated by the employing organisation, the profession or a regulator, which enable colleagues, employers and members of the public to draw attention to unprofessional or unethical behaviour.
 - **Reporting breaches of ethical requirements**
An explicitly stated duty to report breaches of ethical requirements placed on members of a profession.

Marking guide

| | Marks | Marks |
|--|-------|-----------|
| (a) i. Correct explanation of the reasons why matter that are associated with public interest are so important for accountants. | 3 | |
| ii. Correct explanation of an example of matters that can be associated with public interest. | 5 | 8 |
| (b) i. Correct description of the term whistleblowing. | 2 | |
| ii. The safeguards created by the profession, legislation or regulation to eliminate threats or reduce them to an acceptable level | 10 | 12 |
| Total | | 20 |

SOLUTION 6

| | SPED ₦ | XPRS ₦ |
|---|--|--|
| Total profits before depreciation | 2,000,000 | 2,500,000 |
| Total depreciation | (750,000) | (1,500,000) |
| Total profits after depreciation | 1,250,000 | 1,000,000 |
| Average profits (5 years) | 250,000 | 200,000 |
| Value of investment at the beginning | 800,000 | 1,500,000 |
| Value of investment at the end i.e. scrap value | 50,000 | 0 |
| Average value of investment | $800,000 + 50,000 / 2$ 425,000 | $1,500,000 + 0 / 2$ 750,000 |
| ARR | $250,000 / 425,000 \times 100\%$ 58.82% | $200,000 / 750,000 \times 100\%$ 26.67% |

Equipment SPED should be selected.

It gives a higher ARR at 58.82%, which is more than the company's target ARR of 30%.

Workings

Accounting Rate of Returns

$$\text{ARR} = \frac{\text{Estimated average profit}}{\text{Estimated average investment}} \times 100\%$$

Where:

$$\text{Average annual Profit} = \frac{\text{Total profit after depreciation}}{\text{Number of years of the project}}$$

$$\text{Average Investment} = \frac{\text{initial investment} + \text{disposable value}}{2}$$

$$\text{Annual Depreciation} = \frac{\text{initial investment} - \text{disposable value}}{\text{Number of useful years}}$$

$$\text{Total depreciation} = \text{initial investment} - \text{disposable value}$$

$$\begin{aligned} \text{Total profits before depreciation (SPED)} &= \\ \text{₦}\{600,000 + 500,000 + 400,000 + 300,000 + 200,000\} &= \text{₦}2,000,000 \end{aligned}$$

$$\begin{aligned} \text{Total profits before depreciation (XPRS)} &= \\ \text{₦}\{600,000 + 600,000 + 500,000 + 500,000 + 300,000\} &= \text{₦}2,500,000 \end{aligned}$$

$$\begin{aligned} \text{Total depreciation (SPED)} &= \\ \text{Initial Investment} - \text{Disposable value} &= \text{₦}800,000 - \text{₦}50,000 = \text{₦}750,000 \end{aligned}$$

Total depreciation (XPRS) =
 Initial Investment - Disposable value = ~~₦1,500,000~~ - ~~₦0~~ = ~~₦1,500,000~~

Total Profit after Depreciation (SPED) = ~~₦2,000,000~~ - ~~₦750,000~~
 = ~~₦1,250,000~~

Total Profit after Depreciation (XPRS) = ~~₦2,500,000~~ - ~~₦1,500,000~~
 = ~~₦1,000,000~~

Average annual Profit (SPED) = $\frac{1,250,000}{5}$
 = ~~₦250,000~~

Average annual Profit (XPRS) = $\frac{1,000,000}{5}$
 = ~~₦200,000~~

Average Investment (SPED) = $\frac{\del{₦800,000} + \del{₦50,000}}{2}$
 = ~~₦425,000~~

Average Investment (XPRS) = $\frac{\del{₦1,500,000} + \del{₦0}}{2}$
 = ~~₦750,000~~

ARR (SPED) = $\frac{\del{₦250,000}}{\del{₦425,000}} \times 100\% = 58.82\%$

ARR (XPRS) = $\frac{\del{₦200,000}}{\del{₦750,000}} \times 100\% = 26.67\%$

Equipment SPED should be selected.

