

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA**PROFESSIONAL LEVEL EXAMINATION – MAY 2023****CASE STUDY****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. All solutions should be written in **BLUE** or **BLACK INK**. Any solution written in **PENCIL** or **RED INK** will not be marked.

THURSDAY, MAY 18, 2023**DO NOT TURN OVER UNTIL YOU ARE TOLD TO DO SO**

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
PROFESSIONAL LEVEL EXAMINATION – MAY 2023
CASE STUDY

Time Allowed: 4 hours (including reading time)

INSTRUCTION: YOU ARE TO USE CASE STUDY ANSWER BOOKLET FOR THIS PAPER

PRE-SEEN

This material is issued prior to the examination date to enable candidates familiarise themselves with the case scenario so as to undertake any research and analysis they think fit. This pre-seen part of the Case Study examination is also published on the Institute's website: www.icanig.org/students.

You **MUST NOT** bring this material with you to the Examination Hall. On receipt of the material, you are to spend the few days to the examination date to familiarise yourself with the information provided, carry out additional research and analysis about the industry and analyse the financials provided in preparation for the examination.

Candidates should note that the use of pre-seen part of the Case Study will not significantly help them in their preparation for this examination. It is essential that they carry out sufficient analytical work on their own in order to have a good understanding of the pre-seen part of the case scenario.

At the start of the examination, candidates will receive the complete case scenario which will include both the pre-seen and the unseen which includes the requirements. You must use the answer paper provided by ICAN in the Examination Hall. Any solution presented with other papers **WILL NOT** be assessed.

Assessment of the Case Study

The marks in the Case Study examination are awarded for professional skills and are approximately allocated as follows:

- | | |
|--|-----|
| ▶ Assimilating and using information | 20% |
| ▶ Structuring problems and solutions | 20% |
| ▶ Applying judgement | 20% |
| ▶ Drawing conclusions and making recommendations | 20% |
| ▶ Demonstrating integrative and multidisciplinary skills | 10% |
| ▶ Presenting appropriate appendices | 10% |

Ethical issues do not form a specific requirement, as this has been deemed to have been tested in other subjects of the ICAN professional examination, but will be tested within a requirement which may include the following areas:

- ▶ Lack of professional independence or objectivity;
- ▶ Conflicts of interest among stakeholders;
- ▶ Doubtful accounting and or creative accounting practice;
- ▶ Unethical business/commercial practice; and
- ▶ Inappropriate pressure to achieve a reported result.

Candidates should note that marks are not awarded for just simply restating facts from the case scenario but marks are awarded for demonstrating professional skills and technical depth. Therefore, to succeed, candidates are required to:

- ▶ Show sufficient evidence of knowledge of the case scenario;
- ▶ Be able to carry out appropriate analysis of the issues involved and suggest feasible solutions to the problems identified;
- ▶ Demonstrate ability to make informed judgement on the basis of analysis carried out; and
- ▶ Generate reasoned conclusions upon which relevant recommendations are made.

Candidate that omits any one of these will have a slim chance of success in the examination.

Case Study:

List of exhibits

- 1 About you (Thomas Chukwudi) and your employer, Chikwelu, Adedigba, Kamal & Co (Chartered Accountants)
- 2 Dadly Cement Nigeria Limited (DCNL) – History, competitors, board, management, etc
- 3 Dadly Cement Nigeria Limited's 3-year financial summary
- 4 Dadly Cement Nigeria Limited: Proposed growth strategies

Exhibit 1

About you (Thomas Chukwudi) and your employer, Chikwelu, Adedigba, Kamal & Co (Chartered Accountants).

You are Thomas Chukwudi, a prospective ICAN Chartered Accountant working for Chikwelu, Adedigba, Kamal & Co. (Chartered Accountants). You report to Dare Adedigba, the business advisory partner.

Your responsibilities include:

- Preparing detailed financial analyses and reports as may be required by your firm's clients;
- Analysing your clients' financial statements to identify areas of weakness and proffering likely solutions to correct the anomalies;
- Assessing operational and strategic business proposals to see how each aligns with the client's objectives and its impact on the company's business and financial risks;
- Assessing your firm's clients' financial and business forecast together with the assumptions upon which they are based to form judgements and propose recommendations to their respective board; and
- Drafting reports for your partner's perusal and approval before sending them to your clients.

Your responsibilities demand that you keep abreast of the business and economic environments, both nationally and internationally, so as to be able to carry out the above tasks effectively.

Dadly Cement Nigeria Plc (DCN): History, competitors, board, management, etc**History**

Dadly Cement was incorporated in Nigeria in 1956 and commenced production, in June 1959. As the company expanded into other regions, it established more plants such as Aba Plant in 1957 and Kaduna Plant in 1973. By 1981; the company had become one of the largest cement company in the country in terms of capital investment. In 1992, another plant was added in Ogun state. In September 2003, the company acquired its fifth plant in Enugu state, and in October 2013, its sixth plant, sited also in Enugu state, with 3 million metric tonnes per annum capacity, the largest cement plant in Nigeria at present.