It gives a higher ARR at 58.82%, which is more than the company's target ARR of 30%.

OR

ARR = $\frac{\text{Estimated average profit}}{\text{Estimated average investment}} \times 100\%$

Where:

Average annual Profit = $\frac{\text{Total profit after depreciation}}{\text{Number of years of the project}}$

Average Investment = $\frac{\text{Initial investment} + \text{disposable Value}}{2}$

Annual Depreciation = $\frac{\text{Initial investment} - \text{disposable value}}{\text{Number of useful years}}$

Total depreciation = Initial investment - disposable value

Marking guide

| | Marks |
|--|------------------|
| Correct formula stated | 5 |
| correctly calculated figures | 12 |
| choice of Project SPED | 2 |
| Correctly stating the reason for choosing project SPED | 1 |
| Total | <u>20</u> |

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA**FOUNDATION LEVEL EXAMINATION – MAY 2025****BUSINESS LAW****EXAMINATION INSTRUCTIONS****PLEASE READ THESE INSTRUCTIONS BEFORE THE COMMENCEMENT OF THE PAPER**

1. Check your pockets, purse, mathematical set, etc. to ensure that you do not have prohibited items such as telephone handset, electronic storage device, programmable devices, wristwatches or any form of written material on you in the examination hall. You will be stopped from continuing with the examination and liable to further disciplinary actions including cancellation of examination result if caught.
2. Write your **EXAMINATION NUMBER** in the space provided above.
3. Do **NOT** write anything on your question paper **EXCEPT** your examination number.
4. Do **NOT** write anything on your docket.
5. Read all instructions in each section of the question paper carefully before answering the questions.
6. Do **NOT** answer more than the number of questions required in each section, otherwise, you will be penalised.
7. All solutions should be written in **BLUE** or **BLACK INK**. Any solution written in **PENCIL** or any other **COLOUR OF INK** will not be marked.
8. You are required to attempt **ALL questions** in **Section A** and any **FOUR** out of the **SIX** questions in **SECTION B**.
9. Check that you have collected the correct question paper for the examination you are writing.

THURSDAY, MAY 22, 2025**DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO**

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
FOUNDATION LEVEL EXAMINATION – MAY 2025
BUSINESS LAW

Time Allowed: 3¼ hours (including 15 minutes reading time)

SECTION A: MULTIPLE-CHOICE QUESTIONS (20 MARKS)

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

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

1. Which of the following is **NOT** an attribute of a body corporate?
 - A. Purchase and disposal of properties in its name
 - B. Suing or being sued in its own name
 - C. Joint ownership of properties with its directors
 - D. Perpetual succession
 - E. Legal personality

2. Which of the following is **NOT** an implied term under the Sale of Goods Act?
 - A. Implied condition as to title
 - B. Implied warranty to quiet possession
 - C. Implied condition to act
 - D. Implied condition as to fitness
 - E. Freedom from encumbrance

3. Which of the following is **NOT** an attribute of a limited partner?
 - A. He cannot bind the firm
 - B. His death will not dissolve the firm
 - C. He may assign his share with other partner's consent
 - D. He cannot dissolve the firm by notice
 - E. He can dissolve the firm by notice

4. Which of the following is **NOT** an equitable maxim?
 - A. Equity follows the law
 - B. He who comes to equity must come with clean hands
 - C. He who seeks equity must do equity
 - D. Delay defeats equity
 - E. Listen to the other party

5. Which of the following is required for a company's voluntary winding up?
- A. Judicial resolution
 - B. Ordinary resolution
 - C. Special resolution
 - D. Extraordinary resolution
 - E. Hybrid resolution
6. Which of the following are parties to an insurance contract?
- A. Insured and policyholder
 - B. Insurer and insured
 - C. Offeror and offeree
 - D. Company and client
 - E. Owner and risker
7. Which of the following explains why a Will is ambulatory?
- A. It speaks from the death of the maker
 - B. It is attested to by two persons
 - C. It testifies to the good deeds of the maker
 - D. It is irrevocable
 - E. It is dynamic
8. A person against whom a criminal case is initiated is the
- A. Accused/Defendant
 - B. Petitioner
 - C. Cross petitioner
 - D. Appellant
 - E. Prosecution
9. Which action is required to validate a pre-incorporation contract?
- A. Reporting to the Corporate Affairs Commission
 - B. Court order
 - C. Real evidence
 - D. Transparency
 - E. Ratification
10. The Corporate Affairs Commission has the power to refuse to register a proposed company if
- A. There is violation of the minority rule
 - B. There is a violation of the majority rule
 - C. The application is ultra vires
 - D. The application does not comply with the Companies and Allied Matters Act
 - E. There is non-compliance with the federal character policy

11. A company is said to be insolvent when
- A. The company is in financial distress and unable to pay its debt
 - B. Its directors have high debt profiles
 - C. The Managing Director of the company dies
 - D. The Articles of Association of the Company is altered
 - E. It is unable to borrow money
12. The principal agency responsible for the prosecution of financial crimes in Nigeria is the
- A. Federal Ministry of Justice
 - B. International Government on Corruption Commission
 - C. The Economic and Financial Crimes Commission
 - D. The Money Laundering Agency of Nigeria
 - E. The Corruption Must Leave Nigeria Commission
13. The principle that enables the principal to adopt an agent's act that was done without his authority is
- A. Estoppel
 - B. Ratification
 - C. Presumption
 - D. Acceptance
 - E. Approval
14. The principle that makes a person liable for a tort without fault is
- A. Vicarious liability
 - B. Strict liability
 - C. Transferred liability
 - D. Negligence
 - E. Liability by proxy
15. A hire purchase agreement may be terminated by
- A. The transferee of the hirer
 - B. Seizure of the hired goods
 - C. Mutual agreement of the parties
 - D. The indebtedness of the hirer to a third party
 - E. The owner's unilateral action
16. Which of the following is **NOT** a mode of settling disputes out of court?
- A. Counseling
 - B. Conciliation
 - C. Arbitration
 - D. Mediation
 - E. Reconciliation

17. Which of the following is **NOT** an invitation to treat?
- A. Display of goods in a shop window
 - B. Auction
 - C. Invitation to tender
 - D. Advertisement of goods in periodicals
 - E. Sale of necessities
18. Which of the following is **NOT** a classification of goods?
- A. Existing goods
 - B. Commercial goods
 - C. Future goods
 - D. Ascertained goods
 - E. Unascertained goods
19. A charge created over specific assets of a company is known as
- A. Special charge
 - B. Express charge
 - C. Fixed charge
 - D. Floating charge
 - E. General charge
20. Which of the following is **NOT** a duty of a customer to a bank?
- A. Duty to draw his cheque with diligence
 - B. Duty to give instruction in writing
 - C. Duty to notify the bank promptly of any suspicious dealing on his account
 - D. Duty to fund customers' purchases
 - E. Duty to pay appropriate bank charges

SECTION B: OPEN-ENDED QUESTIONS (80 MARKS)

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

QUESTION 1

- a. There are situations in which a person could be another person's agent without the latter's authority.

Required:

Explain **TWO** situations in which a person could be an agent without the express authority of the principal. (4 Marks)

- b. Statutes and case law are among the sources of Nigerian law.

Required:

Distinguish between case law and statutes. (6 Marks)

- c. There is a distinction in the characters of a general partnership and a limited liability partnership.

Required:

State **FOUR** attributes of a limited liability partnership. (6 Marks)

- d. The Court would disregard the separate personality of a company for justifiable reasons.

Required:

State **FOUR** reasons for which the Court would lift a company's veil of incorporation. (4 Marks)

(Total 20 Marks)

QUESTION 2

- a. Incorporation of a company depends on filing of relevant documents of incorporation with the Corporate Affairs Commission.