DCN was listed on the floor of the Nigerian Stock Exchange (NSE) in 1983. As at December 31, 2020, it had a market capitalisation of approximately ₦448 billion, making it one of the largest cement company in Nigeria by market capitalisation. DCN has received several awards in the capital market including, the NSE President's Merit Award in the Cement Sector, the NSE Quoted Company of the Year Award, the NSE CEO's Distinguished Award for Compliance and the NSE CEO's award as the Most Compliant Listed Company on the Nigerian Stock Exchange. The company is also a recipient of the Institute of Chartered Secretaries and Administrators' of Nigeria (ICSAN's) Award for Excellence in Corporate Governance (corporate category) as well as the Institute of Directors' Nigeria Corporate Governance Award. These awards are a reflection of the company's continued commitment to excellence in corporate governance matters.

DCN, in its operational performance, is also a recipient of several awards and recognitions, such as product quality, marketing excellence, productivity and innovation, health and safety, corporate social responsibility and sustainability.

Competitors

The major competitors for Dadly cement are Dangote Plc. and Nigerian Cement Plc. Dadly, Dangote and Nigerian Cement control approximately 90% of the market for cement in Nigeria. The three companies have production plants across the country with sales depots and distributors in major cities in the country.

Board and management

Board

The current members of Dadly Cement board are:

Chief Kanmi Odeku	Chairman
Mr. Wymenga Walter	Managing director
Mr. Andrew Young	Finance director
Mr. Mark Sijbe	Marketing/Distribution director
Mr Thompson Chukwura	Non – executive director
Mrs Serah Akpabio	Non – executive director
Mr Anu Famuyiwa	Non – executive director

Management

The following are the top management of Dadly Cement Plc.:

Mr. Wymenga Walter	Managing director
Mr. Andrew Young	Finance director
Mr. Mark Sijbe	Marketing/Distribution director
Dr. John Adimula	General manager – human resources
Mrs. Doris Etam	Company Secretary/Legal Adviser
Mr Paul Rutten	General manager – Production
Mr. Jordi Rob	General manager – Supply chain

DCN's Mission

To be the leading company in the cement industry in Nigeria, marketing high quality brands to deliver superior value to all our stakeholders in an environmentally friendly way.

DCN's Vision

To bring happiness to all people through our great brands, passionate people and world class performance.

DCN's Core Values

Our cherished values include:

- **Respect**
For our people, the society and the environment.
- **Performance**
A culture of top-level performance to deliver outstanding value to our stakeholders.
- **Customer Service**
We exist to serve and satisfy our customers.

DCN's Corporate Social Responsibility (CSR) and Sustainability

DCN is a socially responsible corporate organisation with a good track record of corporate social initiatives. Sustainability has become the way of doing business in DCN. DCN, as an environmentally friendly organisation is creating value for all its stakeholders with a sustainable environment as its watch word. The company uses its goodwill, strong brand name, economic position and good reputation as a socially responsible organisation to create shared value in a manner that empowers stakeholders to exercise their talents and utilise opportunities to contribute towards sustainable development.

DCN continues to identify and respond to major challenges confronting the country through its huge corporate social investments especially in the areas of education, the environment, water, youth empowerment, talent development and sports, amongst others.

DCN is heavily involved in sponsoring of sports in the country with sponsorship covering football, athletics, tennis, cycling, chess, golf, squash, dart, sailing and “*Ayo*”, among others. The company’s goal is the development of sportsmen and women who will be able to participate in national and international competitions, and boost the sports profile of the country.

DCN has built several solar powered boreholes, commissioned independent street lights and constructed bus shelters across Nigeria. This is because DCN believes in the growth of the communities where it operates as its business grows.

In recognition of DCN’s vast CSR footprints across the country, it has been awarded the prize of the Most Socially Responsible Company in Nigeria severally.

DCN’s approach to sustainability covers its entire value chain of minning, hauling, packaging and distribution. Its sustainability initiatives include protection of natural resources, reduction in CO₂ emissions, waste control, sustainable sourcing practices, amongst others.

DCN’s corporate governance

DCN’s board of directors is responsible for the overall long-term success of the company, policy formulation and the strategic direction of the business as well as providing effective leadership to achieve the company’s objectives in a manner that respects its core values.

DCN’s code of business conduct

DCN is committed to conducting business with integrity and fairness, with respect for the law and its values. This commitment is outlined in company’s Code of Business Conduct (“The Code”). The Code explains what DCN stands for and what is expected from all its employees – individually and as a team – at every level.