Required:

List **SIX** documents of incorporation. (6 Marks)

- b. Negligence is material to the practice and relationships of professionals.

Required:

Explain the law of negligence, stating the essential elements. (4 Marks)

- c. A trust is an equitable relationship, which imposes upon a person called a trustee, a duty to deal with the property of the donor under his control.

Required:

Explain the three certainties required of a valid trust. (6 Marks)

- d. The directors of a company may remove a Company Secretary from office by giving him the requisite notice.

Required:

State **TWO** matters that a notice to remove a Company Secretary must state. (4 Marks)

(Total 20 Marks)

QUESTION 3

- a. The relationship between a bank and a customer is contractual.

Required:

State **SIX** duties of a bank to its customer. (6 Marks)

- b. Hire purchase is an agreement to take possession of goods and pay for it by installments.

Required:

(i) Define the parties to a hire purchase transaction? (2 Marks)

(ii) State **FOUR** obligations of the hirer to the owner. (4 Marks)

- c. The directors of a company are entrusted with the authority to manage the business of the company.

Required:

State **FOUR** duties of a company director. (8 Marks)

(Total 20 Marks)

QUESTION 4

- a. Persons that may join in the formation of a company must have certain legal capacities.

Required:

State **THREE** categories of persons that are disqualified from joining in the formation of a company. (6 Marks)

- b. The main objective of the Sale of Goods Act is to regulate the sale of goods by the seller to the buyer.

Required:

State **FOUR** rules on passing of property in the goods from the seller to the buyer. (8 Marks)

- c. Alternative Disputes Resolution (ADR) mechanism is a flexible mode of resolving disputes that has varieties.

Required:

Differentiate between **mediation** and **arbitration**. (6 Marks)

(Total 20 Marks)

QUESTION 5

- a. The parties to employment relationship have duties and rights to protect their interests.

Required:

State **FOUR** remedies that are available to an employer when his employee breaches his duties. (6 Marks)

- b. The Companies And Allied Matters Act (CAMA) has provisions for incorporated trustees.

Required:

State **THREE** grounds upon which a Court would dissolve a body with incorporated trustees. (6 Marks)

- c. An e-mail message requires authentication to be admissible in evidence.

Required:

State **TWO** ways of authenticating an e-mail message. (2 Marks)

- d. Consideration is an essential element of a contract.

Required:

State **THREE** rules that govern Consideration. (6 Marks)
(Total 20 Marks)

QUESTION 6

- a. An offer is the expression of a definite intention to enter into a contract on the basis of specific terms.

Required:

State **SIX** events that will terminate an offer.

(12 Marks)

- b. The general meeting of a company is so vital to a decision-making organ of the company that nobody that is entitled to attend must be excluded.

Required:

State **FOUR** categories of person that are entitled to receive a notice of a company's general meeting.

(4 Marks)

- c. Fraudulent false accounting is an offence that is usually charged alongside forgery.

Required:

Explain **TWO** conducts of a clerk or servant that amount to fraudulent accounting.

(2 Marks)

- d. Stealing is an offence that should be of concern to all accountants.

Required:

Define stealing.

(2 Marks)

(Total 20 Marks)

SOLUTIONS TO MCQ

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

Examiner's report

The questions achieved a good spread over the syllabus.

All the candidates attempted the questions and at least 75% of them scored above average marks.

Candidates are advised to cover the entire syllabus in the ICAN Study Text in their future preparations.

SOLUTION 1

- a. Agency relationship could arise by agreement or by operation of law. The latter which does not depend on the prior authority of the principal, could occur by the way of:
- (i) necessity-This is a compelling action that a person takes on behalf of another person to save that other person's goods or property from depreciation, deterioration, or destruction without that other person's prior authority;
 - (ii) ratification- This is a situation in which the action of a person without prior authority is approved by a principal, which approval amount to antecedent authority; and
 - (iii) estoppel- Is a situation in which a principal will not be allowed to deny or resile from his authority where he had acted in such a manner that it was reasonable to infer or believe that he had authorised the agent's actions.
- b. Case law, also referred to as judicial precedents, are laws derived from the previous judgments of superior or higher courts in respect of cases with similar facts, which must be followed by lower courts in the hierarchy.
- Statutes are laws enacted by legislative bodies in the performance of their duties, which comprise Acts of the National Assembly and Laws of State Houses of Assembly.
- c. The attributes of a limited liability partnership include the following:
- i. it is a body corporate and a separate legal entity from the partners;
 - ii. it has perpetual succession so that a change in its membership does not affect its existence, rights, or liability;
 - iii. it must have at least two partners and two designated partners, provided that the two partners could also be the designated partners;
 - iv. however, where all the partners are bodies corporate, at least two of their nominees or at least two individual partners must serve as designated partners;
 - v. one of the designated partners must be resident in Nigeria;
 - vi. its name must end with the words "Limited Liability Partnership" or "LLP";
 - vii. it may sue and be sued in its name;
 - viii. it may acquire, hold, and dispose properties of any nature in its own name; and
 - ix. it may have a common seal, if it is so willing.

- d. The Court may lift the veil of incorporation of a company for any of the following reasons:
 - i. when it discovers that the company has been formed so as to avoid a legal obligation;
 - ii. where a public company or a private company with an authorised membership of at least two carries on business with less than the minimum membership of two;
 - iii. where the name of the company has been misstated or the company has been misdescribed;
 - iv. if the company has traded fraudulently;
 - v. when there is the need to determine the residence of the company;
 - vi. to apportion benefit or liability in a holding company/subsidiary relationship; and
 - vii. for public policy reason.

Examiner's report

The question tests candidates' understanding of agency by the principal's ratification, source of Nigerian law, the attributes of a limited liability partnership, and lifting of a company's veil of incorporation.

Attempt rate was about 80%, of which 60% scored marks that were above average.

Candidates' major pitfall was their inadequate understanding of an agent's authority.

Candidates are advised to focus more on agency in ICAN Study Text as they prepare for future examinations.

Marking guide

| | Marks |
|---|------------------|
| a. The 2 ways a person can become an agent without express authority of the principal (2 marks each for any 2 points) | 4 |
| b. The distinction between case law and statutes (3 marks each for any 2 points) | 6 |
| c. Attributes of a limited liability partnership (1½ for any 4 points) | 6 |
| d. When a court will lift the veil of a company (1 mark each for any 4 points) | <u>4</u> |
| Total | <u>20</u> |

SOLUTION 2

- a. The document of incorporation of a company are as follows:
- i. approval and reservation of name form;
 - ii. the memorandum of association stamped by the Commissioner of Stamp Duties;
 - iii. the name and address of the agent, if the application for registration is being delivered by an agent for registration;
 - iv. the particulars of the directors with their consent to serve in the prescribed form signed by all the directors and countersigned by at least one director;
 - v. a statement of the proposed registered office of the company;
 - vi. a copy of the proposed articles of association of the company, if the company is not relying by default on the model articles as may be prescribed by the Minister of Industry, Trade and Investment;
 - vii. a statement of the initial issued share capital and initial shareholding in the company, if the company has a share capital;
 - viii. a statement of guarantee, if the company is limited by guarantee;
 - ix. a statement of compliance with the provisions of CAMA filed by the applicant or his agent. The CAC may accept that statement of compliance as sufficient evidence of compliance.

Note that the CAC may accept that statutory declaration signed by the legal practitioner engaged in the incorporation and attested before the commissioner for oaths or notary public); and

- x. any other document that the CAC may require pursuant to any law relating to formation of a company.
- b. Negligence simply means carelessness or inadvertence. An act is considered negligent where a person did not take necessary care to avoid the act or the omission and no wrong or bad intention needs to be proved.

Negligence has three elements as follows:

- the existence of a duty of care;
- a breach of the legal duty of care by the defendant; and
- resultant or consequential damage or injury to the plaintiff.