Ancillary industries

DCN, following its backward integration policy, has partnered with and supported the establishment and growth of several ancillary industries which provide the company’s raw and packaging materials. These include limestone, asphat and manufacturers of bags etc.

By using limestone as a main ingredient, DCN supports ₦8.8 billion in value added representing 0.05% of manufacturing GDP and 50,000 jobs (0.12% of the manufacturing labour force) throughout the limestone value chain.

Dadly Cement Nigeria Limited's 3-year financial summary
Statement of Financial Position

	2020	2019	2018
Assets	₦'m	₦'m	₦'m
Property, plant and equipment	76,683.0	71,174.2	49,214.1
Intangible assets and goodwill	26,781.7	26,993.8	27,183.5
Investments	75.0	75.0	75.0
Inventories	10,321.6	12,326.4	13,766.5
Trade and other receivables	7,185.5	10,039.3	3,538.2
Prepayments	500.2	517.6	2,903.7
Deposit for imports	68.4	933.4	566.7
Cash and cash equivalents	<u>4,764.4</u>	<u>4,757.1</u>	<u>10,938.3</u>
Total assets	<u>126,379.8</u>	<u>126,816.8</u>	<u>108,186.0</u>
Liabilities			
Loans and borrowings	4,500.0	22,500.0	23,500.0
Employee benefits	4,637.4	2,983.4	3,433.3
Deferred tax liability	10,915.0	11,192.3	10,615.8
Current tax liabilities	12,043.3	9,746.8	9,961.5
Dividend payable	3,188.2	2,824.1	2,364.8
Trade and other payables	<u>34,916.3</u>	<u>30,846.3</u>	<u>19,277.5</u>
Total liabilities	<u>70,200.2</u>	<u>80,092.9</u>	<u>69,152.9</u>
Equity			
Share capital	1,890.7	1,890.7	1,890.7
Share premium	2,284.0	2,284.0	2,284.0
Revaluation reserve	-	-	3,544.9
Share based payments	25.0	76.2	-
Retained earnings	<u>51,979.9</u>	<u>42,473.0</u>	<u>31,313.5</u>
Total Equity	<u>56,179.6</u>	<u>46,723.9</u>	<u>39,033.1</u>
Total liabilities and equity	<u>126,379.8</u>	<u>126,816.8</u>	<u>108,186.0</u>

Contd of Exhibit 3**Income Statement**

	2020	2019	2018
	₦'m	₦'m	₦'m
Revenue	134,306.8	126,337.1	115,061.6
Cost of sales	<u>(66,068.3)</u>	<u>(63,611.0)</u>	<u>(60,180.6)</u>
Gross profit	68,238.5	62,726.1	54,881.0
Other income	1,037.7	1,000.1	172.6
Marketing and distribution expenses	(21,474.8)	(19,725.3)	(16,510.4)
Administrative expenses	<u>(13,215.7)</u>	<u>(11,695.1)</u>	<u>(10,219.3)</u>
Operating profit	34,585.7	32,305.8	28,323.9
Finance income	275.6	279.9	664.6
Finance costs	<u>(3,741.1)</u>	<u>(4,773.5)</u>	<u>(802.1)</u>
Net finance costs	<u>(3,465.5)</u>	<u>(4,493.6)</u>	<u>(137.5)</u>
Profit before tax	31,120.2	27,812.2	28,186.4
Taxation	<u>9,580.0)</u>	<u>(8,790.8)</u>	<u>(9,173.6)</u>
Profit for the year	<u><u>21,540.2</u></u>	<u><u>19,021.4</u></u>	<u><u>19,012.8</u></u>
Profit for the year attributable to:			
Owners of the company	<u>21,540.2</u>	<u>19,021.4</u>	<u>19,012.8</u>
Earnings per share:			
Basic and diluted (kobo)	570	503	503

Dadly Cement Nigeria Limited: Proposed growth strategies

At its September, 2021 meeting, the board reviewed the performance of the company thus far and discussed the future growth strategies of the company.

During the discussion, the board noted, from the management report that the company has no presence in some parts of the country, which is affecting the company's penetration into those areas. Also, the need to add more vibrant brands to the company's product offerings was discussed.

The board finally arrived at the following growth strategies for the next two years:

1. Scout for existing cement operating in the parts of the country where the company does not have presence, which the company can acquire or merge with. This will enable the company to meet two of its strategic objectives, first to have presence in those parts of the country and second, to add new brands to its product portfolio;
2. If there are no cement for acquisition or merger, then the company will have to build new cement plant to cater for those parts of the country where the company has no presence;
3. Scout for an overseas plant with vibrant products and enter into franchise agreement with the plant which will allow the company to manufacture and market the brands in Nigeria; and
4. Introduce two new products, "Bloc Plaster" and "Falcon", already developed by the company's research and development department, into the market within the next six months.