- c. The three (3) certainties necessary to create a valid trust are;

i. **Certainty of words or intention**

Certainty of words means that the words used must be imperative. It must point clearly at a creation of a trust.

- ii. **Certainty of subject matter**
Certainty of subject matter means that the subject matter of the trust must be clearly and sufficiently identifiable and it must be certain and the interest of the beneficiaries ascertainable.
 - iii **Certainty of object**
Certainty of object means that the beneficiaries are identifiable.
- d. Where the board intends to remove the secretary of a public company from office, it must give the secretary a notice-
- i. stating that it intends to remove the secretary from office;
 - ii. setting out the grounds on which it is intended to remove him;
 - iii. allowing him a period of at least seven working days to make his defence; and
 - iv. offering him an option to resign his office within a period of seven working days.

Examiner's report

The question tests candidates' understanding of the documents of incorporation, elements of the tort of negligence, the three certainties of a trust, and the contents of a notice to remove a Company Secretary from office.

Attempt rate was above 95% and pass rate was over 80%.

Candidates did not exhibit any strong identifiable pitfall apart from not stating their responses clearly and completely.

Candidates are advised to express their ideas more clearly in future.

Marking guide

| | | Marks |
|--------------|---|------------------|
| a | Documents of incorporation (1 mark each for any 6 points) | 6 |
| B | Explanation of negligence The essential elements of negligence | 1 <u>3</u> 4 |
| C | Certainties of a valid trust (2 marks each for any points subject to a maximum of 3 points) | 6 |
| D | What a notice to remove a Company Secretary must contain (2 marks each for any 2 points) | <u>4</u> |
| Total | | <u>20</u> |

SOLUTION 3

- a. The duties of a banker to her customer are:
- i. duty to honour customer's account;
 - ii. duty of secrecy on customer's cheques;
 - iii. duty to exercise care and skill in handling the customer's affairs;
 - iv. duty to act as collecting banker to the customer;
 - v. duty to pay only according to customer's mandate;
 - vi. duty not to pay countermanded cheque;
 - vii. duty to keep customer's account accurate; and
 - viii. duty to demand repayment of overdraft.
- b i. Parties to a hire purchase transaction are:
- the owner;
 - the hirer; or
 - the financier
- ii. The obligations of a hirer are:
- obligation to accept delivery of the goods;
 - punctual payment of installments;
 - taking care of goods with diligence; and
 - to redeliver the goods, if not purchased.
- c. The duties of a Company Director are to:
- i. observe utmost good faith towards the company in any transaction within or on its behalf;
 - ii. act at all times in what they believe to be in the best interest of the company as a whole so as to preserve its assets, further its business, and promote the purpose for which the company is formed;
 - iii. have regards to the interest of the company's employees and members in performance of their abilities;
 - iv. exercise their powers for the purpose for which the company gave those powers for any collateral purpose;
 - v. not fetter their discretion to vote in a particular way;
 - vi. not delegate their powers in such a way as to abdicate their duties;
 - vii. not misuse corporate information and opportunities, which duties does not cease with a director's resignation from office ;
 - viii. not accept a bribe, gift or commission from outsiders on any transaction that involves the company;
 - ix. not allow their personal interest to conflict with their duties;
 - x. not make any secret profit or achieve any unnecessary benefits in managing the business of the company or in utilizing the company's assets (including information);
 - xi. account to the company for any secret profit, or disclose a possible profit before they make it, so that the general meeting may approve it;
 - xii. exercise the power and discharge the duties of their office honestly, in good faith and in the best interest of the company;
 - xiii. exercise that degree of care, diligence and skill that a reasonably prudent director would exercise comparable circumstance; and

- xiv. pay attention to the affairs of the company and be responsible for the actions of the board in which they participate so that only justifiable absence from the board's deliberations shall relieve them from such responsibility.

Examiner's report

The question tests candidates' understanding of the duties of a bank to its customers, parties to hire purchase, and their duties as well as the duties of a company director.

Over 90% of the candidates attempted the question, and pass rate was over 70%. Candidates' major pitfall was their inadequate understanding of the banker's duties, and the duties of directors.

Candidates are advised to focus more on the duties of bankers and directors respectively as they study the ICAN's Study Text.

Marking guide

| | Marks |
|---|--------------|
| a The duties of a banker to its customer (1 mark each for any 6 points) | 6 |
| bi. Parties to a hire purchase transaction | 2 |
| ii. The obligation of the hirer to the owner (1 mark each for any 4 points) | 4 |
| C The duties of a Company Director (2 marks each for any 4 points) | <u>8</u> |
| Total | <u>20</u> |

SOLUTION 4

- a. The FOUR (4) categories of persons that are disqualified from joining the formation of a company are:
 - i. a person less than eighteen (18) years old;
 - ii. a person of unsound mind and has been so found by court;
 - iii. undercharged bankrupt;
 - iv. a person disqualified under S.254 of CAMA from being a director of a company; and
 - v. a corporate, other than its accredited representative on the board.
- b. The rules governing passing of property under the Sale of Goods Act are as follows:
 - i. where there is an unconditional contract for the sale of specific goods in a deliverable state, the property passes when the contract is made irrespective of the time of payment;

- ii. where the contract is for specific goods and the seller is bound to do something to the goods to put them in a deliverable state, the property in goods does not pass until this has been done and the buyer has notice thereof;
 - iii. where the specific goods are in a deliverable state but the seller still has to do something, such as weighing, measuring or testing the goods, the property does not pass until such an act has been done and the buyer has notice thereof;
 - iv. where goods are delivered on approval or sale or return, the property passes:
 - when the buyer signifies his approval or acceptance to the seller; or
 - when the buyer does any other act adopting the transaction; or
 - where the buyer retains the goods beyond the agreed time or beyond a reasonable time; and
 - v. where the sale is for unascertained or future goods by description, the property passed when the goods of that description, which in a deliverable state, are appropriated unconditionally to the contract by one party with the express or implied assent of the other.
- c. In mediation, a neutral third party mediates between the disputing parties, but since he has no authority to make a decision that binds the disputing parties, he only assists them to reach a resolution of their dispute.

Arbitration, on the other hand, is a formal process by which a neutral third party, called an arbitrator, exercises authority to bind the parties by his decision after listening to the disputing parties.

Examiner's report

The questions tests candidates' knowledge of the qualifications for joining in forming a company, passing of property in sale of goods, and the distinction between mediation and arbitration as alternative dispute resolution (ADR) mechanisms.

Over 90% of the candidates attempted the question, and performance was very good.

Candidates' major pitfall was their inadequate understanding of passing of property in sale of goods.

Candidates are advised to study sale of goods more intensely in the future.

Marking guide

| | Marks |
|--|------------------|
| a The categories of person's that are disqualified from joining in formation of a company (2 mark each for any 3 points) | 6 |
| b The rules on passing of property in goods from a seller to a buyer (2 marks each for any 4 points) | 8 |
| c Differences between mediation and arbitration (3 marks for each) | <u>6</u> |
| Total | <u>20</u> |

SOLUTION 5

- a. The remedies that are available to an employer when his employee breaches his duties include to:
- dismiss the employee where the servant has committed an offence;
 - suspend the servant for breach of duty or some defaults;
 - sue the servant for indemnity in respect of losses incurred as a result of the servant's negligence or default; and
 - sue the servant in order to enforce reasonable restraint of trade.
- b. The grounds upon which a Court could dissolve an incorporated trustee body are that:
- it is just and equitable in all the circumstances that the body be dissolved;
 - the body corporate is formed to exist for a specified period and that period has expired and it is not necessary for it to continue to exist;
 - the aims and objectives for which it was established have been fully realised and no purpose would be served by keeping the corporation alive; and
 - the aims and objects of the association have become illegal and contrary to public policy.
- c. **An e-mail message could be authenticated by:**
- the testimony of the author;
 - comparing the e-mail message with other self-authenticating e-mail messages;
 - some peculiar features of the very disputed e-mail message such as the existence of an e-mail address on the print out;
 - a witness who has knowledge of the exchange of e-mail, just as if he had knowledge of exchange of written letters;
 - oral evidence of the recipient of the e-mail that he actually received the disputed mail; and

- vi. evidence that the message in the e-mail tallies with other admitted telephone discussions involving that party.
- d. The rules that govern consideration in contract are as follows:
 - i. consideration must be something of value;
 - ii. consideration need not to be adequate, but sufficient;
 - iii. consideration must move from the promisor, but not necessarily to the promisee;
 - iv. consideration may be executory or executed; and
 - v. consideration must not be past.

Examiner's report

The question tests candidates' understanding of the remedies of an employer for an employee's breach of duties, authentication of email messages, consideration as an element of a contract, and dissolution of a body whose trustees are incorporated.

Attempt rate was over 80%, and pass rate was around 75%.

Candidates major pitfall was their inadequate understanding of email authentication procedure.

Candidates are advised to study email authentication procedure more in the ICAN Study Text.

Marking guide

| | Marks |
|--|------------------|
| a Remedies available to an employer when his employee breaches his duties (1½ marks each for any 4 points) | 6 |
| b When a court would dissolve incorporate trustees (2 marks each for any 3 points) | 6 |
| c Ways of authenticating an email message (1 mark each for any 2 points) | 2 |
| d The rules that govern consideration (2 marks each for any 3 points) | <u>6</u> |
| Total | <u>20</u> |

SOLUTION 6

- a. An offer may be terminated by the following circumstances:
 - i. death of either party;
 - ii. non-acceptance of the offer within the timeline, or effluxion of time;
 - iii. a counter-offer;
 - iv. revocation before it is accepted;

- v. express rejection of the offer by the offeree;
 - vi. intervening incapacity of one of the parties;
 - vii. supervening illegality; or
 - viii. failure of a condition precedent.
- b. The following persons are entitled to receive notice of a company's general meeting:
- i. every member;
 - ii. every person upon whom the ownership of a share devolves by reason of being a legal representative, receiver, or trustee in bankruptcy of a member;
 - iii. every director of the company;
 - iv. every auditor for the time being of the company;
 - v. the Company Secretary; and
 - vi. the Corporate Affairs Commission in the case of a public company.
- c. "Any person who, being a clerk or servant, or being employed or acting in the capacity of a clerk or servant, does any of the following acts with intent to defraud:
- i. destroys, alters, mutilates, or falsifies, any book, document, valuable security, or account, which belongs to or is in the possession of his employer or has been received by him on account of his employer, or any entry in any such book, document or account or is privy to any such act; or
 - ii. makes, or is privy to making any false entry in any such book, document, or account; or
 - iii. omits, or is privy to omitting, any material particular from any such book, document, or account; is guilty of a felony and is liable to imprisonment for seven years."
- d. According to section 383(1) of the Criminal Code, a person who fraudulently takes anything capable of being stolen or fraudulently converts to his own use or to the use of any other person anything capable of being stolen, is said to steal that thing.

Examiner's report

The question tests candidates' understanding of termination of offer, notices of company meeting, conducts that amount to fraudulent accounting, and the definition of stealing.

Attempt rate was 50% and pass rate was 40%.

Candidates' major pitfall was their inadequate understanding of fraudulent accounting and the elements of the offence of stealing.

Candidates are advised to study fraudulent false accounting and stealing more in the ICAN Study Text for the future.

Marking guide

| | Marks |
|---|------------------|
| The events that will terminate an offer (1 mark each for any 6 points) | 6 |
| The categories of persons that are entitled to receive a notice of company's general meeting (1 mark each for any 4 points) | 4 |
| Conducts of a clerk or servant that amount to fraudulent accounting (1 mark each for any 2 points) | 2 |
| Definition of stealing | <u>2</u> |
| Total | <u>20</u> |